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Review of Rural Affairs

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Droughts, Heatwaves and Agricultural Adaptation
A Historical Account for India

ASHUTOSH KUMAR TRIPATHI, SUMITA SINDHI

Extreme events as floods, droughts and heat waves ensue from climate change. There has been an increase in the frequency and intensity of such events in the past two decades. Some of the recent events have caused substantial damage to agricultural crops and loss to human lives. The recurrence of such events is a threat to social welfare, economy and humanity as a whole. Adaptation to climate change is the key and the way forward. It is observed that agriculture has historically adapted to shocks and extreme events. Agricultural adaptation and resiliency to extreme events over the last three and a half decades is gauged using secondary data.

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An increase in the incidence of extreme events as floods, droughts, heatwaves and forest fires has been recorded over the years. The escalation in frequency and intensity of these events is attributed to climate change. The Intergovernmental Panel on Climate Change (hereafter IPCC) in its fifth assessment report has elaborately documented the vulnerability to extreme events and their impact on human health, economic development and agricultural systems globally (IPCC 2014). The heatwave of 2015 over Indian subcontinent is ranked as one of the deadliest in the recent past impairing human and agricultural systems (NOAA 2015; UNESCAP 2016). Satellite data suggests that there has been an increase of around 1 degree Celsius (°C) in maximum temperatures across India in the last 50 years (between 1951–60 and 2001–10) and projections deeper into the future paint a more alarming picture. For instance, IPCC predicts that temperatures are likely to rise by 3°C–4°C by the end of the 21st century (Pathak et al 2012). Increase in the mean temperature and increases in the number of hot days have been documented across the country as well (IMD 2018; Kumar et al 1994).

Climate change has disruptive consequences on food production processes, and hence, research focus on the same is primal. The developing world based on its geographical location is more vulnerable to climate change;[1] however, most of the empirical research is concentrated on the developed world. A small but growing literature has focused on estimating the impact of climate on the performance of Indian agriculture. Pingali et al (2019) summarises the recent projections for different crops in India, which show differences in outcomes both by crops and by region. Using district-level data on temperature, rainfall and crop production, *Economic Survey 2017–18* (GoI 2018) yields three key findings. First, climate change impact in terms of temperature and rainfall is non-linear and is felt in the extreme, that is, when temperatures are higher, rainfall is substantially lower, and the number of dry days are higher than normal. Second, is that these extreme shocks have highly divergent effects between unirrigated and irrigated areas, almost twice as high in the former compared with the latter. Third, it relates to the impacts on agricultural yields. The estimate shows that the extreme temperature shock reduces yields by 4% and 4.7% for kharif and rabi, respectively, while the extreme rainfall shocks reduce yields by 12.8% and 6.7% for kharif and rabi, respectively.

Climate change poses the greatest threat to Indian agriculture. The frequency, intensity and area under extreme events, such as droughts and heatwaves have seen an upsurge over the last three decades. The probability of occurrence of a drought is about 35%, that is, once in three years (Pandey et al 2007). India has experienced 13 major droughts since 1966, the year of introduction of green revolution in the country. Four of these have occurred quite recently, that is, between 2001 and 2012. One of the worst heatwaves in the last five decades that took a toll on 1,300 human lives occurred in 1998 (De and Mukhopadhyay 1998). Since then, the Indian Meteorological Department (IMD) has recorded five such events having an impact on environment and society (Met Office 2011; IMD 2015).

It is generally agreed that the vulnerability to climate change is a function of both the sensitivity of a system to changes in climate, and the ability to adapt the system to such changes (Watson et al 1998). Historically, agriculture has adapted to climate change shocks, majorly having an impact on the production. Emanuele and Mendelsohn (2018) provide a review of cross-sectional studies on how climate affects management choices in agriculture. Ecosystem scientists argue that this change in management choices reveals how ecosystems survived the many large climate shifts that have occurred in the earth's history since the ice ages (Prentice et al 2011). Further, the sensitivity of a system to changes in climate depends on many factors. For instance, rise in temperature (up to a certain range) is found to have beneficial impacts in certain crop groups if combined with other optimal growing conditions like enough access to irrigation and adequate groundwater management system (Misra 2014; Qadir et al 2008; Taylor et al 2013). Climate models project that adequate irrigation in paddy will increase its production but the crops, such as wheat and maize ,will see a decrease (Challinor et al 2014; Nelson et al 2014). Therefore, it is extremely challenging to quantify the impact of the increase in temperature on crop yield.

In this context, the present paper examines the impact of heatwaves and drought on agricultural production in India over the last three and a half decades, that is, 1981–2015 with the following objectives. First, to chronologically assess and detect the impacts over time and, second, to draw observations useful for future adaptation in agricultural systems. While analysing the extent to which adaptations are made, similar type of events over time are compared. The hypothesis is that the farmers learn and adapt to recurring events, thus minimising the impact on production with each successive event.

Approaches to Assess Climate Change Impacts

Most of the impact assessment studies of climate change tend to make simple assumptions about adaptation. They either ignore adaptation completely or assume arbitrary adaptation or complete changes in behaviour (Tol et al 1998). Agricultural adaptation during extreme events in the past is a key to predict future behaviour. There are generally three broad approaches in the literature aimed at assessing the impact of climate change on agriculture, commonly known as the production function approach, the Ricardian approach and the panel data approach.

In the case of production function approach (also known as crop modelling), the impact of climate change relies upon empirical or experimental production functions to predict environmental damage. In this approach, some of the input variables, such as temperature, precipitation and carbon dioxide, are varied to estimate the impacts. Sophisticated crop-yield models as CERES/SOY–GRO are employed to ascertain the impacts on the yield. The forecasts mostly reveal reduction in yields due to global warming. This approach has the advantage of careful control and randomised application of environmental conditions and provides a useful baseline for estimating the impact of climate change. However, it does not incorporate any potential adaptations made by farmers. These climate change models and estimates on impact in agriculture do not consider the prospects of adaptation (Rosenzweig and Parry 1994; Parry et al 2004, 2005). This omission is important because it may bias impact estimates. Mendelsohn et al (1994) refer to this bias as the "dumb farmer" scenario, arguing that studies that omit adaptation overestimate the negative effects of climate change and underestimate the possible benefits when conditions improve.

Alternatively, the Ricardian approach[2] (also known as cross-sectional analysis), allows for the full range of compensatory or mitigating behaviours since they assume that farmers at different locations have had time to "adapt" to their local climate. Instead of studying yields of specific crops, the approach relies upon examining the relationship between cross-sectional climate data and land value, as a measure of agricultural productivity (Mendelsohn et al 1994; Reilly et al 1996). The land prices will indicate the present discounted value of land based on its adaptability and use, that is, it depicts the impact of climate on crop yields taking into account the various adaptations. The Ricardian approach provides the first order estimate of the economic impact, but does not reflect on specific adaptation options and associated issues (Rosenzweig and Tubiello 2007).

The panel data method uses random yearly weather fluctuations across space to estimate the effect of weather on crop yields (Olivier and Greenstone 2007; Wolfram and Roberts 2009). The method has an advantage in controlling the unobservables such as farmer and/or soil quality. The approach uses the data based on actual field outcomes rather than laboratory experiment. Therefore, the analysis takes into account intra-year adjustments, such as input variability or cultivation technique adopted by farmers. As the panel data approach measures annual fluctuations, it does not reflect the possibility of long-term adaptations as change in crops, cropping patterns, or farmer exit.

Other climate change impact assessment analysis has incorporated the adaptation into the analysis at some arbitrary level to compare costs.[3] For instance, Easterling et al (1993) and Rosenzweig and Parry (1994)[4] provide estimates of the potential of various arbitrary levels of adaptation to reduce the damages of climate change in the agriculture sector. This type of analysis can be very useful and may provide important information regarding the upper and lower bounds of costs and form the basis for more realistic adaptation patterns and policy analysis and advice.

Observed adaptation uses spatial or temporal analogues as predictions of adaptation in the current situation. Spatial analogues look into practices and actions in one location to predict the action in another similar situation. It can provide valuable insights but the process of how adaptation takes place and the costs incurred are ignored (Tol et al 1998). Mendelsohn et al (1994) use this method to estimate climate change impacts on United States (US) agriculture. Another form of analogues are temporal which examine how adaptation has occurred historically (Carter et al 1994). The implicit assumption is that the adaptations observed in different spatial locations or in the past may be used as a prediction of adaptation to climate change.

It is observed that impact assessment studies are based on various assumptions regarding adaptations. These assumptions stress that adaptation is either completely ignored or largely expounded in anticipation of the impacts. The assumptions in these approaches either overestimate or underestimate the adaptation parameters. Through this study, an attempt is made to understand farmers' adaptation to extreme events in the Indian context by using historical analogues and utilising this to comprehend agricultural adaptation to future extreme events. The study puts forth farmers' response and adaptation to climate change.

Methodology

This study relies on the historical analogue approach to examine how agriculture has adopted to changes in climate extremes in the past. It is hypothesised that as an event occurs more regularly, farmers learn from the past events and take action (make adaptation) to minimise future effects. The study involves, first, identifying the major droughts and heatwave events in India during 1981–2015, and then analyses the agricultural production data to determine the impact on production in the years identified as being drought or heatwave years. Archival meteorological data is used to determine the main drought and heatwave years and the associated characteristics of those events. The impact of those events on crop production is examined. Meteorologically, droughts and heatwaves have different characteristics. However, they may occur simultaneously and can also be observed separately. Some of the major drought episodes lasted for months or even years, whereas, heatwaves last for a few days or a week. Nonetheless, a heatwave lasting for a week or two can simulate drought conditions (Chang and Wallace 1987). Therefore, in this research, both droughts and heatwaves are considered.

Several drought and/or heatwave events have been recorded during the period 1981 to 2015. Major meteorological droughts occurred in 1986–88, 2000–03, 2009–10, and 2015–17.[5] The severity score of these events suggest that they can be categorised as "extreme" drought,[6] which makes these years relatively comparable with each other (Mishra 2019). Table 1 describes the main characteristics of these major drought events.

Table 1: Characteristics of Major Meteorological Drought Spells

(based on 12-month SPI)

Start Year	Start Month	End Year	End Month	Duration (Months)	Mean Area (%)	Max Intensity	Overall Severity Score	Peak Year
1986	9	1988	6	21	12.252	−1.810	218.10	1987
2000	9	2003	9	36	14.839	−2.6921	737.65	2003
2009	3	2010	7	16	12.742	−2.1636	253.47	2009
2015	7	2018	12	41	8.688	−10002	245.56	2016

Source: Adapted from Mishra (2019).

The first major drought spell (of the period 1981–2015) started from September 1986 and ended in June 1988 with maximum intensity and mean area extent of −1.81% and 12.25%, respectively. In 2000–03 drought spell, a rainfall deficit of 56% was observed during the month of July 2002. The drought spell led to agricultural failure and food crisis—critically affecting the country's economy (Bhat 2006). The rainfall deficit of 47% in the month of June followed by another monsoon break in July led to a severe drought in 2009 with extreme dry conditions (Samantha et al 2015). The last meteorological drought spell started in July 2015 and continued till December 2018 with a longest duration of 41 months in the entire record of 1981–2018. It affected the mean area of 9% of the country. The drought of 2015 caused enormous damage to crops and affected various sectors of society (Mishra et al 2016). Severe and prolonged droughts have significant adverse effects on agriculture and food security (Kumar et al 2014). From a study in eastern India, Pandey et al (2007) have estimated that during a drought year household income falls by 25%–60% and headcount poverty ratio rises by 12%–33%.

Most of the post-1998 heatwaves in India are associated with major droughts. For instance, droughts of 2002, 2009 and 2015 were associated with heatwaves during the month of May/June. The same was observed in 2003 in Europe, 2010 in Russia, and 2011 in Texas (Fischer et al 2007; Barriopedro et al 2011; Hoerling et al 2013; Hauser et al 2016). However, in other cases, such as 1995, 1998, and 2012, it was a severe heatwave rather than an ongoing drought.

Mishra et al (2017) estimated the severity (for example, magnitude) and duration of heatwaves by constructing the Heat Wave Magnitude Index daily (HWMID) during 1951–2015. It was observed that most heatwaves in India have occurred in the month of May, and nearly all of them have occurred between April and June. Based on the heatwave magnitude (an indicator of heatwave severity), the four most severe heatwaves out of the top 10 heatwaves during 1951 to 2015 occurred after 1990. The top four heatwaves occurred in 1995, 1998, 2012, and 2003 with a magnitude of 18.40, 17.92, 11.60, and 10.70, respectively (Table 2).

Table 2: Characteristics of Top 10 Heat Wave Years in India since 1981

S No	Year	Duration (Days)	Magnitude	Start Date	End Date
1	1995	13	18.40	29 May	10 June
2	1998	15	17.90	20 May	3 June
3	2012	11	11.60	23 May	2 June
4	2003	7	10.70	30 May	5 June
5	1984	10	9.90	18 May	27 May
6	2013	9	9.30	17 May	25 May
7	2015	8	7.50	20 May	27 May
8	1988	7	7.20	08 May	14 May
9	2010	9	6.80	10 May	18 May
10	2014	5	5.20	4 June	8 June

Source: Adapted from Mishra et al (2017).

As the heatwaves are estimated using the gridded maximum temperature data based on the all India average, the 2015 heatwave which had a remarkable impact does not feature in the top four events. The 1998 heatwave was widely spread, whereas the heatwave during 2015 was mainly centred in the east-central region of India. Nonetheless, in terms of heatwave mortality, the 2015 event ranked second (after 1998) indicating that localised heatwaves can also be detrimental (Rohini et al 2016; Ratnam et al 2016; Pattanaik et al 2017). The major El Nino event in 1997–98 was a worldwide phenomenon causing severe heatwave in the east coast of India in 1998. This was the severest heatwave in the past 50 years, resulting in more than 2,500 human casualties (De et al 2005).

Based on the above discussion, Table 3 shows the drought and heatwaves years selected for the analysis purpose. Though, the effect of the drought and heatwaves varies significantly not only by region, but even within a region as well, the analysis at this stage focuses on India rather than disaggregating it spatially. The national-level data presents a comprehensive image of the sector while concealing the regional variation. This may present a misleading picture of the impacts.

The impacts of droughts and heatwaves are reviewed on 10 crops, namely paddy, jowar, bajra, maize, tur, groundnut, soybean, wheat, mustard, and gram. National annual production data for each commodity is sourced from *Agricultural Statistics at a Glance*, 2018, Ministry of Agriculture and Farmers Welfare, Government of India. The crop production in the "event years" are compared to the five-year moving average production data. While calculating the moving average, the data from event years are excluded.

Estimation Results

The analysed results of crop production during the drought and/or heatwave years selected are presented herein. The objective is to determine whether there is any consistent production pattern indicating the adaptation to drought and heatwave event over the time.

Figure 1(A)–(J) depicts the percentage deviation from the five-year moving average (excluding the event years) for the major droughts and heatwave occurrence years as mentioned in Table 3. The results suggest a mixed pattern. For paddy, bajra, maize, groundnut, and rapeseed/mustard, there is a distinct pattern of decreasing deviation from the mean over successive events. This is in line with the hypothesis that with the occurrence of regular extreme events, actions are taken to mitigate the damage or losses. This demonstrates the adaptability to extreme events over time. By 2015–16, production was hardly affected in the case of paddy and maize. The deviation

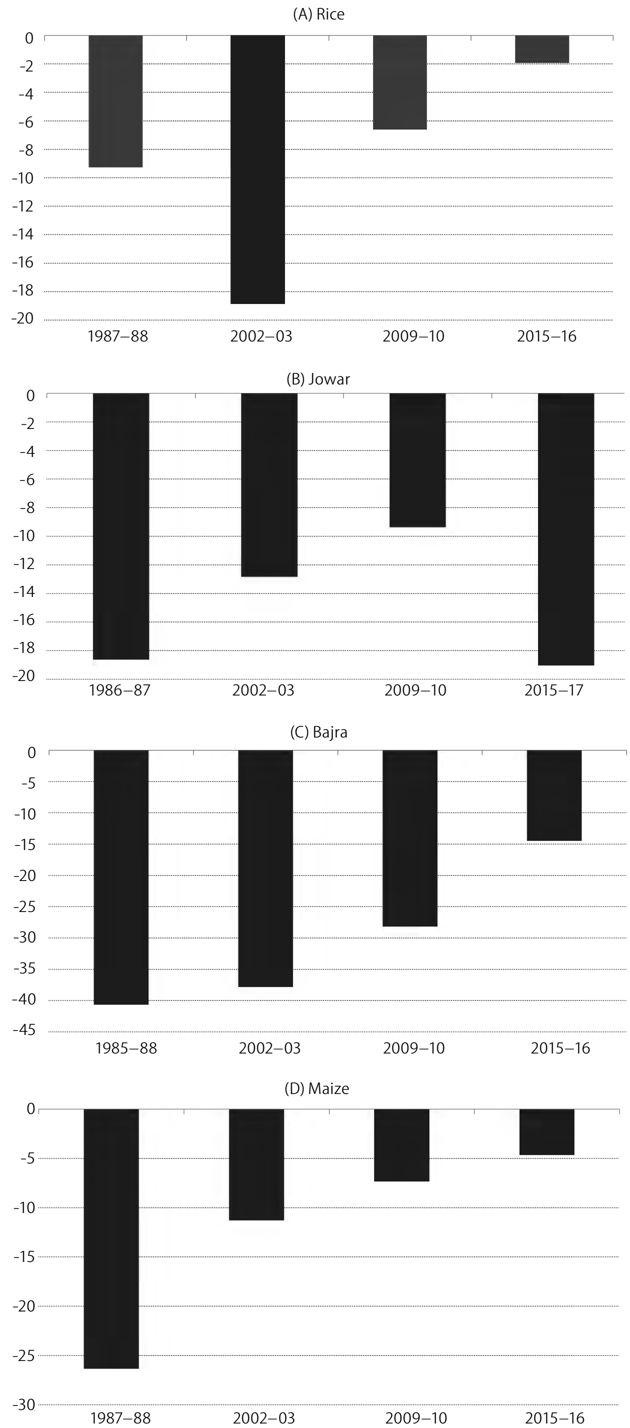
Table 3: Major Drought and Heat Wave Years Selected for Study

Years	Duration	Period	Characteristics
1986–88	21 months	September 1986 to June 1988	Drought and heat waves of seven days duration (8 May to 14 May 1988)
2000–03	36 months	September 2000 to September 2003	Drought and heat waves of seven days duration (30 May to 5 June 2003)
2009–10	16 months	March 2009 to July 2010	Drought and heat waves of nine days duration (10 May to 18 May 2010)
2015–18	41 months	July 2015 to December 2018	Drought and heat waves of eight days duration (20 May to 27 May 2015)

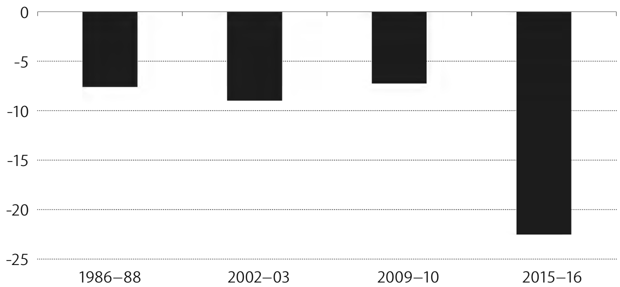
from the mean production for these crops was very minimal, that is, in the range of 2%–4.50%.

However, tur (*arhar*) and soybean show a deviant pattern. In both the crops, production was more severely affected in 2015–16 than in 2009–10, and more in 2000–03 than in 1986–88. This does not signify any systematic minimisation or adaptability efforts to the events. On the other hand, wheat and gram does not show any strong pattern. The 2009–10 drought resulted in positive deviation from the mean, while 1986–88, 2000–03 and 2015–16 showed a decrease below the average. Nonetheless,

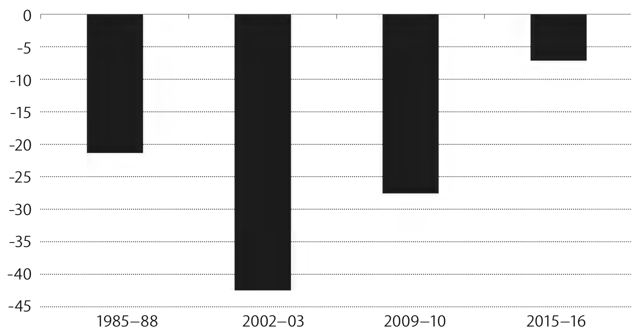
Figure 1: Deviation from Five Year Moving Average for D



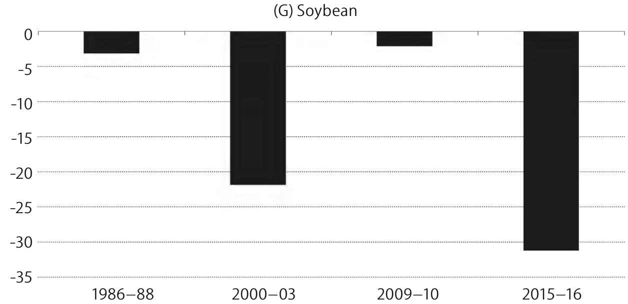
(E) Tur/*Arhar*



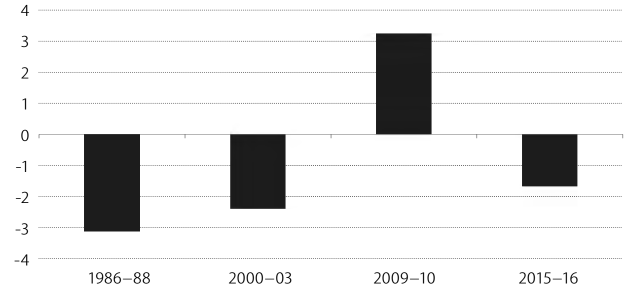
(F) Groundnut



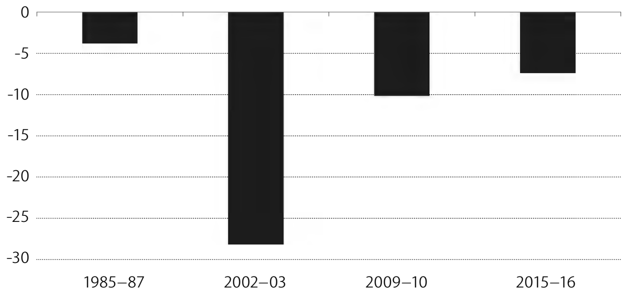
(G) Soybean



(H) Wheat



(I) Rapeseed and Mustard



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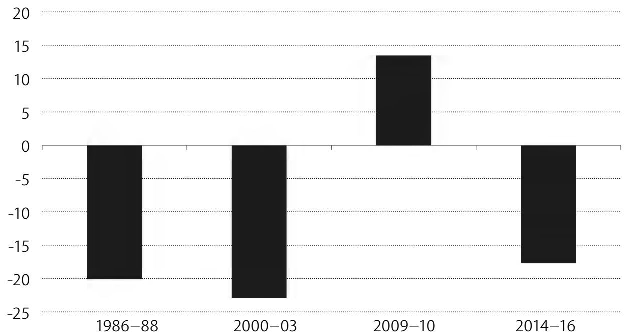

on the positive side, the deviation below the average did decrease over the three drought years in the case of wheat.

The above discussion does not intend to claim with statistical certainty that the changes in production are due to climate change or weather variables. As mentioned, the objective of the research is to examine the impact on production during drought and heatwave years and establish farmers' adaptability to the same. As the series of drought years is just four for the study, it is not possible to carry out regression analysis with a small set. Therefore, we cannot ascertain that the impact during those particular years is due to drought or heatwave. But, the interest lies in knowing the impact on production of occurrence of drought or heatwave.

Discussion

This section provides a discussion of the implications of these findings in light of the ability of Indian agriculture to adapt to future extreme events.

What happened after the events? Farmers adjust their agricultural practices to cope up with climate change in a variety of ways. These potential adaptations include intra-crop and inter-crop. In the case of intra-crop adaptation, farmers adjust their agricultural practices to cope up with climate change while growing the same crop as before. For instance, providing irrigation facilities by making investment in irrigation to protect the crop against heat stress and drought (Lobell and Gourdji 2012; Tack et al 2017; Taraz 2017); avoiding the hottest time of the year by shifting the sowing date (Waha et al 2013); and adjusting the fertiliser or other agricultural inputs to deal with heat (Duflo et al 2011; Jagnani et al 2018). As a part of their adaptation strategy, farmers sometimes plant heat-resistant or drought-tolerant varieties of the crop. In the case of inter-crop adaptation, farmers grow the crops that are more tolerant to heat/drought on a greater portion of their land. For example, sorghum and maize are more heat-tolerant than rice. Switching to crops that grow in the cooler part of the year, such as wheat, that grows in the winter months in India, also constitutes an inter-crop adaptation.

The expansion of irrigation facilities undoubtedly is the single biggest adaptation strategy to reduce the impact of droughts and heatwaves. In India, since independence, the successive governments have made massive investments in irrigation facilities. By the end of Eleventh Five Year Plan, public investment in the sector was over ₹4,819 billion, of which 73% was on major and medium irrigation (MMI) alone (Planning Commission 2013). Consequently, the area under irrigation increased substantially from 22.56 million ha in 1950–51 to over 92 million ha in 2012–13. During the same period, the surface irrigated area also witnessed an expansion from 11.92 million ha to about 18 million ha (for details, see Kumar et al 2009; Narayanamoorthy 2007).

The responsiveness to irrigation varies from crop to crop. Crops like paddy and wheat gives much better response in terms of yield and quality, if they get water at specific times in their growing cycle. With the introduction of the green revolution technology, large public investments were made in irrigation projects in the state of Punjab, Haryana and western Uttar Pradesh (states where green revolution technologies were originally introduced). As a result, there was substantial increase in percentage of area under irrigation of rice, wheat and maize. For instance, in 1971–72, only around 38% of the paddy area was under irrigation, but by 1981–82 this figure had risen to 42%. This witnessed further steady increase from the mid-1980s, reaching 46% in 1991–92 and 55% in 2001–02. Significant progress has been made with regard to expansion of irrigation over the period of time in the case of other crops as well, as evident from Table 4.

Table 4: Expansion of Irrigation (% irrigated area)

Year	Rice	Bajra	Maize	Groundnut	Wheat
1971–72	37.93	3.94	16.14	6.86	53.29
1981–82	41.68	5.82	21.30	13.20	69.66
1991–92	46.31	5.96	20.98	18.24	81.70
2001–02	54.67	7.51	21.55	17.55	88.04
2011–12	58.09	8.44	24.81	23.38	92.33
2014–15	59.41	9.23	26.56	25.91	93.74

Source; Directorate of Economics and Statistics, Ministry of Agriculture, GoI.

However, in the case of long-term droughts or droughts that occur over successive seasons, irrigation as a potential adaptation strategy is constrained by physical water availability. This factor is likely to become increasingly binding due to the exhaustion of renewable water supply and depletion of non-renewable resources (Konikow and Kendy 2005; Wada et al 2010; Famiglietti 2014; Zaveri et al 2016).

In this context, as an alternative, short-duration and drought-tolerant varieties of crops become an important consideration to mitigate the impact of the extreme climate and contribute towards potential adaptation. For example, to deal with deficient rainfall situations in Aurangabad district of Maharashtra, short-duration and drought-tolerant varieties of pigeon pea (BDN-708), green gram (BM 2002-1), and chick pea (Digvijay and Vijay) were introduced that gave 20%–25% higher yield than the local varieties. Similarly, in the case of rice, short-duration and drought-tolerant varieties that can survive up to two weeks of exposure to dry spells were developed. For instance, Sahbhagi dhan (105–110 days) for plain areas of Jharkhand state, Naveen (115–120 days) for Odisha, and Anjali (90 days) for Jharkhand (Prasad et al 2015).

Apart from this, other adaptive measures used in many drought-prone areas of the country include intercropping systems with the predominant crops of the region, water harvesting and storage to avoid delay in the onset of monsoon. In the case of intercropping, it occurred with soybean + pigeon pea (4:2), pearl millet + pigeon pea (3:3), pigeon pea + green gram (1:2), and cotton + green gram (1:1). The system has performed significantly better than the respective sole crops at Aurangabad, Maharashtra, which receives an average rainfall of 645 mm (Prasad et al 2015).

Implications under current climate: The analysis made in this paper indicates that the adaptation to current climate variability has occurred across most of the studied commodities. The adaptation to climate variability was on account of several factors, including advancement in technology, increased awareness, institutional learning, practical strategies to cope with droughts and so on. However, there exists considerable variation across crops regarding the adaptability to climatic variability. This variation is based on the sensitivity of the crop to water stress and heat, crop responsiveness to irrigation and cost of adaptation in relation to the value of crop. In addition, as the analysis in this paper made at the national level, the regional variations in weather are ignored. For instance, based on the variability of weather conditions, the impact of a drought will be much harsher in some regions than in others. The variation in timing and duration of the events will also have variable effects on crops, thereby making the direct comparison of events more difficult.

Most importantly, the analysis results are in no way intended to claim that the past rate of adaptation can be maintained in the future as well. This is because some of the adaptation strategies used over the last couple of decades were relatively easy to implement and were not having much binding constraints. This, however, may not be the case in the future. For example, the expansion of irrigation facilities that has been a promising adaptation strategy to climate change is constrained by physical water availability and is likely to become increasingly binding due to the depletion of groundwater aquifers and exhaustion of renewable water supply. Furthermore, water availability will be affected and irrigation may not be feasible if there is an increase in intensity, duration or frequency in droughts or heatwaves in future.

Ensuring efficient adaptation: The model used in this paper assumes that adaptation is free of cost, that is, there is no associated cost of adaptation as it looks into the overall effect of extreme events on production. However, in reality this may be true in some routine changes that can be part of day-to-day management practices, but in the majority of the cases adaptations incur significant costs. Additionally, this study does not distinguish between planned and autonomous adaptation, implying that the costs and outcomes can differ depending on the type of adaptation. Autonomous adaptation is the reaction of farmers to climate variability by changing crops or adjusting harvest and planting/sowing times, whereas, planned adaptation measures are conscious policy options or response strategies, often multisectoral in nature, aimed at altering the adaptive capacity of the agricultural system or facilitating specific adaptations. Deliberate crops selection and distribution across different agroclimatic zones, substitution of new crops for old ones and resource substitution induced by scarcity are some of the examples of planned adaptation (Easterling 1996). Therefore, to make adaptation more efficient and realistic, it is important to consider the associated costs and benefits.

The process of adaptation and influencing parameters are crucial compared to the impact of climate change. The overarching suggestions are to diagnose and understand adaptation strategies against climate variability with a focus on the dynamics, diversity and flexibility of adaptations. The idea is to search and promote approaches and options and to harness them in the changing economic, technological and institutional scenario. This needs capacity building, reorientation, facilitation and supporting innovations for the farmers and the larger community.

Adaptive capacity in Indian agriculture: Adaptive capacity is a blend of resources and assets that form the base for adaptability. In the Third Assessment Report of IPCC, it is recognised that adaptive capacity may be latent and become active only when systems get exposure. Vulnerability is the sum total of exposure, sensitivity and adaptive capacity (IPCC 2001). Adaptive capacity being a component of vulnerability (Kelly and Adger 2000), has diverse elements encompassing the ability to modify exposure, absorb and recover from losses, and exploit new opportunities in the process of adaptation.

The analysis in this paper indicates that Indian agriculture is relatively well-adapted to climate variability. Apparently, there are many paradoxes on the ability of agriculture to adapt to climate change. It is assumed that the capacity to adapt to climate risk depends on the level of economic development. The more economically developed a society is, greater will be the access to technology and resources facilitating adaptation (Adger and Vincent 2005). However, high income per capita is considered neither a necessary nor a sufficient indicator of the capacity to adapt to climate change (Moss et al 2001). Characteristics such as social capital and networks, values, perceptions, traditions and cognition levels influence the adaptive capacity of communities. Certain dimensions of adaptive capacity are generic, such as wealth, education, skills, access to resources and management capabilities. Indicators specific to an impact, such as drought or floods, may relate to institutions, knowledge and technology (Yohe and Tol 2002; Downing 2003; Brooks et al 2005; Tol and Yohe 2007).

There are several potential barriers to adaptation. Some of these barriers may be structural or physical in nature such as physical characteristics of the land. Other barriers are social capital and behavioural and attitudinal characteristics of producers to risk. Behavioural and attitudinal limits are influenced by the social and cultural upbringing. Individuals and communities vary in risk tolerance depending on their world views, values and beliefs. Conflicts, power differences and access to decision-makers have differential outcomes on adaptability.

Conclusions

This paper examines the impact of heatwaves and droughts on agricultural production. It is based on the presumption that as an event occurs regularly, farmers learn from the past and adapt to mitigate future effects. Consequently, the impact of each successive drought and heatwaves would be less than the previous one. The analysis indicates that the adaptation to climate variability has occurred across most of the studied commodities. Several factors, including advancement in technology, increased awareness, institutional learning, practical strategies to cope, support by government and society, are accounted for. Apart from this, the Indian agriculture has the technological and financial capacity to adapt to challenges posed by climate change.

Despite the relatively high adaptive capacity, the adaptation to future climate change will depend upon the farmers' choices and the factors influencing these choices. Or in other words, the way in which agriculture will respond to climate change and the success of actions will depend upon various structural and physical barriers to adaptation. Spontaneity to respond and prioritisation of challenges faced by farmers and the ability to implement the changes are other factors impelling adaptation.

NOTES

1 Developed world is concentrated in temperate zone where temperature increase will result in greater agricultural production. Countries in tropical zone (mostly developing countries) are more vulnerable to increase in temperature and have unfavourable impact on food production.

2 This approach draws on Ricardo's (1817) notion that land values reflect land productivity (which is determined by its intrinsic characteristics).

3 Include "no adaptation, some level of adaptation and full adaptation" as various options.

4 Distinguished three arbitrary levels of adaptation. In the "without adaptation" scenario, farmers continue to behave as they currently do, that is they completely ignore that climate has changed. Under "level 1 adaptation," small adjustments in behaviour and modest capital investments (within the capacity of an individual farm) are allowed. "Level 2 adaptation" assumes large adjustments and investment.

5 Lack of precipitation over a period of time results in meteorological drought, whereas inadequate surface and sub-surface water results into hydrological drought.

6 Using all-India average Standardised Precipitation Index (SPI), only those drought spells were selected that lasted for more than six months and had maximum intensity higher than -1.6, which is used as a threshold to categorise an "extreme" drought (Mishra 2019).

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Small Farmers and Organised Retail Chains in India

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This study compares farmers selling vegetables to Mother Dairy, an organised retail chain, with those selling to the local *mandi* in Haryana to find out the drivers and constraints determining their participation in these two types of marketing chains, particularly for the small farmers. The findings suggest the significance of farm size in determining farmers' participation in organised retail chains. Using Heckman selection–correction model, the study found that though the income of participating farmers increases, the increase depends on farm size, while the Ginni coefficient shows that the inequality in income distribution is more among the participants than the non-participating farmers.

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The world over rapid rise of organised retail chains (ORCs)[1] has been transforming the agricultural food marketing system progressively (Dries et al 2004).[2] However, this transformation in India has been slow, both at the upstream and downstream of the supply chain. The size of the food retail market in India was estimated to be large, where the share of agricultural food retailing is growing faster (GoI 2007; NABARD 2011). On the one hand, ORCs are seen as an effective channel to link farmers with markets, while, on the other, concerns have also been raised about its impacts on the farmers, particularly the smallholders.

One of the concerns is that agribusiness firms deal mostly with relatively large farmers and exclude the smaller ones. The exclusion of the small farmer from relatively liberalised markets and contract farming can lead to more concentrated landownership and displacement of the rural poor (Key and Runsten 1999).[3] The benefits distribution within the rural community by new marketing channels like contract farming can have important implications for their economic and social differentiations (Korovkin 1992). This concern is particularly relevant in case of India where, number of small farmers is on the rise and their farm sizes are shrinking,[4] which is resulting in decline of marketable surplus capacity. The small and marginal farmer households earn less than what they spend,[5] and half of them are indebted, and most of them live in severe poverty (Kumar et al 2011). Although farmers' participation neither guarantees its benefits nor insures them against its risks, non-participation excludes them from its potential benefits, thus increasing inequalities.

Further, the issues, such as high quality standards, high rejection rate, procurement of few crops, partial procurement of produce, and delay in payments, may affect income of the participating farmers. The counter-view is that higher prices for better quality, low waste, diversification towards high value crops and reduction in marketing cost may improve income of the participating farmers. Besides, inputs and other services by ORCs to farmers can improve their productivity, thus improving their income.

Some of the agriculture produce marketing challenges in Indian agriculture have been listed in government reports, including the inter-ministerial committee of the government of India and the working groups for the Twelfth Five Year Plan. Inadequate provisioning of regulated markets forces farmers to bear disproportionately higher marketing cost.[6] Long distance travels and poor logistic support create huge wastage of agricultural produce. Large number of rural markets are still deprived of weighting, measuring, sorting and packaging facilities.[7]

Moreover, the tax and licencing has increased the transaction cost and put barriers to entry for market agents.[8] The undue regulation of markets has also prevented private investment in marketing infrastructure, post-harvest management, grading and packaging. Regulation has also hampered development of alternative marketing channels in India (Patnaik 2011). Overall, the price efficiency in India has also been low, especially in case of the vegetables.[9] The agriculture markets in India are also not well integrated, regionally, vertically and temporally (Acharya 2004). Reforms in agriculture marketing in India have been slow.

Since 1950, agriculture and agriculture marketing being a states subject, states have enacted Agricultural Produce Market Committee (APMC) Acts to regulate agriculture markets. Its objective was to protect farmers from the exploitation of intermediaries and traders to ensure better prices and timely payment for their produce. The National Commission on Agriculture, 1976 reviewed the performance of regulations of agriculture markets and found that regulated markets (70% of secondary or terminal markets) have benefitted farmers by preventing trading malpractices, such as unauthorised market charges, falsification of weights and measures. The commission therefore inter alia recommended: (i) establishing a market within a radius of 5 kilometres (km); (ii) bringing unregulated assembly, terminal and even primary markets under regulation; (iii) constitution of a market committee to supervise the market as per rules and regulation; (iv) providing facilities of weighting, grading and storing in each regulated market; and (v) licensing market functionaries, like commission agents and trader. But, over the year regulated markets have failed to yield the desired results. As per the Shankerlal Guru Committee, 2001, the regulated agriculture market has restricted marketing in India. Later on, efforts have been made to reform the APMC Act, in 2003, and also to promote the direct marketing as an alternative marketing structure. Recently, many organised retail chains, both private and public, have started operations. Of these, Mother Dairy, is a government enterprise, working since 1985.

Against this backdrop, this study compares farmers selling vegetables to Mother Dairy, an organised retail chain, with those selling to local mandi in Haryana, to find out the drivers on their participation in the Mother Dairy chain and consequently the impact on their income, particularly for the small farmers. The study provides evidences that may help in policy decisions on providing institutional mechanisms to make the supply chains inclusive. Besides, it contributes in the debate on impact of ORCs on farmers' income, which may help in policy decisions to devise appropriate institutional framework to restrain the exploitative character of the ORCs. Moreover, the study, unlike many studies in the case of India, uses improved methods to remove the possible selection bias in the sample. The study also discusses the sources of the income impact along with a comparison of income distribution between the farmers participating in the farmers market association (FMA farmers henceforth) and those not participating therein (non-FMA farmers henceforth).

Background

Kumar (2006) observed that private agribusiness firms in Punjab operated contract farming more effectively, with positive outcomes for the farmers irrespective of the farm size, that while the state corporation-led contract farming seems to favour only those farmers with larger farm who do not benefit as much as direct contract farmers. In absence of representative farmer organisations, contract farming has limited regional and local impact in terms of the inclusion of small farmers (Porter and Howard 1997; Key and Runsten 1999).

The participation of the small farmers in the supply chain depends on their relative advantage or disadvantages. Among advantages, a small farmer operating predominantly with family labour can save on the cost of labour supervision, cost of monitoring, screening of hired labour, cost of contract enforcement and cost of negotiation (Key and Runsten 1999). On the other hand, there are disadvantages for small farmers that arise out of their low marketable surplus, low bargaining power and low capacity to invest. Ghezan et al (2002) argued that the factors affecting a small farmer's access to new marketing channels include low marketable surplus, difficulties in meeting volume, quality and delivery requirements, lack of liquidity to withstand the long payment delays and lack of access to market information.

The small farmer would be interested in contract farming because it facilitates modern inputs, which are normally unavailable or are more expensively obtained through other sources (Porter and Howard 1997). On the other hand, a firm would prefer dealing with large growers to avoid the complexities of dealing with a large number of small farmers (Glover and Kusterer 1990) and by looking at the large farmers' investment capacity, risk bearing ability and relatively uniform quality of land.

Ghezan et al (2002) found that in Argentina, supply chains dominated by multinational firms producing frozen French fries, tended to favour medium and large potato farmers, excluding the smallholders. High quality standards imposed on the suppliers work as an entry barrier for small growers (Gutman 2002). Deshingkar et al (2003) found that the benefits of government-sponsored schemes in horticulture are reaching the bigger farmers rather than the smaller farmers and landless households. Similar observations about the challenges for the small farmers have been made in Costa Rica by Alvarado and Charmel (2002). It has also been witnessed in Africa that producers faced challenges in meeting the tough quality and safety standards, and the requirements to make investments and adopting new practices (Weatherspoon and Reardon 2003; Faiguenbaum et al 2002).

Meeting high quality standards set by ORCs hampers participation of the small producer. The rise in the fixed cost component of the cost of exchange also works as an entry barrier for the small farmer. The exclusion becomes more pronounced when the credit market is imperfect and the cost of borrowing is high for the small farmers (Page and Slater 2003). But new institutions, for example, fair trade companies and cooperatives are helpful in improving the participation of the small producer (Page and Slater 2003).

Reardon and Swinnen (2004) argue that the rise of ORCs brings opportunities for small farmers because these offer a path into high-quality and high-value markets. Their observation also hints that the transformation in the agricultural food system is inclusive of more small farms than it was expected. The exclusion was expected based on the arguments of transaction costs and requirement conditions. The assistance by processing firms to large and small suppliers is overcoming the obstacles in investing and improving quality because few farms can deliver the required quality, which is forcing the retail chains to integrate vertically to secure a high-quality supply base (Reardon and Swinnen 2004).

Glover (1984) surveys literature on contract farming to examine its bearing on farmers' welfare, including the issue of participation of the farmer. The study remains inconclusive and argues that in general agribusiness firms prefer large farmers, but most deal with whoever is available, while some look for small farmers. Neven and Reardon (2004) found that supermarkets were not excluding small farmers from supplying to the markets in Kenya in the initial stages of inception. Sutradhar (2014) found that farm size was not a significant entry barrier in the participation in Reliance Fresh retail chain in Rajasthan in 2011. Miyata et al (2009) conducted a survey of 162 farmer households in Shandong province in China during 2005 to study the impact of contract farming on income of small farmers. They found little evidence to support the hypothesis that firms prefer larger farmers over small ones.

Minot (1986) found positive impact of contract farming on income of farmers. Similar observations have also been made by Porter and Howard (1997), in a review of studies conducted on contract farming in Africa. In the Indian context also, a study by Birthal et al (2005) for dairy products found significant improvement in the gross margin of those farmers who participated in ORC. Singh (2002) studied models of contract farming in Punjab and highlighted that despite problems in the models of contract farming, the income of the participants has improved. Studies by the Joseph et al (2008) and Chengappa and Nagraj (2005) provide some leading observations on the impact of ORC on income. In a more rigorous analysis, Sutradhar (2014), found that cauliflower farmers in Rajasthan selling through Reliance Fresh have been able to raise their net revenue per acre significantly, while no such impact was seen for other crops.

The literature on participation of small farmers in ORCs broadly indicates that contracting firms/ORCs prefer to deal with relatively large farmers. However, studies have also indicated that farm size is not a significant barrier in participation. Similarly, there is a broad consensus that income of the farmers participating in the ORCs would improve, however, evidences to support the case for small farmers are not prominent.

Data and Methodology

A field survey of 398 farmer households—255 linked to Mother Dairy and the rest dependent on local mandi—from 19 villages from Haryana was conducted through structured questionnaire during the summer of 2009 (see Table 1 for details).[10] The surveyed districts—Sonipat, Panipat, Karnal and Kurukshetra—are mostly connected to Delhi through National Highway 1 (NH-1), where most of the retail outlets of Mother Dairy are located. The surveyed villages are mostly located around 5 km to 30 km distance from NH-1, and in proximity of a town, having a vegetable *mandi* within a maximum radius of 20 km. The state, districts, and villages were purposively selected keeping the procurement operation of Mother Dairy into consideration. The farmer households linked to Mother Dairy and the other farmer households were selected randomly from list of farmer households. Mother Dairy was preferred for the study because of its wide network and long-standing and stabilised operations.

A non-FMA village is a nearest located village to FMA village where farmers were supplying vegetables to local mandi. For the selection of the non-FMA farmers, farmers are listed in each non-FMA village recording their basic characteristics and a sample of farmer households was drawn randomly.

Income is defined comprehensively, as net household income (NHI), which includes not only farm business income[11] but also subsidiary income or non-farm income.[12] Because growing more of contracted crops may result in withdrawal of resources from other crops or non-farm activities, which could result in income forgone. Moreover, it is the overall household income which determines expenditure of household on food, clothing, etc, which determines the level of poverty. Since, the expenditure by a household increases with the household size, thus, to pin down the impact of income on poverty, the per capita income of a household is preferred over per acre or per household income.

The econometrics procedure of estimation includes estimation of PROBIT, ordinary least square (OLS) regression and Heckman selection–correction model. The PROBIT model is estimated to identify the factors determining the participation of farmers in ORC. Thereafter, OLS regression and Heckman selection–correction model estimated to know the impact of participation on income of the farmers. The Heckman selection–correction model is used to know the bias, if any, in the results, as the sample is not random. Besides, to overcome the possibility of bias in impact arising out of some unobservable characteristics of the farmers Heckman selection–correction model is used along with regression. The model is specified as follows:

$Y_i = Xi\beta + \mu_{1i}$ outcome equation ... (1)

$Ti = (Zi\gamma + \mu_{2i} > 0)$ participation equation .. (2)

where *Y* is the outcome (per capita income) and *X* is a vector of the independent variables, while in participation equation *Ti* is the binary variable take value 1 if participated and 0 otherwise; while *Z* includes variables that predict whether or not a farmer would participate in ORC. It may be noted that the *Z* and *X* may include common variable, and which are taken identical in some studies (Gronau 1974). The selectivity problem is defined as:

$E[Y_i \mid X_i, T_i = 1] = Xi\,\beta + E[\mu_{1i} \mid \mu_{2i} > -Zi\gamma]$ ... (3)

Expected value of *Yi* for observations where farmers have participated into Mother Dairy is defined above. The joint distribution of random disturbance term of outcome (μ_{1i}) and participation equation (μ_{2i}) can be written as follows:

$$\mu_{1i} = (\sigma_{21}/ \sigma_2^2)^* \mu_{2i} + \upsilon_i \quad \text{... (4)}$$

where σ_{21} is the covariance of the unobservables of the outcome and participation equations (σ_2^2) is the variance of the unobservable in the participation equation, and υ_i is assumed to be uncorrelated with the unobservable of participation equation (μ_{2i}). Now since we know the unobservable for outcome equation (μ_{1i}), we can also calculate its expected value which is defined as follow:

$$E[\mu_{1i} \mid \mu_{2i} > - Zi\gamma] = (\sigma_{21}/ \sigma_2^2)\, E[\, (\mu_{2i}/\sigma_2^2) \mid (\mu_{2i} / \sigma_2^2) > - Zi\gamma/ \sigma_2^2]$$
$$= (\sigma_{21})\, \phi\, (Z_{i\gamma}/ \sigma_2^2)/ \sigma_2^2 \Phi\, (Zi\gamma/ \sigma_2^2) \quad \text{... (5)}$$

where $\phi(.)$ is the standard normal density and $\Phi(.)$ is its cumulative distribution function. The selectivity bias is said to occur wherever σ_{21} is not zero. The presence of this bias in the models arises due to presence of omitted variables into the original model (1), where the quantity is the omitted variables, also called the Inverse Mills Ratio (IMR), which is defined as:

$$IMR = \phi\, (Z_{i\gamma}/ \sigma_2^2)/ \Phi\, (Z_{i\gamma}/ \sigma_2^2) \quad \text{... (6)}$$

The treated equation, or Heckman selection–correction model, is defined as

$$Yi = Xi\beta + [\phi\, (Zi\gamma/ \sigma_2^2)/ \Phi\, (Zi\gamma/ \sigma_2^2)]\sigma \quad \text{... (7)}$$

where
$\sigma = (\sigma_{21}/ \sigma_2^2)$ which is coefficient of IMR

The estimated coefficients are consistent in Heckman selection–correction model. The Stata software reports lambda, sigma and rho. Rho is correlation coefficient between the unobservable that determines selection equation and the unobservable that determines outcome in outcome equation. Sigma is the adjusted standard error for the outcome equation and lambda is the selection coefficient = sigma * rho. The Average Treatment Effect (ATE) is computed as lambda *average IMR [or exp (ATE) -1)*100 if variable in log form] which is interpreted as how much conditional outcome is shifted up (or down) due to selection or truncated effect. The ATE depends on the statistically significant value of the Chi-square.

The inequality of income distribution is measured using Gini coefficients and Lorenz curve. The value of Gini coeficent ranges between zero and one, where zero shows perfect equality, while one means the most unequal distribution of the variable.

Table 1: Number of Household Surveyed

Districts	Farm Size#			
	Small	Medium	Large	All
(1)	(2)	(3)	(4)	(5)
FMA				
Sonepat	48 (36)	41(31)	44 (33)	133 (100)
Panipat	20 (54)	12 (32)	5 (14)	37 (100)
Karnal	17 (38)	13(29)	15(33)	45(100)
Kurukshetra	15(38)	13(33)	12(30)	40(100)
Total of FMA	100(39)	79(31)	76(30)	255(100)
Non-FMA				
Sonepat	30(64)	9(19)	8 (17)	47 (100)
Panipat	12 (50)	5(21)	7(29)	24 (100)
Karnal	19(51)	5(14)	13(35)	37(100)
Kurukshetra	22(61)	8(22)	6(17)	36(100)
Total of Non-FMA	83 (58)	27(19)	34(24)	144 (100)
All (FMA + Non-FMA				
Sonepat	78 (43)	50 (28)	52 (29)	180 (100)
Panipat	32 (53)	17 (28)	12 (20)	61 (100)
Karnal	36 (44)	18 (22)	28 (34)	82 (100)
Kurukshetra	37 (49)	21 (28)	18 (24)	76 (100)
Grand Total	183 (46)	106 (27)	110 (27)	398 (100)

A small farmer is having net operated area of up to five acres, a medium having more than five acres up to 10 acres, and large farmer having net operated area more than 10 acres.
Figures in parenthesis are percentage share in total households in a district.
Source: Field Survey.

Results and Discussion

Mother Dairy Fruit & Vegetable is a wholly owned subsidiary of National Dairy Development Board (NDDB). It procures large a number of seasonal fruits and vegetables from thousands of farmers across a number of states in India. In Haryana, fruits and vegetables are procured through farmers' marketing associations (FMA) at the upstream level of the chain, which are sold through Safal outlets spread across National Capital Region (NCR) at downstream. Mother Dairy has distribution centres at Pallabakhtavarpur and Mangolpuri in NCR, which are main coordinating locations having installed a huge infrastructure for storage, processing and logistic facilities.

Most of the procurement centres in villages are maintained by the FMAs in Haryana. Any farmer who has land (no restriction of size), grows fruits or vegetables and is ready to supply, can become member of the association. The objectives of the association are to enhance productivity of fruits and vegetables by providing modern techniques, machines, access to inputs, information, crop protection and crop production programmes. It organises farmers, takes decisions, monitors their actions, enables procurement operations, builds trust and ensures quality. The association is also responsible for procurement of fresh and quality vegetables from growers and transporting it to Mother Dairy. The member farmer of the association elects one president, whereas the secretary, who oversees all procurement operations and maintains records, is appointed by Mother Dairy. On daily basis, the produce brought by farmers is loaded in a vehicle after quality check, weighing and packaging, and then transported to the distribution centre of Mother Dairy. The final quality check is carried out by Mother Dairy at its distribution centre, and the status about rejected percentage and price assigned to the consignment is conveyed to the farmers usually next day of the procurement. Payments are made through the bank account, and usually take more than a week's time.

Characteristics of surveyed households: The household characteristics are presented in Table 2 (p 17). There are about six persons in an average household; the difference between FMA and non-FMA farmers is statistically significantly. Proportion of adult (more than 18 years) members is also significantly larger in non-FMA group than FMA. Average age of FMA farmers' household head is than less compared to the non-FMA group. However, education in both the groups is low and does not differ much. These groups also do not differ in terms of agricultural fixed assets (other than land), ownership of cattle and vehicle. The FMA farmers have some advantages in terms of net operated area, leased in land and area under vegetables. The leased-in area seems to be playing a role in increasing operated area for FMA farmers. The cropping intensity is significantly higher for non-FMA farmers. The use of inputs such as family labour and biochemicals is higher in FMA farmers, while machine labour, irrigation is higher in non-FMA farmers, the differences are statistically significant. Marketing cost is lower for FMA farmers than the compared group. The value of output is higher and statistically significant for the FMA farmers. However, their productivity does not differ significantly from non-FMA farmers. The area and value share of vegetables is significantly higher in the case of FMA farmers than others. Similarly, the net household income and farm business income are higher for FMA farmers, and so is the net household per capita income, and these are statistically significant, too. Off-farm income, however, is higher in non-FMA farmers.

The above analysis shows that there are some characteristics which are statistically different between the two groups,

Table 2: Household Characteristics

Variable	FMA Farmers	Non-FMA Farmers	All Farmers	t Test of Difference t-Stat	Prob>t
Demographic and assets profile					
Household (HH) size (persons)	6.08	7.21	6.49	-4.07	0.00***
Adults in the family (numbers)	4.14	5.28	4.56	-5.57	0.00***
Adults in the family (%)	70.35	74.33	71.82	-1.83	0.06*
Age of HH head (years)	43.45	49.02	45.51	-4.33	0.00***
Education of HH head (years)	6.93	7.14	7.01	-0.41	0.67
Value of agri fixed assets (₹)	1,67,191.80	1,77,015.10	1,70,815.1	-0.38	0.70
Value of cattle (₹)	59,078.19	57,313.38	58,427.27	0.36	0.72
Value of vehicles (₹)	39,168.70	25,066.90	33,967.5	1.44	0.15
Household having vehicle (%)	36.21	45.070	39.48	-1.71	0.08*
Land and its utilisation profile					
Net operated area (acres)	7.79	6.34	7.26	2.08	0.03**
Leased-in area (acres)	3.27	1.23	2.52	4.85	0.00***
Leased-in area (%)	43.10	14.04	32.38	7.40	0.00***
Irrigated net-operated area (%)	99.98	99.03	99.63	1.64	0.09*
Cropping intensity (%)	174.00	189.00	179.00	-2.11	0.03**
Area under vegetable (acres)	4.31	2.64	3.65	2.94	0.00***
Input profile					
Family labour (person days)	435.18	323.26	393.92	3.73	0.00***
Hired labour (person days)	129.64	107.64	121.53	1.43	0.15
Irrigation cost per acre (₹)	1,305.57	1,517.93	1,383.89	-3.02	0.00***
Machine labour per acre (₹)	1,670.12	1,782.61	1,711.61	-2.97	0.00***
Biochemical per acre (₹)	5,642.97	5,138.97	5,457.08	1.76	0.07*
Marketing cost per ₹100 of output (₹)	2.18	3.17	2.25	-2.73	0.00***
Output profile					
Value of output (₹)	3,55,491.7	2,57,242.0	3,19,254.1	3.20	0.00***
Value of output per acre (₹)	47,047.57	43,920.28	4,58,94.13	1.45	0.14
Value of marketed output (₹)	3,34,400.4	2,26,807.5	2,94,716.8	3.58	0.00***
Vegetable area share (%)	40.20	20.58	32.79	6.95	0.00***
Vegetable value share (%)	51.93	25.61	41.58	8.33	0.00***
Income profile					
Net household income (NHI) (₹)	1,79,672.3	1,34,105.0	1,62,896.9	2.22	0.02**
Farm business income (₹)	1,59,626.5	1,04,034.9	1,39,122.6	2.87	0.00***
Off-farm income (₹)	20,148.76	28,672.34	23,286.34	-2.07	0.03*
NHI per capita	33,164.26	20,724.64	28,584.66	3.15	0.00***
Number of observations	242	141	383		

*Significant at the 10% level; **Significant at the 5% level; ***Significant at the 1% level.
Source: Field survey.

especially in terms of household size, land profile, etc. These differences in characteristics between FMA farmers and non-FMA farmers may play a role in determining the participation. Probit model is estimated to find out the factor determining the participation.

Econometric analysis of participation: The participation of small farmer in ORCs has been a big challenge. This section using PROBIT model examines the questions: what are the factors determining participation of the farmers in ORC; and does the farm size work as a barrier for entry in Mother Dairy? The dependent variables include household characteristics such as family size, age and education of household head, proportion of adults in family, proportion of leased-in area, farm size and a dummy for vehicles.[13] The results of PROBIT model are presented in Table 3.

Table 3: PROBIT Regression Results (marginal change)

Variable	Coefficient	Std Err	z	P>z
Dependent variable participation =1, otherwise =0				
HH size (persons)	-0.078	0.027	-2.84	0.01**
Age of HH head (years)	-0.017	0.006	-2.69	0.01**
Education of HH head (years)	0.005	0.017	0.28	0.78
Adults in family (%)	-0.006	0.004	-1.60	0.11
Farm size (acres)	0.030	0.012	2.48	0.01**
Leased-in area (%)	0.012	0.002	5.52	0.00***
Vehicle dummy (1= having vehicle; 0 otherwise)	-0.120	0.155	-0.77	0.44
Constant	1.540	0.458	3.36	0.00***
Number of observations	385			
Pseudo R^2	16.80			
Log likelihood	-212.68			
LR chi2	85.53***			

* p<.1; ** p<.05; *** p<.001.
Source: Field survey.

The explanatory power of the PROBIT model is low but statistically significant. Result shows that the farm size is one of the strong predictors of participation in ORCs, which means farmers with large farm size are preferred by the ORCs. Although owning a large plot of land is not a condition for participation in the FMA, the dominance of large farmers in the associations might have played a role in their selection. Further, leasing-in relatively larger percentage of area is another important predictor of participation in the ORCs. Probably because these farmers diversify more towards vegetables in order to maximise their profits, thus improving their chances of participating in the ORCs. Besides, availability of labour, as reflected in terms of household size and proportion of adult members, tend to decrease probability of participation. Probably low opportunity cost of a member in larger family may enable to depute a member to market the produce to local mandi.

Younger household heads are more receptive to change, as also reflected in the results, where relatively younger heads are more likely to participate in the ORCs. Low education of household head seems to have no significant impact on participation decision. Owning a vehicle reduces the chances of a farmer to participate, because its use can enable farmers to deal with higher transportation cost and enable farmers to access information about the local market, however, it is not found statistically significant. The above analyses show that labour availability, young household heads, contract in land market and size of operation have played play a crucial role in participation of farmers in the ORCs. This also indicates the possibility of selection bias in the sample.

Determinants of income: Table 2 records that an FMA farmer earns significantly higher per capita income than a non-FMA farmer, and most of their income is contributed by crop income. Within FMA farmers' crop income, about 42% is contributed by vegetables. During the survey, farmers reported that about 60% of their vegetable produce is supplied to Mother Dairy. In view of presence of selection bias in the data, Heckman sample correction model results, as in Table 5, have also been presented along with OLS regression results (Table 4).

Table 4: OLS regression Estimates

	Coefficient	Std Err	t	P>t
Dependent variable: per capita income (₹)				
HH size (persons)	-4,377.9	600.39	-7.29	0.00***
Age of HH head (years)	242.8	132.02	1.84	0.067*
Education of the HH head (years)	482.9	345.40	1.4	0.163
Adults in HH (%)	47.5	74.57	0.64	0.524
Lease-in area (%)	6.3	40.66	0.16	0.875
Farm size (acres)	2,567.9	335.92	7.64	0.00***
Dummy FMA (FMA=farm size, otherwise 0)	1,094.6	335.00	3.27	0.00***
Constant	14,956.5	9,202.94	1.63	0.105
R^2	0.44			
Number of observations	383			
Probability value >F	0.00***			

Source: Field survey. *** significant at 1%, ** significant at 5% and * significant at 10 %.

Table 5: Treatment-effects Model-Two-step Estimates

	Coefficient	Std Err	z	P>z
Outcome equation: dependent variable Net household per capita income				
HH size (person)	-5,955.66	1,249.56	-4.77	0.00***
Age of HH head (years)	-45.93	252.49	-0.18	0.86
Education of the HH head (years)	642.70	455.94	1.41	0.16
Adults in HH (%)	-65.19	117.79	-0.55	0.58
Lease-in area (%)	218.05	142.09	1.53	0.13
Farm size	2,805.10	576.44	4.87	0.00***
Dummy FMA (if FMA = farm size, otherwise 0)	1,520.92	461.49	3.30	0.00***
Constant	72,567.51	36,938.34	1.96	0.05*
Participation equation Dependent: 1 if participated in FMA otherwise zero				
Family size (numbers)	-0.08	0.03	-2.88	0.00***
Age of HH head (years)	-0.02	0.01	-2.59	0.01**
Education of the HH head (years)	0.00	0.02	0.28	0.78
Adults in family (%)	-0.01	0.00	-1.63	0.10
Lease-in land (%)	0.01	0.00	5.47	0.00***
Farm size	0.03	0.01	2.45	0.01**
Dummy (having vehicle =1, otherwise 0)	-0.12	0.16	-0.80	0.42
Constant	1.54	0.46	3.36	0.00***
lambda	31,965.70	21,663.96	1.48	0.14
Riho	0.88			
sigma	36,242.51			
Wald chi2(14)	257.34***			
Number of observations	383			

*** significant at 1%, ** significant at 5% and * significant at 10 %.
Source: Field survey.

Figure 1: Lorenz Curve for All Households

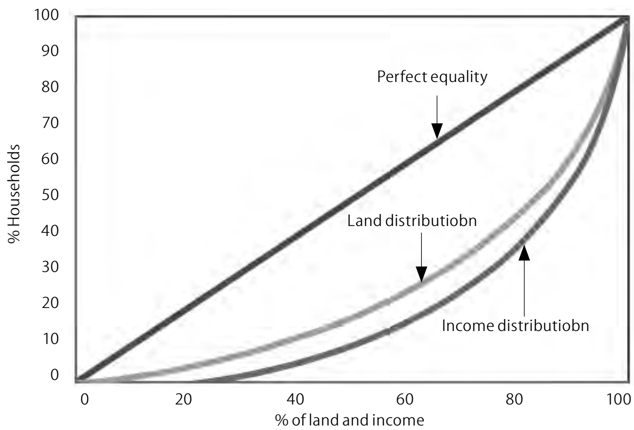


Figure 2: Lorenz Curve for Non-FMA Households

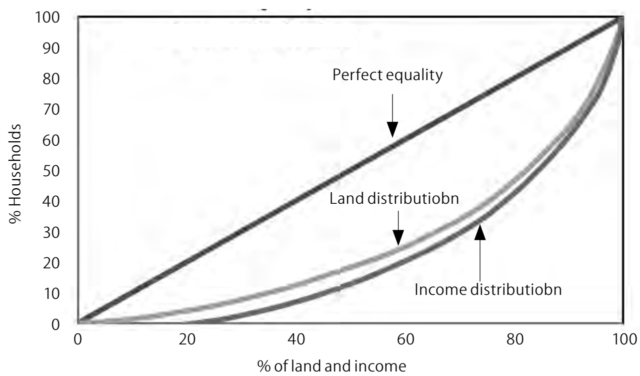
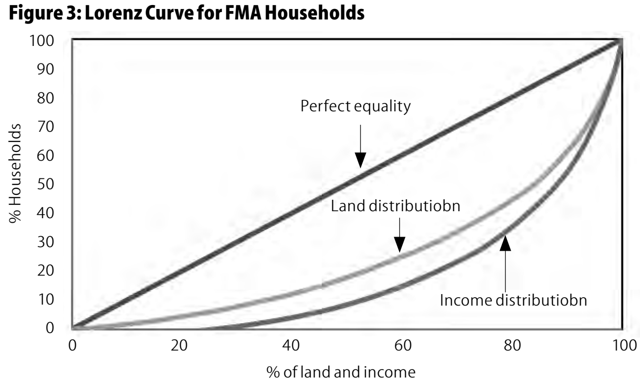


Figure 3: Lorenz Curve for FMA Households



As per Heckman's model, the value of "Rho" is estimated at 0.88, which is high but not statistically significant, and indicates the absence of selection bias in the sample.

The coefficient of dummy FMA is found positive and statistically significant, which suggests that participation of a farmer contributes ₹1,094 in per capita income of household for every additional acres of land. The comparable value of the coefficient in treatment regression estimates is ₹1,520. For additional one acre, the income increases by 3%–4% for FMA-farmers compared to non-FMA farmers.

The impact on income is translated through price and non-price channels. The price channels include price efficiency and marketing cost. Among non-price channels, crop diversification, farm productivity and profitability are the prominent ones. The net farmer prices[14] between Mother Dairy and local market are compared and found that Mother Dairy paid higher net price to farmers for selected vegetables than the local markets. Along with the price, Mother Dairy also saves marketing cost[15] for the farmers. The farm productivity[16] is higher for the FMA farmers than the other group. The diversification of FMA farmers, too, is double than the other group and the difference is statistically significant (Table 2).[17]

Inequality in income and land distribution: Key and Runsten (1999) and Korovkin (1992) indicated implication of exclusion of small farmers from new marketing channels inter alia on inequalities. The skewed participation in the ORCs may accentuate income inequalities. The Gini coeficient is calculated for land and income distribution for FMA and non-FMA farmers saparately and for all sample hosueholds (Table 6). The result shows that the land is relatively unequally distributed among FMA farmers than the non-FMA farmers. Further, the income is also found relatively unequally distributed among the FMA farmers than the other group. This indicates that participation is likely to worsen the income distribution, however, there is a need for rigorous analysis to establish a cause and effect relation. One can also observe the same looking at the Lorenz curves presented in Figures 1, 2 and 3 (p 18).

Table 6: Gini Coefficient

	FMA	Non-FMA	All
Land distribution	0.5000	0.4800	0.4901
Income distribution	0.6318	0.5702	0.6165

Source: Calculated from field survey data.

Conclusions

This study compares farmers selling vegetables to Mother Dairy with those selling to local mandi in Haryana to find out constraints on their participation in the chain and impact on their income, particularly on small farmers' income. The study also compares the income distribution of the participant and non-participant farmers. The two groups, FMA and non-FMA, differ significantly in terms of characteristics, where FMA has an advantage in land and its utilisation profile, while non-FMA has an advantage in terms of demographic characteristics such as availability of family labour.

The participation of farmers in Mother Dairy is mainly determined by labour availability, age of household head, contract in land market and size of operations. Despite a farmer marketing association at upstream of the Mother Dairy supply chain in Haryana, the participation is determined by the size of operational holdings. This may be because of dominance of large farmers in the association. Apart from this, contract in land market, age and availability of family labour explains participation of farmers in Mother Dairy. Further, their participation contributes ₹1,094–₹1,520 (3%–4% of average income) in per capita income for every additional acres of land. This increase in income is probably on account of better price, diversification towards vegetables and reduced marketing cost. In a preliminary examination, the distribution of the income is found more unequal in the case of the farmer, who participated in Mother Dairy compared to the others. The causes for worsening income distribution may need further examination.

These results have important policy implications. First, the farmers' association is an important institutional innovation for inclusion of farmers in new marketing channels. Having farmers' associations in supply chain, Mother Dairy is probably a more inclusive chain than those operating without associations. However, it is equally important that the association ensures equal opportunities to farmers irrespective of their size of operation, and is able to counter the influence of a few. Second, the results support the policy of promotion of direct marketing chains to improve the income of farmers and indicate that schemes like Mother Dairy have the potential to yield benefits if scaled up.

NOTES

1 An ORC consolidates the whole supply chain from procurement to retailing under a single management.

2 In general, based on socio-economic factors and a degree of advancement in policy reforms, waves of development are visible in northern half of the Central Europe, most of the southern Central Europe, and all of Eastern Europe, including the Russian Federation. See IFPRI (2008) also. Schwentesius and Cruz (2002), examines the case of supply chains procuring fruit and vegetables in Mexico over the decade through contractual arrangements with growers for agro-export and agro industry firms.

3 Shah (2011) raises a question on exclusion of the poor from the chain. See also Cacho (2003).

4 In India, 85% of landholding is either small or marginal categories—marginal (0.01–1 ha), small (1.01–2.00 ha).

5 As reflected in the survey by National Sample Survey Office (NSSO) in 2003.

6 The number of regulated markets in India increased to 7,157 in 2010 from 286 in 1950 along with about 21,221 rural primary markets being recorded in the same year. Out of these, 284 regulated markets and 189 rural primary markets were in Haryana. On an average, each market serves 460 sq km area in India compared to 155 sq km in Haryana. However, the density of regulated markets remains highly inadequate compared to 80 sq km (or within 5 km) the norm set by National Commission on Farmers, 1976.

7 As per the Working Group of the Twelfth Five Year Plan, only around 7% of the total quantity sold by farmers is graded before sale. The grading facilities were available only in 1,368 out of about 7,157 regulated markets. The storage capacity was estimated to be only 30% of the required capacity and cold storage was available only for 10% of the fruits and vegetables.

8 As per the Working Group of the Twelfth Five Year Plan, market fee ranging from 0.50% to 2.0%, commission charges vary from 1% to 2.5% in foodgrains and 4% to 8% in fruits and vegetables, other charges, such as, purchase tax, weighing charges of the sale value of the produce. In some states, total charges increased upto 15% which is excessive.

9 Price efficiency in vegetables such as tomato, cauliflower, capsicum and peas in Himachal Pradesh was estimated between 46% and 52% during 1991–92 (Thakur et al 1994). In another study of Karnataka during 1985–86 by Kiresur et al (1989) estimated the farmers' share between 36% and 51% in tomato and brinjal, while in case of potato and onion, which are relatively durable, the price efficiency ranges between 60% and 67%.

10 The questionnaire recorded the household's characteristics such as demographic, land, crop, assets, cost and income, and terms and condition of the contract, experience of farmers with Mother Dairy, etc.

11 Farm business income is equal to gross agricultural output minus all paid-out costs. The paid-out costs are costs paid to buy inputs such as fertilisers, pesticides, hired machinery, hired labour, irrigation charges, seeds, etc, net value added is calculated deducting intermediate costs from gross value of output like seeds, fertiliser, pesticides, irrigation and transaction cost. The gross agricultural output includes output from all crops and their by products. By-product income includes stalks, straw, etc, at their market price.

12 Non-farm income computed as income/receipts from animal husbandry, agriculture wage employment, non-agriculture wage employment, salary and pension, other household enterprise income and rent on leased-out land. Animal husbandry income includes income

from milk, milk products and poultry. Agriculture wage employment income includes the receipt from wage employment in agriculture. Non-agriculture wage employment income includes wage from non-employment income. Other household income includes income from self-employment. Some of the income sources are monthly such as pension and salary, etc, so to arrive at annual figures these are multiplied by 12.

13 Vehicle dummy, a farmer having vehicles such as four-wheeler, three-wheeler, motorcycle, etc, takes value one and zero otherwise. It has also been used in literature as it indicates reduction in transaction cost by facilitating transport of produce to mandi. In this study, the vehicle dummy is included for identifying the model as well as a variable to show impact of vehicle.

14 Mother Dairy price net of marketing cost.

15 Marketing cost includes transportation cost, loading and unloading charges, packaging, commission of agents and taxes. As reflected in Table 2, the marketing cost is significantly lower in FMA farmers compared to non-FMA farmers.

16 The difference in productivity, value of output per acre of net operated area, between FMA and non-FMA is ₹3,127, which is not statistically significant.

17 Diversification is defined as percentage of area of vegetables in gross cropped area.

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Punjab's Agricultural Labourers in Transition

A Longitudinal Study of Three Decades

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Agricultural labourers are undergoing a socio-economic transition due to the intensified capitalisation of agriculture. The change in structure of rural employment in Punjab, over a period, has two prominent facets: shift of agricultural labour to non-farm sector, and conversion of permanent/attached labour in agriculture to casual labour. This longitudinal study, in 1987–88 and 2018–19, presents the transition in agricultural labour households in the state. While the agricultural labour households, solely depending on meagre income from the agricultural sector are struggling, the ones shifting to the non-farm sector are switching over to menial jobs. Rural agro-industrialisation for overall improvement in the employment situation along with enhanced wages, liberal institutional credit and debt waiver specific to workers are vital aspects that need attention.

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The green revolution facilitated food self-sufficiency for India, and was imperative at the time for a food deficit nation. Characterised by the capital-intensive mode of production, it modernised agricultural practices while increasing the capital–land ratio. Combined with the existing abundance of labour in the rural economy, this modernisation generated a boom in the agricultural sector that sustained for a few decades. Soon, the growing capitalisation constrained gainful employment opportunities for labour, leading to unemployment and disguised unemployment. The surge in capital intensity in the agricultural sector caused reduction in the elasticity of labour, thus squeezing out the labour absorption capacity of agriculture (Devi et al 2013: 278). It is pertinent here to note that agricultural labour constitutes about 27% of the total workers in India (GoI 2011). The need for modernisation of agriculture and resultant creation of surplus labour is often explained as a facet of the normal course of economic development. It is generally propounded that this army of labour becomes the labour pool for other sectors of the economy—secondary and tertiary. The Lewis model of transition caters to the aspects of modernisation in agriculture and the resultant movement of surplus labour to other sectors, primarily from agriculture to industry and rural to urban (Lewis 1954). However, in India, though capitalisation of agriculture—often perceived as an indicator of development—did lead to the displacement of labour from agriculture, it could not be accommodated in other sectors, with sustained and rewarding livelihood opportunities. Consequently, labour is succumbing to poverty (Dutta 2019: 36).

A discussion about progressive agriculture in the country generally encompasses the model of agriculture in Punjab, as it pioneered the green revolution for India. As a ramification of modernisation that was brought about by the green revolution, agricultural labour in Punjab underwent a transition. Agricultural labour comprises a significant 16.3% of the total workers in the state (GoI 2011). Permanent agricultural labourers in the state had transformed to casual labourers, mainly due to reductions in the demand for labour. This can further be attributed to the mechanisation of major farm operations, monoculture of wheat–paddy crops and inflow of migrant labour in the state (Rangi et al 2004: 961). Further, agricultural labourers managed only short periods of employment. Hence, their problem to a large extent is that of unemployment rather than underemployment. The availability of abundant labour and decreasing demand for agricultural labourers has engendered a worrisome employment situation, especially in the rural economy. Based on the per hectare labour use in a crop year, demand for labour in the state fell from 479.3 million person-days in 1983–84 to 421.93 in 2000–01 (Sidhu and Singh 2004: 4134).

To make matters worse, in addition to the existing army of marginalised and unemployed agricultural labourers, unsustainable and non-viable farming has pushed a large chunk of cultivators to the labour market, subjecting them to further deprivation and pauperisation (Sidhu and Singh 2004: 4132; Singh and Singh 2010: 113). As per a study, the 28% of farmers who left farming in Punjab became labourers and took up unskilled jobs for survival (Singh and Bhogal 2014b: 99). Regrettably, informal non-farm sector is becoming their prime employment destination. Bare minimum wages, irregular employment, unsatisfactory working conditions, poor job satisfaction, and so on add to their misery. The strengthening of pull factors of the rural non-farm sector is generally believed to promote socio-economic welfare as it absorbs surplus agricultural labourers. Unfortunately, in Punjab, this sector is incapable of providing gainful employment to such surplus labour. As a result, they are forced to take up informal and seasonal casual work that is equally less promising. Various empirical studies highlight that the economic conditions of the poorer sections of the rural economy were so inexorable that few resorted to suicides to extricate themselves from distress (Singh et al 2012; Singh 2018: 16). Of the total agricultural labourer suicides in Punjab, around 59% were committed due to the heavy debt burden. More so, females of these households had higher susceptibility to economic distress as compared to their counterparts from farm households, since about 14% of the females from agricultural labourer households committed suicides in comparison to 8% of the females from farm households (Singh et al 2012). This stratum of landless labour households is miserable and uncared for.

The transition of labour in an economy from one sector to another is crucial for growth and development. Sadly, the real conditions of transitioning labour as well as the push-and-pull factors that influence transition are not paid heed to by policymakers. This paper presents the transition of agricultural labour in the rural economy of Punjab over three decades and attempts to understand the extent and magnitude of this transition and suggests policy measures to improve the level of living of this weaker stratum of rural society.

Sampling Design

The present study is a longitudinal study in which the field-level data were collected from agricultural labour households through personal interviews during two time periods, that is, 1987–88 and 2018–19, from Ludhiana district, the central region of Punjab. There were four subdivisions and 1,004 villages in the district in 1987–88. Out of these, four villages were selected, choosing one from each subdivision during 1987–88. Further, 100 agricultural labour households were selected, taking 25 agricultural labour households from each village. After three decades, a field survey of agricultural labour households was again undertaken in 2018–19 to study the same families in order to analyse the changing scenario. Although all agricultural labour households that were studied in 1987–88 could not be located as full families in 2018–19. As some families had undergone division, migrated and so on, a sample of 100 families was taken from the same or part of the same family for the study.

Process of Transformation of Agricultural Labourers

The capital-intensive farm sector reduces human labour employment in farming. As a result, the surplus labour shifts towards the non-farm sector. The Lewis model of transformation revealed that the shift of labour from agriculture to industry is inevitable with the increase in capitalisation in agriculture (Lewis 1954). The process of transformation of agricultural labourers can be analysed in light of occupational shifts of labour households, changing employment, income, consumption pattern, along with poverty and debt position of these households.

Occupational Shift in Labour Households

The growth of the agricultural sector in Punjab has become unsustainable, which is visible from the low agricultural growth rate of about 2%. Also, the state is experiencing rampant de-peasantisation as peasants are giving up agriculture as a means of livelihood (Singh and Bhogal 2014a: 1365). Resultantly, the agricultural sector seems to be shrinking in terms of gainful employment opportunities. Thus, the population dependent on agriculture, especially the agricultural labour community, the weakest economic strata in the rural society, is mired into a state of vulnerability and desolation. This process pushed many households towards non-farm activities. A comparison of occupations of the same agricultural households during 1987–88 and 2018–19 highlights an occupational shift in agricultural labour households in Punjab over three decades (Table 1).

Table 1: Occupational Shift in Agricultural Labour Households in Punjab

Type of Household	1987–88		2018–19	
	No of Households	Percentage	No of Households	Percentage
Solely agricultural labour	88	88	7	7
Solely non-farm	–	–	56	56
Mixed (agriculture and non-farm)	12	12	37	37
Total	100	100	100	100

Source: Field survey, 1987–88 and 2018–19.

In 1987–88, out of a total sample of 100 households, 88 households were solely agricultural labour households, whereas the remaining 12 households were mixed households, comprising at least one family member engaged in non-farm activities. However, the proportion of solely agricultural labour households declined from 88% in 1987–88 to just 7% in 2018–19, while for mixed households, this increased from 12% in 1987–88 to 37% in 2018–19. The shift of labour from farm to non-farm sector is quite robust since, over three decades, 56% of these households turned as solely non-farm households, with none of the workers of these households engaged in agriculture. This situation clearly brings out the magnitude of occupational shift in farm labour households in the rural economy of Punjab during three decades.

Shifts in employment pattern: The demographic details of any economy give an indication about its growth drivers. It was observed that the average family size of these labourer households declined from 5.66 in 1987–88 to 4.97 in 2018–19 (Table 2). However, the number of workers per household increased marginally from 1.73 to 1.81 during the same time period. Subsequently, the dependency ratio in these households also declined from 227.17% to 174.66% during the period of study.

Table 2: Changing the Employment Pattern of Agricultural Labour Households in Punjab

Description	1987–88		2018–19	
Family size (No)	5.66		4.97	
No of workers/household	1.73		1.81	
Agricultural workers/household	1.59 (91.9)		0.61 (33.7)	
Non-agricultural workers/household	0.14 (8.09)		1.21 (66.29)	
Dependency ratio (%)	227.17		174.58	
Estimated annual working days/household	631.45		660.65	
Total actual days worked/household (annual)	409.45		401.76	
Days worked per household (%)	64.84		60.81	
Days worked per capita (annual)	72.34		80.84	
Days worked per worker (annual)	236.68		221.97	
Days worked in agricultural and non-agricultural sector	*Agri-cultural*	*Non-agricultural*	*Agri-cultural*	*Non-agricultural*
Per household	775.35	51.1	75.45	326.31
Per capita	136.99	9.03	15.18	65.66
Per worker	228.72	365	123.69	269.68

Figures in parenthesis indicate percentages.
Source: Field survey, 1987–88 and 2018–19.

Of all the workers, a further categorisation revealed that during 1987–88, about 92% (1.59) of the total workers per household were engaged in agricultural activities, and about 8% (0.14) were engaged in non-agricultural activities. The number of workers from each household engaged in these respective activities changed during 2018–19. About 34% (0.61) of the total workers of the family were now engaged in agricultural activities, while about 66% (1.21) were engaged in non-agricultural activities. It was estimated that the total number of days that the households could have been available for work during a year, considering that 365 were the number of working days per worker per annum, were 631.45 in 1987–88, which increased to 660.65 in 2018–19. An average agricultural labour household got work for about 65% of the total estimated annual working days in 1987–88, which declined to about 62% in 2018–19.

Due to the reducing number of work days in farm sector, the labourers are compelled to look out for other work or stay unemployed, which further exerts financial stresses on this stratum of society. Though the role of the non-farm sector, an alternative employment stood out prominently during the study period; however, the availability of sustainable and gainful employment opportunities in this sector is debatable. The number of days of work that a household managed to get in this sector increased from about 51 days per annum in 1987–88 to about 326 days per annum in 2018–19. However, per worker number of days of employment in this sector declined from 365 days in 1987–88 to 270 days in 2018–19. Likewise, the share of agricultural sector declined with time. Such a scenario points towards a bleak chance for growth of labour in the agricultural sector relative to the non-agricultural sector. This also hints that the agricultural labour market seems to have lesser potential for gainful labour absorbability. In addition, it can also be inferred that the non-farm sector provided lesser promising sustainable employment as the workers could not be engaged for the entire year relative to the scenario during 1987–88.

The changing scenario of the prospect of generation of livelihood from agriculture alone induced transition in the rural economy. The details of the magnitude of the shift of the total agricultural workforce towards other sectors over a period of three decades is shown in Table 3. Of the total workers, about 92% (159) were engaged in agricultural activities during 1987–88 which reduced to 33.7% (61) in 2018–19.

Table 3: Distribution of Shift of Agricultural Labour Workforce in Punjab

Type of Labour/Work	1987–88 No	1987–88 %	2018–19 No	2018–19 %
(a) Permanent/attached labourer in agriculture	62	35.83	2	1.10
(i) As sharecropper	13	7.51	-	-
(ii) As wage labourer on fixed cash basis	59	28.32	2	1.10
(b) Casual labourer in agriculture	97	56.07	59	32.60
(I) Total farm workers (a+b)	159	91.91	61	33.70
(c) Industry and construction labourer	-	-	27	14.92
(d) Serviceman	4	2.31	19	10.50
(e) Domestic labourer	2	1.16	13	7.18
(f) Workshop/shop helper	-	-	17	9.39
(g) Brick kiln labourer	-	-	18	9.94
(h) Self-employed*	8	4.62	8	4.42
(i) Others**	-	-	18	9.94
(II) Total non-farm workers (c+d+e+f+g+h+i)	14	8.09	120	66.30
Total (I+II)	173	100.00	181	100.00

* Includes activities like dairy and poultry, street hawking, petty shops.
** Includes sale of manure, work under MGNREGA.
Source: Primary survey, 1987–88 and 2018–19.

It is pertinent to know that one-fifth (13) of total permanent agricultural labourers (62) during 1987–88 were engaged on crop-sharing basis (sharecroppers). This type of employment ceased to exist in 2018–19. To elaborate, currently no sharecroppers are found in agriculture in Punjab. Although a negligible number (1.10%) of total workers were engaged as wage earners on a permanent basis, they were being paid fixed cash remunerations on an annual basis. The shift of employment was seen in favour of menial jobs generally in the private sector as the members of agricultural labour households engaged in this sector increased from 2.31% to 10.50%. None of the family members of the sampled agricultural labour households were engaged as industry and construction labour, helpers in shops/workshops and brick kiln workers in 1987–88, but as many as 14.92%, 9.39% and 9.94% of the labourers from these agricultural labour households were found to be engaged in the respective employment activities in 2018–19. The proportion of workers engaged as self-employed was found to be almost the same during both the periods of study. The nature of work undertaken by the self-employed, such as repair and maintenance, barber, electrician, vendor, and so on, was often less remunerative. Over the period, the non-farm sector has absorbed more of the working population of these households as compared to the farm sector, as the proportion of workers engaged in this sector increased from about 8% in 1987–88 to 66% in 2018–19.

Overall, the transformation process can be understood by observing the change in the nature of the workforce and its shift from one sector towards others. In the present context, the labour engaged in agriculture underwent three types of changes. The first and most prominent was the shift of nature of employment from permanent to casual, since almost all the labourers that were engaged as permanent labour (on an annual basis) were now employed as casual workers (on a daily basis) in agriculture. The second type of transformation was the one wherein permanent agricultural labour based on share-cropping were converted to permanent wage labour based on fixed cash remunerations. And, the third type of transformation was the shift of agricultural labourers engaged in the farm sector to the non-farm sector.

Changing Pattern of Household Income

The study reveals that, with time, the income pattern of households has changed, which is mainly attributed to changes in the pattern of employment. An agricultural labourer earns income from the farm sector by working as permanent/attached labour (for the year) or casual labour (on a daily basis). Table 4 shows the changing income situation of agricultural households over a period of three decades. It can be seen that per annum income from hiring out as permanent labour in agriculture in 1987–88 was ₹3,378, which declined to ₹1,143 in 2018–19, mainly due to lesser engagement of labour in this sector. In other words, this income declined from about 43% of the total income of the agricultural labour households in 1987–88, to merely 1% in 2018–19. Further, if compared at constant prices of 1987, there is a drastic decline as the income from permanent labour reduced to merely ₹124 per annum/household.

The monocropping culture and capital-intensive green-revolution model have narrowed down the cropping season and reduced the working days, and this transformed permanent agricultural labour into casual labour. Furthermore, the situation of employment of the casual labourers seemed to be no better. The study highlights a decline of annual real income from engagement as casual labour in agriculture from ₹3,393 in 1987–88 to ₹2,754 in 2018–19 at constant prices. Similarly, the proportionate contribution of this source in total income also declined from 43.18% in 1987–88 to 20.84% in 2018–19.

It is notable that the sampled households were not earning any income by hiring out their labour in industry and construction, brick kiln and shop/workshop in 1987–88 whereas these households were earning 19.17%, 9.95% and 9.52% of their total income from these respective activities, in 2018–19 (see Table 4). The total annual income of these labourers from agriculture declined from about ₹7,276 in 1987–88 to ₹2,878 in 2018–19 at constant prices. The share of income from agriculture in total income (permanent and casual labour) also declined from 86.17% in 1987–88 to 21.78% in 2018–19. With the agricultural sector becoming less remunerative, agricultural labourers depended upon non-farm activities. The income from non-farm sources increased from ₹582 in 1987–88 to ₹10,335 in 2018–19 at constant prices. The overall income increased from ₹7,856 in 1987–88 to ₹13,213 in 2018–19 at constant prices. This clearly exhibits that over a period of three decades, agriculture has become less opportune for labourers since the real income and the employment situation of the agricultural sector has been deteriorating. The dependents are under severe constraints of the job market. Even if some are finding employment in the agricultural sector, it is mainly of casual nature.

Due to the paucity of work in the agricultural sector on the one hand, and the ineffective implementation of labour-friendly policies like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on the other, the rural labourers are depending upon the meagrely remunerative non-farm sector. Construction, maintenance and cleaning of public infrastructure, petty shopkeeping, vending, menial private jobs, activities of gram panchayat, domestic servants/help, and so on, were some of the other options. Also, the rural society has changed, and this has further isolated agricultural labourers based on socio-economic norms. Earlier, due to simplistic social norms, farmer households were seen to be managing their household chores themselves even if the

Table 4: Changing Income level of Agricultural Labour Households in Punjab (₹/annum) (1987=100)

Source of Income	Per Household			Per Capita		
	1987–88	2018–19		1987–88	2018–19	
		Constant Prices	Current Prices		Constant Prices	Current Prices
(a) Permanent/attached labour in agriculture	3,378 (42.99)	124.29 (0.94)	1,143	596.80	25.01	229.98
(b) Casual labour in agriculture	3,393 (43.18)	2,753.62 (20.84)	25,322	599.47	554.05	5,094.97
(I) Farm income (a+b)	*7276* *(86.17)*	*2,877.91* *(21.78)*	*26,465*	*1,285.42*	*579.06*	*5,324.95*
(c) Industry and construction labour	-(19.17)	2,533.01	23,293	–	509.66	4,686.78
(d) Serviceman and pensioner	81 (1.03)	2,030.91 (15.37)	18,676	14.31	408.63	3,757.75
(e) Domestic helper	118 (1.5)	835.05 (6.32)	7,679	20.83	168.02	1,545.07
(f) Shop/workshop helper	– (9.52)	1,257.84	11,567	0.00	253.09	2,327.36
(g) Brick kiln labour	– (9.95)	1,314.72	12,090	0.00	264.53	2,432.60
(h) Self-employed	806 (10.25)	1,023.49 (7.75)	9,412	142.38	205.93	1,893.75
(i) Others*	82 (1.05)	1,339.84 (10.14)	12,321	14.52	269.58	2,479.07
(II) Non-farm income (c+d+e+f+g+h+i)	*582* *(13.83)*	*10,334.85* *(78.22)*	*95,038*	*102.89*	*2,079.45*	*19,122.38*
Total income (I+II)	7,856 (100)	13,213.17 (100)	1,21,507	1,388.31	2,658.59	24,448.09

* Includes income from remittances and work under MGNREGA. Figures in parenthesis indicate percentages.

Source: Primary survey, 1987–88 and 2018–19.

work was to collect and clean the cow dung. But now, farmer families rarely perform this work as they consider such activities as undignified and are performed only by the labour class.

Changing Income Level per Worker

The changing employment scenario among the farm and non-farm sectors explains the change in income generated from employment in these sectors for the sampled households. This change in income was biased more towards the non-farm sector. The rising absorption of labour by the non-farm sector cannot overshadow the reality of the wide disparity between income earned by workers engaged in the farm and non-farm sector. The pattern of change in the income generated per worker from the farm and non-farm sector exhibits that the farmers who were still engaged in agricultural activities were far worse than those engaged in the non-farm sector, with regard to improvements in income over three decades. It can be understood from Table 5 that the annual income per worker per household from the non-farm sector increased more than double, from ₹4,157 in 1987–88 to ₹8,612 (constant prices) in 2018–19. On the contrary, the annual income per workers per household from the farm sector that was ₹4,576 in 1987–88 increased marginally to ₹4,718 after three decades in 2018–19. This feature of the farm sector is highly worrisome from the viewpoint of gainful employment and depicts the vulnerability and plight of those still engaged in this sector.

Table 5: Changing per Worker Annual Income of Agricultural Labour Households in Punjab

Source of Income	1987–88			2018–19		
	No of Workers/ Household	Annual Income/ Household (₹)	Annual Income/ Worker (₹)	No of Workers/ Household	Annual Income/ Household (₹)	Annual Income/ Workers (₹)
Farm sector	1.59	7,276	4,576	0.61	26,465 (2,878)	43,385 (4,718)
Non-farm sector	0.14	582	4,157	1.20	95,038 (10,335)	79,198 (8,612)
Total	1.73	7,856	4,541	1.81	1,21,507 (13,213)	67,131 (7,300)

Figures in parenthesis denote real income at 1987 prices.

Changing Pattern of Consumption Expenditure

A comparison of pattern of consumption expenditure over a period of three decades helps to analyse the the levels of living of an individual. In fact, one of the larger social dimensions of the agrarian crisis witnessed in Punjab is mirrored through the change in income and consumption levels of the agricultural labourers. In 1987–88, the annual average consumption expenditure of an agricultural labour household on food items like foodgrains, milk and milk products, sugar/gur, edible oil, vegetables and fruits, condiments, meat/eggs, intoxicants, fuel and light, clothing/bedding, footwear, and so on was ₹5,525, which increased to ₹8,388 at constant prices in 2018–19 (Table 6). However, the analysis of the proportion of the budget spent on consumption of varied items exhibits that food items accounted for 56.61% of the total consumption expenditure in 1987–88, which was almost the same (56.17%) in 2018–19. Further, though the annual expenditure on non-durables like fuel and light, clothing and bedding, footwear, washing and toilet increased over three decades from ₹1,320 in 1987–88 to ₹1,449 in 2018–19 at constant prices, the overall share in expenditure budget of these items declined from 13.53% to 9.7%.

The annual expenditure on durables like house construction, radios/tape recorders, phones and televisions, watches and clocks, electric fans, utensils, and so on, exhibited an increase as these items, accounted for 6.17% of the total consumption expenditure in 1987–88, which increased to 16.53% in 2018–19. It is notable that the consumption of durables has changed over this period; not only the type of such durables has changed but many new items have been added to the list that have become almost a necessity. For instance, phones were a luxury back in 1987–88 but have become an essential part of life now. Similarly, means of transportation have changed due to the increase in distances to be covered for work that influenced the change in the pattern and the subsequent

Table 6: Changing Consumption Pattern of Agricultural Labour Households in Punjab (₹/annum) (1987=100)

Description	Per Household			Percentage	
	1987–88	2018–19 Constant Prices	2018–19 Current Prices	1987–88	2018–19
Non-durables (food + non-food items)	6,845.82	9,836.10	90,451.82	70.15	66.51
Food items	5,525.04	8,387.60	77,131.52	56.61	56.71
Cereals	2,902.47	2,418.24	22,237.88	29.74	16.35
Pulses	179.88	1,219.79	11,217.09	1.84	8.25
Milk/milk products	1,003.63	1,846.46	16,979.87	10.28	12.48
Sugar/gur	475.36	442.18	4,066.2	4.87	2.99
Edible oils	183.8	169.25	1,556.37	1.88	1.14
Fruits/vegetables	77.24	343.07	3,154.81	0.79	2.32
Condiments/spices	57.34	243.96	2,243.42	0.59	1.65
Pickles	15.27	108.26	995.52	0.16	0.73
Tea leaves	152.58	259.21	2,383.63	1.56	1.75
Biscuits/bread/sweets	30.68	306.47	2,818.29	0.31	2.07
Meat/eggs	32.59	564.15	5187.9	0.33	3.81
Intoxicants	414.2	466.57	4,290.54	4.24	3.15
Non-food Items	1,320.78	1,448.50	1,3320.3	13.53	9.79
Fuel/light	200.92	518.41	4,767.26	2.06	3.51
Clothing/bedding	900.21	335.44	3,084.7	9.22	2.27
Footwear	162.67	320.20	2,944.49	1.67	2.16
Washing/toilet articles	56.98	274.45	2,523.85	0.58	1.86
Durables	601.85	2,444.16	22,476.24	6.17	16.53
House construction	384.72	466.57	4,290.54	3.94	3.15
Radio/stereo/phone/television	27.75	190.59	1,752.67	0.28	1.29
Watches/clocks	30.38	172.30	1,584.41	0.31	1.16
Electric fans	77.85	390.33	3,589.47	0.80	2.64
Sewing machines	22.3	221.09	2,033.1	0.23	1.49
Cots/bed/sofa	5.81	33.54	308.47	0.06	0.23
Utensils	11.55	373.56	3,435.23	0.12	2.53
Bicycles/bike	41.49	596.17	5,482.35	0.43	4.03
Services	438.48	1,640.62	15,086.98	4.49	11.09
Education	25.01	228.71	2,103.2	0.26	1.55
Healthcare	291.77	548.91	5,047.69	2.99	3.71
Conveyance	114.1	548.91	5,047.69	1.17	3.71
Entertainment	7.6	314.10	2,888.4	0.08	2.12
Socio-religious ceremonies	1,873.26	869.10	7,992.18	19.19	5.88
Total consumption expenditure	9,759.41	14,789.98	1,36,007.22	100.00	100.00

Source: Primary survey, 1987–88 and 2018–19.

expenditure on durables. Furthermore, the share of services, like healthcare, education, entertainment, and so on, in the total household consumption expenditure of agricultural labourers was 4.49% in 1987–88, which increased to 11.09% in 2018–19. This primarily happened due to the privatisation of these services that are very expensive now. In the case of expenditure on marriages and other social ceremonies, the share of such expenditure to the total expenditure declined from 19.19% in 1987–88 to 5.88% in 2018–19. According to a study, in the rural society, there is a rising trend of expenditure on socio-religious ceremonies by farmer households, which could be one of the reasons for the destitution of these households (Sharma et al 2015: 441–43). It is often assumed that the same trend prevailed for agricultural labourers also. However, the declining proportion of the expenditure budget being spent on such ceremonies by these labourers breaks the myth of the irrationality in spending by agricultural labourers.

Declining Poverty Level

The term "poverty" is defined, in terms of head count ratios as the inability of an individual to meet a certain minimum, desirable level of living. Dandekar and Rath (1971) estimated that the persons whose per capita consumption/income in rural areas is ₹180/annum at 1960–61 prices are considered as below the poverty line. Based on this criterion, an estimate was generated of the percentage of the agricultural labourers below the poverty line in 1987–88 and 2018–19, using the consumer price index for agricultural labourers. It was found that 35.87% of agricultural labourer households in Punjab were living below the poverty line during 1987–88, which decreased to 8.20% in 2018–19 (Table 7).

The declined poverty ratio is an estimation of the average economic health of agricultural labourers. Along with poverty, the average propensity to consume (APC) is another important indicator that reveals the economic health of households. While the per capita income increased from ₹1,279/annum in 1987–88 to ₹2,659/annum at constant prices in 2018–19, the per capita consumption expenditure of the agricultural labour household during 1987–88 was ₹1,589/annum, which increased to ₹2,976/annum during 2018–19 at constant prices. Resultantly, the APC that was 1.24 in 1987–88 declined marginally to 1.12 in 2018–19. Though the APC of these households had declined, even then their average spending on consumption was more than that they were earning, which reveals that these families used borrowed funds to cater to their food deficit. Resultantly, indebtedness—both formal and informal credit—among these households becomes inevitable.

Table 7: Changing Incidence of Poverty among Agricultural Labour Households in Punjab

Parameters	1987–88	2018–19 At 1987 Prices	2018–19 At Current Prices
Per capita income (₹)	1,388	2,659	24,448
Per capita consumption (₹)	1,724	2,976	27,366
Average propensity to consume	1.24	1.12	
Persons below poverty line (%)	35.87	8.20	

Source: Primary survey, 1987–88 and 2018–19.

Increasing Magnitude of Debt

On an average, the economic condition of agricultural labour households was weak as these households earned less than their consumption expenditure and, thus, indebtedness followed. Table 8 reveals that the magnitude of the debt of agricultural labourers has increased over the three decades. On an average, the amount of debt of an agricultural labourer household was ₹5,068 during 1987–88, which increased to ₹8,178 at constant prices in 2018–19. With regard to the extent of indebtedness, it was observed that the proportion of indebted households declined during the study period from 89% to 81%. This is mainly attributed to the shift of the workforce from the farm to the non-farm sector, which was relatively more remunerative. Despite the decline in the extent of indebtedness, the magnitude of debt of indebted households increased from ₹5,769 in 1987–88 to ₹10,096 at constant prices in 2018–19. This indicates that a significant shift towards the non-farm sector could not avert indebtedness, pointing towards the insufficiency of earnings.

The source of credit is also an important factor that affects the level of its repayment due to different interest rates and other terms and conditions of the funding agency. Sourcing of debt was inclined more towards non-institutional sources during the study period. Since these labourers could not access institutional sources easily (non-availability of collaterals), they were totally dependent or bound to their respective landlords or employers. On an average, the agricultural labour household borrowed 72.40% of the total debt during 1987–88 from such non-institutional sources, which increased to 89.89% in 2018–19. The fact is that these asset-poor households could not borrow from institutional sources, which led to them availing loans from non-institutional sources. Earlier, the government provided financial and physical assistance to labour households through various schemes like the Marginal Farmers and Agricultural Labourers (MFAL) scheme, the Training of

Table 8: Changing Debt Position of Agricultural Labour Households in Punjab (1987=100)

Description	1987–88	2018–19
Debt amount/ household (₹)	5,068	8,178 [75,200]
Indebted households (%)	89.00	81.00
Debt amount/indebted household (₹)	5,769	10,096 [92,840]
Source of finance (₹)		
Institutional sources (₹)	1,399 (27.60)	809 [7,438] (10.11)
Non-institutional sources (₹)	3,669 (72.40)	7,369 [67,762] (89.89)
Purpose of credit (%)		
Productive purpose	13.98	12.3
Consumption purpose	86.02	87.7
Rate of interest (%)		
Institutional sources	13.75	10.2
Non-institutional sources	24.9	20.6

Figures in square brackets exhibit values at current prices, Figure in parentheses exhibit percentages.

Source: Primary survey, 1987–88 and 2018–19.

Rural Youth for Self Employment (TRYSEM), and so on. However, with time, such government intervention declined, which resulted in an enhanced dependence of these labour families on non-institutional sources of credit.

Another aspect of indebtedness is the rate of interest, which was observed to have declined over the three decades. In 1987–88, the institutional rate of interest charged was 13.75%, which declined to 10.2% in 2018–19. Likewise, the non-institutional rate of interest also declined from 24.9% to 20.6% during the same time period. It is important to note that the rate of interest charged by non-institutional sources is still double than that charged by institutional sources. Despite the fact that the government has doubled the credit amount to farm sector in 2005, agricultural labourers are still deprived of loans from institutional sources. Over the period, institutional sources accounted for 27.6% of the total debt during 1987–88, which declined to 10.11% during 2018–19, thereby pointing towards vulnerability to financial exploitation and misery, which is vicious in nature. A larger proportion (86% to 87%) of the loan was used by these labourers for consumption purposes like food, meeting daily expenses, healthcare and socio-religious celebrations. This reveals that despite the transition of households from farm to non-farm activities, these families could not come out of the debt trap.

An Overview and Policy Measures

The capital-intensive mode of production, an axis of the green-revolution model, although ensured enormous growth of farm productivity, also led to the subsequent shrinkage of farm employment, which resulted in the structural shift of employment from the agricultural sector to other sectors. Declining work opportunities in agriculture and the shift towards non-gainful employment in other less opportune sectors is an aftermath of the uneven transition of these workers, and such changes are to be considered as an integral part of the extensive process of the transformation of an economy. The present study highlights the symptoms of the structural change in the rural economy of Punjab that is divulged through the transformation of agricultural labour households into mixed or solely non-farm labour households. This change comprises three main aspects: first, conversion of permanent/attached agricultural labourers into casual agricultural labourers; second, transformation of the permanent/attached labour that was earlier engaged as share-croppers into permanent/attached wage labour; and third, the shift of agricultural labourers towards the non-farm sector.

There is a need to mull over the situation of transitioning agricultural labour, both in the agricultural and non-farm sectors. On the one hand, those agricultural labour households that are solely depending on income from agricultural labour are struggling, and on the other, the ones shifting to the non-farm sector are changing over to menial jobs. As a result, a sizeable change in the income of agricultural labour (both permanent and casual) households has been noticed. However, the increase in the per worker annual income generated from the farm sector and the non-farm sector, over the three decades, was disparate. The per worker annual income from the non-farm sector increased by more than double as compared to the marginal increase in agricultural sector. This created a wide income gap in the two sectors and also raises concerns about the plight of the labour engaged in this sector. This calls for government attention in order to enhance the livelihood of labour families. Policies to fix higher minimum wages, relative to those existing for agricultural labourers, by taking into consideration the lesser number of effective days of employment in farming, need to be framed. Also, effective inclusion of these labourers under MGNREGA, the especially during the lean farming season, could supplement the income of these households. Considering that this employment scheme lacks effective implementation in the state, as the average number of days of employment that a labourer gets under this scheme is one-third of the assured number of days of employment, increasing the effective number of days of employment under the existing scheme will be helpful for improving the economic well-being of these households. In addition, there have been arguments in favour of increasing the current minimum days of employment from 100 to 150 days, along with bringing the wage rates at par with the wages in the non-farm sector. Village panchayats need to be empowered and made more accountable for the village-level management of labour and public works for widespread impacts.

The transition of the workforce has also changed the level and pattern of consumption expenditure of these households. The proportion of expenditure budget spent on comforts—durables and services—has increased, which indicates that the economic conditions of these households have improved with time. This is further affirmed by the declining incidence of poverty. However, consumption being more than income points towards inevitable indebtedness. In order to tackle the problem of lesser earnings of agricultural labour relative to their expenditures, it is imperative to increase their real wages. The amount of debt on an average agricultural labour household in 2018–19 increased in comparison to 1987–88. Evidently, the role of non-institutional sources of lending, especially landlords or employers in the case of these households, continues to be significant. The poor, illiterate and destitute labourers often fall prey to these lending sources that charge high rates of interest. The crucial role of non-institutional sources of credit in the lives of these households is argued as unavoidable, as these asset-poor households cannot provide collateral to the institutional sources of lending.

In such a scenario, the crafting of special lending policies catering to the economic realities of these labourers is the need of the hour. Further, extensive networks of institutional sources of credit, and easy and realistic terms and conditions of lending are crucial towards shielding resource-poor families from financial distress. Regularisation of private moneylenders and monitoring their lending practices is another way to check financial exploitation. Special credit institutions and specific schemes that extend credit to such labourers can help reduce their dependency on informal lenders. Also, there is a need to introduce effective and all-encompassing debt waiver schemes for this section of population.

There is dearth of well-thought-out developmental schemes and policy interventions to improve the economic conditions of agricultural labour. As a result, these households are undergoing a process of transformation, wherein they are leaving the agricultural wage market due to crisis-led push factors. In such a situation, it is imperative to make the transformation through development-oriented pull factors. For this purpose, there is a need to develop rural industrialisation with special emphasis on agro-based industries that would help preserve the natural balance of employment in the rural economy. This development-led transitional strategy would enable the pulling of people towards higher remunerative sectors through gainful employment at their doorsteps. Consequently, the rural economy would be propelled forward through the efficient utilisation of localised resources and the strengthening of the backward and forward linkages. Above all, the productive capacity of the rural economy would be reinforced through processing and value addition. This strategy would further lead to the growth-based transition of the rural workforce, enabling improvement in the living standard of the rural masses. As a ripple effect, such a smooth transition would facilitate the inclusive growth of the society.

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REVIEW OF RURAL AFFAIRS

Employment of Women in Rural Punjab

Deconstructing Agricultural Growth Policy

ASHAPURNA BARUAH, INDERVIR SINGH

High economic growth has failed to improve the status or the participation of women in the labour market in developing countries. Taking into account the case of low labour force participation among women in rural Punjab, an analysis of existing policy prescriptions—of improving agricultural growth and crop diversification as a panacea to the problem—is revealed to be insufficient in improving the female labour force participation rate. In order for policy to successfully address these issues, it must consider the constraints imposed by gender norms.

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Most mainstream economic theories consider the gross domestic product (GDP) and employment to be synonymous. The various economic models focus on GDP growth and assume that an increase in GDP automatically leads to full employment. However, these models are often built in the context of the developed Western countries that have different social and economic responses to economic growth. In a country like India, the policies pursued using these models may lead to undesirable results when it comes to employment generation, especially for women. Some macroeconomic models do focus on the implications of market imperfections due to factors like search costs, but they also fail to take into account costs that arise due to gender-based norms (Diamond 1989). These costs may lead to long-term hidden unemployment or underemployment in the economy. This hidden unemployment or underemployment is not visible in data, and workers may be counted as voluntarily unemployed or a part of the workforce.

Economic growth in India has not been able to improve the status or the participation of women in the labour market (Fletcher et al 2017). The worsened employment conditions among women remain a characteristic feature of the process of rural transformation in the Indian economy, accentuating the labour market vulnerabilities among women. This is reflected in women's low employment participation, concentration in low productive sectors, low earnings, and irregularity of employment in rural areas (Chowdhury 2011; Kannan and Raveendran 2012; Mazumdar and Neetha 2011; Rangarajan et al 2011).

This trend is even visible in more developed states like Punjab. The expansionary phase of development and high-income growth of Punjab's economy has its source in capitalistic agriculture. Punjab provides the ideal case of an agrarian economy that has transitioned from a traditional to a modernised one, which is highly market-oriented and commercialised. Despite the high-income growth in Punjab, the female labour force participation rate (FLFPR) has been low in rural areas (Baruah 2016). Researchers have often recommended increasing the growth of the agricultural sector and crop diversification to improve the FLFPR in rural areas (Toor et al 2007). These suggestions are based on the premise that higher agricultural growth and diversification will inevitably take care of the employment problem for all sections, including women. Even those studies that recognise the importance of diversifying to the rural non-farm sector ignore the issues that pertain to female labour (Sidhu 2002). The evidence suggests that in both the high-growing or slow-growing agricultural sector, there is a dearth of employment generation for women, let alone creation of better conditions and quality of work (Baruah 2016). Even an increase in non-farm activities, which are often concentrated in urban areas, may not help the rural women.

In this context, the present paper examines the possibility of improving agricultural growth and crop diversification in order to increase the FLFPR in rural areas of Punjab. The paper argues that the nature of the growth construct in the agricultural sector in Punjab has not kept the issue of women's labour as central to growth and its outcomes. As a result, women's participation and status in the labour market is deplorable, despite significant growth in this sector. Even the existing FLFPR is misleading, as majority of the women in rural areas are only marginally employed. It is argued that the existing focus on growth in agriculture alone will not generate employment, especially for women. There may indeed be a further reduction of demand for labour over time.

Agricultural Growth since the Green Revolution

Punjab saw rapid strides in agricultural growth with the adoption of the green revolution technology in the mid-1960s. The high growth in agriculture was a result of the huge increase in production and productivity following the adoption of an intensive system of cultivation. A comparison of yield in wheat and paddy between the pre- and post-green revolution periods gives a vivid picture of this growth. During the 1952–53 to 1964–65 period, the yield in wheat grew annually at a rate of 2%, which increased to 2.6% from 1967–68 to 1984–85; paddy registered a much higher yield, from an annual growth of 1.7% during the pre-green revolution period to 5.7% in the post-revolution period (Bhalla et al 1990). The primary sector of the state registered an annual growth rate of 4.1% from 1960–61 to 1983–84 as compared to the national average of 2.2%. The overall economy of Punjab grew at an annual rate of 5% during the same period relative to the 3.5% growth at the national level (Bhalla et al 1990).

The agricultural sector in Punjab has undergone significant changes since 1962. The total cropped area under irrigation increased from 58% in 1962–65 to 98% in 2010–13 (Table 1). In comparison, the total irrigated area in India increased from 19% to 46% during this period. Most of the improvement in area under irrigation in Punjab was the result of considerable private investment by the farmers in tube wells. The cropping intensity in Punjab has also gone up from 129% in 1962–65 to 189% in 2015–18, compared to an increase from 115% to 142% for India.

Table 1: Irrigated Area and Cropping Intensity in Punjab (%)

Year	Percentage Share of Gross Cropped Area Irrigated		Cropping Intensity	
	Punjab	India	Punjab	India
1962–65	58	19	129	115
1980–83	87	29	158	124
1990–93	95	36	180	130
2003–06	97	41	189	135
2010–13	98	46	190	139
2015–18	99	49*	189	142

*This data refers to the provisional figure for the year 2014–15.

Source: Bhalla and Singh (2010); GoP (2018).

The intensification in agriculture took place through both biochemical and mechanical technology. The biochemical technology was in the form of adoption of high-yielding variety (HYV) crops, the use of fertilisers to enhance productivity, and the use of pesticides to protect crops from infestation. The number of pumpsets in Punjab increased from 8 per 1,000 hectares (ha) in 1962 to 170 in 2003 and further to 307 per 1,000 ha in 2017 (Table 2). Punjab had more pumpsets per 1,000 ha in 1982 than all other Indian states had in 2017. The number of tractors per 10,000 ha increased from just 24 to 790 between 1961 and 2018. The fertiliser consumption also went up between 1962 and 2003 from 8 kilograms (kg)/ha to 412 kg/ha, which again decreased to 245 kg/ha in 2016–17. Despite this decline, the per hectare consumption of fertilisers in Punjab was almost twice that of the consumption at the all-India level. There was also a considerable increase in the yield of all crops in Punjab. During 1981–82 and 2011–12, the yield per hectare of wheat, paddy, and cotton increased by 61%, 98.1%, and 434.8%, respectively (Table 4 , p 32).

Growth, Mechanisation and Labour

The agricultural sector in Punjab has experienced a significant increase in cropping intensity, area under irrigation, input use and productivity, leading to its growth over the years. One of the obvious questions that arise from this trend is with regard to the role of mechanisation in this growth and its effect on human labour.

The impact of mechanisation on labour in Punjab is analysed mainly through the aspects of farm size, agricultural operations, crops, and types of labour (family, permanent, and hired). All these aspects, either individually or in conjunction, bring out the differential impact of mechanisation on labour use. In terms of labour use, mechanisation in Punjab can be broadly divided into two phases. The first phase constitutes the period from the inception of the green revolution in the 1960s to the mid-1980s, and the period thereafter defines the second phase.

In the first phase, the nature of mechanisation by itself led to high demand for labour. Mechanisation took place largely through the use of tractors. There were over 20,000 tractors in Punjab during 1970–71, constituting more than 20% of the tractors in India (Chopra 1974). The adoption of HYV crops intensified cultivation, and it was easier and faster to prepare the land for cultivation with tractors. Thus, farmers started preferring tractors to till the land. The use of tractors replaced the draught animals that were earlier used to plow the fields (Table 2).

This increased use of tractors did not replace human labour in the first phase. On the contrary, there was a huge increase in the demand for agricultural labour during this period. There are two reasons for this increase. First, with the increase

Table 2: Input Usage in Punjab vis-à-vis India

Tractors (per 10,000 ha)			Pumpsets (per 1,000 ha)			Fertiliser Consumption (kg/ha)		
Year	Punjab	India	Year	Punjab	India	Year	Punjab	India
1962	24	3	1962	8	5	1962–63	8	4
1982	254	37	1982	158	49	1980–81	209	44
1992	508	86	1992	170	79	1990–91	318	91
2003	704	167	2003	170	111	2003–04	412	136
2014	750	270	2017	307	148	2009–10	237	135
2018	790	546				2016–17	245	123

Source: Bhalla and Singh (2010); GoP (2014, 2018).

in cropping intensity, the quantum of time needed for agricultural operations had gone up. Therefore, the farmers had to increase the number of labourers working in the fields. Second, with the increase in production and productivity, the farmers' incomes soared. The increased income in turn increased the marginal utility of leisure in comparison to marginal utility of income saved from employing family labour. Hence, those farmers, who used to carry out agricultural operations using family labour, started employing a greater number of hired labourers. In addition, as social and cultural norms restrict women from working outside the home, the higher income led to the replacement of women family labour with hired labour.

Empirical evidence showed that labour use on an average was higher on tractor-operated farms as compared to the bullock-operated farms. There was no evidence of labour displacement, whereas the labour use increased with the increase in the size of farms. During 1975–76, the average labour employment per farm on fully tractorised farms was 10,411 person hours as compared to 8,342 person hours and 7,177 person hours in partly bullock- and tractor-operated farms, and purely bullock-operated farms respectively (Prihar and Sidhu 1984). Labour time and the displacement of type of labour depend on the agricultural operations that are mechanised. Moreover, a tractor is used for multiple purposes, such as the preparation of land, sowing, manuring, to power irrigation pumps, harvesting, and threshing.

Agarwal (1981), using data[1] for 1971–72 on HYV wheat in Punjab, brings out the differential impact of mechanised techniques by operations and farm size on labour time usage and type of labour. The tractor use for sowing, harvesting, and threshing has the effect of reducing labour requirements. However, if tube well irrigation is combined with tractor use in these agricultural operations, then it offsets the negative labour displacement effect of tractors. For instance, in the case of tractor use for plowing or sowing, as the farm size increases, the proportion of family labour time displaced tends to decrease, whereas that of permanent and casual labour time displaced increases. However, in irrigation, mechanisation (use of tube wells and not canal irrigation) has the effect of increasing labour time irrespective of the farm sizes. Among the farms, the extent of mechanisation was found to be the highest for threshing (nearly 73% of the farms were completely mechanised). While harvesting was largely manual, plowing and sowing were done with both traditional and modern methods, with an inclination towards the former.

An aggregative analysis showed that the hired (both casual and permanent) labour was higher for tractorised farms as compared to non-tractorised farms, whereas the use of family labour was marginally high in bullock-operated farms (Prihar and Sidhu 1984). This finding could have implications on women's work. Considering it is the women of the household who mostly worked as family help in their own fields, with the spread of tractorisation, they may have been replaced with hired labour by the big farming households. Though labour displacement per se might have not taken place, it could be that the women of the households were replaced with hired help.

To know the effect of mechanisation on female labour, the analysis has to be done not in aggregation, but operation-wise for individual crops. This is because women were neither engaged in all agricultural operations nor in the cultivation of all the crops. In the case of wheat, it was found that mechanisation did not adversely affect the employment of female labour during the first phase (Agarwal 1981). The engagement of women in wheat cultivation activities was low, as less than 28% of the farms studied used female labour. Among these women workers, the share of family labour was much lower at 16.5%, and the remaining 83.5% were casually hired, with no female labour hired permanently. Sowing and harvesting were the only two activities where some involvement of female labour was seen. In sowing, women were found to contribute about 19% of the labour time, whereas in harvesting, nearly 16% of the labour time was contributed by women. For harvesting, all women were casually hired, and for sowing, almost all female labour constituted family workers. Of the total female labour time, in these two activities, harvesting had the major share, accounting for nearly 88%. All these figures hint that since wheat harvesting in Punjab was done manually, mechanisation adopted in this crop is unlikely to have displaced women labour and their wage employment at least for the concerned crop.

With the deepening of the green revolution leading to the further intensification of cultivation during the mid-1990s and afterwards, almost all agricultural operations, from sowing, to threshing and harvesting, became mechanised along with widespread use of tractors for tilling. The use of combine harvesters replaced manual harvesting of crops. Over time, even other agricultural operations such as sowing were mechanised. During 1985–86 and 2006–07, the use of labour by farms in Punjab reduced by nearly 23%, from 1,089 person hours/ha in 1985–86 to 840 person hours/ha in 2006–07 (Devi et al 2013). If we look at the impact of mechanisation by the type of labour in the second phase, we find the highest reduction in the use of family labour (38%), followed by permanent labour (21%) and casual hired labour (10%). The pattern of labour use has also undergone a change during the last two decades, with a sharp decline in the dominance of family labour in the farms. Among the three, it was casual labour that constituted the largest share in total labour use in 2006–07. The mechanisation of most agricultural operations significantly reduced the use of labour. The use of combine harvester and irrigation machines also surged

Table 3: Use of Labour and Machines in Punjab Agriculture, 1985–86 and 2006–07

(per ha)

Particulars	1985–86	2006–07
Labour (person-hours)		
Family	511	319
Permanent	193	153
Casual	385	368
Hired (permanent + casual)	578	521
Total labour	1,089	840
Bullock labour (hours)	68	27
Machine (hours)		
Tractor	14.01	31.83
Combine harvester	0.13	1.89
Irrigation machines	186.95	281.77

Source: Devi et al (2013); The Commission for Agricultural Costs and Prices, various reports.

during this period from 0.13 hours to 1.89 hours and 186.95 hours to 281.77 hours, respectively (Table 3, p 31).

Shift in Cropping Patterns

The inception of the green revolution led to a shift from the erstwhile multi-cropping system to a system of commercialised farming. Earlier, farming involved the cultivation of different crops as per the need of the households. The crops were to be produced at different times of the year, and so the farming households required hired labour throughout the year. This provided sufficient days of wage employment to the local labourers belonging to the landless households. However, the commercialisation of agriculture lured the farmers to produce crops, such as wheat, rice, and cotton, to cater the needs of the market. Thus, labour demand was confined to a few peak periods in a year, thereby providing employment only in those periods.

The new agricultural technology at the outset introduced HYV seeds in the cultivation of wheat, as a result of which the green revolution is often termed as the wheat revolution. Rice was the next crop for which HYV seeds were introduced. Punjab was not a rice-cultivating state before the advent of the green revolution. With the higher productivity accruing from the crop, a major part of the net sown area came under rice cultivation. While mechanisation gradually took over the manual harvesting in the case of wheat and rice, the same did not take place for cotton harvesting. Sowing of cotton could still be done with machines, but picking of cotton required the use of labour. Despite mechanised sowing, the cotton crop requires 88.44 human labour days per ha in 2011–12 (Table 4). In comparison, wheat and paddy only required 20.24 and 48.24 human labour days per ha in the same year. In fact, cotton picking is one activity in which women were largely employed. Women belonging to the cultivator's household also worked in the fields during the cotton-picking season.

Table 4: Crop-wise Use of Human Labour and Yield in Punjab Agriculture

Crop	Year	Human Labour Days (Per Ha)	Yield (Qt/Ha)
Wheat	1981–82	47.99	30.75
	1991–92	40.36	38.34
	2000–01	33.86	45.63
	2011–12	20.24	49.51
Paddy	1981–82	107.19	29.57
	1991–92	73.13	32.57
	2000–01	53.19	35.06
	2011–12	48.24	58.57
Cotton	1981–82	97.32	3.16
	1991–92	107.74	5.88
	2000–01	91.04	4.30
	2010–11	88.44	6.41

Source: Toor et al (2007), Commission for Agricultural Costs and Prices, various reports.

During the green revolution, some area under cotton was replaced by rice due to the minimum support price (MSP), which made rice cultivation relatively risk-free. The area under cotton declined considerably after the mid-1990s with the failure of cotton crop (Appendix Table A1, p 35). In the mid-1990s, the cotton fields were hugely infested by bollworms. The large number of farmer suicides in the southern districts of Punjab, where cotton was the main crop, was the result of the failure of the cotton crop for many consecutive years (Gill and Singh 2006). Since the land in these areas was less suitable for rice cultivation, farmers did not shift from cotton cultivation in the earlier green-revolution days when HYV rice was introduced. The infestation sharply reduced the productivity of cotton, and hence lowered the earnings of the farmers. Due to such adversity, many farmers withdrew from cultivating cotton. The land where cotton was grown earlier was shifted to growing rice, thereby reducing the net sown area under cotton cultivation.

A change in the cropping pattern had two major implications: on rural labour and on the extent of mechanisation. First, the fall in the area under cotton meant that the labourers who were earlier employed during the cotton season lost their days of employment. Second, the shift to wheat and rice increased the extent of mechanisation in the state, which further reduced labour requirement. The shift from cotton cultivation hit the women workers the most. The female labour in those cultivator households who would earlier go out in the fields remained confined to household chores. Several female wage labourers from landless households were deprived of a source of earning and had to lose a number of wage days in agriculture as well.

Declining FLFPR

The previous section has shown that agriculture has been growing over the years at a significant rate since the green-revolution period. After the 1990s, the growth in the agricultural sector was accompanied by declining labour force participation in agriculture. This was owing to the reduction of labour hours requirement as a result of high mechanisation. The state of women's employment over the course of this shift has been much worse. The FLFPR is lower than the male labour force participation rate (MLFPR) for all the years evaluated, but the gap between female and male rates was declining until 2004–05. The period between 1993–94 and 2004–05 seemed to be especially better for non-Scheduled Caste (SC) women as there was a 20 percentage points increase in their labour force participation rate (LFPR), in comparison to 10 percentage points rise in LFPR amongst SC women. However, the trend reversed in 2011–12 and the gap widened due to a fall in the participation rate among women. In 2011–12, the FLFPR of SC and non-SC women declined even below the 1993–94 rate. The FLFPR of non-SC women remained higher than the FLFPR of SC women in 2011–12, although the difference is only marginal as compared to their difference in 1999–2000 and 2004–05.

A look at Table 5 depicts that the participation rates amongst women, which showed some boost in the mid-periods, reversed in the latest period. However, a deeper probe into employment by principal status and usual status (includes workers under principal and subsidiary status) reveals the extent of the

Table 5: Labour Force Participation Rates among Male and Female and SC and Non-SC Females in Rural Punjab, 15–59 Years (%)

Year	LFPR		WFPR*		FLFPR		FWFPR**	
	Female	Male	Female	Male	SC	Non-SC	SC	Non-SC
1993–94	35.2	88.5	34.7	87.3	34.9	35.3	34.8	34.6
1999–2000	45.4	86.8	44.9	84.7	42.2	47.3	41.9	46.8
2004–05	51.1	88	48.5	85	44.4	55.7	41.6	53.2
2011–12	33.4	83.1	32.9	81.1	32.6	33.9	32.4	33.2

*Workforce participation rate.
**Female workforce participation rate.
Source: Computed from NSS unit-level data, various years.

problem (see NSSO 2001 for detailed definitions). Once the share of persons working in subsidiary status is excluded from the usual status, the extent of the problem is found to be even higher. While for men, the difference (between usual status and principal status) is only marginal (1% or less), for women, the results are more striking (Table 6). If one considers only the principal status, the percentage share of women in the labour force declines to just between 5.4% and 6.6% for all years, and the improvements in the FLFPR during 1999–2000 and 2004–05 almost disappear. Surprisingly, the FLFPR in principal status shows an increase (instead of decline) of 0.5% in 2011–12. To understand the extent of the decline, take the example of 2004–05. In this year, FLFPR and MLFPR were 48.5% and 85%, respectively. However, considering principal status alone, the participation rates declined to 6.1% for females and 84% for males.

Across caste groups, it is found that the difference between usual status and principal status is relatively lower for SC women as compared to non-SC women (Table 7). In principal status, these two groups show different trends in labour force participation. While there was a decline in the LFPR of SC women from 7.8% to 6.5% between 1993–94 and 2004–05, the same period saw a rise in LFPR of non-SC women from 4.1% to 5.9%. In 2011–12, there was an increase in LFPR of SC women to 8.9%, whereas the LFPR of non-SC women dropped to 5%.

This striking difference seems to be the outcome of the differential impact of shocks and economic opportunities for SC and non-SC women. Improvement in the income of the households increases the reservation wage of women. As a result, women work only if they are getting better paid jobs with better working conditions. The SC women, who generally hail from poorer households, are often at a disadvantageous position in terms of education and social capital, compared to their non-SC counterparts. Hence, they are less likely to be able to reap the benefits of better opportunities even if such opportunities exist. As a result, they may choose to withdraw from the labour force with improvement in the economic status of the households. Women from well-off families, on the other hand, are in a better position to benefit from the opportunities arising out of the expanding economy. The opposite is likely to occur if the economic condition worsens; the women from well-off households may withdraw from the labour force, whereas women from poorer families may increase their employment participation, as observed in 2011–12. This may be happening in Punjab as well. Improved economic conditions may have provided better job opportunities between 1999–2000 and 2004–05. Non-SC women, being in a better position to avail these jobs, benefited during this period. Women from the SC community, on the other hand, chose to withdraw from the labour force. The trend, however, was reversed in 2011–12, possibly because 2008–09 and 2009–10 witnessed a slowdown and were particularly bad years for the Indian agricultural sector.

Besides the difference in participation rate between SC and non-SC women, the questions remain: Why only a small fraction of women are engaged in the principal status employment and what is the nature of work in the subsidiary status where most women are engaged? The answer to both the questions lies in the nature of growth that Punjab has experienced since the green revolution. The growth has remained completely disconnected from employment creation. The growth policies based on mainstream economics expected growth in itself to take care of employment generation. These policies ignored the social, demographic, and economic constraints faced by women and, like most mainstream economic models, were based on the assumption of zero transaction cost.

As previously discussed, growth in agriculture was a result of the high degree of mechanisation. The rate of mechanisation

Table 6: Labour Force Participation Rate by Work Status in Rural Punjab, Age 15–59 Years

Year	Principal Status			Usual Status#		
	Female	Male	Difference	Female	Male	Difference
1993–94	5.4	86.6	81.2	34.7	87.3	52.6
1999–2000	6.0	84.2	78.2	44.9	84.7	39.8
2004–05	6.1	84.0	77.9	48.5	85.0	36.5
2011–12	6.6	80.5	73.9	32.9	81.1	48.2

Usual status includes all those who have been workers under either principal status or subsidiary status. Usual status is also the labour force participation rate in this case.
Source: Computed from NSS unit-level data, various years.

Table 7: Labour Force Participation Rate of SC and Non-SC Women by Work Status, Age 15–59 Years

Year	Principal Status			Usual Status		
	SC	Non-SC	Difference	SC	Non-SC	Difference
1993–94	7.8	4.1	3.8	34.8	34.6	0.2
1999–2000	6.3	4.9	1.5	41.9	46.8	-4.9
2004–05	6.5	5.9	0.7	41.6	53.2	-11.5
2011–12	8.9	5.0	3.8	22.6	32.5	-9.9

Source: Computed from NSS unit-level data, various years.

Table 8: Labour Force Participation Rate of Workers across Industries in Rural Punjab

Year	Male	Female	SC female	Non-SC Female	Total
Agriculture					
1993–94	64.6	23.6	29.6	20.1	53.7
1999–2000	61.7	9.6	12.1	7.9	44.5
2004–05	49.6	5.6	7.9	4.3	34.2
2011–12	39.2	10.9	20.0	3.6	31.3
Livestock and other allied agricultural activities					
1993–94	3.6	69.2	60.2	74.3	21.0
1999–2000	3.1	82.0	76.4	85.6	29.1
2004–05	5.3	84.1	79.4	86.7	32.9
2011–12	4.3	64.5	47.2	78.3	21.0
Manufacturing					
1993–94	7.7	1.5	3.3	0.5	6.1
1999–2000	8.6	2.1	2.4	1.9	6.5
2004–05	10.5	3.7	5.3	2.9	8.1
2011–12	12.8	10.9	14.7	7.8	12.3
Construction					
1993–94	4.6	0.0	0.0	0.0	3.4
1999–2000	7.4	0.2	0.4	0.0	5
2004–05	13.5	0.1	0.1	0.1	8.8
2011–12	22.1	0.9	2.0	0.0	16.2
Services					
1993–94	19.5	5.7	6.8	5.0	15.8
1999–2000	19.3	6.2	8.8	4.6	15.0
2004–05	21.1	6.5	7.3	6.1	16.0
2011–12	21.6	12.8	16.1	10.3	19.2

Source: Computed from NSS unit-level data, various rounds.

further increased post-1990s when human labour was replaced at a greater rate. The farmers' shift from labour-intensive to more capital-intensive crops accelerated the rate of mechanisation. While agriculture was undergoing these changes, the state policies including those relating to infrastructure creation directed capital to the major urban centres, and the rural areas were neglected. The gender-based constraints restricted women from moving to these urban locations for employment. The non-availability of work along with the nature of growth in agriculture resulted in these women remaining in the labour market as subsidiary workers in agriculture or livestock rearing (Table 8, p 33). The National Sample Survey (NSS) data shows that 26.3% of the rural women in 2011–12 had a subsidiary status. This share was much higher at 42.4% in 2004–05.

Excessive focus on growth that created this problem has also impeded the growth itself by keeping a sizeable portion of the workforce unemployed or underemployed. One of the authors of this paper, in their field study in rural Punjab, found that a sizeable portion of women in the rural area get just a few days of employment in each cropping season (Table 9). Around 66% of the surveyed women chose to stay out of the labour force for most of the year due to the non-availability of work within the village (Table 10). All these women have shown interest in working. If provided the availability of gainful employment in nearby areas, these women would prefer to work throughout the year and would have significantly contributed to the growth of the economy.

Table 9: Average Days in Different Activities of Women During the Last One Year

Activity	SC	Non-SC
Wage labour		
Wheat harvesting	11	8
Rice transplantation	21	18
Cotton-picking	35	22
MGNREGA*	22	12
Self-employment		
Family labour in agriculture	18	37
Others		
Collection of scattered grains	14	10

* Mahatma Gandhi National Rural Employment Guarantee Act.
Source: Primary survey.

Table 10: Share of SC Women by Reason for Not Working throughout the Year

Reason	Share (%)
Non-availability of work within the village	66.0
Work available but at distant locations	1.0
Ailing health	11.0
Willing to work but not getting work	4.0
Other reasons	18.0
Total	100 (100)

The figure in parenthesis denotes the total number of respondents.
Source: Primary survey.

Alternative Approach

In recent times, there has been a focus on higher agricultural growth and crop diversification to absorb more female labour into the workforce (Toor et al 2007). Many have argued for moving away from the wheat–rice cycle (Singh and Sidhu 2004). However, agricultural growth, crop diversification or shifting away from the wheat–rice cycle cannot generate enough employment to reverse the trend.

Since the 1990s, agricultural growth has been associated with higher levels of mechanisation. This mechanisation has been replacing labour at a much higher rate than the rate at which the higher agriculture growth, increase in cropping intensity, or increase in agricultural diversification (assuming that it takes place) can accommodate them. The growing mechanisation is replacing human labour in most of the agricultural activities in almost all crops, leaving little scope for employment generation.

Even though cotton is a relatively labour-intensive crop, the same cannot be said for all the substitutes of wheat and paddy. One may also argue that the whole area under less labour-intensive crops can be shifted to more labour-intensive crops. For example, the entire area under paddy can be shifted to cotton. However, there are many practical hurdles (such as the availability of market and price risk) in such a shift. Moreover, the data shows a decline in human labour days for all major crops like wheat, rice, and cotton in Punjab (Table 4). Further, it cannot be ascertained whether cotton will remain a labour-intensive crop in the future. Also, such a shift may not be desirable as it will result in a big fall in farmers' incomes in the state as well as adversely affect the food security of the country (Shergill 2007).

Even if we assume that the demand for human labour will not further decline with mechanisation, shifting a large area from a capital-intensive crop such as rice to a labour-intensive crop like cotton will increase the demand for labour just for the harvesting period. A few additional days of labour will neither significantly change the work status of rural women nor will these women be contributing to the economy in a meaningful way.

Thus, a change requires the adoption of a policy that focuses on the creation of gainful employment in rural areas throughout the year and takes into account the existing gender norms. One way to accomplish this is through incentivising the setting up of industries, especially small and marginal, in rural areas. Similarly, promoting businesses run by women may help more women get employment. Developing infrastructure in rural areas will further motivate entrepreneurs to set up their business in rural areas. Therefore, a policy that has employment generation at its centre is desirable to achieve high and inclusive growth in the economy.

Conclusions

Changes in agricultural production have eroded women's labour from the sector over time. In the early phase of the green revolution, it was family labour that was displaced by hired labour, whereas in the latter phase, there was a further displacement even of hired labour through rapid mechanisation. These developments led to high underemployment among rural women. The failure of agricultural growth to provide gainful employment was the result of policies that excessively focused on growth while neglecting the employment aspect altogether. Such policies have resulted in not only a low employment outcome, but also lower-than-optimal growth in rural Punjab. Course correction requires a policy that emphasises employment generation, keeping in mind the numerous constraints that women workers face due to social institutions.

NOTE

1 Both Prihar and Sidhu (1984) and Agarwal (1981) use the same data set. The data used was collected under the "Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops" by the Punjab Agricultural University (PAU), Ludhiana, for the Directorate of Economics and Statistics (DES), New Delhi. However, in Prihar and Sidhu (1984), data pertains to 1975–76, and in Agarwal (1981), data pertains to 1971–72.

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Appendix

Table A1: Shifts in Cropping Pattern in Punjab, 1960–61 to 2016–17 (%)

	Wheat	Rice	Maize	Total Cereals	Pulses	Rapeseed and Mustard	Total Oilseeds	Cotton	Sugar Cane	Potato	Other Crops	Gross Cropped Area
1960–61	29.58	4.8	6.91	45.65	19.08	2.26	3.91	9.45	2.81	0.19	18.9	100
1970–71	40.49	6.87	9.77	61.89	7.29	1.81	5.20	6.99	2.25	0.30	16.1	100
1975–76	38.99	9.06	9.22	62.21	7.05	1.95	5.03	9.27	1.82	0.43	14.2	100
1980–81	41.58	17.49	5.65	66.73	5.04	2.01	3.52	9.60	1.05	0.59	13.5	100
1985–86	43.48	23.95	3.63	72.21	3.14	2.11	2.95	7.81	1.09	0.60	12.2	100
1990–91	43.63	26.86	2.51	73.65	1.91	0.92	1.39	9.34	1.35	0.31	12.1	100
1995–96	41.55	28.19	2.21	72.56	1.23	1.30	3.06	9.57	1.75	0.50	11.3	100
2000–01	42.92	32.89	2.07	78.35	0.69	0.69	1.08	5.96	1.52	0.81	11.6	100
2005–06	44.03	33.64	1.89	79.95	0.37	0.60	1.02	7.08	1.08	0.90	9.6	100
2009–10	44.72	35.58	1.76	82.28	0.24	0.38	0.79	6.49	0.76	1.05	8.4	100
2016–17	44.78	39.03	1.48	85.43	0.47	0.41	0.53	3.65	1.13	1.17	7.62	100

Source: Singh et al (2014); GoP (2018).

REVIEW OF RURAL AFFAIRS

Development Challenges for Agriculture in Maharashtra

KHALIL SHAHA, S YOGESHWARI, R S DESHPANDE

Maharashtra is heralded as one of the economically advanced states, but this illusion crashed under the attack of COVID-19 virus and economic deterioration is expected to follow. It is argued here that the state policy dished out a raw deal to the agricultural sector and set the sector under severe stress. The path of this retrogression, reasons behind the trends and the possible policy platform for the last six decades are traced. Stagnation has gripped the agricultural sector, and it is losing cultivable land to other uses. This is accompanied by a sharp increase in small and marginal holdings. Surprisingly, the state has no agricultural policy document in place and the sector largely depends on only sporadic firefighting approaches with a policy paralysis.

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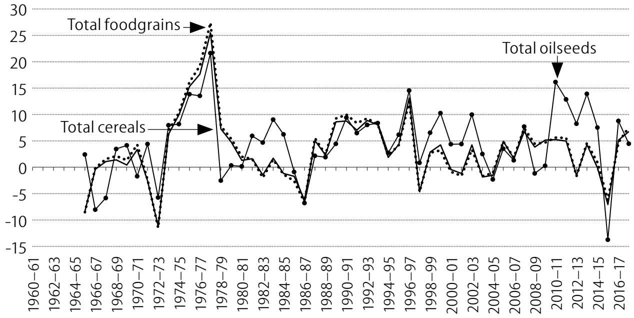
Maharashtra is confronting a critical economic collapse due to the impact of COVID-19. A simple question crops up here, whether this severe collapse could have been avoided by selecting a more balanced industrial and regional development model. Immediately after the reorganisation of the state, the economic development policy was engrossed with industrial and urban development as their vanguards. The first step was the formation of the Board of Industrial Development and the Maharashtra Industrial Development Corporation (MIDC) in 1962. Irrigation development was recognised with the appointment of the Barve Committee in 1962 (GoM 1962). The state's prominent development challenges were the predominance of rainfed areas, fluctuating climatic conditions, and acute underdevelopment in Vidarbha, Marathwada, and Konkan. Agriculture was the mainstay of the population. Over the last six decades, except sugar cane, precious little has been achieved in the sector relative to other regions of the country (Sawant et al 1999; World Bank 2003).

Right from the beginning, the agricultural sector of the state was in need of proper policy interventions. The devastating droughts of 1965–66 and their subsequent residual effect brought forth the pathetic condition of the sector (GoM 1960; Subramanian 1975). Conditions did not improve over the years and 1972–73 confronted another severe drought that was analysed by the Sukthankar Committee Report (GoM 1973). The neighbouring state of Karnataka established a Drought Monitoring Cell and achieved advances in drought preparedness. No doubt, Maharashtra government sought advices through the appointment of many expert committees, but these reports were neatly stacked without systematically implementing them. It is unfortunate that the most industrially progressive state of the country has, as yet, no systematic agricultural policy document.

Confronting Long-run Stagnation

Agriculture in Maharashtra is currently going through a critical phase with farmer suicides continuing unabatedly, coupled with threatening stagnation in productivity and farm income. The politicians, irrespective of political parties, swear in every election to improve the conditions of farmers with little change translating into reality. Between 2014 and 2018, as many as 14,034 farmers have died by suicides (NCRB 2020). This is an outcome surely of the long-term neglect inflicted on the sector. The state accounts for about 9.3% of India's population (2011), 13.72% in India's industrial output (2018–19), 11.6% in India's gross cropped area (GCA) (2015–16), and 13.9% in India's gross

Figure 1: Five-year Rolling Growth Rates of Cereals, Foodgrains and Oilseeds Productivity in Maharashtra



Source: Authors' representation based on data from Directorat of Economics and Statistics, Ministry of Agricultue and Farmers Welfare, Government of India (https://eands.dacnet.nic.in/APY_96_To_07.htm)

domestic product (GDP) (2018–19). Over the last 50 years, the agricultural sector of Maharashtra has undergone significant changes, but what one sees is more a move towards stagnation.

In a long-term perspective, the state has not performed really well in the agricultural sector, and the stagnation is quite visible when we look at the depiction of rolling growth trends (Figure 1). It is well known that the agricultural output has yearly fluctuations and, therefore, long-term trends get affected by the outliers or extreme values. Given the estimates of the probability of failures (NCA 1976), the growth rates in productivity are worked out on a five-year rolling basis (based on the methodology developed for the Government of Karnataka). It can be seen that the production growth rates tend to be close to the axis. The productivity growth is only seen among oilseeds. Overall, the stagnation in productivity is quite clear.

Navigating Development through Constraints

Maharashtra has confronted staggered development initiatives for the agricultural sector, and regional imbalances emerged as major hurdles in the way of overall development. More than 12 districts and about 90 talukas are continuously under the threat of drought. The state falls under a severely drought-prone region, but that was known since 1962. The situation in Indian agriculture changed after the introduction of the green revolution, but not in Maharashtra till 1973–74, with the shock of two severe droughts. Surely, the production of foodgrains has increased for a short period, but so has the population. The production of commercial crops like oilseeds, cotton, and sugar cane increased rapidly (GoM 2002). Commercialisation dominated the agricultural scenario albeit without preparing for conducive market conditions. Almost every hectare of incremental irrigated land was moved under commercial crops, led by sugar cane.

The overall development model of the state was tuned towards the primacy of non-agricultural sectors (Dev 1996), which inflicted severe distress among agriculturists, resulting in farmers' agitations (Brass 1995). The agricultural workforce was getting drawn towards urban construction works, eroding the availability of workers in rural areas. The lure of commercialisation caused large-scale rural–urban migration and a shift towards commercial crops (Sawant et al 1999; World Bank 2003). Agricultural lands were being acquired for non-agricultural purposes, the peri-urban areas spread rapidly around every town, and during 1992–2018, more than a million hectares of the net sown area have gone out of agriculture. That would mean that during this period, the state has lost about 1.3 million tonnes of foodgrains per year.

Maharashtra is not an exception for the pan-India phenomenon, where the share of agriculture in gross state domestic product (GSDP) is declining, but what is worrisome is that the rate of decline in Maharashtra is sharper. The share of agriculture and allied sectors declined from 26.01% to 17.90% during 1960–61 to 1990–91 respectively and further to 9.9% in 2018–19 (GoM 2020). The share of the industrial sector increased during 1960–61 to 1990–91, but has shown a sharp decline, particularly during 1990–91 to 2000–01 and 2011–12 to 2018–19. An important aberration is that the industrial sector of Maharashtra has reduced its share in the GSDP, even after market-centric economic reforms. Only the shares of the services sector increased from 49.40% to 59.7% during 1960–61 and 2018–19. Therefore, in the overall development scenario, the state is not performing even in the industrial sector, and the service sector as an emerging powerful growth engine also seems to be depressed.

It is disheartening to see that the share of the agricultural sector in the state domestic product (SDP) continues to decline at a faster rate than that of the workforce in the sector. Besides that, the productivity of most of the crops remained stagnant. The situation is worsened, coupled with the declining size of operational holdings. The average size of operational holdings has reached 1.3 ha (2015–16) from 4.3 ha in 1970–71. This decline is faster than demographically explainable trends. It is an intricate situation for the agricultural sector in the state, in which the process of marginalisation of both cultivated land and that of the agricultural profession is getting deeper, leading to severe distress. Added to this, the commercialisation process in the state economy as also in agriculture causes reduction in land use for agriculture.

Carrying Capacity and Changes in Land Use Pattern

Any analysis on the changing workforce not only reveals the proportion of rural population depending for their livelihoods on agriculture, but also the changes in carrying capacity of the sector. The changes in the density of the rural workforce of Maharashtra indicate that the workforce (cultivators and agricultural labourers) has declined marginally (by 10.29 percentage points) between 1981 and 2011 as compared to the reduction observed at the country level (25.73 percentage points). A relatively high share of the workforce relying on agriculture in the state is mainly because of lower growth in non-farm rural/

Table 1: Rural Workforce Distribution: Maharashtra and India

Particulars	Maharashtra				India			
	1981	1991	2001	2011	1981	1991	2001	2011
Cultivators* (%)	47.93	46.72	41.69	39.86	50.84	48.68	40.14	33.00
Agricultural labourers* (%)	36.31	37.42	39.39	34.09	31.10	32.66	33.20	23.21
Non-agricultural workers* (%)	15.76	15.86	18.92	26.05	18.06	18.66	26.66	43.79
Total workers (million)	19.65	24.03	28.11	30.65	197.31	249.03	310.66	348.74
Total rural population (million)	40.79	48.38	55.73	61.56	523.90	628.90	742.60	833.75

Figures for workforce are of both main and marginal workers.
* Figures are percentages to total workers.
Sources: GOI (various years; "Primary Census Abstract").

urban employment opportunities (Narayanamoorthy 2002; Visaria 1995). The share of cultivators int total agricultural workers has come down from 47.93% (1981) to 39.86% (2011) (Table 1, p 37). This is an indicator of more numbers of farm workers shifting towards non-farm activities, while land is slipping out of agriculture and income from agriculture is insufficient to sustain in farming (NSSO 2003). This shows a gloomy situation, and the fear of survival becomes fodder for the political operators.

In any development scenario, it is expected that the workforce from the traditional sector would shift to the non-traditional emerging sector (Dev 1996; Fisher et al 1997; Hazell and Haggblade 1991). In Maharashtra, this process could not be stimulated due to misplaced development priorities and lack of planned direction. But, this did not happen in Maharashtra; rather, rural Maharashtra witnessed an increase in absolute headcounts of cultivators from 9.42 million to 12.22 million, and of agricultural labourers from 7.13 million to 10.45 million during 1981–2011. This resulted in an increase in non-viable small and marginal holdings and stress on land. When the size of the workforce in a sector increases, and the production of the sector stagnates, the net income generated surely declines, and that is exactly what happened in the sector, causing severe distress. Interestingly, the changes in landholdings and use pattern show expected trends. These are direct outcomes of the misplaced policies over the decades. On the one hand, the land base of the sector is shrinking, and on the other, the incomes are shrinking.

The land use pattern explains changes in the use of land resources (Table 2). It is clear that the carrying capacity of land in the agricultural sector is under stress. First, about 8.98 lakh ha of land has gone out of agriculture to non-agricultural uses since 1962–63. In the last two decades, almost 4.56 lakh ha have gone out of agriculture, and this is higher in quantum during 1962–92. Second, there is a sizeable barren and uncultivable wasteland that could be used for various purposes, including housing, construction storages, dryland horticulture, rural industrialisation (the China model; Zhau 2002) with proper land utilisation policies. But, that has been marginal. Third, the net sown area has gone down by more than

Table 2: Land Use Pattern in Maharashtra (Area in lakh ha)

Particular	TE 1962–63	TE 1972–73	TE 1992–93	TE 2001–02	TE 2017–18
Forest	54.21	53.95	51.36	52.96	52.20
Barren and uncultivable land	17.98	17.87	16.16	17.05	17.96
Land under non-agricultural use	7.06	8.81	11.48	13.06	16.04
Cultivable waste land	9.23	13.60	9.60	9.02	9.11
Permanent pastures and grazing land	14.23	16.56	11.48	13.11	12.96
Land under misc tree crops and grooves	1.83	2.05	2.91	2.32	2.53
Current fallow	11.62	16.28	12.07	11.88	14.14
Other fallow	11.72	9.23	10.94	11.69	12.58
Net area sown	179.89	169.21	181.60	176.49	170.14
Area sown more than once	9.79	10.23	29.01	46.81	61.04
Total cropped area	189.69	179.44	210.61	223.29	231.18
Reported area for land use statistics	307.76	307.58	307.58	307.58	307.58

TE= Triennium Ending Years.

Sources: GoI (2020); GoM (2020).

9 lakh ha (between 1962 and 2018) leading to intensive cultivation of land (increase in area cropped more than once). Land utilisation indicates a complete absence of land use planning policy and the entire work is handled by the Directorate of Town Planning and similar bodies at village panchayats. A substantial increase in small and marginal farmers has led to the proliferation of non-viable farms, land going out of agriculture, the increase of land under non-agricultural purposes, and a definite decline in the net cropped area, thus leading to a strain on the carrying capacity. All of these problems contribute to the rural distress.

Forces of Commercialisation

The land use pattern indicates an overall trend as well as micro changes in land use. Broadly, the crop pattern has three components, namely the area allocated to food crops, commercial crops, and plantation crops. Forces of commercialisation, availability of technology, and market trends are the main determinants of changes in the cropping pattern. One of the important factors that determine changes in the cropping pattern is the availability of irrigation. Owing to the limited availability of irrigation for less than 18% of the GCA, the remaining 2% is rainfed (GoM 2020). The area under cereal crops declined by nearly 23.2 percentage points between triennium ending (TE) 1982–83 (55.60%) and TE 2018–19 (32.94%), mainly because of substantial reduction in the area under jowar and bajra (19.5% and 4.9%), which reflects the future food availability. Though the productivity of pulse crops has been lower in the state, the area under pulse crops has increased from 13.6% in TE 1982–83 to 18.55% in TE 2018–19. Recently, soya bean (another commercial crop) has come in a strong way and a large area has been allocated to this crop. The varieties available are suitable to the regional characteristics, and the prices are also quite attractive to farmers. More than all this, the system of marketing of soya bean is well developed. This pulled-in area from other crops is affecting foodgrain crops.

Despite severe water scarcity in the state, the area under sugar cane has increased nearly five times between 1982–83 and 2018–19. The share of sugar cane in the GCA has also increased from just 1.83% to 3.87% during this period. Though the net returns per unit of water generated by sugar cane is very low when compared to most other foodgrain crops, estimates show that this crop alone consumes nearly two-thirds of irrigation water available in the state (World Bank 2002). The continued support of the sugar industries (through the state government) encourages the farmers to cultivate this water-intensive crop. Sugar cane is a politically sensitive crop in Maharashtra and the political career of many leaders is tagged to the roots of sugar cane. This compels the state to spend huge amounts for the survival of the sugar sector and the factories that are governed by the rural political bosses.

In an overall analysis, the process of commercialisation is quite evident in Maharashtra. The centrally sponsored schemes of crop-specific subsidies provoked the changes in area allocation across crops, at the cost of the area under staple foodgrains. There is another strange argument that the shortage of foodgrain production is made good by increased yields through high-yielding varieties (HYVs), and therefore, the reduction in area is nothing to worry about. It is true that, initially, in the early 1970s this process did take place, but it lost its cadence during the 1980s, and today's foodgrain production of Maharashtra may not sustain the ever-increasing population.

Table 3: Production of Principal Crops in Maharashtra (Production in lakh tonnes)

Crops	TE 1992–93	TE 2001–02	TE 2010–11	TE 2018–19
Rice	22.84	23.80	23.90	31.96
Jowar	53.45	41.97	34.56	20.42
Wheat	7.79	11.54	18.52	17.83
Bajra	12.68	10.17	8.50	6.00
Total cereals	101.44	94.31	106.88	105.12
Tur	4.57	7.66	8.33	13.91
Gram	2.88	4.67	10.63	17.96
Total pulses	14.11	19.08	23.76	36.50
Foodgrains	115.56	113.39	130.64	141.62
Groundnuts	7.59	5.11	3.92	3.35
Soyabean	2.01	11.42	27.84	43.34
Safflower	4.21	1.45	1.03	0.28
Total oilseeds	15.76	23.31	34.51	47.35
Sugar cane	352.41	492.83	701.66	757.15
Cotton	16.41	25.31	57.79	78.14

TE= Triennium ending average.
Sources: GoM (various years; Season and Crop Report of Maharashtra State) and GoM (2020).

The production of various crops has increased in the state over the years (Table 3), but so has the population and the food demand. It is necessary to bear in mind that the productivity of different crops is relatively lower in the state as compared to the other states and the all-India average (Table 4). The trends in production and productivity are stagnating in the state, as revealed from the five-year rolling growth rate graphs. The long-term trends show very little sustained growth over the years (Figure 1) (Sawant et al 1999; Dev 1996). The constraints are neither new nor are the intensities of climatic aberrations; these were continuously present on the scene for decades, unattended by any effective policy. There seems to be precious little done towards charting a long-term policy for the state towards sustainable agriculture.

Development Priorities: Missing Targets

Industrial development was taken as an engine of development right from the beginning in the state. Primacy for industry was quite high and the focus was on industrial classification, balanced regional development, and the policy statements of 1973, 1977, and 1996. These steps strengthened the industrial sector, but unfortunately introduced truncated development, shadowing agriculture. Unfortunately, while providing the primacy to the industrial sector, agriculture took a back seat in development thinking. The shocks of 1965–66 1nd 1972–73 broke the policy slumber, and briefly, agriculture primacy crawled in to take a serious note about the sector. That was a very short-lived attempt. The plan allocations across the five year plan periods make this trend very clear. It is observed that the state plan expenditure on the agricultural sector as the share of total expenditure has declined over plan periods. The receding allocation of plan expenditures during different plan periods in Maharashtra on agriculture, rural development and irrigation is quite visible.

Altogether from the Third Plan to Twelfth Plan period, about ₹1,47,267 crore (current prices) have been spent on agriculture, rural development and irrigation. Though these three heads altogether accounted for about 45.79% to 34.50% in the total plan expenditure from the Third Plan to Twelfth Plan period, the share of agriculture and allied services has sharply declined from 30.87% to 7.12% during the Third to Eleventh plan periods (based on source of Table 5). Unlike the agriculture and allied services and rural development, the

Table 4: Crop Productivity of Maharashtra and India: 1990 to 2019

	Maharashtra (kg/ha)				India (kg/ha)				Relative Productivity (%)			
	1990–91*	2000–01*	2010–11*	2018–19*	1990–91*	2000–01*	2010–11*	2018–19*	1990–91*	2000–01*	2010–11*	2018–19*
Rice	1,464	1,276	1,588	2,150	1,740	1,901	2,181	2,535	84.1	67.1	72.8	84.8
Jowar	940	783	842	628	814	764	978	884	115.5	102.5	86.1	71.0
Wheat	1,053	1,257	1,618	1,631	2,281	2,708	2,895	3,284	46.2	46.4	55.9	49.7
Bajra	578	604	864	783	658	688	938	1,268	87.8	87.8	92.1	61.7
Total cereals	964	865	1,228	1,361	1,570	1,844	2,172	2,591	61.4	46.9	56.5	52.5
Tur	418	602	730	1,009	673	618	679	940	62.1	97.4	107.5	107.3
Gram	532	519	815	916	712	744	902	1,026	74.7	69.8	90.3	89.3
Total pulses	443	460	669	842	578	544	659	819	76.6	84.6	101.5	102.8
Foodgrains	846	757	1,068	1,172	1,380	1,626	1,879	2,184	61.3	46.6	56.8	53.7
Groundnuts	1,132	958	1,174	1,115	904	977	1,141	1,645	125.2	98.1	102.9	67.8
Soyabean	947	1,109	970	1,119	1,015	822	1,130	1,118	93.3	134.9	85.8	100.1
All oilseeds	666	820	914	899	771	810	1,041	1,239	86.4	101.2	87.8	72.6
Sugar cane (tonnes)	86	83	84	85	65	69	68	75	132.4	121.5	124.3	114.4
Cotton	117	100	278	313	225	190	439	477	52.0	52.6	63.3	65.6

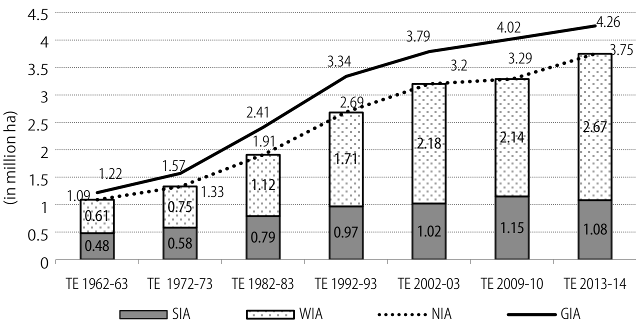
Relative productivity is the ratio of Maharashtra's productivity of the crop to that of India's average; *TE = averages of Triennium Ending.
Source: GOI (2012), GOM (2020), and GOI (various years; "Area and Production of Principal Crops in India").

Table 5: Sectoral Plan Expenditure per Hectare in the FYP of Maharashtra (At 2004–05 constant prices; in ₹crore; GCA/ha*; GIA/ha**)

Sr No	Five Year Plan Schemes	Agriculture and Allied Services		Rural Development		Irrigation and Flood Control		Total	
(1)	(2)	(3)		(4)		(5)		(6) = (3+4+5)	
		₹ Crore	₹/ha*	₹ Crore	₹ /ha*	₹Crore	₹/ha**	₹ Crore	₹ /ha*
1	Third Plan (1961–66)	2,872	1,523	-	-	1,388	10,554	4,260	2,258
2	Fourth Plan (1969–74)	2,536	1,367	-	-	1,899	11,822	4,435	2,391
3	Fifth Plan (1974–79)	2,813	1,425	-	-	4,110	18,497	6,923	3,507
4	Sixth Plan (1980–85)	1,980	1,009	4,505	2,295	7,237	29,829	13,723	6,991
5	Seventh Plan (1985–90)	2,098	999	5,382	2,563	7,649	27,976	15,129	7,205
6	Eighth Plan (1992–97)	4,709	2,191	5,429	2,525	10,594	30,967	20,732	9,644
7	Ninth Plan (1997–2002)	3,852	1,777	3,411	1,574	5,485	14,429	12,747	5,882
8	Tenth Plan (2002–07)	3,437	1,534	4,181	1,866	12,180	30,202	19,799	8,834
9	Eleventh Plan (2007–12)	2,413	1,058	1,888	828	8,411	19,376	12,712	5,575
10	Twelfth Plan (2012–17)	12,037	5,195	3,162	1,365	13,814	31,396	29,014	12,522

Source: Authors' estimates based on information provided in GoM (various years; Economic Survey of Maharashtra) and the recent year 2019–20 (in current prices), GoM (2020).

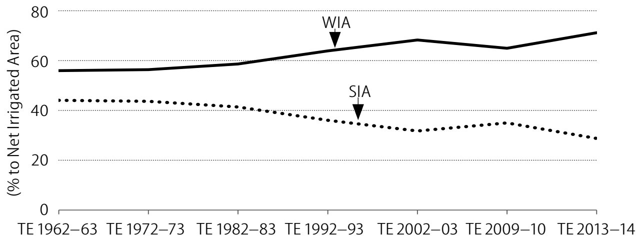
Figure 2: Trends in Irrigated Areas in Maharashtra—1960–2014



SIA—surface irrigated area; WIA—well and tube well irrigated area.

Sources: Based on GoM (2020) and https://eands.dacnet.nic.in/LUS_2000_2005.htm.

Figure 3: Change in the Nature of Irrigation in Maharashtra



Sources: Same as figure 2.

plan expenditure in irrigation and flood control has sharply increased from 14.92% in the Third Plan to nearly 24.84% in the Eleventh Plan in Maharashtra and got a reduced share in the Twelfth Plan. The picture becomes intriguing when we arrive at the per hectare expenditure on these components (Table 5). Initially, the plan expenditure on agriculture was ₹1,523 per ha (for five years), which touched ₹2,191 only during the Eighth Plan and again slid down to recover in the 12th plan. Of course, one must note the inclusion of the rural development sector during the Sixth Plan period. As such, it is clear that agriculture did not receive the allocation that it needs to sustain the growth trends.

Considering the predominant nature of rainfed cultivation and the wide variation in rainfall across regions, rightly the emphasis has been given for the development of irrigation. Area under irrigation (gross irrigated area [GIA]) increased from 1.24 million ha in TE 1962–63 to 4.26 million ha in TE 2013–14 in Maharashtra (Figure 2), an increase of about 2.48% per annum. However, the utilisation percentage of irrigation is very low in the state (GoM 1999). As of 30 June 2019, about 5.12 million ha of irrigation potential has been created in the state (GoM 2020). Of this, only about 70% (3.59 million ha, net irrigated area) has been utilised (Figure 3). This is very low as compared to the utilisation percentage at the national level, which was about 89.45% at the end of the Eighth Plan. Expenditure on irrigation has increased substantially, but not the area or the irrigated crop productivity. In fact, the productivity of these crops has clearly stagnated during the last plan period. Inadequate availability of funds for developing hardware aspects of irrigation, such as construction of main canals and distribution systems, are often cited as the reasons for low utilisation (Rath 1989; Mishra and Chand 1995). The fact remains that irrigation strategy has not given the expected boost to the sector, barring sugar cane.

In terms of investment on irrigation, Maharashtra stands high on the ladder across the states in India. Up to the Ninth Plan period, for which we have comparable data, altogether ₹236.22 billion (in current prices) has been spent only on irrigation development. As a result of the large investment in irrigation, Maharashtra accounts for about 34% (1,229 dams) of the total number of large dams constructed in the country, as per the latest information available from the CWC (2002). But, still the state is among the low-irrigated regions. Despite having the largest number of dams and also storage capacity (second highest in the country) of 22.10 cubic kilometre from the completed projects, in terms of achievements, the proportion of cultivated area under irrigation is only about 17% of the GCA as of today, which is one of the lowest among the states in the country. During the Sixth Plan period, the state has spent ₹11.87 billion on micro and medium irrigation (MMI) and created irrigation potential for about 0.507 million ha, by spending only about ₹23,416/ha. But, this changed during the Seventh and Eighth Plan periods. With an investment of ₹23.92 billion during the Eighth Plan period, the state could create irrigation potential for only about 0.283 million ha from MMI source. This means that the average investment required to create one hectare of irrigation potetntial increased to ₹84,505 during the eighth plan period. Projects not being completed in time due to paucity of funds is identified as the main reason for poor cost efficiency (Gulati et al 1994; Abbie et al 1982; Deshpande and Narayanamoorthy 2001).

One of the important reasons for the low proportion of irrigated area is that two-thirds of the water available in the state is used only for sugar cane, which accounts for less than 3% of the GIA in the state. The state has a distinction of having two irrigation commission reports, five expert committee reports on droughts, many expert reports on agriculture, five well-established agricultural universities, irrigation research institutes, various crop research institutes, the highest number of irrigation dams, and the highest quantum of water impounded (Deshpande and Narayanamoorthy 2001), but it is among the states with the lowest productivity across crops and a low share of area irrigated. Can we, then, not question the miscomprehended policies of the state or do we still blame natural calamities?

Farmers' income cannot be increased unless the productivity of crops is increased along with sustained price trends. While it may not be possible to provide irrigation for more than 30% of the cropped area at any point of time (GoM 1999) because of limited availability of irrigation potential in the state, moisture availability can be improved in the rainfed areas only through rainwater harvesting systems and watershed development programmes. It is needless to mention that watershed development programmes under operation in different parts of the state did not make any significant change in the productivity of crops by increasing the water availability. The programmes have also not helped in drought proofing as was expected. Presently, the state has undertaken a recent initiative titled Maharashtra Village Social Transformation Foundation, spearheading the Jal Shakti Abhiyan and Jalyukt Shivar Abhiyan with the chief secretary of the state at the helm of affairs (Khapre 2016). The state government started this programme in 850 villages. The programme was a flagship programme of the earlier government, which slowed down after the change of guard. Not much changed after this initiative.

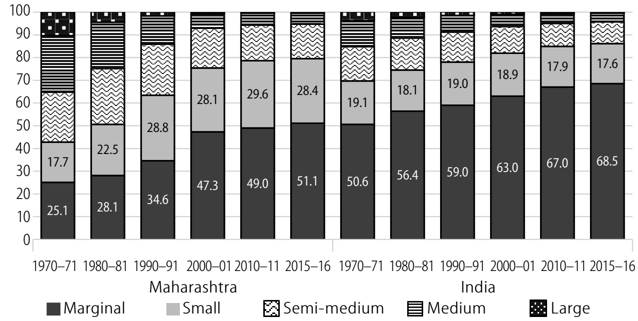
Marginalisation of Peasantry

Land has been a major issue for debates and the rock bed of the politicisation process in Maharashtra. Land reforms in Maharashtra were certainly not as successful as in Kerala or in West Bengal, and that created puzzling results in the agrarian structure; rather the state plundered the opportunity to get ahead on this front (Deshpande 1998, 2007). About 13 enactments were included to eliminate landed intermediaries in Maharashtra and the discussion on the limits to landholding was too long-drawn. Tenancy abolition was plagued with a large number of loopholes and the Government of Maharashtra declared 1 April 1957 as "Tillers Day" (quite an ironic day to give justice to the tillers). As a result, the landholding pattern of Maharashtra has emerged differently compared to the rest of the country. The leadership of Maharashtra was quite aware of the best land reform models in the country, but still evolved its own with in-built flaws. Though the proportion of marginal and small holdings has been increasing both at the state and the national level, the share of these groups in the total number of holdings is relatively lower in Maharashtra as compared to the all-India level (Figure 4). For instance, during 2015–16, marginal and small holdings accounted for about 79.5% of the total holdings in Maharashtra, whereas the same group accounted for nearly 86.1% at the all-India level.

The presence of a large share of marginal holdings in the country is quite explainable and it was due to the large share of marginal holdings in the hilly areas. The process of marginalisation of landholdings in Maharashtra shows a sharp increase from 25.1% in 1970–71 to 51.1% in 2015–16, a sharp increase of 26 percentage points compared to the all-India increase of 50.6% (in 1970–71) to 68.5 % (in 2015–16), registering an increase of 17.9 percentage points. This is a clear indication of proliferation of marginal holdings, and consequently, marginalisation of the sector. Besides, the average size of holdings has reduced from 4.28 ha to 1.3 ha over the last four and a half decades, and this decline is sharper than observed at the all-India level (GoI 2019). This must sound a shrill alarm in the ears of policymakers of the state.

Five important observations emerge out of the analysis of the changes in the agrarian structure of Maharashtra. First, the process of marginalisation is increasing at a faster rate than explainable by demographic changes in the state. The shrinking size of holdings is an indication of the sneaking in of non-viability among the peasants. This is enhanced by the increasing cost of cultivation and technology. It is no wonder the farmers indicate a clear preference of quitting farming in favour of any other profession, and many of them preferring to sell their land to land sharks. Second, the non-viability of the small size of holdings compelled the peasants to undertake commercial crops promising good returns and creating a false

Figure 4: Distribution of Operational Holdings across Different Sizes in Maharashtra and India—1970–71 to 2015–16



Marginal (below 1.0 ha); Small (1.00–1.99 ha); Semi-medium (2.00–3.99 ha); Medium (4.00–9.99 ha); Large (10.00 and above);
Sources: Based on GoI (2019).

ambition. They are attracted towards the new crops and varieties, not recognising the market-engineered instability causing a sudden fall in the net income. Third, the land market was more in favour of the large owners, and that created the marginalisation of the farmers from weaker sections. A large number of farmers from socially deprived castes lost land under the pressure of this non-viable and non-affordable technology.

Fourth, the restrictions on tenancy created an undercover tenancy market, and this is fiercely exploitative than the tenant exploitation before the abolition of tenancy. The small holder tenants can neither claim benefits from the state-led schemes nor abandon cultivation (as a Marathi proverb goes, "Mother does not allow to eat and father is prohibiting begging"). Fifth, the large landowners and corporate sector struck exactly at this red hot critical situation by offering good prices for the land. When cultivation is not even allowing bare survival, the peasants were left with no other choice than selling the land at the "attractive" prices and join the band of landless labourers. The census of Maharashtra clearly shows the increase in agricultural labourers disproportionately to the expected demographic trends.

Concluding Remarks

The economy of Maharashtra is crumbling rapidly under the pressure of a closing industrial sector and economically inactive metro cities. COVID-19 has crippled the backbone of Maharashtra's economy and the only saviour looks to be the agricultural sector. However, the agricultural sector of Maharashtra is also in a critical phase with acute distress. The state has been undergoing this stress for the last two decades with patchwork policy solutions like "Vidarbha package." Long-term continued neglect on the policy front and misplaced priorities have already brought the sector into a distressful condition. This paper brings out eight points explaining the pathetic condition of the agricultural sector of the state.

First, right after its formation, Maharashtra accepted a development model that focused primarily on two sectors, namely industrial development and irrigation. This is visible from the analyses of the plan allocations over the 12 five year plans. This strategic failure created two divergent development scenarios in the state: one with prosperity brought in by the industrial development or irrigation, and another contrasted by the economically weak, rural hinterlands striving through severe agrarian distress.

Second, it is quite clear from the plan allocations that the agricultural sector received low priority in development thinking till the severe shock of the 1972–73 drought. The development initiatives emphasised primarily irrigation, by putting large amounts of scarce resources in this unitarily focused development initiative for agriculture. Irrigation has surely helped sugar cane development in Maharashtra, but it is also undoubtedly true that the sugar economy feeds only the haves and neglects the have-nots, besides gobbling up huge state resources. A few other crops also got the benefit of irrigation, but the benefits of irrigation were more truncated towards the sugar economy of the state.

Third, as a result of these policies, the share of the SDP originating from agriculture is sliding down at a faster rate. More worrisome is that this rate of decline is lower than the rate of change in the workforce in the sector, thereby affecting income trends. The hiatus between these two growth trends is increasing the density of dependents on each hectare of cultivated land. Presently, the distress is located only in a few spots, but it will not be long before this spread takes another ugly turn. Policymakers must take this as a red warning.

Fourth, right from the time of reorganisation, the development policy of the state has always been truncated in favour of certain regions and groups of farmers. Not recognising the fact that the major portion of the state is under rainfed conditions and it is of utmost importance to focus on drought-prone and rainfed areas of the state, the policies bypassed these regions. Poverty is densely located in this region both as cause and effect. The state follows an interesting ritual of getting expert committee reports done for issues that bare open the policy gaps and, after a lot of euphoria, silently burying these reports deep and forgetting the recommendations. It started with the Barve Committee report (GoM 1962) to the Chitale Committee (GoM 1999), and from the Pardasani Committee (GoM 1960) to the Sukthankar Committee report (GoM 1973). More recently, too, on 7 February 2017, the Bombay High Court directed the state government to reconstitute the expert committee aimed at making Maharashtra drought-free. After that, the issue was put to rest, possibly as the issue of drought died down.

Fifth, the carrying capacity of the agricultural sector is becoming critical. There is significant rural outmigration due to higher wages on ever-increasing construction activities. Also, the size of holdings has been shrinking due to economic nonviability and demographic pressure. The number of marginal holdings increased by 26 lakh during the last four decades. This is aggravated by the fact that a large chunk of agricultural land (about 7.29 lakh ha) has gone out of cultivation and is being used for non-agricultural purposes. The increase in the amount of land going to non-agricultural uses, as reflected even by the secondary data, is another warning bell.

Sixth, all this happened mainly due to the policy of marginalising the peasantry under the pressure of technology and market on the one hand, and the increasing cost of cultivation on the other. The non-viability of the small and marginal farmers compels them to get out of cultivation as a profession. Besides, there is a clear attraction for rural workers to migrate to urban centres as industrial workers or for construction works. This gave them better income levels, but worse living conditions. The exodus of urban casual workers to their native places due to COVID-19 exposed this situation and their living conditions. Many migrating workers, with the lure of attractive offer prices for their land, were induced to sell the land and join the folds of the urban casual labour force. This trend unfortunately originated at the doorstep of the policy that gave primacy for urban industrial development and flawed land reforms. The returning rural labour force will now create new issues soon, and that is another warning signal.

Seventh, the exodus of labour from urban locations out of Maharashtra and back to the villages in rural Maharashtra under the COVID-19 threat is going to create significant economic stress in rural areas.

Eighth, Maharashtra, being a very progressive state in leading industrial development and promotion of human resources, surprisingly has not attempted any agricultural policy, unlike Karnataka. It is time now to do away with patchy solutions to deal with the farmers' distress and move towards long-term policy thinking for the next decade. This should include crop husbandry, market, technology, land, and input delivery systems as the major components. The deterioration of the livelihood system in rural Maharashtra is visible, and now, the only choice left is to arrest its rate to prevent the situation from worsening.

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AXIS BANK LIMITED

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INDEPENDENT AUDITOR’S REPORT

To the Members of Axis Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **Axis Bank Limited** (“the Bank”), which comprise the Standalone Balance Sheet as at March 31, 2020, the Standalone Profit and Loss Account and the Standalone 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 (hereinafter referred to as “the standalone financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the 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 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 (“ICAI”) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and 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 on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current year. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key audit matters	How our audit addressed the key audit matter
1.	**Information Technology (IT) Controls Framework** The Bank has a complex IT architecture to support its day to day business operations. The volume of transactions processed and recorded is huge. Moreover, a transaction may be required to be recorded across multiple applications depending upon the process and each application has different rules and a different set of user access and authority matrix. These applications are interlinked using different technologies so that data transfer happens in real time or at a particular time of the day; in batches or at a transaction level and in an automated manner or manually. The Core Banking Solution (CBS) itself has many interfaces. All these data streams directly affect the financial accounting and reporting process of the Bank. The Bank has a process for identifying the applications where the controls are embedded. It also has a process to ensure that systems, processes and controls remain relevant. The Bank’s IT control framework includes automated, semi-automated and manual controls designed to address identified risks. IT controls are stated in Entity Level Controls (ELC), IT General Controls (ITGC) and IT Application Controls (ITAC). We have identified IT Controls Framework as a Key Audit Matter as the Bank’s business is highly dependent on technology, the IT environment is complex and the design and operating effectiveness of IT controls have a direct impact on its financial reporting process. Review of these controls allows us to provide assurance on the integrity and completeness of data processed through various IT applications which are used for the preparation of financial reports.	IT audit specialists are an integral part of our engagement team. Our approach of testing IT General Controls (ITGC) and IT Application Controls (ITAC) is risk based and business centric. As part of our IT controls testing, we have tested ITGC as well as ITAC. The focus of testing of ITGCs was based on the various parameters such as Completeness, Validity, Identification, Authentication Authorization, Integrity and Accountability. On the other hand, focus of testing automated controls from applications was whether the controls prevent or detect unauthorized transactions and support financial objectives including completeness, accuracy, authorization and validity of transactions. We gathered a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology. In ITGC testing we reviewed, on sample basis, control areas such as User Management, Change Management, Systems Security, Incident Management, Physical & Environmental Security, Backup and Restoration, Business Continuity and Disaster Recovery, Service Level Agreement. For ITAC, we carried out on sample basis, compliance tests of system functionality in order to assess the accuracy of system calculations. We also carried out procedures such as validations and limit checks on data entered into applications, approvals, process dependencies and restriction on time period in which transactions may be recorded. We tested the control environment using various techniques such as inquiry, review of documentation/record/reports, observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our tests. Wherever deviations were noted either the same were explained to our satisfaction or we tested compensating controls and performed alternate procedures, where necessary, to draw comfort.

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2.	**Classification, Provisioning and Write off of Advances** *(Refer note 5.2 of schedule 17 and note 1.2, 2.1.1 and 2.1.5 of schedule 18 to the standalone financial statements)* The Bank's portfolio of advances to customers amounts to Rs 571,424.16 crores as at March 31, 2020 comprising of wholesale banking and Retail banking customer. As required under Income Recognition, Asset Classification and provisioning norms (IRAC norms), guidelines on COVID 19 related Regulatory Package dated March 27, 2020 and April 17, 2020 issued by the Reserve Bank of India (the "RBI") ('Regulatory Package') and other circulars, notifications and directives issued by the RBI, the Bank classifies advances into performing and non-performing advances which consists of Standard, Sub-standard, Doubtful and Loss and makes appropriate provisions. The Bank, as per its governing framework, identifies standard advances which require higher provision based on its evaluation of risk and internal ratings. The Bank also makes provisions against identified categories of non-fund based facilities, basis the internal assessment and evaluation. The Bank identifies sectors wherein the Bank perceives stress and makes higher provisions. The Bank also identifies accounts which are to be technically written off based on the framework approved by the Bank's Board of Directors. The classification, provisioning and write off of advances is a Key Audit Matter as the Bank has significant credit risk exposure to a large number of borrowers across a wide range of borrowers, products, industries and geographies and there is a high degree of complexity, uncertainty and judgment involved in recoverability of advances, estimation of provisions thereon and identification of accounts to be written off. The same resulted in significant audit efforts to address the risks around loan recoverability and the determination of related provisions and write off.	Our audit procedures included, but were not limited to the following: *Provisions for Corporate advances against specific individual loans (Wholesale banking customer)* 1. Tested the key controls over borrower risk grading for wholesale loans (larger customer exposures that are monitored individually) for classification of such loans as performing or non-performing advances. • Tested on sample basis, the approval of new lending facilities against the Bank's credit policies, the performance of annual loan assessments, and controls over the monitoring of credit quality. • Assessed the process for classification by the Management including identification of non-performing assets. • Tested loans on sample basis to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner. • For the selected non-performing loans, assessed Management's forecast and inputs of recoverable cash flows, comments of auditor on the financial statements, valuation of underlying security and collaterals, estimates of recoverable amounts on default and other sources of repayment. • Holding specific discussions with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. This included testing controls over the identification of exposures showing signs of stress, either due to internal factors specific to the borrower or external macroeconomic factors, and testing the timeliness of and the accuracy of risk assessments and risk grading against the requirements of the Bank's lending policies and RBI IRAC norms. 2. Performed credit assessments of a sample of corporate loans managed by a specialized group assessed as high risk or impaired, focusing on larger exposures assessed by the Bank as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions). We reviewed the Bank's risk grading of the loan, their assessment of loan recoverability and the impact on the credit provision. To do this, we used the information on the Borrowers loan file, discussed the case with the concerned officials and senior management, and performed our own assessment of recoverability. *Provisions for Retail advances against specific individual loans (Retail banking customer)* a. For retail loans (smaller customer exposures not monitored individually), tested controls over the systems which record lending arrears, delinquency buckets based on the number of days loans are overdue, and calculate individual provisions. b. Tested automated calculation and change Management controls and evaluated the Bank's oversight of the portfolios, with a focus on controls over delinquency statistics monitoring. c. Tested on sample basis the level of provisions held against different loan products based on the delinquency profile and assumptions made in respect of expected recoveries, primarily from collateral held. We also carried out extensive data analytics procedures to identify exceptions and outliers. *Provisions estimated across loan portfolios (collective provision)* 1. Tested the Bank's processes for making collective provision; 2. Reviewed the Policy for higher provision for weak standard advances and stressed sectors adopted by the Bank; 3. Reviewed the Policy for provision on non-fund facilities adopted by the Bank; 4. Validated the parameters used to calculate collective provisions with reference to IRAC norms, internal policy on higher provisions on weak standard advances, provisions on non-fund facilities; 5. Tested the completeness and accuracy of data transferred from underlying source systems used for computing collective provision; 6. Re-performed, for a sample of retail and wholesale portfolios, the calculation of collective provisions, to determine the accuracy of the same;

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		7. Reviewed the Bank's process for granting moratorium to borrowers as per the Regulatory Package announced by RBI. We tested the completeness and accuracy of data used for computing general provision in line with Regulatory package issued by RBI. With respect to additional provision made by the Bank on account of the impact of Covid-19 pandemic, we broadly reviewed the underlying assumptions and estimates used by the management for the same but as the extent of impact is dependent on future developments which are highly uncertain, we primarily relied on those assumptions and estimates. These assumptions and estimates are a subject matter of periodic review by the Bank. *Technical write off across loan portfolios* The Bank has adopted a framework for technical write off. We reviewed the framework and understood the process for identification of loan portfolios to be technically written off. We tested on sample basis, the accounts identified during the year to be written off for compliance with the aforesaid framework. *Disclosure* We assessed the appropriateness and adequacy of disclosures against the relevant RBI requirements relating to NPAs including the additional disclosures required to be made in accordance with the Regulatory Package.

Emphasis of Matter

We draw attention to Note 1.2 of Schedule 18 to the standalone financial statements which explains that the extent to which COVID-19 pandemic will impact the financial statements, is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Other Information

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' Report and Management Discussion and Analysis forming part of the Annual Report, but does not include the standalone financial statements, consolidated financial statements and our auditor's report thereon and the Pillar III Disclosures under the New Capital Adequacy Framework (Basel III disclosures). The other information is expected to be made available to us after the date of this report.

Our opinion on the standalone financial statements does not cover the other information and the Basel III disclosures and accordingly, 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 identified above when it becomes available 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.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Bank's Board of Directors 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 prescribed under Section 133 of the Act, read with the relevant rules issued thereunder, provision of Section 29 of the Banking Regulation Act, 1949 and the circulars, 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 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, 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 Board of Directors are 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 this standalone 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 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.

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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 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 in the standalone financial statements 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 the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

(1) The standalone Balance Sheet and the Standalone 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 Act read with relevant rules issued thereunder.

(2) As required under Section 143 (3) of the Act and 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 purpose of our audit and have found them to be satisfactory;

b. In our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

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; we have visited 129 branches for the purpose of our audit.

d. 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;

e. The standalone Balance Sheet, the standalone Profit and Loss Account and the standalone Cash Flow Statement dealt with by this report are in agreement with the books of account;

f. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;

g. On the basis of the written representations received from the directors as on March 31, 2020, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act;

h. 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";

i. 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;

In our opinion and to the best of our information and according to the explanations given to us, requirements prescribed under Section 197 of the Act is not applicable by virtue of Section 35B (2A) of the Banking Regulation Act, 1949.

j. 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 standalone financial statements – Refer Schedule 12 read with note 2.2.16 of Schedule 18 - Contingent Liabilities to the standalone financial statements;

   ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer schedule 5 read with note 2.2.16 of Schedule 18 to the standalone financial statements in respect of such items as it relates to the Bank; and

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No.103523W / W100048

Purushottam Nyati
Partner
Membership No. 118970
UDIN No. 20118970AAAABJ7471

Place: Mumbai
Date: April 28, 2020

AXIS BANK

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ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2(h) under 'Report on Other Legal and Regulatory Requirements' section in our Independent Auditor's Report of even date to the members of **Axis Bank Limited** on the Standalone financial statements for the year ended March 31, 2020]

Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Axis Bank Limited ("the Bank") as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control 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 (the "Guidance Note") 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

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 and the Standards on Auditing specified 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 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 controls 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 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 (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 the generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of the 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

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

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 with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal controls stated in the Guidance Note issued by the ICAI.

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No.103523W / W100048

Purushottam Nyati
Partner
Membership No. 118970
UDIN No. 20118970AAAABJ7471

Place: Mumbai
Date: April 28, 2020

AXIS BANK

AXIS BANK LIMITED

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BALANCE SHEET AS AT 31 MARCH, 2020

	Schedule No.	As at 31-03-2020 (₹ in Thousands)	As at 31-03-2019 (₹ in Thousands)
CAPITAL AND LIABILITIES			
Capital	1	**5,643,356**	5,143,290
Reserves & Surplus	2	**843,835,072**	661,619,666
Deposits	3	**6,401,049,373**	5,484,713,409
Borrowings	4	**1,479,541,330**	1,527,757,792
Other Liabilities and Provisions	5	**421,579,030**	330,731,159
TOTAL		**9,151,648,161**	8,009,965,316
ASSETS			
Cash and Balances with Reserve Bank of India	6	**849,592,391**	350,990,339
Balances with Banks and Money at Call and Short Notice	7	**123,090,412**	321,056,014
Investments	8	**1,567,343,203**	1,749,692,759
Advances	9	**5,714,241,564**	4,947,979,721
Fixed Assets	10	**43,128,970**	40,366,358
Other Assets	11	**854,251,621**	599,880,125
TOTAL		**9,151,648,161**	8,009,965,316
Contingent Liabilities	12	**9,229,687,554**	7,557,652,685
Bills for Collection		**478,427,586**	519,728,573
Significant Accounting Policies and Notes to Accounts	17 & 18		

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

In terms of our report attached.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 103523W/W100048

For Axis Bank Ltd.

Rakesh Makhija
Chairman

Purushottam Nyati
Partner
Membership No.: 118970

S. Vishvanathan
Director

Girish Paranjpe
Director

B. Babu Rao
Director

Amitabh Chaudhry
Managing Director & CEO

Date: 28 April, 2020
Place: Mumbai

Girish V. Koliyote
Company Secretary

Puneet Sharma
Chief Financial Officer

AXIS BANK LIMITED

Registered Office: 'Trishul', 3rd floor, Opp. Samartheshwar Temple, Law Garden, Ellisbridge, Ahmedabad - 380 006.

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

		Schedule No.	Year ended 31-03-2020 (₹ in Thousands)	Year ended 31-03-2019 (₹ in Thousands)
I	**INCOME**			
	Interest earned	13	**626,351,574**	549,857,707
	Other income	14	**155,365,607**	131,303,394
	TOTAL		**781,717,181**	681,161,101
II	**EXPENDITURE**			
	Interest expended	15	**374,289,538**	332,775,970
	Operating expenses	16	**173,046,243**	158,334,077
	Provisions and contingencies	18 (2.1.1)	**218,109,246**	143,284,971
	TOTAL		**765,445,027**	634,395,018
III	**NET PROFIT FOR THE YEAR (I - II)**		**16,272,154**	46,766,083
	Balance in Profit & Loss Account brought forward from previous year		**243,229,953**	230,430,518
IV	**AMOUNT AVAILABLE FOR APPROPRIATION**		**259,502,107**	277,196,601
V	**APPROPRIATIONS:**			
	Transfer to Statutory Reserve		**4,068,038**	11,691,521
	Transfer to/(from) Investment Reserve		**–**	(1,034,894)
	Transfer to Capital Reserve	18 (2.2.1)	**3,405,245**	1,250,935
	Transfer to Reserve Fund	18 (2.2.3)	**8,502**	6,280
	Transfer to Investment Fluctuation Reserve	18 (2.2.2)	**3,280,000**	6,000,000
	Dividend paid (includes tax on dividend)	18 (2.2.6)	**2,888,581**	–
	Balance in Profit & Loss Account carried forward		**245,851,741**	259,282,759
	TOTAL		**259,502,107**	277,196,601
VI	**EARNINGS PER EQUITY SHARE** (Face value ₹2/- per share)	18 (2.2.4)		
	Basic (in ₹)		**5.99**	18.20
	Diluted (in ₹)		**5.97**	18.09
	Significant Accounting Policies and Notes to Accounts	17 & 18		
	Schedules referred to above form an integral part of the Profit and Loss Account			

In terms of our report attached.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 103523W/W100048

For Axis Bank Ltd.

Rakesh Makhija
Chairman

Purushottam Nyati
Partner
Membership No.: 118970

S. Vishvanathan
Director

Girish Paranjpe
Director

B. Babu Rao
Director

Amitabh Chaudhry
Managing Director & CEO

Date: 28 April, 2020
Place: Mumbai

Girish V. Koliyote
Company Secretary

Puneet Sharma
Chief Financial Officer

AXIS BANK

AXIS BANK LIMITED

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2020

	Year ended 31-03-2020 (₹ in Thousands)	Year ended 31-03-2019 (₹ in Thousands)
Cash flow from operating activities		
Net profit before taxes	**49,042,266**	69,740,881
Adjustments for:		
Depreciation on fixed assets	**7,729,508**	7,097,249
Depreciation on investments	**1,359,912**	3,000,160
Amortisation of premium on Held to Maturity investments	**3,538,847**	3,207,410
Provision for Non Performing Assets (including bad debts)	**127,555,268**	102,214,828
Provision on standard assets	**14,513,249**	8,097,890
Provision on unhedged foreign currency exposure	**(106,800)**	187,900
Profit/(loss) on sale of land, buildings and other assets (net)	**44,813**	229,014
Provision for country risk	**121,721**	–
Provision for restructured assets/strategic debt restructuring/sustainable structuring	**(154,980)**	(196,572)
Provision for other contingencies	**42,050,763**	7,005,966
Dividend from Subsidiaries	**(2,402,561)**	(1,311,000)
	243,292,006	199,273,726
Adjustments for:		
(Increase)/Decrease in investments	**242,642,832**	(40,070,291)
(Increase)/Decrease in advances	**(869,492,216)**	(649,869,997)
Increase /(Decrease) in deposits	**916,335,964**	948,486,186
(Increase)/Decrease in other assets	**(257,994,454)**	(106,579,694)
Increase/(Decrease) in other liabilities & provisions	**49,702,444**	52,991,110
Direct taxes paid	**(28,353,805)**	(28,561,806)
Net cash flow from operating activities	**296,132,771**	375,669,234
Cash flow from investing activities		
Purchase of fixed assets	**(10,719,744)**	(8,316,648)
(Increase)/Decrease in Held to Maturity investments	**(89,455,847)**	(178,957,069)
Increase in Investment in Subsidiaries	**(67,000)**	(1,934,115)
Proceeds from sale of fixed assets	**169,658**	531,616
Dividend from Subsidiaries	**2,402,561**	1,311,000
Net cash used in investing activities	**(97,670,372)**	(187,365,216)

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2020

	Year ended 31-03-2020 (₹ in Thousands)	Year ended 31-03-2019 (₹ in Thousands)
Cash flow from financing activities		
Proceeds/(Repayment) from issue of subordinated debt, perpetual debt & upper Tier II instruments (net)	**(20,000,000)**	(17,000,000)
Increase/(Decrease) in borrowings (excluding subordinated debt, perpetual debt & upper Tier II instruments) (net)	**(28,216,462)**	64,596,346
Proceeds from issue of share capital	**500,066**	10,212
Proceeds from share premium (net of share issue expenses)	**151,784,664**	1,706,853
Payment of dividend (including dividend distribution tax)	**(2,888,581)**	–
Net cash generated from financing activities	**101,179,687**	49,313,411
Effect of exchange fluctuation translation reserve	**994,364**	(119,982)
Net increase in cash and cash equivalents	**300,636,450**	237,497,447
Cash and cash equivalents at the beginning of the year	**672,046,353**	434,548,906
Cash and cash equivalents at the end of the year	**972,682,803**	672,046,353

Notes to the Cash Flow Statement:

1. Cash and cash equivalents includes the following

Cash and Balances with Reserve Bank of India (Refer Schedule 6)	**849,592,391**	350,990,339
Balances with Banks and Money at Call and Short Notice (Refer Schedule 7)	**123,090,412**	321,056,014
Cash and cash equivalents at the end of the year	**972,682,803**	672,046,353

2. Amount of Corporate Social Responsibility related expenses spent during the year in cash ₹95.61 crores (previous year ₹137.02 crores)

In terms of our report attached.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 103523W/W100048

For Axis Bank Ltd.

Rakesh Makhija
Chairman

Purushottam Nyati
Partner
Membership No.: 118970

S. Vishvanathan
Director

Girish Paranjpe
Director

B. Babu Rao
Director

Amitabh Chaudhry
Managing Director & CEO

Date: 28 April, 2020
Place: Mumbai

Girish V. Koliyote
Company Secretary

Puneet Sharma
Chief Financial Officer

AXIS BANK

AXIS BANK LIMITED

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2020

		As at 31-03-2020 (₹ in Thousands)	As at 31-03-2019 (₹ in Thousands)
SCHEDULE 1 – CAPITAL			
Authorised Capital			
4,250,000,000 (Previous year - 4,250,000,000) Equity Shares of ₹2/- each		**8,500,000**	8,500,000
Issued, Subscribed and Paid-up capital			
2,821,677,934 (Previous year - 2,571,644,871) Equity Shares of ₹2/- each fully paid-up		**5,643,356**	5,143,290
SCHEDULE 2 – RESERVES AND SURPLUS			
I.	**Statutory Reserve**		
	Opening Balance	**127,451,247**	115,759,726
	Additions during the year	**4,068,038**	11,691,521
		131,519,285	127,451,247
II.	**Share Premium Account**		
	Opening Balance	**259,597,373**	257,890,520
	Additions during the year	**152,488,174**	1,706,853
	Less: Share issue expenses	**(703,510)**	–
		411,382,037	259,597,373
III.	**Investment Reserve Account**		
	Opening Balance	**–**	1,034,894
	Additions during the year	**–**	–
	Deductions during the year	**–**	(1,034,894)
		–	–
IV.	**General Reserve**		
	Opening Balance	**3,543,100**	3,543,100
	Additions during the year	**–**	–
		3,543,100	3,543,100
V.	**Capital Reserve**		
	Opening Balance	**20,923,889**	19,672,954
	Additions during the year [Refer Schedule 18 (2.2.1)]	**3,405,245**	1,250,935
		24,329,134	20,923,889
VI.	**Foreign Currency Translation Reserve** [Refer Schedule 17 (5.6)]		
	Opening Balance	**792,850**	912,832
	Additions during the year	**994,363**	–
	Deductions during the year	**–**	(119,982)
		1,787,213	792,850
VII.	**Reserve Fund**		
	Opening Balance	**81,254**	74,974
	Additions during the year [Refer Schedule 18 (2.2.3)]	**8,502**	6,280
		89,756	81,254
VIII.	**Investment Fluctuation Reserve**		
	Opening Balance	**6,000,000**	–
	Additions during the year [Refer Schedule 18 (2.2.2)]	**3,280,000**	6,000,000
		9,280,000	6,000,000
IX.	**Balance in Profit & Loss Account brought forward**	**245,851,741**	259,282,759
	Adjustments during the year*	**16,052,806**	(16,052,806)
	Balance in Profit & Loss Account	**261,904,547**	243,229,953
	TOTAL	**843,835,072**	661,619,666

*During the previous year ended 31 March, 2019, the Bank had made a provision amounting to ₹1,605.28 crores towards Land held as non-banking asset through the reserves and surplus, as permitted by RBI. During the year ended 31 March, 2020, the said provision has been recognised as part of provisions & contingencies in the profit and loss account with consequential reversal in the reserves and surplus, as advised by RBI. Refer Schedule 18 (2.1.43)

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2020

	As at 31-03-2020 (₹ in Thousands)	As at 31-03-2019 (₹ in Thousands)
SCHEDULE 3 – DEPOSITS		
A. I. Demand Deposits		
(i) From banks	**38,888,253**	47,219,608
(ii) From others	**862,256,063**	845,433,682
II. Savings Bank Deposits	**1,735,916,234**	1,541,288,064
III. Term Deposits		
(i) From banks	**343,218,323**	232,371,412
(ii) From others	**3,420,770,500**	2,818,400,643
TOTAL	**6,401,049,373**	5,484,713,409
B. I. Deposits of branches in India	**6,357,696,472**	5,466,197,810
II. Deposits of branches outside India	**43,352,901**	18,515,599
TOTAL	**6,401,049,373**	5,484,713,409
SCHEDULE 4 – BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	**116,190,000**	144,000,000
(ii) Other banks #	**650,000**	2,785,000
(iii) Other institutions & agencies **	**808,092,100**	683,583,472
II. Borrowings outside India	**554,609,230**	697,389,320
TOTAL	**1,479,541,330**	1,527,757,792
Secured borrowings included in I & II above	**119,035,398**	144,000,000

Borrowings from other banks include Subordinated Debt of ₹15.00 crores (previous year ₹35.00 crores) in the nature of Non-Convertible Debentures and Perpetual Debt of Nil (previous year ₹50.00 crores) [Also refer Note 18 (2.1.2)]

** Borrowings from other institutions & agencies include Subordinated Debt of ₹17,490.00 crores (previous year ₹19,470.00 crores) in the nature of Non-Convertible Debentures and Perpetual Debt of ₹7,000 crores (previous year ₹6,950.00 crores) [Also refer Note 18 (2.1.2)]

	As at 31-03-2020 (₹ in Thousands)	As at 31-03-2019 (₹ in Thousands)
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**36,897,894**	37,854,366
II. Inter-office adjustments (net)	**–**	–
III. Interest accrued	**31,008,096**	45,522,438
IV. Proposed dividend (includes tax on dividend) [Refer Schedule 17 (5.20) and Schedule 18 (2.2.6)]	**–**	–
V. Contingent provision against standard assets [Refer Schedule 18 (2.1.8)]	**45,197,371**	30,404,383
VI. Others (including provisions)	**308,475,669**	216,949,972
TOTAL	**421,579,030**	330,731,159
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	**79,878,972**	42,132,147
II. Balances with Reserve Bank of India		
(i) in Current Account	**209,713,419**	263,858,192
(ii) in Other Accounts	**560,000,000**	45,000,000
TOTAL	**849,592,391**	350,990,339

AXIS BANK

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2020

	As at 31-03-2020 (₹ in Thousands)	As at 31-03-2019 (₹ in Thousands)
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balance with Banks		
(a) in Current Accounts	**605,423**	2,419,842
(b) in Other Deposit Accounts	**25,668,577**	31,712,577
(ii) (ii) Money at Call and Short Notice		
(a) With banks	**–**	–
(b) With other institutions	**–**	191,610,699
TOTAL	**26,274,000**	225,743,118
II. Outside India		
(i) in Current Accounts	**42,990,128**	42,478,364
(ii) in Other Deposit Accounts	**725,119**	5,177,257
(iii) Money at Call & Short Notice	**53,101,165**	47,657,275
TOTAL	**96,816,412**	95,312,896
GRAND TOTAL (I+II)	**123,090,412**	321,056,014
SCHEDULE 8 – INVESTMENTS		
I. **Investments in India in -**		
(i) Government Securities ##	**1,219,180,739**	1,168,229,051
(ii) Other approved securities	**–**	–
(iii) Shares	**11,552,354**	9,594,584
(iv) Debentures and Bonds	**205,529,143**	392,845,209
(v) Investment in Subsidiaries/Joint Ventures	**18,094,821**	18,027,821
(vi) Others (Mutual Fund units, CD/CP, PTC etc.)	**59,704,124**	112,641,005
Total Investments in India	**1,514,061,181**	1,701,337,670
II. **Investments outside India in -**		
(i) Government Securities (including local authorities)	**40,634,795**	34,164,807
(ii) Subsidiaries and/or joint ventures abroad	**4,833,428**	4,833,428
(iii) Others (Equity Shares and Bonds)	**7,813,799**	9,356,854
Total Investments outside India	**53,282,022**	48,355,089
GRAND TOTAL (I+II)	**1,567,343,203**	1,749,692,759

Includes securities costing ₹34,501.78 crores (previous year ₹29,283.94 crores) pledged for availment of fund transfer facility, clearing facility and margin requirements

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2020

					As at 31-03-2020 (₹ in Thousands)	As at 31-03-2019 (₹ in Thousands)
SCHEDULE 9 – ADVANCES						
A.	(i)	Bills purchased and discounted			**145,282,883**	155,366,966
	(ii)	Cash credits, overdrafts and loans repayable on demand			**1,578,453,784**	1,503,567,259
	(iii)	Term loans #			**3,990,504,897**	3,289,045,496
	TOTAL				**5,714,241,564**	4,947,979,721
B.	(i)	Secured by tangible assets $			**4,127,706,073**	3,535,163,307
	(ii)	Covered by Bank/Government Guarantees &&			**17,284,147**	33,887,710
	(iii)	Unsecured			**1,569,251,344**	1,378,928,704
	TOTAL				**5,714,241,564**	4,947,979,721
C.	I.	Advances in India				
		(i)	Priority Sector		**1,438,593,307**	1,188,930,411
		(ii)	Public Sector		**134,270,813**	65,894,406
		(iii)	Banks		**21,809,078**	43,110,224
		(iv)	Others		**3,673,182,725**	3,268,892,314
	TOTAL				**5,267,855,923**	4,566,827,355
	II.	Advances Outside India				
		(i)	Due from banks		**25,828,342**	20,815,655
		(ii)	Due from others -			
			(a)	Bills purchased and discounted	**28,288,691**	23,843,213
			(b)	Syndicated loans	**26,001,299**	47,840,704
			(c)	Others	**366,267,309**	288,652,794
	TOTAL				**446,385,641**	381,152,366
	GRAND TOTAL (CI+CII)				**5,714,241,564**	4,947,979,721

\# Net of borrowings under Inter Bank Participation Certificate (IBPC) ₹1,500.00 crores (previous year ₹2,750.00 crores), includes lending under IBPC ₹2,900.10 crores (previous year ₹3,529.50 crores)

$ Includes advances against book debts

&& Includes advances against L/Cs issued by other banks

		As at 31-03-2020 (₹ in Thousands)	As at 31-03-2019 (₹ in Thousands)
SCHEDULE 10 – FIXED ASSETS			
I.	**Premises**		
	Gross Block		
	At cost at the beginning of the year	**17,917,015**	18,330,983
	Additions during the year	**460,004**	169,308
	Deductions during the year	–	(583,276)
	TOTAL	**18,377,019**	17,917,015
	Depreciation		
	As at the beginning of the year	**1,640,399**	1,470,027
	Charge for the year	**276,438**	292,302
	Deductions during the year	**–**	(121,930)
	Depreciation to date	**1,916,837**	1,640,399
	Net Block	**16,460,182**	16,276,616

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH, 2020

		As at 31-03-2020 (₹ in Thousands)	As at 31-03-2019 (₹ in Thousands)
SCHEDULE 10 – FIXED ASSETS (Contd.)			
II.	**Other fixed assets (including furniture & fixtures)**		
	Gross Block		
	At cost at the beginning of the year	**60,352,942**	52,204,387
	Additions during the year*	**8,243,588**	8,999,163
	Deductions during the year	**(972,208)**	(850,608)
	TOTAL	**67,624,322**	60,352,942
	Depreciation		
	As at the beginning of the year	**38,990,122**	32,809,459
	Charge for the year	**7,453,067**	6,804,946
	Deductions during the year	**(744,585)**	(624,283)
	Depreciation to date	**45,698,604**	38,990,122
	Net Block	**21,925,718**	21,362,820
III.	**CAPITAL WORK-IN-PROGRESS (including capital advances)**	**4,743,070**	2,726,922
	GRAND TOTAL (I+II+III)	**43,128,970**	40,366,358

* includes movement on account of exchange rate fluctuation

SCHEDULE 11 - OTHER ASSETS

I.	Inter-office adjustments (net)	–	–
II.	Interest Accrued	**71,528,813**	70,941,386
III.	Tax paid in advance/tax deducted at source (net of provisions)	**15,353,273**	15,911,960
IV.	Stationery and stamps	**1,056**	3,057
V.	Non banking assets acquired in satisfaction of claims$	**–**	87,276
VI.	Others #@	**767,368,479**	512,936,446
	TOTAL	**854,251,621**	599,880,125

\# Includes deferred tax assets of ₹7,254.97 crores (previous year ₹7,640.73 crores) [Refer Schedule 18 (2.2.11)]

@ Includes Priority Sector Shortfall Deposits of ₹46,462.92 crores (previous year ₹28,161.77 crores)

$ Represents balance net of provision of ₹2,068.24 crores on Land held as non-banking asset. (previous year represents balance net of provision of ₹2,208.61 crores on Land held as non-banking asset and provision of ₹2.09 crores on other non-banking assets)

SCHEDULE 12 – CONTINGENT LIABILITIES

I.	Claims against the Bank not acknowledged as debts	**17,338,059**	6,235,275
II.	Liability for partly paid investments	**1,387,700**	18,000
III.	Liability on account of outstanding forward exchange and derivative contracts:		
	a) Forward Contracts	**4,559,787,377**	3,296,537,608
	b) Interest Rate Swaps, Currency Swaps, Forward Rate Agreement & Interest Rate Futures	**3,015,972,169**	2,375,871,342
	c) Foreign Currency Options	**451,140,999**	464,047,739
	Total (a+b+c)	**8,026,900,545**	6,136,456,689
IV.	Guarantees given on behalf of constituents		
	In India	**664,796,899**	680,528,970
	Outside India	**74,340,067**	75,358,146
V.	Acceptances, endorsements and other obligations	**251,649,846**	324,394,652
VI.	Other items for which the Bank is contingently liable	**193,274,438**	334,660,953
	GRAND TOTAL (I+II+III+IV+V+VI) [Refer Schedule 18 (2.2.16)]	**9,229,687,554**	7,557,652,685

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SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2020

		Year ended 31-03-2020 (₹ in Thousands)	Year ended 31-03-2019 (₹ in Thousands)
SCHEDULE 13 - INTEREST EARNED			
I.	Interest/discount on advances/bills	**483,029,726**	413,220,214
II.	Income on investments	**112,460,254**	113,490,713
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	**10,952,634**	6,933,458
IV.	Others	**19,908,960**	16,213,322
	TOTAL	**626,351,574**	549,857,707
SCHEDULE 14 - OTHER INCOME			
I.	Commission, exchange and brokerage	**96,919,415**	88,536,507
II.	Profit/(Loss) on sale of investments (net) [Refer Schedule 18(2.2.1)]	**21,723,011**	7,581,014
III.	Profit/(loss) on sale of land, buildings and other assets (net)*	**(44,813)**	(229,013)
IV.	Profit on exchange/derivative transactions (net)	**15,744,570**	14,867,360
V.	Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India	**2,402,561**	1,311,000
VI.	Miscellaneous Income [including recoveries on account of advances/investments written off in earlier years ₹1,552.99 crores (previous year ₹1,867.45 crores) and net profit on account of portfolio sell downs/securitisation ₹25.50 crores (previous year net profit of ₹7.96 crores)]	**18,620,863**	19,236,526
	TOTAL	**155,365,607**	131,303,394
*	includes provision for diminution in value of fixed assets		
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on deposits	**293,690,561**	237,075,125
II.	Interest on Reserve Bank of India/Inter-bank borrowings	**19,988,994**	29,543,171
III.	Others	**60,609,983**	66,157,674
	TOTAL	**374,289,538**	332,775,970
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and provisions for employees	**53,210,007**	47,473,218
II.	Rent, taxes and lighting	**11,361,948**	10,468,677
III.	Printing and stationery	**1,629,184**	1,951,435
IV.	Advertisement and publicity	**1,125,564**	1,018,137
V.	Depreciation on bank's property	**7,729,508**	7,097,249
VI.	Directors' fees, allowance and expenses	**20,709**	27,553
VII.	Auditors' fees and expenses	**19,207**	14,616
VIII.	Law charges	**1,236,169**	1,175,771
IX.	Postage, telegrams, telephones etc.	**2,739,490**	2,962,177
X.	Repairs and maintenance	**11,429,098**	10,549,779
XI.	Insurance	**7,510,955**	6,003,052
XII.	Other expenditure	**75,034,404**	69,592,413
	TOTAL	**173,046,243**	158,334,077

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17 Significant accounting policies for the year ended 31 March, 2020

1 Background

Axis Bank Limited ('the Bank') was incorporated in 1993 and provides a complete suite of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is primarily governed by the Banking Regulation Act, 1949. The Bank has overseas branches at Singapore, Hong Kong, DIFC - Dubai, Shanghai and Colombo and an Offshore Banking Unit at International Financial Service Centre (IFSC), Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India.

2 Basis of preparation

The standalone financial statements ('financial statements') have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India, unless otherwise stated by the Reserve Bank of India ('RBI'), to comply with the statutory requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949, the circulars, notifications, guidelines and directives issued by RBI from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India. Accounting policies applied have been consistent with the previous year except otherwise stated.

3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) at the date of the financial statements, revenues and expenses during the reporting period. Actual results could differ from those estimates. The Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4 Change in accounting policies/estimates

Provision on Non-fund based outstanding

During the year, the Bank has adopted a policy of maintaining provision on non-funded outstanding in NPAs, prudentially written off accounts, corporate standard advances rated 'BB and Below' and all SMA-2 advances as reported to CRILC. As a result, the provisions and contingencies for the year are higher by ₹410.52 crores with a consequent reduction to the profit before tax.

5 Significant accounting policies

5.1 Investments

Classification

In accordance with the RBI guidelines, investments are classified at the time of purchase as:

- Held for Trading ('HFT');
- Available for Sale ('AFS'); and
- Held to Maturity ('HTM').

Investments that are held principally for sale within a short period are classified as HFT securities. As per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are transferred to AFS securities.

Investments that the Bank intends to hold till maturity are classified under the HTM category. Investments in the equity of subsidiaries/joint ventures are categorised as HTM in accordance with the RBI guidelines.

All other investments are classified as AFS securities.

However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others. Investments made outside India are classified under three categories - Government Securities, Subsidiaries and/or Joint Ventures abroad and Others.

All investments are accounted for on settlement date, except investments in equity shares which are accounted for on trade date.

Transfer of security between categories

Transfer of security between categories of investments is accounted as per the RBI guidelines.

Acquisition cost

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Broken period interest is charged to the Profit and Loss Account.

Cost of investments is computed based on the weighted average cost method.

Valuation

Investments classified under the HTM category: Investments are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period remaining to maturity on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income under the head 'Income from Investments' under Schedule 13 in Profit and Loss Account. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till maturity.

Investments in subsidiaries/joint ventures are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines and suitable provisions are made.

Investments classified under the AFS and HFT categories: Investments under these categories are marked to market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA')/Financial Benchmark India Private Limited ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in the Profit and Loss Account. The net appreciation if any, under each category of each investment classification is ignored. The depreciation on securities acquired by way of conversion of outstanding loans is provided in accordance with the RBI guidelines. The book value of individual securities is not changed consequent to the periodic valuation of investments.

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17 Significant accounting policies for the year ended 31 March, 2020 (*Continued*)

Non-performing investments are identified and provision is made thereon as per RBI guidelines. The provision on such non-performing investments is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost which includes discount amortised over the period to maturity.

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- The market/fair value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is computed as per the rates published by FIMMDA/FBIL.
- In case of special bonds issued by Government of India that do not qualify for SLR, unquoted bonds, debentures, preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the YTM for Government Securities as published by FIMMDA/PDAI/FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA/FBIL is adopted for this purpose.
- In case of bonds & debentures where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
- Pass Through Certificates ('PTC') and Priority Sector PTCs are valued as per extant FIMMDA guidelines.
- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company;
- Units of Venture Capital Funds ('VCF') held under AFS category where current quotations are not available are valued based on the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1 per VCF. Investment in unquoted VCF after 23 August, 2006 may be categorised under HTM category for the initial period of three years and are valued at cost as per RBI guidelines.
- In case of investments in security receipts on or after 1 April, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the higher of - provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.

Disposal of investments

Investments classified under the HTM category: Realised gains are recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve account (net of taxes and transfer to statutory reserves) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account.

Investments classified under the AFS and HFT categories: Realised gains/losses are recognised in the Profit and Loss Account.

Repurchase and reverse repurchase transactions

Repurchase and reverse repurchase transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Accordingly, securities given as collateral under an agreement to repurchase them continue to be held under the investment account and the Bank continues to accrue the coupon/discount on the security during the repo period. Further, the Bank continues to value the securities sold under repo as per the investment classification of the security. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The short positions are reflected in 'Securities Short Sold ('SSS') A/c', specifically created for this purpose. Such short positions are categorised under HFT category and netted off from investments in the Balance Sheet. 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 discussed earlier.

5.2 Advances

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates, specific provisions made towards NPAs, interest in suspense for NPAs, claims received from Export Credit Guarantee Corporation, provisions for funded interest on term loan classified as NPAs, provisions in lieu of diminution in the fair value of restructured assets and floating provisions.

NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI with the exception for agriculture advances and schematic retail advances. In respect of schematic retail advances, provisions are made in terms of a bucket-wise policy upon reaching specified stages of delinquency (90 days or more of delinquency) under each type of loan, which satisfies the RBI prudential norms on provisioning. Provisions in respect of agriculture advances classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI. Provisions for advances booked in overseas branches, which are standard as per the RBI guidelines but are classified as NPAs based on host country guidelines, are made as per the host country regulations. In case of NPAs referred to National Company Law Tribunal ('NCLT') under Insolvency and Bankruptcy Code ('IBC') where resolution plan or liquidation order has been approved by NCLT, provision is maintained at higher of the requirement under RBI guidelines or the likely haircut as per resolution plan or liquidation order.

Restructured assets are classified and provided for in accordance with the guidelines issued by RBI from time to time.

Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines.

Amounts recovered against debts written off are recognised in the Profit and Loss account and included under "Other Income".

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17 Significant accounting policies for the year ended 31 March, 2020 (*Continued*)

In case of EMI based standard retail advances, funds received from customers are appropriated in the order of chronology as towards interest, principal, penal interest and charges. In case of other standard advances, funds received from customers are appropriated in the order of chronology as towards charges, penal interest, interest and principal.

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated 7 June, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timelines.

In respect of borrowers classified as non-cooperative and willful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security.

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 unhedged position. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet. Further, Incremental capital is maintained in respect of borrower counter parties in the highest risk category, in line with stipulations by RBI.

The Bank maintains provisions for incremental exposure of the banking system to specified borrowers beyond Normally Permitted Lending Limit ('NPLL') in proportion to Bank's funded exposure to the specified borrowers as per RBI guidelines. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains a general provision on standard advances at the rates prescribed by RBI other than for corporate standard advances rated 'BB and Below' and all SMA-2 advances as reported to CRILC, where general provision is maintained at rates that are higher than those prescribed by RBI. In case of overseas branches, general provision on standard advances is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. The Bank also maintains general provision on positive Mark-to-Market (MTM) on derivatives at the rates prescribed by RBI.

The Bank maintains provision on non-funded outstanding in NPAs, prudentially written off accounts, corporate standard advances rated 'BB and Below' and all SMA-2 advances as reported to CRILC. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

Under its home loan portfolio, the Bank offers housing loans with certain features involving waiver of Equated Monthly Installments ('EMIs') of a specific period subject to fulfilment of a set of conditions by the borrower. The Bank makes provision against the probable loss that could be incurred in future on account of waivers to eligible borrowers in respect of such loans based on actuarial valuation conducted by an independent actuary. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

5.3 *Country risk*

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). Such provisions are held only in respect of those countries where the net funded exposure of the Bank exceeds 1% of its total assets. For this purpose the countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per RBI guidelines. Provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the net funded exposure of the Bank in respect of each country does not exceed 1% of the total assets, no provision is maintained on such country exposure in accordance with RBI guidelines. This provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

5.4 *Securitisation and transfer of assets*

The Bank enters into purchase/sale of corporate and retail loans through direct assignment/Special Purpose Vehicle ('SPV'). In most cases, post securitisation, the Bank continues to service the loans transferred to the assignee/SPV. The Bank also provides credit enhancement in the form of cash collaterals and/or by subordination of cash flows to Senior Pass through Certificate holders. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) 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 as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

In accordance with RBI guidelines of 7 May, 2012, on 'Guidelines on Securitisation of Standard Assets', gain on securitisation transaction is recognised over the period of the underlying securities issued by the SPV. Loss on securitisation is immediately debited to the Profit and Loss Account.

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 the 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.

5.5 *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 loan assets in PSLC transactions.

5.6 *Foreign currency transactions*

In respect of domestic operations, transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year end revaluations are recognised in the Profit and Loss Account.

Financial statements of foreign branches classified as non-integral foreign operations as per the RBI guidelines are translated as follows:

- Assets and liabilities (both monetary and non-monetary as well as contingent liabilities) are translated at closing exchange rates notified by FEDAI at the Balance Sheet date.
- Income and expenses are translated at the rates prevailing on the date of the transactions.
- All resulting exchange differences are accumulated in a separate 'Foreign Currency Translation Reserve' till the disposal of the net investments. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

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17 Significant accounting policies for the year ended 31 March, 2020 (*Continued*)

Outstanding forward exchange contracts including tom/spot contracts (excluding currency swaps undertaken to hedge foreign currency assets/liabilities and funding swaps which are not revalued) are revalued at year end on PV basis by discounting the forward value till spot date and converting the FCY amount using the respective spot rates as notified by FEDAI. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/FEDAI guidelines.

Premium/discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognised as interest income/expense and is amortised on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

5.7 Derivative transactions

Derivative transactions comprise of forward contracts, swaps and options which are disclosed as contingent liabilities. The forwards, swaps and options are categorised as trading or hedge transactions. Trading derivative contracts are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets (representing positive Mark-to-Market) and in other liabilities (representing negative Mark-to-Market (MTM)) on a gross basis. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge swaps are accounted for on accrual basis except in case of swaps designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In such cases the swaps are marked-to-market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Hedge transactions that are entered after 26 June, 2019 through rupee interest rate derivatives are accounted for as per the guidance note issued by ICAI on accounting for derivative contracts. Pursuant to the RBI guidelines any receivables under derivative contracts comprising of crystallised receivables as well as positive Mark-to-Market (MTM) in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss account and are held in separate Suspense Account.

Premium on options is recognized as income/expense on expiry or early termination of the transaction.

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. While the daily settlement price is computed based on the last half an hour weighted average price of such contracts, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contracts or as may be specified by the relevant authority from time to time. All open positions are marked-to-market based on the settlement price and the resultant marked-to-market profit/loss is daily settled with the exchange.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

5.8 Revenue recognition

Interest income is recognised on an accrual basis in accordance with AS–9, Revenue Recognition as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014, the Companies (Accounting Standards) Amendment Rules, 2016 and the RBI guidelines, except in the case of interest income on non-performing assets where it is recognised on receipt basis if overdue for more than 90 days. Income on non-coupon bearing discounted instruments or low-coupon bearing instruments is recognised over the tenor of the instrument on a constant yield basis.

Guarantee commission is recognized on a pro-rata basis over the period of the guarantee. Locker rent and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Arrangership/syndication fee is accounted for on completion of the agreed service and when right to receive is established. Other fees and commission income are recognised when due, where the Bank is reasonably certain of ultimate collection.

Interest income on investments in discounted PTCs is recognized on a constant yield basis.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.

Fees paid for purchase of Priority Sector Lending Certificates (‘PSLC’) is amortised on straight-line basis over the tenor of the certificate as ‘Other Expenditure’ under Schedule 16 of Profit and Loss Account. Fees received on sale of PSLC is amortised on straight-line basis over the tenor of the certificate as ‘Miscellaneous Income’ under Schedule 14 of Profit and Loss Account.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e. book value less provisions held), the shortfall is charged to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

The Bank deals in bullion business on a consignment basis. The difference between the price recovered from customers and cost of bullion is accounted for at the time of sale to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

5.9 Fixed assets and depreciation/impairment

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes initial handling and delivery charges, 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 economic benefit / functioning capability from / of such assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided over the estimated useful life of a fixed asset on the straight-line method from the date of addition. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of fixed assets based on historical experience of the Bank, though these rates in certain cases are different from lives prescribed under Schedule II of Companies Act, 2013. Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

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17 Significant accounting policies for the year ended 31 March, 2020 (*Continued*)

Asset	Estimated useful life
Leased Land	As per the term of the agreement
Owned premises	60 years
Locker cabinets/cash safe/strong room door	10 years
EPABX, telephone instruments	8 years
Modem, scanner, routers, hubs, switches, racks/cabinets for IT equipment	5 years
UPS, VSAT, fax machines	5 years
Cheque book/cheque encoder, currency counting machine, fake note detector	5 years
Application software	5 years
Electronic Data Capture (EDC)/ Point of Sale (POS) machines	5 years
Vehicles	4 years
Computer hardware including printers	3 years
CCTV and video conferencing equipment	3 years
Assets at staff residence	3 years
Mobile phone	2 years
All other fixed assets	10 years

Assets costing less than ₹5,000 individually are fully depreciated in the year of purchase.

Depreciation on assets sold during the year is recognised on a pro-rata basis to the Profit and Loss Account till the date of sale.

Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Further, profit on sale of premises is appropriated to Capital Reserve account (net of taxes and transfer to statutory reserve) in accordance with RBI instructions.

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised 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 at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

5.10 Non-banking assets

Non-banking assets ('NBAs') acquired in satisfaction of claims include land. In the case of land, the Bank creates provision and follows the accounting treatment as per specific RBI directions.

5.11 Lease transactions

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 recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term. Lease income from assets given on operating lease is recognized as income in profit and loss account on a straight line basis over the lease term.

5.12 Retirement and other employee benefits

Provident Fund

Retirement benefit in the form of provident fund is a defined benefit plan wherein the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due and when services are rendered by the employees. Further, an actuarial valuation is conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year to determine the deficiency, if any, in the interest payable on the contributions as compared to the interest liability as per the statutory rate. Actuarial gains/ losses are immediately taken to the Profit and Loss Account and are not deferred.

Gratuity

The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by various insurers for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although various insurers administer the scheme and determine the contribution premium required to be paid by the Bank. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Bank. Liability with regard to gratuity fund is accrued based on actuarial valuation conducted by an independent actuary using the Projected Unit Credit Method as at 31 March each year. In respect of employees at overseas branches (other than expatriates) liability with regard to gratuity is provided on the basis of a prescribed method as per local laws, wherever applicable. Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

Compensated Absences

Compensated absences are short term in nature for which provision is held on accrual basis.

Superannuation

Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme either under a cash-out option through salary or under a defined contribution plan. Through the defined contribution plan, the Bank contributes annually a specified sum of 10% of the employee's eligible annual basic salary to LIC, which undertakes to pay the lump sum and annuity benefit payments pursuant to the scheme. Superannuation contributions are recognised in the Profit and Loss Account in the period in which they accrue.

New Pension Scheme ('NPS')

In respect of employees who opt for contribution to the 'NPS', the Bank contributes certain percentage of the total basic salary of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

5.13 Reward points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. In addition, the Bank continues to grant reward points in respect of certain credit cards (not covered under the loyalty program). The Bank estimates the probable

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17 Significant accounting policies for the year ended 31 March, 2020 (*Continued*)

redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary, which includes assumptions such as mortality, redemption and utilization. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

5.14 Taxation

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the relevant provisions of Income tax Act, 1961 and considering the material principle set out in Income Computation and Disclosure Standards to the extent applicable. Deferred income taxes reflect the impact of 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. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and the deferred tax assets and deferred tax liabilities relate to the taxes on income 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. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

5.15 Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.16 Corporate Social Responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, is recognised as operating expenditure or capital expenditure as applicable.

5.17 Earnings per share

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

5.18 Employee stock option scheme

The 2001 Employee Stock Option Scheme ('the Scheme') provides for grant of stock options on equity shares of the Bank to employees and Directors of the Bank and its subsidiaries. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the Guidelines'). These Guidelines have been repealed in the month of October, 2014 and were substituted by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Scheme is in compliance with the said regulations. The Bank follows the intrinsic value method to account for its stock based employee compensation plans as per the Guidelines. Options are granted at an exercise price, which is equal to/less than the fair market price of the underlying equity shares. The excess of such fair market price over the exercise price of the options as at the grant date, if any, is recognised as a deferred compensation cost and amortised on a straight-line basis over the vesting period of such options.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

5.19 Provisions, contingent liabilities and contingent assets

In accordance with AS-29 "Provisions, Contingent Liabilities and Contingent Assets", provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

5.20 Accounting for dividend

As per AS-4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March, 2016, the Bank does not account for proposed dividend (including tax) as a liability through appropriation from the profit and loss account. The same is recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

5.21 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.

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18 Notes forming part of the financial statements for the year ended 31 March, 2020

(Currency: In Indian Rupees)

1.1 During the year ended 31 March, 2020, the Bank allotted 45,357,385 equity shares at a price of ₹565 per share pursuant to exercise of convertible share warrants by the warrant holders. As a consequence, the paid-up share capital of the Bank has increased by ₹9.07 crores and the reserves of the Bank have increased by ₹2,551.03 crores after charging off issue related expenses.

Further, during the year ended 31 March, 2020, the Bank raised additional equity capital through a Qualified Institutional Placement of 19,87,28,139 shares at a price of ₹629 per share. As a consequence, the paid-up share capital of the Bank has increased by ₹39.75 crores and the reserves of the Bank have increased by ₹12,392.50 crores after charging off issue related expenses. The funds mobilised from equity raising were utilised for enhancing the capital adequacy ratio and for general corporate purpose.

1.2 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 24 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 27 March, 2020 and 17 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 1 March, 2020 and 31 May, 2020 ('moratorium period'). As such, in respect of all accounts classified as standard as on 29 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. The Bank holds provisions as at 31 March, 2020 against the potential impact of COVID-19 based on the information available at this point in time. The provisions held by the Bank are in excess of the RBI prescribed norms.

2.1 Statutory disclosures as per RBI

2.1.1 'Provisions and contingencies' recognised in the Profit and Loss Account comprise of: *(₹ in crores)*

For the year ended	**31 March, 2020**	31 March, 2019
Provision for income tax		
– Current tax	**2,891.25**	3,009.84
– Deferred tax[1] (Refer 2.2.11)	**385.76**	(712.36)
	3,277.01	2,297.48
Provision for non-performing assets (including bad debts written off and write backs)	**12,755.53**	10,221.48
Provision for restructured assets/strategic debt restructuring/sustainable structuring	**(15.50)**	(19.66)
Provision towards standard assets[2]	**1,451.32**	809.79
Provision for depreciation in value of investments	**135.99**	300.02
Provision for unhedged foreign currency exposure	**(10.68)**	18.79
Provision for country risk	**12.17**	–
Provision for other contingencies[3]	**4,205.08**	700.60
Total	**21,810.92**	14,328.50

1. The Bank has elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Act, 2019. The Bank has recognised provision for income tax for the year ended 31 March, 2020 in line with the above option. This has necessitated a restatement of the opening balance of deferred tax assets as at 1 April, 2019, basis the rate prescribed in the aforesaid section. The restatement has resulted in a write down of ₹2,137.59 crores which has been fully charged to the Profit and Loss account during the year.
2. Including provision on loans under moratorium as per RBI guidelines on COVID-19 regulatory package of ₹1,117.72 crores.
3. Includes provision for non-banking assets, legal cases, other contingencies and provision of ₹1,882.28 crores for COVID-19 over and above regulatory requirement.

2.1.2 The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below: *(₹ in crores)*

	31 March, 2020	31 March, 2019
Common Equity Tier I	**81,449.04**	62,238.37
Tier I	**88,449.04**	69,238.37
Tier II	**18,556.08**	18,221.21
Total capital	**107,005.12**	87,459.58
Total risk weighted assets and contingents	**610 527.33**	552,048.06
Capital ratios		
Common Equity Tier I	**13.34%**	11.27%
Tier I	**14.49%**	12.54%
Tier II	**3.04%**	3.30%
CRAR	**17.53%**	15.84%

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18 Notes forming part of the financial statements for the year ended 31 March, 2020

(Currency: In Indian Rupees)

(₹ in crores)

	31 March, 2020	31 March, 2019
Amount of equity capital raised	**48.82***	–
Amount of additional Tier I capital raised of which:		
Perpetual Non-Cumulative Preference Shares (PNCPS)	–	–
Perpetual Debt Instruments (PDI) (details given below)	–	–
Amount of Tier II capital raised of which:		
Debt capital instrument (details given below)	–	–
Preferential capital instrument	–	–

*excluding securities premium of ₹15,013.88 crores

During the year ended 31 March, 2020 and 31 March, 2019, the Bank has not raised debt instruments eligible for Tier-I/Tier-II capital.

During the year ended 31 March, 2020, the Bank redeemed debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	**Capital**	**Date of maturity**	**Period**	**Coupon**	**Amount**
Subordinated debt	Tier II	16 June, 2019	120 months	9.15% p.a.	₹2,000 crores

During the year ended 31 March, 2019, the Bank redeemed debt instruments eligible for Tier-I/Tier-II capital, the details of which are set out below:

Instrument	**Capital**	**Date of maturity**	**Period**	**Coupon**	**Amount**
Subordinated debt	Tier II	7 November, 2018	120 months	11.75% p.a.	₹1,500 crores
Subordinated debt	Tier II	28 March, 2019	120 months	9.95% p.a.	₹200 crores

2.1.3 The key business ratios and other information is set out below:

As at	**31 March, 2020 %**	31 March, 2019 %
Interest income as a percentage to working funds#	**7.56**	7.38
Non-interest income as a percentage to working funds#	**1.87**	1.76
Operating profit$$ as a percentage to working funds#	**2.83**	2.55
Return on assets (based on working funds#)	**0.20**	0.63
Business (deposits less inter-bank deposits plus advances) per employee**	**₹17.27 crores**	₹16.53 crores
Profit per employee**	**₹2.40 lacs**	₹7.61 lacs
Net non-performing assets as a percentage of net customer assets *	**1.56**	2.06

Working funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year

* Net Customer assets include advances and credit substitutes

** Productivity ratios are based on average employee numbers for the year

$$ Operating profit represents total income as reduced by interest expended and operating expenses

2.1.4 The provisioning coverage ratio of the Bank computed in terms of the RBI guidelines as on 31 March, 2020 was 82.69% (previous year 76.78%).

2.1.5 Asset Quality

i) Net non-performing advances to net advances is set out below:

	31 March, 2020 %	31 March, 2019 %
Net non-performing advances as a percentage of net advances	**1.62**	2.20

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18 Notes forming part of the financial statements for the year ended 31 March, 2020

(Currency: In Indian Rupees)

ii) Movement in gross non-performing assets is set out below:

(₹ in crores)

	31 March, 2020		
	Advances	**Investments**	**Total**
Gross NPAs as at the beginning of the year	27,146.45	2,642.99	29,789.44
Intra Category Transfer	–	–	–
Additions (fresh NPAs) during the year	17,350.64	2,564.37	19,915.01
Sub-total (A)	**44,497.09**	**5,207.36**	**49,704.45**
Less:-			
(i) Upgradations	6,411.62	174.52	6,586.14
(ii) Recoveries (excluding recoveries made from upgraded accounts)#	2,462.83	252.39	2,715.22
(iii) Technical/Prudential Write-offs	7,503.38	206.49	7,709.87
(iv) Write-offs other than those under (iii) above	1,515.16	944.24	2,459.40
Sub-total (B)	**17,892.99**	**1,577.64**	**19,470.63**
Gross NPAs as at the end of the year (A-B)	**26,604.10**	**3,629.72**	**30,233.82**

including sale of NPAs

(₹ in crores)

	31 March, 2019		
	Advances	**Investments**	**Total**
Gross NPAs as at the beginning of the year	30,876.32	3,372.32	34,248.64
Intra Category Transfer	(2.60)	2.60	–
Additions (fresh NPAs) during the year	13,510.75	360.34	13,871.09
Sub-total (A)	**44,384.47**	**3,735.26**	**48,119.73**
Less:-			
(i) Upgradations	4,982.66	90.94	5,073.60
(ii) Recoveries (excluding recoveries made from upgraded accounts)#	3,977.11	50.13	4,027.24
(iii) Technical/Prudential Write-offs	6,655.40	843.46	7,498.86
(iv) Write-offs other than those under (iii) above#	1,622.85	107.74	1,730.59
Sub-total (B)	**17,238.02**	**1,092.27**	**18,330.29**
Gross NPAs as at the end of the year (A-B)	**27,146.45**	**2,642.99**	**29,789.44**

including sale of NPAs

iii) Movement in net non-performing assets is set out below:

(₹ in crores)

	31 March, 2020		
	Advances	**Investments**	**Total**
Opening balance at the beginning of the year	10,874.76	400.84	11,275.60
Additions during the year	7,418.38	246.62	7,665.00
Effect of exchange rate fluctuation	(236.26)	8.84	(227.42)
Reductions during the year	(8,785.05)	(660.04)	(9,445.09)
Interest Capitalisation – Restructured NPA Accounts	(19.84)	112.16	92.32
Closing balance at the end of the year#	**9,251.99**	**108.42**	**9,360.41**

net of balance outstanding in interest capitalisation-restructured NPA accounts amounting to ₹70.73 crores

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(₹ in crores)

	31 March, 2019		
	Advances	**Investments**	**Total**
Opening balance at the beginning of the year	16,004.42	587.29	16,591.71
Additions during the year	3,958.27	(63.98)	3,894.29
Effect of exchange rate fluctuation	(76.29)	(8.74)	(85.03)
Reductions during the year	(9,120.94)	(142.36)	(9,263.30)
Interest Capitalisation – Restructured NPA Accounts	109.30	28.63	137.93
Closing balance at the end of the year#	**10,874.76**	**400.84**	**11,275.60**

\# net of balance outstanding in interest capitalisation-restructured NPA accounts amounting to ₹163.05 crores

iv) Movement in provisions for non-performing assets is set out below:

(₹ in crores)

	31 March, 2020		
	Advances	**Investments**	**Total**
Opening balance at the beginning of the year	16,253.17	2,097.62	18,350.79
Intra Category Transfer	–	–	–
Provisions made during the year	9,926.33	2,317.75	12,244.08
Effect of exchange rate fluctuation	236.26	(8.84)	227.42
Transfer from restructuring provision	5.93	–	5.93
Write-offs/(write back) of excess provision*	(9,107.94)	(917.60)	(10,025.54)
Closing balance at the end of the year	**17,313.75**	**3,488.93**	**20,802.68**

* includes provision utilised for sale of NPAs amounting to ₹408.93 crores

(₹ in crores)

	31 March, 2019		
	Advances	**Investments**	**Total**
Opening balance at the beginning of the year	14,744.08	2,611.87	17,355.95
Intra Category Transfer	(2.60)	2.60	–
Provisions made during the year	9,552.47	424.32	9,976.79
Effect of exchange rate fluctuation	76.29	8.74	85.03
Transfer from restructuring provision	–	–	–
Write-offs/(write back) of excess provision*	(8,117.07)	(949.91)	(9,066.98)
Closing balance at the end of the year	**16,253.17**	**2,097.62**	**18,350.79**

* includes provision utilised for sale of NPAs amounting to ₹469.58 crores

v) Movement in technical/prudential written off accounts is set out below:

(₹ in crores)

	31 March, 2020	31 March, 2019
Opening balance at the beginning of the year	**18,771.85**	13,221.26
Add: Technical/Prudential write-offs during the year	**7,709.87**	7,498.86
Add: Effect of exchange rate fluctuation	**416.42**	192.23
Sub-total (A)	**26,898.14**	20,912.35
Less: Recovery made from previously technical/prudential written-off accounts during the year	**1,384.03**	1,724.46
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	**1,670.04**	416.04
Sub-total (B)	**3,054.07**	2,140.50
Closing balance at the end of the year (A-B)	**23,844.07**	18,771.85

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vi) Total exposure (funded and non-funded) to top four non-performing assets is given below:

(₹ in crores)

	31 March, 2020	31 March, 2019
Total exposure (funded and non-funded) to top four NPA accounts	**4,060.55**	4,513.63

vii) Sector-wise advances:

(₹ in crores)

Sr. No.	Sector	31 March, 2020			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 and allied activities**	**32,454.55**	**1,575.93**	**4.86%**	**27,829.60**	**1,533.92**	**5.51%**
2	**Advances to industries sector eligible as priority sector lending**	**27,953.55**	**1,237.85**	**4.43%**	**26,871.04**	**901.97**	**3.36%**
	– Chemical & Chemical products	*2,306.23*	*62.74*	*2.72%*	*2,539.72*	*54.26*	*2.14%*
	– Basic Metal & Metal Products	*2,346.61*	*56.34*	*2.40%*	*2,585.52*	*28.08*	*1.09%*
	– Infrastructure	*561.94*	*41.55*	*7.39%*	*618.69*	*33.49*	*5.41%*
3	**Services**	**21,240.75**	**874.42**	**4.12%**	**21,122.23**	**707.41**	**3.35%**
	– Banking and Finance other than NBFCs and MFs	*1,617.28*	*13.46*	*0.83%*	*2,082.82*	*14.64*	*0.70%*
	– Non-banking financial companies (NBFCs)	*371.68*	-	-	*1,091.99*	-	-
	– Commercial Real Estate	*270.22*	*15.54*	*5.75%*	*377.24*	*18.82*	*4.99%*
	– Trade	11,074.55	*718.76*	*6.49%*	*12,464.07*	*564.13*	*4.53%*
4	**Personal loans**	**64,190.85**	**525.20**	**0.82%**	**44,740.94**	**376.42**	**0.84%**
	*– Housing**	*45,987.55*	*272.12*	*0.59%*	*36,873.80*	*271.41*	*0.74%*
	– Vehicle Loans	*11,654.72*	*211.28*	*1.81%*	*4,496.31*	*60.98*	*1.36%*
	Sub-total (A)	**145,839.70**	**4,213.40**	**2.89%**	**120,563.81**	**3,519.72**	**2.92%**
B	**Non-Priority Sector**						
1	**Agriculture and allied activities**	**166.08**	**18.19**	**10.95%**	-	-	-
2	**Industry**	**163,800.40**	**16,248.24**	**9.92%**	**145,127.78**	**18,512.21**	**12.76%**
	– Chemical & Chemical products	*19,451.17*	*1,264.78*	*6.50%*	*18,345.25*	*1,304.13*	*7.11%*
	– Basic Metal & Metal Products	*21,677.64*	*969.21*	*4.47%*	*20,510.98*	*1,095.61*	*5.34%*
	– Infrastructure	*53,712.35*	*7,514.69*	*13.99%*	*44,367.96*	*10,863.83*	*24.49%*
3	**Services**	**95,904.00**	**4,923.83**	**5.13%**	**91,160.11**	**3,912.57**	**4.29%**
	– Banking and Finance other than NBFCs and MFs	*27,135.89*	*316.51*	*1.17%*	*27,735.77*	*190.55*	*0.69%*
	– Non-banking financial companies (NBFCs)	*16,502.49*	*182.31*	*1.10%*	*14,374.90*	*5.49*	*0.04%*
	– Commercial Real Estate	*17,279.94*	*1,698.52*	*9.83%*	*15,925.72*	*1,689.73*	*10.61%*
	– Trade	*13,641.42*	*795.41*	*5.83%*	*10,852.94*	*378.75*	*3.49%*
4	**Personal loans**	**183,087.52**	**1,200.44**	**0.66%**	**154,244.74**	**1,201.95**	**0.78%**
	*– Housing**	*87,433.64*	*701.70*	*0.80%*	*78,327.84*	*753.18*	*0.96%*
	– Vehicle Loans	*20,234.86*	*186.58*	*0.92%*	*19,371.98*	*164.77*	*0.85%*
	Sub-total (B)	**442,958.00**	**22,390.70**	**5.05%**	**390,532.63**	**23,626.73**	**6.05%**
	Total (A+B)	**588,797.70**	**26,604.10**	**4.52%**	**511,096.44**	**27,146.45**	**5.31%**

* includes loan against property

Classification of advances into sector is based on Sector wise Industry Bank Credit return submitted to RBI.

Figures in italics represent sub-sectors where the outstanding advance exceeds 10% of total outstanding advance to that sector.

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viii) Divergence in Asset Classification and Provisioning for NPAs

In terms of the RBI circular no. DBR.BP.BC.No.32/21.04.018/2018-19 dated 1st April, 2019, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements, wherever either or both of the following conditions are satisfied: (a) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period and (b) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

Based on the above, no disclosure on divergence in asset classification and provisioning for NPAs is required with respect to RBI's annual supervisory process for the year ended 31 March, 2019.

ix) Disclosure with regard to accounts where moratorium has been granted under COVID-19 Regulatory Package

(₹ in crores)

For the year ended	**31 March, 2020**
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended*$	11,177.22
Respective amount where asset classification benefit is extended as on 31.3.2020	735.10
Provisions made as on 31.3.2020	1,117.72
Provisions adjusted during the respective accounting periods against slippages	–
Residual provisions as on 31.3.2020	1,117.72

* represents total outstanding as on 31 March, 2020

$ amounts covered relate to cases where asset classification benefit would have been availed over the moratorium period, based on interpretation of extant regulatory requirements on the date of adoption of financial statements by the Board

2.1.6 During the years ended 31 March, 2020 and 31 March, 2019 none of the loans and advances held at overseas branches of the Bank have been classified as NPA by any host banking regulator for reasons other than record of recovery.

2.1.7 Movement in floating provision is set out below:

(₹ in crores)

For the year ended	**31 March, 2020**	31 March, 2019
Opening balance at the beginning of the year	**3.25**	3.25
Provisions made during the year	**–**	–
Draw down made during the year	**–**	–
Closing balance at the end of the year	**3.25**	3.25

2.1.8 Provision on Standard Assets

(₹ in crores)

	31 March, 2020	31 March, 2019
Provision towards Standard Assets	**4,519.74**	3,040.44
[includes provision on loans under moratorium as per RBI guidelines on COVID-19 regulatory package of ₹1,117.72 crores (previous year Nil); also includes ₹68.30 crores (previous year ₹38.14 crores) of standard provision on derivative exposures]		

2.1.9 Details of Investments are set out below:

i) Value of Investments:

(₹ in crores)

	31 March, 2020	31 March, 2019
1) Gross value of Investments		
a) In India	**155,333.07**	172,597.47
b) Outside India	**5,539.37**	5,029.73
2) (i) Provision for Depreciation		
a) In India	**(642.44)**	(560.31)
b) Outside India	**(6.76)**	–
(ii) Provision for Non-Performing Investments		
a) In India	**(3,284.52)**	(1,903.39)
b) Outside India	**(204.41)**	(194.22)
3) Net value of Investments		
a) In India	**151,406.12**	170,133.77
b) Outside India	**5,328.20**	4,835.51

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ii) Movement of provisions held towards depreciation on investments:

(₹ in crores)

	31 March, 2020	31 March, 2019
Opening balance	**560.31**	254.54
Add: Provisions made during the year*	**185.90**	326.46
Less: Write offs/write back of excess provisions during the year	**(97.01)**	(20.69)
Closing balance	**649.20**	560.31

* including transfer from interest capitalization account

iii) Details of category wise investments are set out below:

(₹ in crores)

Particulars	31 March, 2020 HTM	31 March, 2020 AFS	31 March, 2020 HFT	31 March, 2020 Total	31 March, 2019 HTM	31 March, 2019 AFS	31 March, 2019 HFT	31 March, 2019 Total
Government Securities	111,999.63	11,159.20	2,822.72	**125,981.55**	104,003.78	15,286.85	948.75	**120,239.38**
Other approved Securities	–	–	–	**–**	–	–	–	**–**
Shares	–	1,186.24	–	**1,186.24**	–	1,010.84	–	**1,010.84**
Debentures and Bonds	591.42	17,805.40	2,906.47	**21,303.29**	–	31,807.51	8,361.32	**40,168.83**
Subsidiary/Joint Ventures	2,292.82	–	–	**2,292.82**	2,286.12	–	–	**2,286.12**
Others	1.60	5,893.90	74.92	**5,970.42**	3.86	5,689.50	5,570.75	**11,264.11**
Total	**114,885.47**	**36,044.74**	**5,804.11**	**156,734.32**	**106,293.76**	**53,794.70**	**14,880.81**	**174,969.28**

2.1.10 A summary of lending to sensitive sectors is set out below:

(₹ in crores)

As at	**31 March, 2020**	**31 March, 2019**
A. Exposure to Real Estate Sector		
1) Direct Exposure		
(i) Residential mortgages	**134,268.89**	123,297.28
– of which housing loans eligible for inclusion in priority sector advances	**41,706.24**	33,799.67
(ii) Commercial real estate	**26,155.61**	23,982.81
(iii) Investments in Mortgage Backed Securities (MBS) and other securtised exposures -		
a. Residential	–	–
b. Commercial real estate	–	75.00
2) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	**20,093.82**	26,232.39
Total Exposure to Real Estate Sector	**180,518.32**	**173,587.48**

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	As at	31 March, 2020	31 March, 2019
B.	**Exposure to Capital Market**		
1.	Direct investments 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*	**2,003.55**	1,726.94
2.	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	**3.20**	4.68
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds are taken as primary security	**1,554.52**	1,414.36
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds i.e. where primary security other than shares/convertible bonds/ convertible debentures/units of equity-oriented mutual funds does not fully cover the advances	**242.45**	2,566.92
5.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	**6,208.70**	5,115.79
6.	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	**–**	10.83
7.	Bridge loans to companies against expected equity flows/issues	**–**	1.44
8.	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds	**–**	–
9.	Financing to stock brokers for margin trading	**–**	–
10.	All exposures to Venture Capital Funds (both registered and unregistered)	**161.43**	112.45
	Total exposure to Capital Market (Total of 1 to 10)	**10,173.85**	10,953.41

* excludes investment in equity shares on account of conversion of debt into equity as part of restructuring amounting to ₹991.59 crores as on 31 March, 2020 (previous year ₹1,694.02 crores) which are exempted from exposure to Capital Market

2.1.11 As on 31 March, 2020, outstanding receivables acquired by the Bank under factoring stood at ₹591.17 crores (previous year ₹419.39 crores) which are reported under 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet.

2.1.12 During the years ended 31 March, 2020 and 31 March, 2019 there are no unsecured advances for which intangible securities such as charge over the rights, licenses, authority etc. have been taken as collateral by the Bank.

2.1.13 Details of Non-SLR investment portfolio are set out below:

(i) Issuer composition as at 31 March, 2020 of non-SLR investments*:

(₹ in crores)

No.	Issuer	Total 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	6,300.05	4,735.07	154.70	-	13.62
ii.	Financial Institutions	2,002.19	1,402.80	77.24	-	-
iii.	Banks	1,089.35	981.04	-	-	88.91
iv.	Private Corporates	16,874.54	13,222.36	2,067.37	601.14	5,034.88
v.	Subsidiaries	2,292.82	2,292.82	-	-	2,292.82
vi.	Others	10,395.43	6,441.03	-	-	6,597.07
vii.	Provision held towards depreciation on investments	(649.20)	N.A.	N.A.	N.A.	N.A.
viii	Provision held towards non performing investments	(3,488.93)	N.A.	N.A.	N.A.	N.A.
	Total	**34,816.25**	**29,075.12**	**2,299.31**	**601.14**	**14,027.30**

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

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Issuer composition as at 31 March, 2019 of non-SLR investments*:

(₹ in crores)

No.	Issuer	Total 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	9,489.66	5,411.68	657.56	0.98	2,038.79
ii.	Financial Institutions	5,400.64	3,883.90	50.30	–	26.87
iii.	Banks	1,716.72	1,151.67	–	–	14.00
iv.	Private Corporates	33,243.43	22,749.72	1,059.05	753.04	9,365.44
v.	Subsidiaries	2,286.12	2,286.12	–	–	2,286.12
vi.	Others	8,667.72	5,676.37	–	–	5,787.92
vii.	Provision held towards depreciation on investments	(560.31)	N.A.	N.A.	N.A.	N.A.
viii.	Provision held towards non-performing investments	(2,097.61)	N.A.	N.A.	N.A.	N.A.
	Total	**58,146.37**	**41,159.46**	**1,766.91**	**754.02**	**19,519.14**

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

* excludes investments in non-SLR government securities amounting to ₹5,000.00 (previous year ₹42.54 crores)

(ii) Movement in non-performing non SLR investments are set out below:

(₹ in crores)

	31 March, 2020	31 March, 2019
Opening balance	**2,642.99**	3,372.32
Additions during the year	**2,564.37**	362.94
Reductions during the year	**(1,577.64)**	(1,092.27)
Closing balance	**3,629.72**	2,642.99
Total provisions held	**3,488.93**	2,097.62

2.1.14 Details of securities sold/purchased (in face value terms) under repos/reverse repos including LAF and MSF transactions (including triparty repos):

Year ended 31 March, 2020

(₹ in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March, 2020
Securities sold under repos				
i. Government Securities	–	14,761.55	1,386.37	11,269.61
ii. Corporate debt Securities	–	2,261.12	732.34	363.19
Securities purchased under reverse repos				
i. Government Securities	342.65	56,973.93	14,186.14	52,656.69
ii. Corporate debt Securities	-	25.00	0.07	-

There have been no defaults in making the same set of securities available at the time of 2nd leg settlement of the Term Reverse Repo during the year ended 31 March, 2020.

Year ended 31 March, 2019

(₹ in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March, 2019
Securities sold under repos				
i. Government Securities	–	14,687.58	1,219.73	14,687.58
ii. Corporate debt Securities	–	–	–	–
Securities purchased under reverse repos				
i. Government Securities	–	23.514.53	5,109.53	23,514.53
ii. Corporate debt Securities	–	100.00	0.31	–

There have been no defaults in making the same set of securities available at the time of 2nd leg settlement of the Term Reverse Repo during the year ended 31 March, 2019.

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2.1.15 Details of financial assets sold to Securitisation/Reconstruction companies for Asset Reconstruction:

(₹ in crores)

	31 March, 2020	31 March, 2019
Number of accounts*	**3**	5
Aggregate value (net of provisions) of accounts sold	**7.92**	159.29
Aggregate consideration	**28.80**	236.61
Additional consideration realised in respect of accounts transferred in earlier years	**–**	–
Aggregate net gain/(loss) over net book value	**20.88**	77.32

*Excludes 1 account already written-off (previous year 3 accounts)

Excess provision reversed to the profit and loss account from sale of NPAs amounts to ₹20.88 crores (previous year ₹85.83 crores)

(₹ in crores)

	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**	
Particulars	**As on 31 March, 2020**	As on 31 March, 2019	**As on 31 March, 2020**	As on 31 March, 2019	**As on 31 March, 2020**	As on 31 March, 2019
Book value of investments in Security Receipts ('SRs')	**2,197.31**	2,908.00	**2.26**	2.26	**2,199.57**	2,910.26

(₹ in crores)

		As on 31 March, 2020			
	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**	**Total**
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	1,953.26	243.72	0.33	**2,197.31**
	Provisions held against (i)*	(183.20)	(241.52)	(0.33)	**(425.05)**
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	0.22	1.38	0.66	**2.26**
	Provisions held against (ii)*	–	(0.29)	(0.66)	**(0.95)**
Total (i) + (ii), net of provisions		**1,770.28**	**3.29**	**–**	**1,773.57**

* represents provision for depreciation on SRs and is net off appreciation, if any against other SRs

(₹ in crores)

		As on 31 March, 2019			
	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**	**Total**
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	2,664.02	243.98	–	**2,908.00**
	Provisions held against (i)	–	(220.83)	–	**(220.83)**
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	0.22	1.38	0.66	**2.26**
	Provisions held against (ii)	–	–	(0.66)	**(0.66)**
Total (i) + (ii), net of provisions		**2,664.24**	**24.53**	**–**	**2,688.77**

* represents provision for depreciation on SRs and is net off appreciation, if any against other SRs

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2.1.16 Details of the Non-Performing Financial Assets sold to other banks (excluding securitisation/reconstruction companies):

(₹ in crores)

	31 March, 2020	31 March, 2019
Number of accounts sold	**1**	4
Aggregate outstanding*	**616.93**	755.39
Aggregate consideration received	**170.55**	481.52

*Represents principal outstanding as on date of sale

During the years ended 31 March, 2020 and 31 March, 2019 there were no Non-Performing Financial Assets purchased by the Bank from other banks (excluding securitisation/reconstruction companies).

2.1.17 Details of securitisation transactions undertaken by the Bank are as follows:

(₹ in crores)

Sr. No.	**Particulars**	**31 March, 2020**	31 March, 2019
1	No. of SPVs sponsored by the bank for securitisation transactions	–	–
2	Total amount of securitised assets as per books of the SPVs sponsored by the Bank	–	–
3	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss	–	–
	Others	–	–
	b) On-balance sheet exposures		
	First loss	–	–
	Others	–	–
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitizations		
	First loss	–	–
	Loss	–	–
	ii) Exposure to third party securitisations		
	First loss	–	–
	Others	–	–
	b) On-balance sheet exposures		
	i) Exposure to own securitizations		
	First loss	–	–
	Loss	–	–
	ii) Exposure to third party securitisations		
	First loss	–	–
	Others	–	–

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2.1.18 The information on concentration of deposits is given below:

(₹in crores)

	31 March, 2020	31 March, 2019
Total deposits of twenty largest depositors	**58,674.60**	64,899.05
Percentage of deposits of twenty largest depositors to total deposits	**9.17**	11.83

2.1.19 The information on concentration of advances* is given below:

(₹ in crores)

	31 March, 2020	31 March, 2019
Total advances to twenty largest borrowers	**74,849.03**	62,677.26
Percentage of advances to twenty largest borrowers to total advances of the Bank	**8.65**	8.56

* Advances represent credit exposure (funded and non-funded) including derivative exposure as defined by RBI

2.1.20 The information on concentration of exposure* is given below:

(₹ in crores)

	31 March, 2020	31 March, 2019
Total exposure to twenty largest borrowers/customers	**92,264.51**	84,341.85
Percentage of exposures to twenty largest borrowers/customers to total exposure on borrowers/customers	**10.08**	10.55

* Exposure includes credit exposure (funded and non-funded), derivative exposure, investment exposure (including underwriting and similar commitments) and deposits placed for meeting shortfall in Priority Sector Lending

2.1.21 During the year ended 31 March, 2020 and 31 March, 2019, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

2.1.22 Details of Risk Category wise Country Exposure:

(₹ in crores)

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	**19,223.10**	**12.17**	22,233.01	–
Moderate	**5,304.97**	**–**	2,948.18	–
High	**95.91**	**–**	1,038.47	–
Very High	**1,219.26**	**–**	2,827.57	–
Restricted	**1.69**	**–**	–	–
Off-Credit	**–**	–	–	–
Total	**25,844.93**	**12.17**	29,047.23	–

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2.1.23 A maturity pattern of certain items of assets and liabilities at 31 March, 2020 and 31 March, 2019 is set out below:

As at 31 March, 2020 *(₹ in crores)*

	Deposits[1]	Advances[12]	Investments[1]	Borrowings[1]	Foreign Currency Assets[3]	Foreign Currency Liabilities[3]
1 day	9,393.22	4,373.19	34,818.51	-	8,783.77	319.49
2 days to 7 days	29,764.93	4,380.02	1,510.13	72.06	5,827.00	3,477.56
8 days to 14 days	15,065.83	3,956.05	4,695.30	463.34	628.87	667.67
15 days to 30 days	18,598.50	10,947.57	4,399.54	6,302.02	4,683.82	2,548.11
31 days and upto 2 months	27,305.18	15,526.78	4,419.81	7,814.64	2,669.03	9,095.83
Over 2 months and upto 3 months	24,411.64	15,015.80	3,538.71	4,412.42	3,233.05	6,854.61
Over 3 months and upto 6 months	53,506.32	30,319.38	6,743.15	17,592.82	8,109.22	18,744.94
Over 6 months and upto 1 year	83,932.89	51,919.47	10,037.31	26,182.68	15,510.51	30,201.76
Over 1 year and upto 3 years	23,586.16	114,606.88	15,369.43	50,425.65	12,960.38	15,689.63
Over 3 years and upto 5 years	2,688.28	69,495.45	7,207.81	13,783.50	3,911.41	3,846.53
Over 5 years	351,851.99	250,883.57	63,994.62	20,905.00	31,522.80	7,114.42
Total	**640,104.94**	**571,424.16**	**156,734.32**	**147,954.13**	**97,839.86**	**98,560.55**

1. Includes foreign currency balances
2. For the purpose of disclosing the maturity pattern, advances that have been subject to risk participation vide Inter-Bank Participation Certificates ('IBPCs') and Funded Risk Participation ('FRPs') have been classified in the maturity bucket corresponding to the contractual maturities of such underlying loans and advances gross of any risk participation. The IBPC and FRP amounts have been classified in the respective maturities of the corresponding underlying loans.
3. Maturity profile of foreign currency assets and liabilities excludes off balance sheet items.
4. The maturity profile disclosed above does not factor in the effect of changes due to postponement of cash flows on account of loans under 3 months moratorium period as permitted under RBI's COVID-19 Regulatory Package notified on 27 March, 2020.
5. During the year ended 31 March, 2020, pursuant to the approval of the Board of Directors, the Bank changed the behavioural methodology for determining the maturity pattern of term deposits of ticket size less than ₹2 crores from account level to constituent level. As a result, the above figures for deposits are strictly not comparable with the previous year. Further, the Bank reports core deposits largely as part of 'over 5 years' bucket based on the results of the behavioural analysis.

As at 31 March, 2019 *(₹ in crores)*

	Deposits[1]	Advances[12]	Investments[1]	Borrowings[1]	Foreign Currency Assets[3]	Foreign Currency Liabilities[3]
1 day	8,854.09	3,179.52	31,440.58	-	9,025.92	245.77
2 days to 7 days	22,294.97	5,234.97	4,660.62	15,062.95	4,964.20	1,418.32
8 days to 14 days	15,394.97	5,107.99	8,025.69	1,024.36	3,041.63	1,294.73
15 days to 30 days	19,159.42	13,573.13	6,803.41	5,275.12	7,739.23	4,116.12
31 days and upto 2 months	36,696.06	9,656.92	7,569.10	10,457.24	2,218.20	10,542.55
Over 2 months and upto 3 months	35,984.16	14,524.37	7,972.16	11,602.82	3,146.91	11,797.01
Over 3 months and upto 6 months	55,550.20	22,578.92	10,247.36	16,315.61	5,867.26	14,577.87
Over 6 months and upto 1 year	107,987.13	29,784.41	20,195.62	22,525.88	4,102.00	28,803.38
Over 1 year and upto 3 years	37,116.54	94,599.36	23,031.65	29,480.21	8,148.93	14,285.41
Over 3 years and upto 5 years	10,036.96	59,808.46	9,773.49	17,369.91	8,329.96	6,562.59
Over 5 years	199,396.84	236,749.92	45,249.60	23,661.68	41,488.00	4,528.35
Total	**548,471.34**	**494,797.97**	**174,969.28**	**152,775.78**	**98,072.24**	**98,172.10**

1. Includes foreign currency balances.
2. For the purpose of disclosing the maturity pattern, advances that have been subject to risk participation vide Inter-Bank Participation Certificates ('IBPCs') and Funded Risk Participation ('FRPs') have been classified in the maturity bucket corresponding to the contractual maturities of such underlying loans and advances gross of any risk participation. The IBPC and FRP amounts have been classified in the respective maturities of the corresponding underlying loans.
3. Maturity profile of foreign currency assets and liabilities excludes off balance sheet items.

   Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

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2.1.24 Disclosure on Restructured Assets

Details of loans subjected to restructuring during the year ended 31 March, 2020 are given below: *(₹ in crores)*

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	4	–	4	4	12	–	–	–	–	–
	Amount Outstanding – Restructured facility	267.63	–	467.93	97.86	833.42	–	–	–	–	–
	Amount Outstanding – Other facility	0.55	–	89.42	35.76	125.73	–	–	–	–	–
	Provision thereon	6.06	–	–	–	6.06	–	–	–	–	–
Fresh Restructuring during the year [1,2]	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	0.54	–	32.29	10.16	42.99	–	–	–	–	–
	Amount Outstanding – Other facility	141.80	–	4.72	27.14	173.66	–	–	–	–	–
	Provision thereon	2.39	–	–	–	2.39	–	–	–	–	–
Upgradation to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(1)				(1)	–				–
	Amount Outstanding – Restructured facility	(4.08)				(4.08)	–				–
	Amount Outstanding – Other facility	–				–	–				–
	Provision thereon	(0.26)				(0.26)	–				–
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(2)	–	(1)	3	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	(125.17)	–	(275.52)	400.69	–	–	–	–	–	–
	Amount Outstanding – Other facility	(142.35)	–	80.68	61.67	–	–	–	–	–	–
	Provision thereon	(8.19)	–	(8.19)	–	–	–	–	–	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	–	–	(1)	–	(1)	–	–	–	–	–
	Amount Outstanding – Restructured facility	(138.32)	–	(99.52)	(13.11)	(250.95)	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	(32.46)	–	(32.46)	–	–	–	–	–
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	1	–	2	7	10	–	–	–	–	–
	Amount Outstanding – Restructured facility	0.60	–	125.18	495.60	621.38	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	142.36	124.57	266.93	–	–	–	–	–
	Provision thereon	–	–	8.19	–	8.19	–	–	–	–	–

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Type of Restructuring		Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	745	103	33	5	886	749	103	37	9	898
	Amount Outstanding – Restructured facility	690.09	16.79	3,284.63	159.69	4,151.20	957.72	16.79	3,752.56	257.55	4,984.62
	Amount Outstanding – Other facility	19.47	0.14	1,310.61	85.02	1,415.24	20.02	0.14	1,400.03	120.78	1,540.97
	Provision thereon	10.54	-	2.08	-	12.62	16.60	-	2.08	-	18.68
Fresh Restructuring during the year[1, 2]	No. of borrowers	249	-	-	-	249	249	-	-	-	249
	Amount Outstanding – Restructured facility	121.14	1.96	76.57	18.93	218.60	121.68	1.96	108.86	29.09	261.59
	Amount Outstanding – Other facility	72.74	0.02	24.07	14.47	111.30	214.54	0.02	28.79	41.61	284.96
	Provision thereon	2.48	-	(2.08)	-	0.40	4.87	-	(2.08)	-	2.79
Upgradation to restructured standard category during the FY	No. of borrowers	15	(15)	-	-	-	15	(15)	-	-	-
	Amount Outstanding – Restructured facility	1.94	(1.94)	-	-	-	1.94	(1.94)	-	-	-
	Amount Outstanding – Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(48)				(48)	(49)				(49)
	Amount Outstanding – Restructured facility	(249.86)				(249.86)	(253.94)				(253.94)
	Amount Outstanding – Other facility	(33.93)				(33.93)	(33.93)				(33.93)
	Provision thereon	(8.86)				(8.86)	(9.12)				(9.12)
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(96)	11	81	4	-	(98)	11	80	7	-
	Amount Outstanding – Restructured facility	(11.76)	(3.45)	14.07	1.14	-	(136.93)	(3.45)	(261.45)	401.83	-
	Amount Outstanding – Other facility	(5.41)	5.19	0.22	-	-	(147.76)	5.19	80.90	61.67	-
	Provision thereon	-	-	-	-	-	(8.19)	-	8.19	-	-
Write-offs of restructured accounts during the FY[4,5, 6]	No. of borrowers	(1)	(5)	(33)	(3)	(42)	(1)	(5)	(34)	(3)	(43)
	Amount Outstanding – Restructured facility	(51.22)	(2.16)	(1,752.36)	(71.24)	(1,876.98)	(189.54)	(2.16)	(1,851.88)	(84.35)	(2,127.93)
	Amount Outstanding – Other facility	(0.75)	(0.05)	(853.48)	(9.29)	(863.57)	(0.75)	(0.05)	(885.94)	(9.29)	(896.03)
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	864	94	81	6	1,045	865	94	83	13	1,055
	Amount Outstanding – Restructured facility	500.33	11.20	1,622.91	108.52	2,242.96	500.93	11.20	1,748.09	604.12	2,864.34
	Amount Outstanding – Other facility	52.12	5.30	481.42	90.20	629.04	52.12	5.30	623.78	214.77	895.97
	Provision thereon	4.16	-	-	-	4.16	4.16	-	8.19	-	12.35

Amount outstanding under restructuring facilities and other facilities is as on 31 March, 2020:

1. Amount reported here represents outstanding as on 31 March, 2020. Actual amount subjected to restructuring determined as on the date of approval of restructuring proposal is ₹38.06 crores for the FY 2019-20
2. Includes ₹3.13 crores of fresh/additional sanction to existing restructured accounts (entirely under restructured facility)
3. Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of FY
4. Includes accounts partially written-off during the year
5. Amount outstanding under restructuring facilities and other facilities is as on the date of write-off in the books
6. Includes ₹148.39 crores of reduction from existing restructured accounts by way of sale/recovery (₹144.28 crores from restructured facility and ₹4.11 crores from other facility)
7. The cumulative value of net restructured advances after reducing the provision held for diminution in fair value and balance in interest capitalization account upto 31 March, 2020 aggregated ₹472.14 crores
8. Information appearing under substandard, doubtful and loss category also include accounts slipped into NPAs from restructured standard advances along with restructured NPAs

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Details of loans subjected to restructuring during the year ended 31 March, 2019 are given below: (₹ in crores)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	7	-	18	6	31	-	-	-	-	-
	Amount Outstanding – Restructured facility	427.80	–	1,370.79	124.65	1,923.24	–	–	–	–	–
	Amount Outstanding – Other facility	279.33	–	350.31	34.10	663.74	–	–	–	–	–
	Provision thereon	11.28	–	28.37	–	39.65	–	–	–	–	–
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	8.72	–	11.69	–	20.41	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	10.50	23.97	34.47	–	–	–	–	–
	Provision thereon	0.64	–	(28.19)	–	(27.55)	–	–	–	–	–
Fresh Restructuring during the year [1, 2]	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Upgradation to restructured standard category during the FY	No. of borrowers	1	–	(1)	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	15.97	–	(15.97)	–	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	–	–	–	–	–	–	–	–
	Provision thereon	0.18	–	(0.18)	–	–	–	–	–	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(4)				(4)	–				–
	Amount Outstanding – Restructured facility	(178.19)				(178.19)	–				–
	Amount Outstanding – Other facility	(278.78)				(278.78)	–				–
	Provision thereon	(6.05)				(6.05)	–				–
Downgradation of restructured accounts during the FY[3]	No. of borrowers	–	–	(1)	1	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	–	–	(22.74)	22.74	–	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	(5.51)	5.51	–	–	–	–	–	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	–	–	(12)	(3)	(15)	–	–	–	–	–
	Amount Outstanding – Restructured facility	(6.67)	–	(875.84)	(49.54)	(932.05)	–	–	–	–	–
	Amount Outstanding – Other facility	–	–	(265.88)	(27.82)	(293.70)	–	–	–	–	–
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	4	–	4	4	12	–	–	–	–	–
	Amount Outstanding – Restructured facility	267.63	–	467.93	97.86	833.42	–	–	–	–	–
	Amount Outstanding – Other facility	0.55	–	89.42	35.76	125.73	–	–	–	–	–
	Provision thereon	6.06	–	–	–	6.06	–	–	–	–	–

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Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	516	18	191	87	812	523	18	209	93	843
	Amount Outstanding – Restructured facility	757.33	4.55	3,902.96	151.90	4,816.74	1,185.13	4.55	5,273.75	276.55	6,739.98
	Amount Outstanding – Other facility	268.82	0.33	1,390.05	3.75	1,662.95	548.15	0.33	1,740.36	37.85	2,326.69
	Provision thereon	7.35	–	36.97	–	44.32	18.63	–	65.34	–	83.97
Movement in balance for accounts appearing under opening balance	No. of borrowers	–	–	–	–	–	–	–	–	–	–
	Amount Outstanding – Restructured facility	0.85	–	67.59	(1.23)	67.21	9.57	–	79.28	(1.23)	87.62
	Amount Outstanding – Other facility	(0.17)	–	5.74	–	5.57	(0.17)	–	16.24	23.97	40.04
	Provision thereon	(2.31)	–	(26.69)	–	(29.00)	(1.67)	–	(54.88)	–	(56.55)
Fresh Restructuring during the year[1, 2]	No. of borrowers	457	1	5	–	463	457	1	5	–	463
	Amount Outstanding – Restructured facility	289.27	0.01	0.20	–	289.48	289.27	0.01	0.20	–	289.48
	Amount Outstanding – Other facility	18.84	0.01	0.01	–	18.86	18.84	0.01	0.01	–	18.86
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Upgradation to restructured standard category during the FY	No. of borrowers	32	(22)	(10)	–	–	33	(22)	(11)	–	–
	Amount Outstanding – Restructured facility	338.52	(5.16)	(333.36)	–	–	354.49	(5.16)	(349.33)	–	–
	Amount Outstanding – Other facility	0.25	(0.09)	(0.16)	–	–	0.25	(0.09)	(0.16)	–	–
	Provision thereon	8.19	–	(8.19)	–	–	8.37	–	(8.37)	–	–
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(90)				(90)	(94)				(94)
	Amount Outstanding – Restructured facility	(537.26)				(537.26)	(715.45)				(715.45)
	Amount Outstanding – Other facility	(235.70)				(235.70)	(514.48)				(514.48)
	Provision thereon	(2.70)				(2.70)	(8.75)				(8.75)
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(163)	107	50	6	–	(163)	107	49	7	–
	Amount Outstanding – Restructured facility	(154.37)	17.59	(23.92)	160.70	–	(154.37)	17.59	(46.66)	183.44	–
	Amount Outstanding – Other facility	(32.46)	(0.04)	(52.25)	85.02	–	(32.46)	(0.04)	(58.03)	90.53	–
	Provision thereon	–	–	–	–	–	–	–	–	–	–
Write-offs of restructured accounts during the FY[4,5,6]	No. of borrowers	(7)	(1)	(203)	(88)	(299)	(7)	(1)	(215)	(91)	(314)
	Amount Outstanding – Restructured facility	(4.24)	(0.20)	(328.83)	(151.67)	(484.94)	(10.91)	(0.20)	(1,204.67)	(201.21)	(1,416.99)
	Amount Outstanding – Other facility	(0.11)	(0.07)	(32.52)	(3.75)	(36.45)	(0.11)	(0.07)	(298.40)	(31.57)	(330.15)
Restructured accounts as on March 31 of the FY (closing figures)	No. of borrowers	745	103	33	5	886	749	103	37	9	898
	Amount Outstanding – Restructured facility	690.09	16.79	3,284.63	159.69	4,151.20	957.72	16.79	3,752.56	257.55	4,984.62
	Amount Outstanding – Other facility	19.47	0.14	1,310.61	85.02	1,415.24	20.02	0.14	1,400.02	120.78	1,540.96
	Provision thereon	10.54	–	2.08	–	12.62	16.60	–	2.08	–	18.67

Amount outstanding under restructuring facilities and other facilities is as on 31 March, 2019:

1. Amount reported here represents outstanding as on 31 March, 2019. Actual amount subjected to restructuring determined as on the date of approval of restructuring proposal is ₹285.58 crores for the FY 2018-19
2. Includes ₹12.56 crores of fresh/additional sanction to existing restructured accounts (entirely under restructured facility)
3. Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of FY
4. Includes accounts partially written-off during the year
5. Amount outstanding under restructuring facilities and other facilities is as on the date of write-off in the books
6. Includes ₹212.80 crores of reduction from existing restructured accounts by way of sale/recovery (₹151.00 crores from restructured facility and ₹61.80 crores from other facility)
7. The cumulative value of net restructured advances after reducing the provision held for diminution in fair value and balance in interest capitalization account upto 31 March, 2019 aggregated ₹886.54 crores
8. Information appearing under substandard, doubtful and loss category also include accounts slipped into NPAs from restructured standard advances along with restructured NPAs

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2.1.25 Details of MSME advances subjected to restructuring:

(₹ in crores)

Particulars	As at 31 March, 2020	As at 31 March, 2019
No. of accounts restructured	**9**	-
Amount outstanding	**16.35**	-

2.1.26 Disclosure with regard to implementation of resolution plan as required under RBI circular of 7 June, 2019 on Prudential Framework for Resolution of Stressed Assets:

(₹ in crores)

Particulars	Resolution plan implemented	Resolution plan not implemented
No. of borrowers where timeline for implementation of resolution plan was before 31.3.2020 (without reckoning the extended resolution period provided through the RBI circular of 17 April, 2020)	6	35
Fund based outstanding as on 31.3.2020*	640.09	8,185.42
Additional provisions held as per RBI circular of 7 June, 2019		474.89

* excluding outstanding for cases which have be subject to prudential write-off and outstanding in equity shares

2.1.27 Disclosure in respect of Interest Rate Swaps ('IRS'), Forward Rate Agreement ('FRA') and Cross Currency Swaps ('CCS') outstanding is set out below:

An 'IRS' is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'notional principal' amount on multiple occasions during a specified period. The Bank deals in interest rate benchmarks like Mumbai Inter-Bank Offered Rate (MIBOR), Indian Government Securities Benchmark Rate (INBMK), Mumbai Inter-Bank Forward Offer Rate (MIFOR) and LIBOR of various currencies.

A 'FRA' is a financial contract between two parties to exchange interest payments for 'notional principal' amount on settlement date, for a specified period from start date to maturity date. Accordingly, on the settlement date cash payments based on contract rate and the settlement rate, which is the agreed bench-mark/reference rate prevailing on the settlement date, are made by the parties to one another. The benchmark used in the FRA contracts of the Bank is London Inter-Bank Offered Rate (LIBOR) of various currencies.

A 'CCS' is a financial contract between two parties exchanging interest payments and principal, wherein interest payments and principal in one currency would be exchanged for an equally valued interest payments and principal in another currency.

(₹ in crores)

Sr. No.	Items	As at 31 March, 2020	As at 31 March, 2019
i)	Notional principal of swap agreements	**301,276.40**	236,685.35
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**6,935.72**	4,223.33
iii)	Collateral required by the Bank upon entering into swaps	**837.94**	523.97
iv)	Concentration of credit risk arising from the swaps Maximum single industry exposure with Banks (previous year with Banks)		
	– Interest Rate Swaps/FRAs	**3,890.55**	2,201.10
	– Cross Currency Swaps	**4,196.42**	3,112.72
v)	Fair value of the swap book (hedging & trading)		
	– Interest Rate Swaps/FRAs	**(588.68)**	(794.06)
	– Currency Swaps	**907.85**	1,475.34

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The nature and terms of the IRS as on 31 March, 2020 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	30	12,446.90	LIBOR	Fixed Receivable v/s Floating Payable
Hedging	2	3,783.25	LIBOR	Floating Receivable v/s Fixed Payable
Trading	217	34,240.79	LIBOR	Fixed Receivable v/s Floating Payable
Trading	825	41,163.33	MIBOR	Fixed Receivable v/s Floating Payable
Trading	646	42,574.00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	11	1,000.00	INBMK	Floating Receivable v/s Fixed Payable
Trading	289	41,341.57	LIBOR	Floating Receivable v/s Fixed Payable
Trading	890	42,921.23	MIBOR	Floating Receivable v/s Fixed Payable
Trading	363	26,472.00	MIFOR	Floating Receivable v/s Fixed Payable
Trading	28	8,852.81	LIBOR	Floating Receivable v/s Floating Payable
Trading	4	64.69	LIBOR	Pay Cap
Trading	4	64.69	LIBOR	Receive Cap
	3,309	**254,925.26**		

The nature and terms of the IRS as on 31 March, 2019 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	33	12,413.32	LIBOR	Fixed Receivable v/s Floating Payable
Hedging	2	1,901.76	LIBOR	Floating Receivable v/s Fixed Payable
Trading	3	175.00	INBMK	Fixed Receivable v/s Floating Payable
Trading	250	36,486.34	LIBOR	Fixed Receivable v/s Floating Payable
Trading	564	34,822.66	MIBOR	Fixed Receivable v/s Floating Payable
Trading	380	20,724.00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	18	1,559.00	INBMK	Floating Receivable v/s Fixed Payable
Trading	285	43,149.73	LIBOR	Floating Receivable v/s Fixed Payable
Trading	597	30,858.54	MIBOR	Floating Receivable v/s Fixed Payable
Trading	183	9,945.00	MIFOR	Floating Receivable v/s Fixed Payable
Trading	16	3,679.05	LIBOR	Floating Receivable v/s Floating Payable
Trading	4	106.33	LIBOR	Pay Cap
Trading	4	111.51	LIBOR	Receive Cap
	2,339	**195,932.24**		

The nature and terms of the FRA as on 31 March, 2020 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
–	–	–	–	–
	–	–		

The nature and terms of the FRA as on 31 March, 2019 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
–	–	–	–	–
	–	–		

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The nature and terms of the CCS as on 31 March, 2020 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	77	8,094.31	Principal & Coupon Swap	Fixed Payable v/s Fixed Receivable
Trading	85	8,709.42	LIBOR	Fixed Receivable v/s Floating Payable
Trading	69	13,381.28	LIBOR	Floating Receivable v/s Fixed Payable
Trading	29	10,380.16	LIBOR/MIFOR/MIBOR	Floating Receivable v/s Floating Payable
Trading	38	4,197.61	Principal Only	Fixed Receivable
Trading	13	1,588.36	Principal Only	Fixed Payable
	311	**46,351.14**		

The nature and terms of the CCS as on 31 March, 2019 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	93	7,416.32	Principal & Coupon Swap	Fixed Payable v/s Fixed Receivable
Trading	74	7,294.53	LIBOR	Fixed Receivable v/s Floating Payable
Trading	70	11,333.58	LIBOR	Floating Receivable v/s Fixed Payable
Trading	13	6,694.33	LIBOR/MIFOR/MIBOR	Floating Receivable v/s Floating Payable
Trading	48	4,932.27	Principal Only	Fixed Receivable
Trading	32	3,082.09	Principal Only	Fixed Payable
	330	**40,753.12**		

Details of Exchange Traded Interest Rate Derivatives for the year ended 31 March, 2020 are set out below:

(₹ in crores)

Sr. No.	Particulars	As at 31 March, 2020
i)	**Notional principal amount of exchange traded interest rate derivatives undertaken during the year**	
	EDM9 – 90 Days Euro Futures – June 2019	1,513.30
	TUM9 – 2 years US Note – June 2019	1,876.49
	FVM9 – 5 years US Note – June 2019	3,238.46
	TYM9 – 10 years US Note – June 2019	2,148.89
	TUU9 – 2 years US Note – September 2019	1,059.31
	FVU9 – 5 years US Note – September 2019	1,436.12
	TYU9 – 10 years US Note – September 2019	272.39
	TUZ9 – 2 years US Note – December 2019	251.21
	FVZ9 – 5 years US Note – December 2019	768.76
	TYZ9 – 10 years US Note – December 2019	295.09
	TUH0 – 2 years US Note – March 2020	142.25
	FVH0 – 5 years US Note – March 2020	567.49
	TYH0 – 10 years US Note – March 2020	606.83
	TUM0 – 2 years US Note – June 2020	27.24
	FVM0 – 5 years US Note – June 2020	308.71
	TYM0 – 10 years US Note – June 2020	172.52
	EDM0 – 90 Days Euro Futures – June 2020	1,543.57
		16,228.63
ii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2020**	
	TUM0 – 2 Years US Note – June 2020	27.24
	FVM0 – 5 Years US Note – June 2020	151.33
	TYM0 – 10 Years US Note – June 2020	142.25
		320.82
iii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2020 and "not highly effective"**	**N.A.**
iv)	**Mark-to-market value of exchange traded interest rate derivatives outstanding as on 31 March, 2020 and "not highly effective"**	**N.A.**

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Details of Exchange Traded Interest Rate Derivatives for the year ended 31 March, 2019 are set out below:

(₹ in crores)

Sr. No.	Particulars	As at 31 March, 2019
i)	**Notional principal amount of exchange traded interest rate derivatives undertaken during the year**	
	717GS2028 – 7.17% GOI 2028	
	FVM8 – 5 years US Note – June 2018	77.28
	TYM8 – 10 years US Note – June 2018	69.15
	FVU8 – 5 years US Note – September 2018	345.77
	TYU8 – 10 years US Note – September 2018	459.19
	TYZ8 – 10 years US Note – December 2018	1,136.91
	FVZ8 – 5 years US Note – December 2018	1,569.82
	EDZ8 – 90 Days Euro Futures – December 2018	1,064.99
	EDM9 – 90 Days Euro Futures – June 2019	5,532.40
	TUZ8 – 2 years US Note – December 2018	2,863.02
	EDZ9 – 90 Days Euro Futures – December 2019	276.62
	TYH9 – 10 years US Note – March 2019	9,681.70
	FVH9 – 5 Years US Note – March 2019	3,380.30
	TUH9 – 2 Years US Note – March 2019	7,898.88
	TUM9 – 2 Years US Note – June 2019	926.68
	FVM9 – 5 Years US Note – June 2019	110.65
	TYM9 – 10 Years US Note – June 2019	2,636.19
	EDZ0 – 90 Days Euro Futures – December 2020	207.46
		2,766.20
		41,003.21
ii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2019**	
	FVM9 – 5 Years US Note – June 2019	818.79
	TUM9 – 2 Years US Note – June 2019	82.99
		901.78
iii)	**Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 March, 2019 and "not highly effective"**	**N.A.**
iv)	**Mark-to-market value of exchange traded interest rate derivatives outstanding as on 31 March, 2019 and "not highly effective"**	**N.A.**

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended 31 March, 2020 and 31 March, 2019.

2.1.28 Disclosure on risk exposure in Derivatives

Qualitative disclosures:

(a) Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants:

Derivatives are financial instruments whose characteristics are derived from an underlying asset, or from interest and exchange rates or indices. The Bank undertakes over the counter and Exchange Traded derivative transactions for Balance Sheet management and also for proprietary trading/market making whereby the Bank offers OTC derivative products to the customers to enable them to hedge their interest rate and currency risks within the prevalent regulatory guidelines.

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Proprietary trading includes Exchange Traded Currency Options, Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR and INBMK), Currency Options and Currency Swap. The Bank also undertakes transactions in Cross Currency Swaps, Principal Only Swaps, Coupon Only Swaps, Currency Option, Interest Rate Swap and Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks, primarily credit, market, legal, reputation and operational risk. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

There is a functional separation between the Treasury Front Office, Treasury Mid Office and Treasury Back Office to undertake derivative transactions. The customer and interbank related derivative transaction are originated by Derivative sales and Treasury Front Office team respectively which ensures compliance with the trade origination requirements as per the bank's policy and the RBI guidelines. The Market Risk Group within the Bank's Risk Department independently identifies measures and monitors the market risks associated with derivative transactions and apprises the Asset Liability Management Committee (ALCO) and the Risk Management Committee of the Board (RMC) on the compliance with the risk limits. The Treasury Back Office undertakes activities such as trade validation, confirmation, settlement, ISDA documentation, accounting, valuation and other MIS reporting.

The derivative transactions are governed by the Derivative policy, Suitability and Appropriateness Policy for derivative products, Market risk management policy, Hedging policy and the Asset Liability Management (ALM) policy of the Bank as well as by the extant RBI guidelines. The Bank has implemented policy on customer suitability & appropriateness to ensure that derivatives transactions entered into are appropriate and suitable to the customer. The Bank has put in place a detailed process flow on documentation for customer derivative transactions for effective management of operational/reputation/compliance risk.

Various risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. PV01, VaR, Stop Loss, Delta, Gamma and Vega. Actual positions are monitored against these limits on a daily basis and breaches, if any, are dealt with in accordance with board approved Risk Appetite Statement. Risk assessment of the portfolio is undertaken periodically. The Bank ensures that the Gross PV01 (Price value of a basis point) position arising out of all non-option rupee derivative contracts are within 0.25% of net worth of the Bank as on Balance Sheet date.

Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item. These deals are accounted on an accrual basis except the swap designated with an asset/liability that is carried at market value or lower of cost or market value. In that case, the swap is marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. These transactions are tested for hedge effectiveness and in case any transaction fails the test, the same is re-designated as a trading deal and appropriate accounting treatment is followed.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, premiums and discounts, valuation of outstanding contracts

The Hedging Policy of the Bank governs the use of derivatives for hedging purpose. Subject to the prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate and floating rate coupon or foreign currency assets/liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles. Derivatives for market making purpose are marked to market and the resulting gain/loss is recorded in the Profit and Loss Account. The premium on option contracts is accounted for as per FEDAI guidelines. Derivative transactions are covered under International Swaps and Derivatives Association (ISDA) master agreements with respective counterparties. The exposure on account of derivative transactions is computed as per the RBI guidelines and is marked against the credit limits approved for the respective counterparties.

(c) Provisioning, collateral and credit risk mitigation

Derivative transactions comprise of swaps, FRAs, futures, forward contracts and options which are disclosed as contingent liabilities. Trading swaps/FRAs/futures/options/forward contracts are revalued at the Balance Sheet date with the resulting unrealised gain or loss being recognised in the Profit and Loss Account and correspondingly in other assets or other liabilities respectively. Hedged swaps are accounted for as per the RBI guidelines. In accordance with RBI guidelines, any receivables (crystallised receivables and positive MTM) under derivatives contracts, which remain overdue for more than 90 days, are reversed through the Profit and Loss Account and are held in a separate Suspense account.

Collateral requirements for derivative transactions are laid down as part of credit sanction terms on a case by case basis. Such collateral requirements are determined, based on usual credit appraisal process. The Bank retains the right to terminate transactions as a risk mitigation measure in certain cases.

The credit risk in respect of customer derivative transactions is sought to be mitigated through a laid down policy on sanction of Loan Equivalent Risk (LER) limits, monitoring mechanism for LER limits and trigger events for escalation/margin calls/ termination.

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Quantitative disclosure on risk exposure in derivatives[1]:

(₹ in crores)

Sr. No.	Particulars	As at 31 March, 2020 Currency Derivatives Forward Contracts[4]	CCS	Options	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**				
	a) For hedging	43,612.28	–	–	16,230.14
	b) For trading	412,366.46	46,351.14	45,114.10	238,695.12
2	**Marked to Market Positions[2]**				
	a) Asset (+)	7,665.93	3,077.72	1,676.86	3,692.90
	b) Liability (-)	(7,228.49)	(2,169.87)	(1,620.33)	(4,428.26)
3	**Credit Exposure[3]**	21,166.53	7,811.75	1,373.69	6,428.92
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March, 2020)**				
	a) on hedging derivatives	12.33	–	–	1.32
	b) on trading derivatives	12.31	5.77	13.02	52.98
5	**Maximum and Minimum of 100*PV01 observed during the year**				
	a) on hedging				
	i) Minimum	3.94	–	–	1.27
	ii) Maximum	12.33	–	–	31.49
	b) on Trading				
	i) Minimum	0.30	2.25	10.67	52.33
	ii) Maximum	12.31	10.79	57.72	68.11

1. only Over The Counter derivatives included
2. only on trading derivatives
3. includes accrued interest
4. excluding Tom/Spot contracts

(₹ in crores)

Sr. No.	Particulars	As at 31 March, 2019 Currency Derivatives Forward Contracts[4]	CCS	Options	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**				
	a) For hedging	56,970.61	–	–	14,315.09
	b) For trading	272,683.15	40,753.12	46,404.77	181,617.15
2	**Marked to Market Positions[2]**				
	a) Asset (+)	3,764.51	2,698.28	1,485.72	1,509.36
	b) Liability (-)	(3,907.80)	(1,222.94)	(1,425.22)	(2,146.16)
3	**Credit Exposure[3]**	13,477.22	6,709.64	1,603.96	3,743.38
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March, 2019)**				
	a) on hedging derivatives	3.81	–	–	49.80
	b) on trading derivatives	8.76	2.56	298.94	57.93
5	**Maximum and Minimum of 100*PV01 observed during the year**				
	a) on hedging				
	i) Minimum	1.02	–	–	29.67
	ii) Maximum	12.34	–	–	60.55
	b) on Trading				
	i) Minimum	0.56	2.46	20.91	53.63
	ii) Maximum	8.76	5.71	306.14	78.97

1. only Over The Counter derivatives included
2. only on trading derivatives
3. includes accrued interest
4. excluding Tom/Spot contracts

The outstanding notional principal amount of Exchange Traded Currency Options as at 31 March, 2020 was Nil (previous year Nil) and the mark-to-market value was Nil (previous year Nil).

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2.1.29 Details of penalty/stricture levied by RBI:

No penalty/stricture has been imposed by RBI on the Bank during the year ended 31 March, 2020

Details of penalty/stricture levied by RBI during the year ended 31 March, 2019 is as under:

Amount (₹ in crores)	Reason for stricture issued/ levy of penalty by RBI	Date of payment of penalty
2.00	Non-compliance of RBI guidelines related to 'Collection of Account Payee Cheques – Prohibition on Crediting proceeds to Third Party Account' and Master Directions on 'Frauds- Classification and Reporting by commercial banks and select FIs'. Penalty was imposed in terms of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949	16 February, 2019
0.20	Non-compliance of RBI guidelines related to 'Detection and Impounding of Counterfeit Notes' and 'Sorting of Notes – Installation of Note Sorting Machines'. Penalty was imposed in terms of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949	5 February, 2019
–	Caution letter issued by RBI on 25 February, 2019 for non compliance of RBI directives on time bound implementation and strengthening of SWIFT related operational controls	–

2.1.30 Disclosure of customer complaints

(a) Disclosure of customer complaints relating to Bank's customers on Bank's ATMs

		31 March, 2020	31 March, 2019
a.	No. of complaints pending at the beginning of the year	**–**	284
b.	No. of complaints received during the year	**55,475**	115,737
c.	No. of complaints redressed during the year	**55,475**	116,021
d.	No. of complaints pending at the end of the year	**–**	–

(b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs

		31 March, 2020	31 March, 2019
a.	No. of complaints pending at the beginning of the year	**-**	2,360
b.	No. of complaints received during the year	**80,699**	105,110
c.	No. of complaints redressed during the year	**80,699**	107,470
d.	No. of complaints pending at the end of the year	**-**	-

(c) Disclosure of customer complaints other than ATM transaction complaints

		31 March, 2020	31 March, 2019
a.	No. of complaints pending at the beginning of the year	**1,217**	24,456
b.	No. of complaints received during the year	**64,310**	78,442
c.	No. of complaints redressed during the year	**64,562**	101,681
d.	No. of complaints pending at the end of the year	**965**	1,217

(d) Total customer complaints

		31 March, 2020	31 March, 2019
a.	No. of complaints pending at the beginning of the year	**1,217**	27,100
b.	No. of complaints received during the year	**200,484**	299,289
c.	No. of complaints redressed during the year	**200,736**	325,172
d.	No. of complaints pending at the end of the year	**965**	1,217

The above information does not include complaints redressed within 1 working day and is as certified by the Management and relied upon by the auditors.

2.1.31 Disclosure of Awards passed by the Banking Ombudsman

		31 March, 2020	31 March, 2019
a.	No. of unimplemented awards at the beginning of the year	**–**	–
b.	No. of awards passed by the Banking Ombudsman during the year	**–**	–
c.	No. of awards implemented during the year	**–**	–
d.	No. of unimplemented awards at the end of the year	**–**	–

The above information is as certified by the Management and relied upon by the auditors.

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2.1.32 Draw Down from Reserves

During the year ended 31 March, 2020 the Bank has not undertaken any draw from reserves, except towards issue expenses incurred for equity raising through Qualified Institutional Placement and conversion of share warrants, which has been adjusted against the share premium account.

During the year ended 31 March, 2019 the Bank has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines.

2.1.33 Letter of Comfort

The Bank has not issued any Letter of Comfort on behalf of its subsidiaries during the current and previous year.

2.1.34 Disclosure on Remuneration

Qualitative disclosures

a) Information relating to the bodies that oversee remuneration:

❖ **Name, composition and mandate of the main body overseeing remuneration:**

The Nomination and Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank on behalf of the Board. The Committee works in close co-ordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks.

As at 31 March, 2020, the Nomination and Remuneration Committee comprises of the following Non-Executive Directors:

1. Shri Rohit Bhagat - Chairman
2. Shri Rakesh Makhija
3. Shri Stephen Pagliuca

In respect of Remuneration/HR matters, the Nomination and Remuneration Committee of the Board, functions with the following main objectives:

a. Review and recommend to the Board for approval, the overall remuneration framework and associated policy of the Bank (including remuneration policy for Directors and key managerial personnel) including the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank including the Managing Director & CEO (MD & CEO), other Whole-Time Directors (WTD) and senior managers one level below the Board.

b. Recommend to the Board the compensation payable to the Chairman of the Bank.

c. Review and recommend to the Board for approval, the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of MD & CEO, the other WTDs, senior managers' one level below the Board and other key roles and their progression to the Board.

d. Formulate the criteria and the manner for effective evaluation of performance of the Board as a whole, its Committees and individual directors, including independent directors of the Bank, which may be carried out either by the Committee or by the Board or with the help of an independent external agency and to review its implementation, compliance and outcomes.

e. Set the goals, objectives and performance benchmarks for the Bank and for MD & CEO, WTDs and Group Executives for the financial year and over the medium to long term. Review adequacy and appropriateness of HR strategy of the Bank in the broader areas of code of conduct, ethics, conflict of interest, succession planning, talent management, performance management, remuneration and HR risk management.

f. Review and recommend to the Board for approval:
   - ➢ the creation of new positions one level below MD & CEO
   - ➢ appointments, promotions and exits of senior managers one level below the MD & CEO

g. Set the goals, objectives and performance benchmarks for the Bank and for MD & CEO, WTDs and Group Executives for the financial year and over the medium to long term.

h. Review the performance of the MD & CEO and other WTDs at the end of each year.

i. Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, Reserve Bank of India or by any other regulatory or statutory body.

❖ **External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process:**

The Nomination and Remuneration Committee has commissioned Aon Hewitt, a globally renowned compensation benchmarking firm, to conduct market benchmarking of employee compensation. The Bank participates in the salary benchmarking survey conducted by Aon Hewitt every year. Aon Hewitt collects data from multiple private sector peer banks across functions, levels and roles which is then used by the Bank to assess market competitiveness of remuneration offered to Bank employees.

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❖ **A description of the scope of the Bank's remuneration policy, including the extent to which it is applicable to foreign subsidiaries and branches:**

The Committee monitors the remuneration policy for both domestic and overseas branches of the Bank on behalf of the Board. However, it does not oversee the compensation policy for subsidiaries of the Bank.

❖ **A description of the type of employees covered and number of such employees:**

Employees are categorised into following three categories from remuneration structure and administration standpoint:

Category 1

MD & CEO and WTDs. This category includes 4 employees.

Category 2

All the employees in the Grade of Vice President and above engaged in the functions of Risk Control and Compliance. This category includes 34 employees.

Category 3: Other Staff

'Other Staff' has been defined as a "group of employees who pose a material risk". This category includes all the employees of the Bank in the grade of Executive Vice President (EVP) and above and also few other key business roles in case they are below the grade of Executive Vice President. This category includes 46 employees.

b) Information relating to the design and structure of remuneration processes:

❖ **An overview of the key features and objectives of remuneration policy:**

The compensation philosophy of the Bank aims to attract, retain and motivate professionals in order to enable the Bank to attain its strategic objectives and develop a strong performance culture in the competitive environment in which it operates. To achieve this, the following principles are adopted:

- Affordability: Pay to reflect productivity improvements to retain cost-income competitiveness
- Maintain competitiveness on fixed pay in talent market
- Pay for performance to drive meritocracy through variable pay
- Employee Stock Options for long-term value creation
- Benefits and perquisites to remain aligned with market practices and provide flexibility

Apart from the above, the compensation structure for MD & CEO and WTDs is aligned to RBI's guidelines for sound compensation practices (effective FY 2012-13) and addresses the general principles of:

- Effective and independent governance and monitoring of compensation
- Alignment of compensation with prudent risk-taking through well designed and consistent compensation structures
- Clear and timely disclosure to facilitate supervisory oversight by all stakeholders

Accordingly, the compensation policy for MD & CEO and WTDs seeks to:

a) Ensure that the compensation, in terms of structure and total amount, is in line with the best practices, as well as competitive vis-à-vis that of peer banks

b) Establish the linkage of compensation with individual performance as well as achievement of the corporate objectives of the Bank

c) Include an appropriate variable pay component tied to the achievement of pre-established objectives in line with Bank's scorecard while ensuring that the compensation is aligned with prudent risk taking

d) Encourage attainment of long term shareholder returns through inclusion of equity linked long-term incentives as part of compensation

Compensation is structured in terms of fixed pay, variable pay and employee stock options (for selective employees), with a strong linkage of variable pay to performance. The compensation policy of the Bank is approved by the Nomination and Remuneration Committee. Additional approval from Shareholders and RBI is obtained specifically for compensation of MD & CEO and WTDs.

❖ **Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made:**

There were no changes made in the remuneration policy for FY 2019-20.

❖ **A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee:**

The Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee and is guided by the individual employee performance. The remuneration is determined on the basis of relevant risk measures included in the Balanced Scorecard / key deliverables of staff in these functions. The parameters reviewed for performance based rewards are independent of performance of the business area they oversee and commensurate with their individual role in the Bank. Additionally, the ratio of fixed and variable compensation is weighed towards fixed compensation.

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c) Description of the ways in which current and future risks are taken into account in the remuneration processes:

❖ **An overview of the key risks that the Bank takes into account when implementing remuneration measures:**

The business activity of the Bank is undertaken within the limits of the following risk measures to achieve the financial plan. The Financial Perspective in the Bank's BSC contains metrics pertaining to growth, profitability and asset quality. These metrics along with other metrics in customer, internal process and compliance and people perspective are taken into account while arriving at the remuneration decisions. The metrics on internal process and compliance ensure due weightage to non-financial risk that bank may be exposed to.

❖ **An overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure:**

The Bank has a robust system of measuring and reviewing these risks. The risk parameters are a part of the Balanced Scorecard used for setting of performance objectives and for measuring performance which includes, besides financial performance, adherence to internal processes, compliance and people perspectives. Weightage is placed on not only financial or quantitative achievement of objectives but also on qualitative aspects detailing how the objectives were achieved.

❖ **A discussion of the ways in which these measures affect remuneration:**

The relevant risk measures are included in the scorecards of MD & CEO and WTDs. Inclusion of the above mentioned measures ensures that performance parameters are aligned to risk measures at the time of performance evaluation. The Nomination and Remuneration Committee takes into consideration all the above aspects while assessing organisational and individual performance and making compensation related recommendations to the Board.

❖ **A discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration:**

The Bank continued to track key metrics across financial, customer, internal process and compliance and people perspective as part of FY20 BSC. During FY2019-20, metrics on digitizing customer journeys and strengthening of internal processes were incorporated to reinforce focus on delivering superior customer experience. Further, critical deliverables were included to drive progress on the Bank's GPS strategy.

d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration:

The Bank's performance management and compensation philosophies are structured to support the achievement of the Bank's on-going business objectives by rewarding achievement of objectives linked directly to its strategic business priorities. These strategic priorities are cascaded through annualised objectives to the employees.

The Bank follows the Balanced Scorecard approach in designing its performance management system. Adequate attention is given to the robust goal setting process to ensure alignment of individual objectives to support the achievement of business strategy, financial and non-financial goals across and through the organisation. The non-financial goals for employees includes customer service, process improvement, adherence to risk and compliance norms, operations and process control, learning and knowledge development.

❖ **An overview of main performance metrics for Bank, top level business lines and individuals:**

The Bank follows a Balanced Scorecard approach for measuring performance for the Bank, top business lines and individuals. The approach broadly comprises financial, customer, internal processes, compliance, and people perspectives and includes parameters on revenue and profitability, business growth, customer initiatives, operational efficiencies, regulatory compliance, risk management and people management.

❖ **A discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance:**

The Bank's remuneration practices are underpinned by principles of meritocracy and fairness. The remuneration system strives to maintain the ability to attract, retain, reward and motivate the talent in order to enable the Bank to attain its strategic objectives within the increasingly competitive context in which it operates. The Bank's pay-for-performance approach strives to ensure both internal and external equity in line with emerging market trends. However, the business model and affordability form the overarching boundary conditions.

The Bank follows a Balanced Scorecard approach for measuring performance at senior levels. The Balanced Scorecard parameters for individuals are cascaded from the Bank's Balanced Scorecard. The Management Committee or the Nomination and Remuneration Committee reviews the achievements against the set of parameters which determines the performance of the individuals. For all other employees, performance appraisals are conducted annually and initiated by the employee with self-appraisal. The immediate supervisor reviews the appraisal ratings in a joint consultation meeting with the employee and assigns the performance rating. The final ratings are discussed by a Moderation Committee comprising of senior officials of the Bank. Both relative and absolute individual performances are considered for the moderation process. Individual fixed pay increases, variable pay and ESOPs are linked to the final performance ratings.

❖ **A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak:**

In cases where the performance metrics are weak or not well defined to measure the performance effectively, the Bank uses discretion to reward such employees. The remuneration is then influenced by the operational performance parameters of the Bank along with individual performance achievement.

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Whilst determining fixed and variable remuneration, relevant risk measures are included in scorecards of senior employees. The Financial Perspective in the Bank's BSC contains metrics pertaining to growth, profitability and asset quality. These metrics along with other metrics in customer, internal process and compliance and people perspective are taken into account while arriving at the remuneration decisions. The metrics on internal process and compliance ensure due weightage to non-financial risk that bank may be exposed to.

As a prudent measure, a portion of variable pay if it exceeds a certain threshold is deferred and is paid proportionately over a period of 3 years. The deferred variable pay amount of reference year would be held back in case of any misrepresentation or gross inaccuracy resulting in a wrong risk assessment.

e) Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance:

❖ **A discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance:**

The deferral of the Variable Pay for the three categories of employees as stated earlier is given below:

Category 1: MD & CEO and WTDs

Variable Pay will not exceed 70% of the Fixed Pay

To ensure that risk measures do not focus only on achieving short term goals, variable payout is deferred. If the variable pay exceeds 40% of fixed pay, 45% of the variable pay to be deferred proportionately over a period of three years.

Category 2: All the employees in the Grade of Vice President and above engaged in the functions of Risk Control and Compliance

- Variable Pay will be paid on the basis of laid down risk control, compliance and process improvement parameters in the balanced scorecard / key deliverables of staff in this function
- The parameters will be independent of performance of the business area they oversee and will commensurate with their key role in the Bank
- The ratio of fixed and variable compensation will be weighed towards fixed compensation
- Percentage of variable pay to be capped at 70% of fixed pay
- Appropriate deferral structure as approved by the Nomination and Remuneration Committee will be applicable to this category of employees

Category 3: Other Staff

- Variable Pay will be paid on the basis of performance against key deliverables and overall business performance for the financial year
- Percentage of variable pay to be capped at 70% of fixed pay
- Appropriate deferral structure as approved by the Nomination and Remuneration Committee will be applicable to this category of employees

❖ **A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements:**

The deferred portion of the variable pay may be delayed in the event of an enquiry determining gross negligence or breach of integrity. The deferred portion is withheld by the Bank till the completion of such enquiries, if any. As a result, no claw back arrangements are made on the deferred portion of the variable pay.

f) Description of the different forms of variable remuneration that the Bank utilizes and the rationale for using these different forms:

❖ **An overview of the forms of variable remuneration offered:**

- Variable Pay: Variable Pay is linked to corporate performance, business performance and individual performance and ensures differential pay based on the performance levels of employees
- Employee Stock Options (ESOPs): ESOPs are given to selective set of employees at senior levels based on their level of performance and role. ESOP scheme has an inbuilt deferred vesting design which helps in directing long term performance orientation among employees

❖ **A discussion of the use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance:**

Variable pay in the form of performance based bonus is paid out annually and is linked to performance achievement against balanced performance measures and aligned with the principles of meritocracy. The proportion of variable pay in total pay shall be higher at senior management levels. The payment of all forms of variable pay is governed by the affordability of the Bank and based on profitability and cost income ratios. At senior management levels (and for certain employees with potential to cause material impact on risk exposure), a portion of variable compensation may be paid out in a deferred manner in order to drive prudent behaviour as well as long term & sustainable performance orientation. Long term variable pay is administered in the form of ESOPs with an objective of enabling employee participation in the business as an active stakeholder and to usher in an 'owner-manager' culture. The quantum of grant of stock options is determined and approved by the Nomination and Remuneration Committee, in terms of the said Regulations and in line with best practices, subject to the approval of RBI. The current ESOP design has an inbuilt deferral intended to spread and manage risk.

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Quantitative disclosures

a) The quantitative disclosures pertaining to the MD & CEO, Whole Time Directors and other risk takers for the year ended 31 March, 2020 and 31 March, 2019 are given below. Other risk takers include all employees in the grade of Executive Vice President (EVP) and above and also cover certain select roles in case they are below the grade of EVP.

		31 March, 2020	31 March, 2019
a.	i) Number of meetings held by the Remuneration Committee (main body overseeing remuneration) during the financial year	**6**	16
	ii) Remuneration paid to its members (sitting fees)	**₹12,00,000**	₹29,50,000
b.	Number of employees having received a variable remuneration award during the financial year	**36***	29*
c.	Number and total amount of sign-on awards made during the financial year	**N.A.**	N.A.
d.	Number and total amount of guaranteed bonus awarded during the financial year, if any	**N.A.**	N.A.
e.	Details of severance pay, in addition to accrued benefits, if any	**N.A.**	N.A.
f.	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	**-**	-
g.	Total amount of deferred remuneration paid out in the financial year	**Nil**	₹0.34 crores
h.	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred, different forms used	**Fixed - ₹66.53 crores# Variable - ₹14.23 crores* Deferred – Nil Non-deferred - ₹14.23 crores* Number of stock options granted during the financial year – 3,718,000**	Fixed - ₹49.80 crores# Variable - ₹9.41 crores* Deferred – Nil Non-deferred - ₹9.41 crores* Number of stock options granted during the financial year – 2,479,000
i.	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	**N.A.**	N.A.
j.	Total amount of reductions during the financial year due to ex-post explicit adjustments	**N.A.**	N.A.
k.	Total amount of reductions during the financial year due to ex-post implicit adjustments	**N.A.**	N.A.

* pertains to FY 2018-19 paid to MD & CEO, WTDs and other risk takers (previous years pertains to FY 2016-17 paid to MD & CEO and WTDs and for FY 2017-18 paid to other risk takers)

Fixed Remuneration includes basic salary, fixed allowance, leave fare concession, house rent allowance, super annuation allowance, certain other allowances, gratuity payout, leave encashment and contribution towards provident fund and superannuation fund. Payments in nature of reimbursements have been excluded from fixed remuneration.

b) Disclosure for compensation of Non-executive Directors (Except Part-time Chairman):

(₹ in crores)

		31 March, 2020	31 March, 2019
a.	Amount of remuneration paid during the year (pertains to preceding year)	**0.95**	–

2.1.35 The details of fees / brokerage earned in respect of insurance broking, agency and bancassurance business undertaken by the Bank are as under:

(₹ in crores)

Sr. No.	Nature of Income	31 March, 2020	31 March, 2019
1.	For selling life insurance policies	**692.02**	640.50
2.	For selling non-life insurance policies	**76.17**	68.62
3.	For selling mutual fund products	**291.94**	416.09
4.	Others (wealth advisory, RBI and other bonds etc.)	**57.07**	99.11
	Total	**1,117.20**	1,224.32

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2.1.36 The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms.

2.1.37 Amount of total assets, non-performing assets and revenue of overseas branches is given below:

(₹ in crores)

Particulars	31 March, 2020	31 March, 2019
Total assets	**53,673.52**	47,941.15
Total NPAs	**4,420.07**	3,727.06
Total revenue	**2,058.04**	3,416.09

2.1.38 During the years ended 31 March, 2020 and 31 March, 2019 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

2.1.39 Disclosure on transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crores)

Particulars	31 March, 2020	31 March, 2019
Opening balance of amounts transferred to DEAF	**161.53**	97.14
Add : Amounts transferred to DEAF during the year	**73.92**	66.85
Less : Amounts reimbursed by DEAF towards claims	**(2.94)***	(2.46)*
Closing balance of amounts transferred to DEAF	**232.51**	161.53

*includes ₹0.38 crores (previous year ₹0.16 crores) of claim raised and pending settlement with RBI

2.1.40 Disclosure on Intra-Group Exposures

(₹ in crores)

Particulars	31 March, 2020	31 March, 2019
Total amount of intra-group exposures	**3,377.94**	6,895.64
Total amount of top-20 intra-group exposures	**3.377.89**	6,895.64
Percentage of intra-group exposures to total exposure of the Bank on borrowers/customers	**0.31**	0.85

During the years ended 31 March, 2020 and 31 March, 2019, the intra-group exposures were within the limits specified by RBI.
The above information is as certified by the Management and relied upon by the auditors.

2.1.41 Unhedged Foreign Currency Exposure

The Bank's Corporate Credit Policy lays down the framework to manage credit risk arising out of unhedged foreign currency exposures of the borrowers. Both at the time of initial approval as well as subsequent reviews/renewals, the assessment of credit risk arising out of foreign currency exposure of the borrowers include details of imports, exports, repayments of foreign currency borrowings, as well as hedges done by the borrowers or naturally enjoyed by them vis-a-vis their intrinsic financial strength, history of hedging and losses arising out of foreign currency volatility. The extent of hedge/cover required on the total foreign currency exposure including natural hedge and hedged positions, is guided through a matrix of internal ratings. The hedging policy is applicable for existing as well as new clients with foreign currency exposures above a predefined threshold. The details of un-hedged foreign currency exposure of customers for transactions undertaken through the Bank are monitored periodically. The Bank also maintains additional provision and capital, in line with RBI guidelines.

During the year ended 31 March, 2020, the Bank made write back of provision of ₹10.68 crores (previous year provision made of ₹18.79 crores) towards un-hedged foreign currency exposures. As on 31 March, 2020, the Bank held cumulative provision towards un-hedged foreign currency exposures of ₹120.21 crores (previous year ₹130.89 crores).

As on 31 March, 2020, the Bank held incremental capital of ₹490.15 crores (previous year ₹191.52 crores) towards borrowers having un-hedged foreign currency exposures.

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2.1.42 Disclosure on provisioning pertaining to fraud accounts

(₹ in crores)

Particulars	31 March, 2020	31 March, 2019
Number of frauds reported during the year**	**52**	145
Amounts involved	**2,030.60**	529.04
Provisions held at the beginning of the year	**752.23**	353.96
Provisions made during the year	**1,272.93**	172.45
Balance held in interest capitalisation accounts	**5.44**	2.63
Provisions held at the end of the year	**2,030.60**	529.04
Unamortised provision debited from 'other reserves' as at the end of the year	**–**	–

disclosure covers only frauds relating to advances
** excluding 72 cases (previous year 22 cases) amounting to ₹2,515.37 crores (previous year ₹540.46 crores) reported as fraud during the year and subsequently prudentially written off within the financial year

2.1.43 Disclosure on provisioning pertaining to Land held under 'Non-Banking assets acquired in satisfaction of claims'

(₹ in crores)

Particulars	31 March, 2020	31 March, 2019
Amount of Land held under 'Non-Banking assets acquired in satisfaction of claims'*	**2,068.24**	2,208.61
Provisions made during the year by debiting profit and loss account	**1,605.28**	603.33
Provisions reversed during the year*	**(140.37)**	–
Provisions held at the end of the year by debiting profit and loss account	**2,068.24**	603.33
Unamortised provision debited from 'Balance in profit and loss account' under 'Reserves and Surplus'	**–**	1,605.28

*during the year Bank sold a parcel of land with a book value of ₹140.37 crores

2.1.44 Detail of Priority Sector Lending Certificates (PSLC) purchased by the Bank are set out below:

(₹ in crores)

Category	31 March, 2020	31 March, 2019
PSLC – Small & Micro Farmers	**23,830.00**	–
PSLC – General	**9,900.00**	17,470.00
PSLC – Micro Enterprises	**8,790.50**	2,375.00
PSLC – Agriculture	**5,800.00**	–
Total	**48,320.50**	19,845.00

Details of PSLCs sold by the Bank are set out below:

(₹ in crores)

Category	31 March, 2020	31 March, 2019
PSLC – General	**44,320.00**	385.00
PSLC – Micro Enterprises	**4,000.00**	–
Total	**48,320.00**	385.00

2.1.45 Disclosure on Liquidity Coverage Ratio

Qualitative disclosure

The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI and has put in place requisite systems and processes to enable periodical computation and reporting of the Liquidity Coverage Ratio (LCR). The mandated regulatory threshold is embedded into the Risk Appetite Statement of the Bank thus subjecting LCR maintenance to Board oversight and periodical review. The Bank computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review as well as to the Risk Management Committee of the Board.

The Bank computes LCR on a daily basis and in accordance with RBI guidelines the quarterly disclosures of LCR contain data on the simple average calculated on daily observations over a period of 90 days.

The Bank follows the criteria laid down by RBI for calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-day period. HQLA predominantly comprises Government securities viz. Treasury Bills, Central and State Government securities. A relatively smaller part of HQLA is accounted for by the corporate bonds with mandated haircuts applied thereto.

The Bank monitors the concentration of funding sources from significant counterparties, significant instruments/products as part of the asset liability management framework. The Bank adheres to the regulatory and internal limits on Inter-bank liability and call money borrowings which form part of the ALM policy. The Bank's funding sources are fairly dispersed across sources and maturities.

Expected derivative cash outflows and inflows are calculated for outstanding contracts in accordance with laid down valuation methodologies. Cash flows, if any, from collaterals posted against derivatives are not considered.

Apart from the LCR position in all currencies put together, the Bank monitors the LCR in US Dollar currency which qualifies as a significant currency as per RBI guidelines.

The liquidity risk management of the Bank is undertaken by the Asset Liability Management group in the Treasury in accordance with the Board approved policies and ALCO approved funding plans. The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits, for both domestic as well as overseas operations, on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. Periodical reports are placed before the Bank's ALCO for perusal and review.

All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation template.

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18 Notes forming part of the financial statements for the year ended 31 March, 2020

(Currency: In Indian Rupees)

Quantitative disclosure

(₹ in crores)

		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 (HQLAs)		1,53,367.16		136,689.42		131,204.91		131,403.54
Cash Outflows									
2	Retail Deposits and deposits from small business customers, of which:	343,438.06	29,290.56	332,402.80	30,483.28	316,993.94	29,016.38	308,585.60	28,213.84
(i)	Stable Deposits	101,064.99	5,053.25	55,139.77	2,756.99	53,660.26	2,683.01	52,894.53	2,644.73
(ii)	Less Stable Deposits	242,373.07	24,237.31	277,263.03	27,726.29	263,333.68	26,333.37	255,691.07	25,569.11
3	Unsecured wholesale funding, of which:	188,919.86	106,484.32	173,900.62	87,383.69	158,269.16	79,179.07	163,736.68	82,229.45
(i)	Operational deposits (all counterparties)	12,446.47	3,091.07	40,926.39	10,219.61	40,975.45	10,232.28	45,252.80	11,301.58
(ii)	Non-operational deposits (all counterparties)	176,473.39	103,393.25	132,974.23	77,164.08	117,293.71	68,946.79	118,483.88	70,927.87
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		205.42		30.76		-		-
5	Additional requirements, of which:	41,661.37	37,484.42	29,064.70	23,845.67	29,973.51	24,432.21	31,272.56	25,562.49
(i)	Outflows related to derivative exposures and other collateral requirements	35,283.57	35,283.57	20,856.03	20,856.03	19,769.56	19,769.56	24,356.76	24,356.76
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	6,377.80	2,200.85	8,208.67	2,989.64	10,203.95	4,662.65	6,915.80	1,205.73
6	Other contractual funding obligations	5,186.45	5,186.45	5,329.08	5,329.08	5,567.56	5,567.56	5,993.94	5,993.94
7	Other contingent funding obligations	259,508.03	10,958.57	260,446.40	10,975.47	263,394.18	11,116.33	240,539.04	9,882.59
8	**TOTAL CASH OUTFLOWS**		189,609.74		158,047.95		149,311.55		151,882.31
Cash Inflows									
9	Secured lending (eg. reverse repo)	28,920.03	-	15,742.82	-	6,085.12	-	7,475.08	-
10	Inflows from fully performing exposures	29,834.23	20,486.21	26,837.93	18,100.37	29,440.23	21,375.26	32,929.08	23,639.66
11	Other cash inflows	33,896.15	33,896.15	19,463.48	19,463.48	18,595.27	18,595.27	23,694.78	23,694.78
12	**TOTAL CASH INFLOWS**	92,650.41	54,382.36	62,044.23	37,563.85	54,120.62	39,970.53	64,098.94	47,334.44
		Total adjusted Value		**Total adjusted Value**		**Total adjusted Value**		**Total adjusted Value**	
21	**TOTAL HQLA**		**153,367.16**		**136,689.42**		**131,204.91**		**131,403.54**
22	**TOTAL NET CASH OUTFLOWS**		**135,227.38**		**120,484.10**		**109,341.02**		**104,547.87**
23	**LIQUIDITY COVERAGE RATIO %**		**113.41%**		**113.45%**		**120.00%**		**125.69%**

Notes:
1) Average for all the quarters is simple average of daily observations for the quarter.
2) Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.
3) In compliance with the RBI directive received, the Bank has computed LCR as per the revised definition of 'Operational Deposits' with effect from 20 December, 2019. As a result, the LCR for the quarter ended 31 March, 2020 is strictly not comparable with the LCR reported for previous quarters.

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(₹ in crores)

		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 (HQLAs)		122,173.58		112,336.65		98,417.24		82,905.66
Cash Outflows									
2	Retail Deposits and deposits from small business customers, of which:	288,756.01	26,298.55	276,752.92	25,082.62	262,954.38	23,773.05	250,441.74	22,587.17
(i)	Stable Deposits	51,541.11	2,577.06	51,853.44	2,592.67	50,447.68	2,522.38	49,140.03	2,457.00
(ii)	Less Stable Deposits	237,214.90	23,721.49	224,899.48	22,489.95	212,506.70	21,250.67	201,301.71	20,130.17
3	Unsecured wholesale funding, of which:	156,131.98	79,803.19	147,846.47	74,665.27	138,551.93	71,267.03	133,534.29	68,572.86
(i)	Operational deposits (all counterparties)	45,839.18	11,448.44	45,614.30	11,396.72	42,070.15	10,511.43	41,286.10	10,315.38
(ii)	Non-operational deposits (all counterparties)	110,292.80	68,354.75	102,232.17	63,268.55	96,481.78	60,775.60	92,248.19	58,257.48
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		489.13		-		1,315.08
5	Additional requirements, of which:	33,663.94	22,274.62	44,959.20	31,958.57	39,442.47	27,091.98	37,859.76	25,588.32
(i)	Outflows related to derivative exposures and other collateral requirements	20,690.63	20,690.63	30,309.69	30,309.69	25,518.93	25,518.93	23,839.39	23,839.39
(ii)	Outflows related to loss of funding on debt products	35.28	35.28	112.93	112.93	179.59	179.59	136.23	136.23
(iii)	Credit and liquidity facilities	12,938.03	1,548.71	14,536.58	1,535.95	13,743.95	1,393.46	13,884.14	1,612.70
6	Other contractual funding obligations	5,481.21	5,481.21	5,347.92	5,347.92	4,303.74	4,241.13	4,115.59	4,025.59
7	Other contingent funding obligations	229,362.92	9,296.33	232,701.55	9,189.17	236,628.98	9,380.16	226,614.14	8,914.06
8	**TOTAL CASH OUTFLOWS**		143,153.90		146.732.68		135,753.34		131,003.08
Cash Inflows									
9	Secured lending (eg. reverse repo)	9,018.11	-	4,657.91	-	3,172.41	-	2,130.44	-
10	Inflows from fully performing exposures	34,209.85	24,150.15	34,751.35	24,671.71	36,368.55	24,909.84	31,469.06	20,819.65
11	Other cash inflows	20,164.89	20,164.89	30,454.88	30,454.88	25,478.59	25,478.59	23,503.92	23,503.92
12	**TOTAL CASH INFLOWS**	63,392.85	44,315.04	69,864.14	55,126.59	65,019.55	50,388.43	57,103.42	44,323.57
		Total adjusted Value		**Total adjusted Value**		**Total adjusted Value**		**Total adjusted Value**	
21	**TOTAL HQLA**		**122,173.58**		**112,336.65**		**98,417.24**		**82,905.66**
22	**TOTAL NET CASH OUTFLOWS**		**98,838.86**		**91,606.09**		**85,364.91**		**86,679.51**
23	**LIQUIDITY COVERAGE RATIO %**		**123.61%**		**122.63%**		**115.29%**		**95.65%**

Notes: 1) Average for all the quarters is simple average of daily observations for the quarter.

2) Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

2.2 Other disclosures

2.2.1 During the year, the Bank has appropriated ₹340.46 crores (previous year ₹124.93 crores) to the Capital Reserve, net of taxes and transfer to Statutory Reserve, being the gain on sale of HTM investments in accordance with RBI guidelines. As advised by RBI, the Bank has also appropriated ₹0.06 crores (previous year ₹0.16 crores) to the Capital Reserve, net of taxes and transfer to Statutory Reserve, being the profit on sale of immovable property.

2.2.2 During the year, the Bank has appropriated ₹328.00 crores (previous year ₹600.00 crores) to the Investment Fluctuation Reserve in accordance with RBI guidelines.

2.2.3 During the year, the Bank has appropriated ₹0.85 crores (previous year ₹0.63 crores) to Reserve Fund account towards statutory reserve in accordance with guidelines issued by Central Bank of Sri Lanka in respect of Colombo branch operations.

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2.2.4 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

	31 March, 2020	31 March, 2019
Basic and Diluted earnings for the year (Net profit after tax) (₹ in crores)	**1,627.22**	4,676.61
Basic weighted average no. of shares (in crores)	**271.51**	256.90
Add: Equity shares for no consideration arising on grant of stock options under ESOP (in crores)	**0.98**	1.58
Diluted weighted average no. of shares (in crores)	**272.49**	258.48
Basic EPS (₹)	**5.99**	18.20
Diluted EPS (₹)	**5.97**	18.09
Nominal value of shares (₹)	**2.00**	2.00

Dilution of equity is on account of 8,395,776 stock options and 1,420,559 warrants (previous year 9,813,655 stock options and 6,033,509 warrants).

2.2.5 Employee Stock Options Scheme ('the Scheme')

Pursuant to the approval of the shareholders in February 2001, the Bank approved an Employee Stock Option Scheme under which eligible employees are granted an option to purchase shares subject to vesting conditions. Over the period till March 2020, pursuant to the approval of the shareholders, the Bank approved ESOP schemes for options aggregating 265,087,000 that vest in a graded manner over 3 years. The options can be exercised within three/five years from the date of the vesting as the case may be. Within the overall ceiling of 265,087,000 stock options approved for grant by the shareholders as stated earlier, the Bank is authorised to issue options to eligible employees and Whole Time Directors of the subsidiary companies.

259,613,700 options have been granted under the Schemes till the previous year ended 31 March, 2019. Pursuant to the approval of the Nomination and Remuneration Committee on 27 March, 2019, the Bank granted 8,650,150 stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees/directors of the Bank/subsidiary companies at a grant price of ₹757.10. Further, during FY2019-20, the Bank granted stock options (each option representing entitlement to one equity share of the Bank) to its eligible employees/directors of the Bank/subsidiary companies, the details of which are as under:

Date of grant	**No. of options granted**	**Grant price (₹ per option)**
25 April, 2019	430,000	752.85
29 July, 2019	90,000	729.85
21 January, 2020	330,000	727.20

Stock option activity under the Scheme for the year ended 31 March, 2020 is set out below:

	Options outstanding	**Range of exercise prices (₹)**	**Weighted average exercise price (₹)**	**Weighted average remaining contractual life (Years)**
Outstanding at the beginning of the year	30,132,874	288.96 to 619.60	465.06	4.13
Granted during the year	9,500,150	727.20 to 757.10	755.61	-
Forfeited during the year	(1,018,650)	306.54 to 757.10	623.71	-
Expired during the year	(950)	288.96	288.96	-
Exercised during the year	(5,947,539)	288.96 to 535.00	397.02	-
Outstanding at the end of the year	**32,665,885**	**306.54 to 757.10**	**557.01**	**4.15**
Exercisable at the end of the year	20,373,840	306.54 to 757.10	505.98	3.03

The weighted average share price in respect of options exercised during the year was ₹715.09.

Stock option activity under the Scheme for the year ended 31 March, 2019 is set out below:

	Options outstanding	**Range of exercise prices (₹)**	**Weighted average exercise price (₹)**	**Weighted average remaining contractual life (Years)**
Outstanding at the beginning of the year	29,554,909	217.33 to 535.00	432.45	4.22
Granted during the year	6,455,000	504.85 to 619.60	516.05	-
Forfeited during the year	(748,700)	306.54 to 535.00	500.67	-
Expired during the year	(22,400)	288.96	288.96	-
Exercised during the year	(5,105,935)	217.33 to 535.00	336.29	-
Outstanding at the end of the year	**30,132,874**	**288.96 to 619.60**	**465.06**	**4.13**
Exercisable at the end of the year	17,138,224	288.96 to 535.00	436.22	2.87

The weighted average share price in respect of options exercised during the year was ₹623.15.

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Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

	31 March, 2020	31 March, 2019
Net Profit (as reported) (₹ in crores)	**1,627.22**	4,676.61
Add: Stock based employee compensation expense included in net income (₹ in crores)	**–**	–
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crores)	**(137.07)**	(95.04)
Net Profit (Proforma) (₹ in crores)	**1,490.15**	4,581.57
Earnings per share: Basic (in ₹)		
As reported	**5.99**	18.20
Proforma	**5.49**	17.83
Earnings per share: Diluted (in ₹)		
As reported	**5.97**	18.09
Proforma	**5.47**	17.77

During the years ended, 31 March, 2020 and 31 March, 2019, no cost has been incurred by the Bank on ESOPs issued to the employees of the Bank and employees of subsidiaries under the intrinsic value method.

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	31 March, 2020	31 March, 2019
Dividend yield	**0.54%**	0.76%
Expected life	**1.82-3.82 years**	2.57-4.57 years
Risk free interest rate	**5.99% to 6.96%**	7.07% to 7.63%
Volatility	**28.07% to 28.60%**	28.78% to 30.82%

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The weighted average fair value of options granted during the year ended 31 March, 2020 is ₹200.15 (previous year ₹164.10).

On 18 March, 2020, the Nomination and Remuneration Committee of the Board of Directors of the Bank has approved the grant of upto 12,500,000 stock options to eligible employees. As on 31 March, 2020, there have been no allotments of options under this grant. Accordingly, these options have not been considered in the above disclosure and for disclosure of proforma net profit and EPS under fair value method for FY 2019-20.

2.2.6 Proposed Dividend

The Reserve Bank of India, vide its circular dated 17 April, 2020, has advised that banks shall not make any further dividend payouts from profits pertaining to the financial year ended 31 March, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank has not proposed any dividend for the year ended 31 March, 2020.

2.2.7 Segmental reporting

The business of the Bank is divided into four segments: Treasury, Retail Banking, Corporate/Wholesale Banking and Other Banking Business. These segments have been identified based on the RBI's revised guidelines on Segment Reporting issued on 18 April, 2007 vide Circular No. DBOD.No.BP.BC.81/21.04.018/2006-07. The principal activities of these segments are as under.

Segment	Principal Activities
Treasury	Treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the proprietary account and for customers. The Treasury segment also includes the central funding unit.
Retail Banking	Constitutes lending to individuals/small businesses through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Retail Banking activities also include liability products, card services, internet banking, mobile banking, ATM services, depository, financial advisory services and NRI services.
Corporate/Wholesale Banking	Includes corporate relationships not included under Retail Banking, corporate advisory services, placements and syndication, project appraisals, capital market related services and cash management services.
Other Banking Business	Includes para banking activities like third party product distribution and other banking transactions not covered under any of the above three segments.

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Unallocated assets and liabilities - All items which are reckoned at an enterprise level are classified under this segment such as deferred tax, money received against share warrants, tax paid in advance net of provision, etc.

Revenues of the Treasury segment primarily consist of fees and gains or losses from trading operations and interest income on the investment portfolio. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Revenues of the Corporate/Wholesale Banking segment consist of interest and fees earned on loans given to customers falling under this segment and fees arising from transaction services and merchant banking activities such as syndication and debenture trusteeship. Revenues of the Retail Banking segment are derived from interest earned on loans classified under this segment, fees for banking and advisory services, ATM interchange fees and cards products. Expenses of the Corporate/Wholesale Banking and Retail Banking segments primarily comprise interest expense on deposits and funds borrowed from other internal segments, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Segment income includes earnings from external customers and from funds transferred to the other segments. Segment result includes revenue as reduced by interest expense and operating expenses and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Inter segment interest income and interest expense represent the transfer price received from and paid to the Central Funding Unit (CFU) respectively. For this purpose, the funds transfer pricing mechanism presently followed by the Bank, which is based on historical matched maturity and internal benchmarks, has been used. Operating expenses other than those directly attributable to segments are allocated to the segments based on an activity-based costing methodology. All activities in the Bank are segregated segment-wise and allocated to the respective segment.

Effective 1 April 2019, the Bank has reported inter segment revenue and inter segment expense in the Central Funding Unit (which forms part of Treasury segment) on a net basis as against earlier practice of reporting revenue and expenses on a gross basis. Accordingly, segmental revenue numbers for the previous period have been restated to make them comparable with current period numbers. There is no impact of this change on the segmental profit before tax.

Segmental results are set out below:

(₹ in crores)

	31 March, 2020				
	Treasury	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Business**	**Total**
Segment Revenue					
Gross interest income (external customers)	14,574.22	18,538.09	29,522.85	-	62,635.16
Other income	3,988.16	3,852.72	6,453.32	1,242.36	15,536.56
Total income as per Profit and Loss Account	**18,562.38**	**22,390.81**	**35,976.17**	**1,242.36**	**78,171.72**
Add/(less) inter segment interest income	4,813.04	6,524.53	25,323.09	0.01	36,660.67
Total segment revenue	**23,375.42**	**28,915.34**	**61,299.26**	**1,242.37**	**114,832.39**
Less: Interest expense (external customers)	16,345.72	1,241.93	19,841.31	-	37,428.96
Less: Inter segment interest expense	2,299.55	14,464.23	19,896.23	0.66	36,660.67
Less: Operating expenses	302.09	4,413.50	12,267.84	321.19	17,304.62
Operating profit	**4,428.06**	**8,795.68**	**9,293.88**	**920.52**	**23,438.14**
Less: Provision for non-performing assets/others*	2,599.64	9,726.06	4,325.55	0.38	16,651.63
Less: Unallocated Provision for other contingencies#					1,882.28
Segment result	**1,828.42**	**(930.38)**	**4,968.33**	**920.14**	**4,904.23**
Less: Provision for tax					3,277.01
Extraordinary profit/loss					-
Net Profit					**1,627.22**
Segment assets	320,153.31	257,557.11	328,156.61	283.88	906,150.91
Unallocated assets					9,013.91
Total assets					**915,164.82**
Segment liabilities	291,911.84	132,443.67	403,812.82	63.49	828,231.82
Unallocated liabilities					1,985.15
Total liabilities					**830,216.97**
Net assets	**28,241.47**	**125,113.44**	**(75,656.21)**	**220.39**	**84,947.85**
Capital expenditure for the year	6.89	229.82	624.99	8.66	870.36
Depreciation on fixed assets for the year	6.12	204.10	555.04	7.69	772.95

*represents material non-cash items other than depreciation
represents provision for COVID-19 over and above regulatory requirement, per extant guidelines as on date of adoption of financial statements by the Board

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(₹ in crores)

	31 March, 2019				
	Treasury	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other Banking Business**	**Total**
Segment Revenue					
Gross interest income (external customers)	13,848.40	17,439.94	23,697.43	-	54,985.77
Other income	2,355.65	4,320.54	5,224.37	1,229.78	13,130.34
Total income as per Profit and Loss Account	**16,204.05**	**21,760.48**	**28,921.80**	**1,229.78**	**68,116.11**
Add/(less) inter segment interest income	6,680.96	6,175.11	20,249.77	0.01	33,105.85
Total segment revenue	**22,885.01**	**27,935.59**	**49,171.57**	**1,229.79**	**101,221.96**
Less: Interest expense (external customers)	16,884.94	1,170.08	15,222.58	-	33,277.60
Less: Inter segment interest expense	3,048.35	13,520.57	16,536.06	0.87	33,105.85
Less: Operating expenses	414.52	3,800.03	11,265.40	353.45	15,833.40
Operating profit	**2,537.20**	**9,444.91**	**6,147.53**	**875.47**	**19,005.11**
Less: Provision for non-performing assets/others*	690.12	9,026.31	2,248.59	66.00	12,031.02
Segment result	**1,847.08**	**418.60**	**3,898.94**	**809.47**	**6,974.09**
Less: Provision for tax					2,297.48
Extraordinary profit/loss					-
Net Profit					4,676.61
Segment assets	283,985.76	238,692.89	268,642.17	337.05	791,657.87
Unallocated assets					9,338.66
Total assets					**800,996.53**
Segment liabilities	274,441.80	129,036.23	329,975.67	53.89	733,507.59
Unallocated liabilities					812.64
Total liabilities					**734,320.23**
Net assets	**9,543.96**	**109,656.66**	**(61,333.50)**	**283.16**	**66,676.30**
Capital expenditure for the year	15.52	200.43	674.32	14.80	905.07
Depreciation on fixed assets for the year	12.17	157.17	528.78	11.60	709.72

*represents material non-cash items other than depreciation

Geographic Segments

(₹ in crores)

	Domestic		International		Total	
	31 March, 2020	31 March, 2019	**31 March, 2020**	31 March, 2019	**31 March, 2020**	31 March, 2019
Revenue	**76,113.68**	64,700.02	**2,058.04**	3,416.09	**78,171.72**	68,116.11
Assets	**861,491.30**	753,055.38	**53,673.52**	47,941.15	**915,164.82**	800,996.53
Capital Expenditure for the year	**869.05**	902.89	**1.31**	2.18	**870.36**	905.07
Depreciation on fixed assets for the year	**771.16**	707.05	**1.79**	2.67	**772.95**	709.72

2.2.8 Related party disclosure

The related parties of the Bank are broadly classified as:

a) *Promoters*

The Bank has identified the following entities as its Promoters.

- Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI)
- Life Insurance Corporation of India (LIC)
- General Insurance Corporation, New India Assurance Co. Limited, National Insurance Co. Limited, United India Insurance Co. Limited and The Oriental Insurance Co. Limited.

b) *Key Management Personnel*

- Mr. Amitabh Chaudhry (MD & CEO)
- Ms. Shikha Sharma (MD & CEO) (upto 31 December, 2018)
- Mr. V. Srinivasan (Deputy Managing Director) (upto 20 December, 2018)
- Mr. Rajesh Dahiya [Executive Director (Corporate Centre)]
- Mr. Rajiv Anand [Executive Director (Wholesale Banking)]
- Mr. Pralay Mondal [Executive Director (Retail Banking)] (w.e.f. 1 August, 2019)

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c) *Relatives of Key Management Personnel*

Ms. Preeti Chaudhry, Mr. Anagh Chaudhry, Mr. Aruj Chaudhry, Mr. Aryan Chaudhry, Ms. Chhavi Kharb, Mr. Om Singh Chaudhry, Ms. Kusum Chaudhry, Mr. Sanjaya Sharma, Ms. Usha Bharadwaj, Mr. Tilak Sharma, Ms. Tvisha Sharma, Dr. Sanjiv Bharadwaj, Dr. Prashant Bharadwaj, Dr. Brevis Bharadwaj, Dr. Reena Bharadwaj, Ms. Gayathri Srinivasan, Mr. V. Satish, Ms. Camy Satish, Ms. Ananya Srinivasan, Ms. Anagha Srinivasan, Ms. Geetha N., Ms. Chitra R., Ms. Sumathi N., Mr. S. Ranganathan, Mr. R. Narayan, Ms. Gitanjali Anand, Ms. Tara Anand, Ms. Nandita Anand, Mr. P.L. Narain, Mr. P. Srinivas, Ms. Ratna Rao Shekar, Ms. P. Kamashi, Ms. Hemant Dahiya, Ms. Arooshi Dahiya, Ms. Mallika Dahiya, Ms. Jal Medha, Ms. Pooja Rathi, Mr. Jai Prakash Dahiya, Ms. Mahasweta Mondal, Ms. Pritha Mondal, Ms. Trina Mondal, Mr. Biplab Mondal, Ms. Anima Mondal.

d) *Subsidiary Companies*

- Axis Capital Limited
- Axis Private Equity Limited
- Axis Trustee Services Limited
- Axis Asset Management Company Limited
- Axis Mutual Fund Trustee Limited
- Axis Bank UK Limited
- Axis Finance Limited
- Axis Securities Limited
- A.Treds Limited
- Accelyst Solutions Private Limited
- Freecharge Payment Technologies Private Limited

e) *Step down subsidiary companies*

- Axis Capital USA LLC

  Based on RBI guidelines, details of transactions with step down subsidiaries are not disclosed since there is only one entity/ party in this category.

The details of transactions of the Bank with its related parties during the year ended 31 March, 2020 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel#	Subsidiaries	Total
Dividend paid	46.04	0.04	–	–	**46.08**
Dividend received	–	–	–	240.26	**240.26**
Interest paid	551.48	1.07	0.15	15.57	**568.27**
Interest received	0.19	0.26	–	53.95	**54.40**
Investment of the Bank	–	–	–	6.70	**6.70**
Investment in non-equity instruments of related party	–	–	–	45.00	**45.00**
Investment of related party in the Bank	–	5.44	–	–	**5.44**
Redemption of Hybrid capital/Bonds of the Bank	55.00	–	–	–	**55.00**
Purchase of investments	–	–	–	369.16	**369.16**
Sale of investments	1,318.04	–	–	–	**1,318.04**
Management contracts	–	–	–	12.87	**12.87**
Remuneration paid	–	15.84	–	–	**15.84**
Contribution to employee benefit fund	15.42	–	–	–	**15.42**
Repayment of security deposits by related party	–	–	–	–	**–**
Non-funded commitments (issued)	–	–	–	–	**–**
Call/Term lending to related party	–	–	–	55.61	**55.61**
Repayment of Call/Term lending by related party	–	–	–	55.61	**55.61**
Swaps/Forward contracts	–	–	–	79.34	**79.34**
Advance granted (net)	–	–	–	0.45	**0.45**
Advance repaid	5.31	6.01	–	86.47	**97.79**
Purchase of loans	–	–	–	–	**–**
Sell down of loans (including undisbursed loan commitments)	–	–	–	–	**–**
Receiving of services	202.74	–	–	178.55	**381.29**
Rendering of services	29.38	0.01	–	50.60	**79.99**
Sale of foreign exchange currency to related party	–	1.48	0.03	–	**1.51**
Royalty received	–	–	–	3.03	**3.03**
Other reimbursements from related party	–	–	–	37.77	**37.77**
Other reimbursements to related party	0.19	–	–	10.53	**10.72**

Details of transactions of the Bank with relatives of KMP are for the period during which the KMP are related parties of the Bank.

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The balances payable to/receivable from the related parties of the Bank as on 31 March, 2020 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel#	Subsidiaries	Total
Call/Term lending to related party	-	-	-	-	**-**
Deposits with the Bank	7,119.06	16.01	5.99	565.88	**7,706.94**
Placement of security deposits	0.31	-	-	-	**0.31**
Advances	1.31	4.85	0.03	351.56	**375.75**
Investment of the Bank	-	-	-	2,292.82	**2,292.82**
Investment in non-equity instruments of related party	-	-	-	-	**-**
Investment of related party in the Bank	88.56	0.08	-	-	**88.64**
Non-funded commitments	3.32	-	-	-	**3.32**
Investment of related party in Hybrid capital/Bonds of the Bank	2,760.00	-	-	-	**2,760.00**
Payable under management contracts	-	-	-	-	**-**
Other receivables (net)	-	-	-	6.13	**6.13**
Other payables (net)	-	-	-	26.64	**26.64**

Details of transactions of the Bank with relatives of KMP are for the period during which the KMP are related parties of the Bank.

The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2020 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel#	Subsidiaries	Total
Deposits with the Bank	16,652.92	20.86	5.99	1,106.09	**17,785.86**
Placement of deposits	0.31	–	–	–	**0.31**
Advances	11.51	10.99	0.06	1,473.93	**1,496.49**
Investment of the Bank	–	–	–	2,292.82	**2,292.82**
Investment of related party in the Bank	93.60	0.09	–	–	**93.69**
Investment in non-equity instruments of related party	290.05	–	–	–	**290.05**
Non-funded commitments	3.33	–	–	–	**3.33**
Call lending	–	–	–	55.61	**55.61**
Swaps/Forward contracts	–	–	–	1.51	**1.51**
Investment of related party in Hybrid Capital/Bonds of the Bank	2,815.00	–	–	–	**2,815.00**
Payable under management contracts	–	–	–	–	**–**
Other receivables (net)	–	–	–	17.94	**17.94**
Other payables (net)	–	–	–	88.19	**88.19**

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(Currency: In Indian Rupees)

The details of transactions of the Bank with its related parties during the year ended 31 March, 2019 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Dividend paid	-	–	–	–	**–**
Dividend received	–	–	–	131.10	**131.10**
Interest paid	554.78	0.41	0.12	17.41	**572.72**
Interest received	0.13	1.09	–	22.19	**23.41**
Investment of the Bank	–	–	–	197.17	**197.17**
Investment in non-equity instruments of related party	341.26	–	–	50.00	**391.26**
Investment of related party in the Bank	–	17.93	–	–	**17.93**
Redemption of Hybrid capital/Bonds of the Bank	1,510.00	–	–	–	**1,510.00**
Purchase of investments	205.00	–	–	–	**205.00**
Sale of investments	857.07	–	–	–	**857.07**
Management contracts	–	–	–	18.64	**18.64**
Remuneration paid	–	18.49	–	–	**18.49**
Contribution to employee benefit fund	16.53	–	–	–	**16.53**
Repayment of security deposits by related party	0.12	–	–	–	**0.12**
Non-funded commitments (issued)	–	–	–	–	**–**
Repayment of Call/Term lending by related party	–	–	–	352.14	**352.14**
Swaps/Forward contracts	–	–	–	138.31	**138.31**
Advance granted (net)	–	–	–	22.15	**22.15**
Advance repaid	0.45	7.38	–	621.41	**629.24**
Purchase of loans	–	–	–	–	**–**
Sell down of loans (including undisbursed loan commitments)	–	–	–	–	**–**
Receiving of services	120.46	–	–	969.90	**1,090.36**
Rendering of services	27.88	0.03	–	195.79*	**223.70**
Sale of foreign exchange currency to related party	–	1.35	0.01	–	**1.36**
Other reimbursements from related party	–	–	–	22.68	**22.68**
Other reimbursements to related party	0.66	–	–	1.09	**1.75**

Details of transactions of the Bank with relatives of KMP are for the period during which the KMP are related parties of the Bank.

* Net of reversal of ₹46 crores towards fees receivable from Axis Asset Management Company Limited, pursuant to change in SEBI guidelines.

The balances payable to/receivable from the related parties of the Bank as on 31 March, 2019 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel[#]	Subsidiaries	Total
Call/Term lending to related party	–	–	–	–	**–**
Deposits with the Bank	9,146.04	13.91	0.55	378.75	**9,539.25**
Placement of security deposits	0.31	–	–	–	**0.31**
Advances	6.62	10.90	0.03	437.58	**455.13**
Investment of the Bank	–	–	–	2,286. 12	**2,286.12**
Investment in non-equity instruments of related party	290.05	–	–	–	**290.05**
Investment of related party in the Bank	93.60	0.08	–	–	**93.68**
Non-funded commitments	3.33	–	–	–	**3.33**
Investment of related party in Hybrid capital/Bonds of the Bank	2,790.00	–	–	–	**2,790.00**
Payable under management contracts	–	–	–	–	**–**
Other receivables (net)	–	–	–	17.94	**17.94**
Other payables (net)	–	–	–	88.19	**88.19**

[#] Details of transactions of the Bank with relatives of KMP are for the period during which the KMP are related parties of the Bank.

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The maximum balances payable to/receivable from the related parties of the Bank during the year ended 31 March, 2019 are given below:

(₹ in crores)

Items/Related Party	Promoters	Key Management Personnel	Relatives of Key Management Personnel	Subsidiaries	Total
Deposits with the Bank	17,078.36	22.86	5.49	890.52	**17,997.23**
Placement of deposits	0.43	–	–	–	**0.43**
Advances	154.79	19.66	0.17	1,172.33	**1,346.95**
Investment of the Bank	–	–	–	2,286.12	**2,286.12**
Investment of related party in the Bank	135.32	0.52	–	–	**135.84**
Investment in non-equity instruments of related party	290.05	–	–	–	**290.05**
Non-funded commitments	3.35	–	–	0.05	**3.40**
Call lending	–	–	–	340.78	**340.78**
Swaps/Forward contracts	–	–	–	3.03	**3.03**
Investment of related party in Hybrid Capital/Bonds of the Bank	4,300.00	–	–	–	**4,300.00**
Payable under management contracts	–	3.70	–	–	**3.70**
Other receivables (net)	–	–	–	55.02	**55.02**
Other payables (net)	–	–	–	88.19	**88.19**

The transactions with Promoters and Key Management Personnel excluding those under management contracts are in nature of the banker-customer relationship.

Details of transactions with Axis Mutual Fund the fund floated by Axis Asset Management Company Ltd., the Bank's subsidiary has not been disclosed since the entity does not qualify as Related Parties as defined under the Accounting Standard 18, Related Party Disclosure, as notified under Section 2(2) and Section 133 of the Companies Act, 2013 and as per RBI guidelines.

The significant transactions between the Bank and related parties during the year ended 31 March, 2020 and 31 March, 2019 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(₹ in crores)

Particulars	Year ended 31 March, 2020	Year ended 31 March, 2019
Dividend paid		
Life Insurance Corporation of India	26.32	-
Administrator of the Specified Undertaking of the Unit Trust of India	13.69	-
Dividend received		
Axis Securities Limited	33.23	-
Axis Bank UK Limited	31.07	-
Axis Finance Limited	120.19	-
Axis Capital Limited	42.26	117.60
Axis Trustee Services Limited	13.50	13.50
Interest paid		
Life Insurance Corporation of India	433.28	503.97
Interest received		
Axis Finance Limited	52.28	10.93
Axis Bank UK Limited	0.06	10.12
Investment in Subsidiaries		
A Treds Limited	6.70	13.40
Axis Bank UK Limited	-	183.77

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Particulars	Year ended 31 March, 2020	Year ended 31 March, 2019
Investment in non-equity instruments of related party		
United India Insurance Co. Limited	–	241.26
Oriental Insurance Co. Limited	–	100.00
Axis Finance Limited	45.00	50.00
Investment of related party in the Bank		
Ms. Shikha Sharma	N.A.	8.67
Mr. Rajiv Anand	2.62	4.05
Mr. Rajesh Dahiya	2.82	5.22
Purchase of Investments		
Axis Bank UK Limited	369.16	–
Oriental Insurance Co. Limited	–	205.00
Redemption of Hybrid capital/Bonds of the Bank		
Life Insurance Corporation of India	–	1500.00
General Insurance Corporation Co. Limited	10.00	–
National Insurance Co. Limited	20.00	–
United India Insurance Co. Limited	25.00	10.00
Sale of investments		
New India Assurance Co. Limited	490.00	195.00
General Insurance Corporation Co. Limited	556.00	335.02
United India Insurance Co. Limited	112.18	141.29
Oriental Insurance Co. Limited	99.85	145.76
Management contracts		
Axis Securities Limited	3.97	6.61
A Treds Limited	4.52	6.53
Axis Capital Limited	2.09	2.68
Axis Trustee Services Limited	2.29	2.80
Remuneration paid		
Mr. Amitabh Chaudhry	6.26	1.28
Ms. Shikha Sharma	N.A.	6.83
Mr.. V. Srinivasan	N.A.	4.53
Mr. Rajiv Anand	4.16	3.18
Mr. Rajesh Dahiya	3.75	2.68
Mr. Pralay Mondal	1.67	N.A.
Contribution to employee benefit fund		
Life Insurance Corporation of India	15.42	16.53
Repayment of Call/Term lending by related party		
Axis Bank UK Limited	55.61	352.14
Swaps/Forward contracts		
Axis Bank UK Limited	79.34	138.31
Advance granted (net)		
Axis Capital Limited	–	19.43
Accelyst Solutions Private Limited	–	2.60
Axis Asset Management Company Limited	0.37	–
Axis Securities Limited	0.08	–
Advance repaid		
Axis Capital Limited	19.54	0.02
Axis Bank UK Limited	–	183.77
Axis Finance Limited	64.32	427.61

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Particulars	Year ended 31 March, 2020	Year ended 31 March, 2019
Receiving of services		
New India Assurance Co. Limited	88.90	52.72
Oriental Insurance Co. Limited	93.87	55.84
Freecharge Payment Technologies Private Limited	109.67	84.79
Accelyst Solutions Private Limited	46.09	0.33
Axis Securities Limited	10.39	878.80
Rendering of services		
Life Insurance Corporation of India	28.22	26.60
Axis Securities Limited	10.95	1.32
Axis Asset Management Company Limited	24.75	226.47
Sale of foreign exchange currency to related party		
Ms. Shikha Sharma	N.A.	1.14
Mr. Amitabh Chaudhry	0.40	0.15
Mr. Rajiv Anand	0.36	0.06
Mr. Pralay Mondal	0.72	N.A.
Royalty received		
Axis Asset Management Company Limited	0.70	-
Axis Capital Limited	0.36	-
Axis Finance Limited	1.51	-
Other reimbursements from related party		
Axis Securities Limited	29.10	0.44
Axis Capital Limited	3.90	3.90
Accelyst Solutions Private Limited	0.49	14.40
Other reimbursements to related party		
Axis Securities Limited	5.85	0.13
Life Insurance Corporation of India	0.19	0.66
Axis Capital Limited	0.26	0.22
Axis Bank UK Limited	4.40	0.57

2.2.9 Leases

Disclosure in respect of assets taken on operating lease

This comprise of office premises/ATMs, cash deposit machines, staff quarters, electronic data capturing machines and IT equipment.

(₹ in crores)

	31 March, 2020	31 March, 2019
Future lease rentals payable as at the end of the year:		
– Not later than one year	**850.65**	775.07
– Later than one year and not later than five years	**2,787.14**	2,444.94
– Later than five years	**3,008.19**	2,235.49
Total of minimum lease payments recognised in the Profit and Loss Account for the year	**914.17**	833.95
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	**28.51**	5.50
Sub-lease payments recognised in the Profit and Loss Account for the year	**1.33**	2.08

The Bank has sub-leased certain of its properties taken on lease.

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 generally no undue restrictions or onerous clauses in the agreements.

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Disclosure in respect of assets given on operating lease

(₹ in crores)

	31 March, 2020	31 March, 2019
Gross carrying amount of premises at the end of the year	**157.91**	157.91
Accumulated depreciation at the end of the year	**11.26**	8.63
Total depreciation charged to profit and loss account for the year	**2.63**	0.65
Future lease rentals receivable as at the end of the year:		
– Not later than one year	**29.50**	28.99
– Later than one year and not later than five years	**118.16**	116.54
– Later than five years	**65.36**	100.08

There is no provision relating to contingent rent.

2.2.10 Movement in fixed assets capitalised as application software (included in other Fixed Assets)

(₹ in crores)

Particulars	**31 March, 2020**	31 March, 2019
At cost at the beginning of the year	**1,610.96**	1,291.64
Additions during the year*	**207.34**	319.54
Deductions during the year	**(26.92)**	(0.22)
Accumulated depreciation as at 31 March	**(1,260.53)**	(1,056.47)
Closing balance as at 31 March	**530.85**	554.49
Depreciation charge for the year	**224.28**	198.72

*includes movement on account of exchange rate fluctuation

2.2.11 The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(₹ in crores)

As at	**31 March, 2020**	31 March, 2019
Deferred tax assets on account of provisions for loan losses	**5,932.33**	7,072.93
Deferred tax assets on account of amortisation of HTM investments	**5.01**	8.35
Deferred tax assets on account of provision for employee benefits	**9.05**	97.12
Deferred tax assets on account of other items	**1,366.12**	547.26
Deferred tax assets	**7,312.51**	**7,725.66**
Deferred tax liabilities on account of depreciation on fixed assets	**43.41**	61.14
Deferred tax liabilities on account of other items	**14.13**	23.79
Deferred tax liabilities	**57.54**	**84.93**
Net Deferred tax assets	**7,254.97**	7,640.73

The Bank has elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Act, 2019. The Bank has recognised provision for Income tax for the year ended 31 March, 2020 in line with the above option. This has necessitated a restatement of the opening balance of deferred tax assets as at 1 April, 2019, basis the rate prescribed in the aforesaid section. The restatement has resulted in a write down of ₹2,137.59 crores which has been fully charged to the Profit and Loss account during the year.

2.2.12 Employee Benefits

Provident Fund

The rules of the Bank's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Bank. Based on an actuarial valuation conducted by an independent actuary, there is no deficiency as at the Balance Sheet date.

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Provident Fund benefit plan (including staff deputed at subsidiaries).

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Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

(₹ in crores)

	31 March, 2020	31 March, 2019
Current Service Cost*	**109.92**	98.60
Interest on Defined Benefit Obligation	**168.87**	159.70
Expected Return on Plan Assets	**(205.73)**	(189.59)
Net Actuarial Losses/(Gains) recognised in the year	**36.86**	29.89
Total included in "Employee Benefit Expense" [Schedule 16(I)]	**109.92**	98.60
Actual Return on Plan Assets	**173.11**	132.30

* includes contribution of ₹0.40 crores towards staff deputed at subsidiaries (previous year ₹0.52 crores)

Balance Sheet

Details of provision for provident fund

(₹ in crores)

	31 March, 2020	31 March, 2019
Fair Value of Plan Assets	**2,494.37**	2,245.71
Present Value of Funded Obligations	**(2,494.37)**	(2,245.71)
Net Asset	**–**	–
Amounts in Balance Sheet		
Liabilities	**–**	–
Assets	**–**	–
Net Asset	**–**	–

Changes in the present value of the defined benefit obligation are as follows:

(₹ in crores)

	31 March, 2020	31 March, 2019
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	**2,245.71**	2,006.65
Current Service Cost	**109.92**	98.60
Interest Cost	**168.87**	159.70
Actuarial Losses/(Gains)	**4.24**	(27.40)
Employees Contribution	**276.90**	217.42
Liability transferred from/to other companies	**(14.90)**	(16.45)
Benefits Paid	**(296.37)**	(192.81)
Closing Defined Benefit Obligation	**2,494.37**	2,245.71

Changes in the fair value of plan assets are as follows:

(₹ in crores)

	31 March, 2020	31 March, 2019
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	**2,245.71**	2,006.65
Expected Return on Plan Assets	**205.73**	189.59
Actuarial Gains/(Losses)	**(32.62)**	(57.29)
Employer contribution during the period	**109.92**	98.60
Employee contribution during the period	**276.90**	217.42
Assets transferred from/to other companies	**(14.90)**	(16.45)
Benefits Paid	**(296.37)**	(192.81)
Closing Fair Value of Plan Assets	**2,494.37**	2,245.71

AXIS BANK LIMITED

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18 Notes forming part of the financial statements for the year ended 31 March, 2020

(Currency: In Indian Rupees)

Experience adjustments

(₹ in crores)

	31 March, 2020	**31 March, 2019**	31 March, 2018	31 March, 2017	31 March, 2016
Defined Benefit Obligations	**2,494.37**	2,245.71	2,006.65	1,688.78	1,439.02
Plan Assets	**2,494.37**	2,245.71	2,006.65	1,688.78	1,439.02
Surplus/(Deficit)	**–**	–	–	–	–
Experience Adjustments on Plan Liabilities	**4.24**	(27.40)	12.10	20.83	12.08
Experience Adjustments on Plan Assets	**(32.62)**	(57.29)	(30.95)	0.58	(6.16)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2020 (in percentage)	31 March, 2019 (in percentage)
Government securities	**55**	56
Bonds, debentures and other fixed income instruments	**15**	40
Equity shares	**4**	3
Others	**26**	1

	31 March, 2020	31 March, 2019
Discount rate for the term of the obligation	**6.45%**	7.65%
Average historic yield on the investment portfolio	**8.83%**	8.88%
Discount rate for the remaining term to maturity of the investment portfolio	**6.85%**	7.55%
Expected investment return	**8.43%**	8.98%
Guaranteed rate of return	**8.50%**	8.65%

The contribution to the employee's provident fund (including Employee Pension Scheme) amounted to ₹197.75 crores (previous year ₹161.28 crores) for the year.

The Hon'ble Supreme Court of India ("SC") by an order dated 28 February, 2019 in one case, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Basis subsequent clarification provided by the Employees' Provident Fund Organisation on the said order and an independent legal opinion, the Bank has implemented the principles laid down in the order effective 1 April, 2019.

Superannuation

The Bank contributed ₹15.24 crores (previous year ₹16.29 crores) to the employees' superannuation plan for the year.

National Pension Scheme (NPS)

During the year, the Bank contributed ₹6.35 crores (previous year ₹5.19 crores) to the NPS for employees who have opted for the scheme.

Leave Encashment

The liability of compensated absences of accumulated privileged leave of employees of the Bank is given below:

(₹ in crores)

	31 March, 2020	31 March, 2019
Liability – Privilege Leave	**58.10**	247.35
Total included in "Employee Benefit Expense" [Schedule 16(I)]	**(8.99)**	46.62

Gratuity

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the Gratuity benefit plan.

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18 Notes forming part of the financial statements for the year ended 31 March, 2020

(Currency: In Indian Rupees)

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

(*₹ in crores)*

	31 March, 2020	31 March, 2019
Current Service Cost	**50.81**	44.67
Interest on Defined Benefit Obligation	**32.95**	29.15
Expected Return on Plan Assets	**(29.60)**	(24.61)
Net Actuarial Losses/(Gains) recognised in the year	**40.95**	7.86
Past Service Cost	**0.78**	–
Total included in "Employee Benefit Expense" [Schedule 16(I)]	**95.89**	57.07
Actual Return on Plan Assets	**22.86**	33.97

Balance Sheet

Details of provision for gratuity

(*₹ in crores)*

	31 March, 2020	31 March, 2019
Fair Value of Plan Assets	**467.75**	391.91
Present Value of Funded Obligations	**(469.30)**	(402.15)
Unrecognised past service cost	**1.55**	2.33
Net Asset	–	(7.91)
Amounts in Balance Sheet		
Liabilities	–	7.91
Assets	–	–
Net Liability (included under Schedule 5 – Other Liabilities)	–	(7.91)

Changes in the present value of the defined benefit obligation are as follows:

(*₹ in crores)*

	31 March, 2020	31 March, 2019
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	**402.15**	342.56
Current Service Cost	**50.81**	44.67
Interest Cost	**32.95**	29.15
Actuarial Losses/(Gains)	**34.21**	17.22
Past service cost	–	2.33
Benefits Paid	**(50.82)**	(33.78)
Closing Defined Benefit Obligation	**469.30**	402.15

Changes in the fair value of plan assets are as follows:

(*₹ in crores)*

	31 March, 2020	31 March, 2019
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	**391.91**	323.72
Expected Return on Plan Assets	**29.60**	24.61
Actuarial Gains/(Losses)	**(6.74)**	9.36
Contributions by Employer	**103.80**	68.00
Benefits Paid	**(50.82)**	(33.78)
Closing Fair Value of Plan Assets	**467.75**	391.91

AXIS BANK

AXIS BANK LIMITED
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18 Notes forming part of the financial statements for the year ended 31 March, 2020

(Currency: In Indian Rupees)

Experience adjustments

(₹ in crores)

	31 March, 2020	31 March, 2019	31 March, 2018	31 March, 2017	31 March, 2016
Defined Benefit Obligations	**469.30**	402.15	342.56	284.83	232.55
Plan Assets	**467.75**	391.91	323.72	279.65	232.56
Surplus/(Deficit)	**(1.55)**	(10.24)	(18.84)	(5.18)	0.01
Experience Adjustments on Plan Liabilities	**(8.33)**	7.50	4.39	6.64	2.78
Experience Adjustments on Plan Assets	**(6.74)**	9.36	4.59	(1.64)	(5.36)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets

	31 March, 2020 (in percentage)	31 March, 2019 (in percentage)
Government securities	**30**	38
Bonds, debentures and other fixed income instruments	**42**	48
Money market instruments	**2**	5
Equity shares	**2**	2
Others	**24**	7

Principal actuarial assumptions at the Balance Sheet date:

	31 March, 2020	31 March, 2019
Discount Rate	**6.45% p.a.**	7.65% p.a.
Expected Rate of Return on Plan Assets	**7.50% p.a.**	7.50% p.a.
Salary Escalation Rate	**7.00% p.a.**	7.00% p.a.
Employee Turnover		
– 18 to 30 (age in years)	**24.00%**	20.00%
– 31 to 44 (age in years)	**14.00%**	10.00%
– 45 & above (age in years)	**8.00%**	5.00%

The estimates of future salary increases considered in actuarial valuation take 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 various internal/external factors, a best estimate of the contribution is not determinable.

The above information is as certified by the actuary and relied upon by the auditors.

2.2.13 Provisions and contingencies

a) Movement in provision for frauds included under other liabilities is set out below:

(₹ in crores)

	31 March, 2020	31 March, 2019
Opening balance at the beginning of the year	**53.58**	60.98
Additions during the year	**25.10**	0.78
Reductions on account of payments during the year	**(1.02)**	-
Reductions on account of reversals during the year	-	(8.18)
Closing balance at the end of the year	**77.66**	53.58

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b) Other liabilities include provision for reward points made on actuarial basis, the movement of which is set out below: *(₹ in crores)*

	31 March, 2020	31 March, 2019
Opening provision at the beginning of the year	**205.90**	143.94
Provision made during the year	**214.56**	127.22
Reductions during the year	**(154.36)**	(65.26)
Closing provision at the end of the year	**266.10**	205.90

c) Movement in provision for other contingencies is set out below:

(₹ in crores)

	31 March, 2020	31 March, 2019
Opening provision at the beginning of the year	**187.99**	150.66
Provision made during the year	**2,655.00**	655.26
Reductions during the year	**–**	(617.93)
Closing provision at the end of the year	**2,842.99**	187.99

Closing provision includes provision for legal cases, other contingencies and provision for COVID-19 over and above regulatory requirement

2.2.14 Small and Micro Enterprises

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. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

2.2.15 Corporate Social Responsibility (CSR)

a) Amount required to be spent by the Bank on CSR during the year ₹100.62 crores (previous year ₹127.94 crores).

b) Amount spent towards CSR during the year and recognized as expense in the statement of profit and loss on CSR related activities is ₹100.96 crores (previous year ₹137.59 crores), which comprise of following –

(₹ in crores)

	31 March, 2020			**31 March, 2019**		
	In cash	**Yet to be paid in cash (i.e. provision)**	**Total**	**In cash**	**Yet to be paid in cash (i.e. provision)**	**Total**
Construction/ acquisition of any asset	**0.28**	**–**	**0.28**	11.89	–	11.89
On purpose other than above	**95.33**	**5.35**	**100.68**	125.13	0.57	125.70

2.2.16 Description of contingent liabilities

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax authorities and disputed by the Bank. In addition, the Bank holds provision of ₹68.88 crores as on 31 March, 2020 (previous year ₹56.06 crores) towards claims assessed as probable.

b) Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments.

c) Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate/currency futures and forward rate agreements on its own account and OTC 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. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at

AXIS BANK

AXIS BANK LIMITED

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18 Notes forming part of the financial statements for the year ended 31 March, 2020

(Currency: In Indian Rupees)

a specified price, on a specified future date. 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. 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. An Exchange Traded Currency Option contract is a standardised foreign exchange derivative contract, which gives the buyer the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price. The amount of contingent liability represents the notional principal of respective forward exchange and derivative contracts.

d) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank 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.

e) Acceptances, endorsements and other obligations

These include 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.

f) Other items

Other items represent outstanding amount of bills rediscounted by the Bank, estimated amount of contracts remaining to be executed on capital account, notional principal on account of outstanding Tom/Spot foreign exchange contracts, contracts for purchase of investments where settlement is due post balance sheet date, commitments towards underwriting and investment in equity through bids under Initial Public Offering (IPO) of corporates as at the year end, demands raised by statutory authorities (other than income tax) and disputed by the Bank and amount transferred to Depositor Education and Awareness Fund (DEAF).

During earlier years, the Bank, through one of its overseas branches, had arranged Trade Credit (Buyers Credit loans) against Letters of Undertaking (LOUs) issued by Punjab National Bank (PNB), which were subsequently alleged as fraudulent by PNB. Prior to this declaration by PNB, such buyer's credit loans were sold down in the secondary market by the overseas branch to various participating banks under Risk Participation Agreements. As on 31 March, 2020, there is no funded exposure outstanding in the overseas branch pursuant to such sell down. PNB has repaid the aggregate amount of all LOUs due upto 31 March, 2020, pursuant to an undertaking issued to PNB, and made remittance to the overseas branch which has been passed on for onward payment to the participating banks. Based on the facts and circumstances of the case, internal findings and legal opinion, the Bank does not expect PNB has any valid right at this point in time, for refund by the Bank of the aggregate amount paid by PNB towards LOUs due upto 31 March, 2020. However, as a matter of prudence, the aggregate amount of LOUs issued by PNB to the overseas branch against which buyer's credit was extended, aggregating to ₹4,466.83 crores has been disclosed as part of Contingent Liabilities in the Balance Sheet.

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, where applicable.

2.2.17 Previous year figures have been regrouped and reclassified, where necessary to conform to current year's presentation.

In terms of our report attached.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No.: 103523W/W100048

For Axis Bank Ltd.

Rakesh Makhija
Chairman

Purushottam Nyati
Partner
Membership No.: 118970

S. Vishvanathan
Director

Girish Paranjpe
Director

B. Babu Rao
Director

Amitabh Chaudhry
Managing Director & CEO

Date: 28 April, 2020
Place: Mumbai

Girish V. Koliyote
Company Secretary

Puneet Sharma
Chief Financial Officer

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK
(Incorporated in France with limited liability)
INDIAN BRANCHES

Independent Auditor's Report

To

The Senior Country Officer- India,
Credit Agricole Corporate & Investment Bank– Indian Branches

Report on audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **Credit Agricole Corporate & Investment 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 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

4. We draw attention to Note 18.7.6 of the financial statements which describes the extent to which the COVID-19 pandemic will have impact on 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 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.
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 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.
8. 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

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 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.

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 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.
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 Credit Agricole Corporate & Investment Bank, which is incorporated with limited liability in France;
    g) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
    h) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
        i. the Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12 and Note 18.9.8 of Schedule 18 to the financial statements;
        ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 18.14 of Schedule 18 to the financial statements;
        iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
        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 Credit Agricole Corporate & Investment Bank, which is incorporated in France.
15. The financial statements of the Bank for the year ended 31st March 2019, were audited by another auditor who expressed an unmodified opinion on these statements on 28th May 2019.

For and on behalf of
A P Sanzgiri & Co
Chartered Accountants
Firm Regn. No. 116293W

Sd/-
Ankush Goyal
Partner
(Membership No. 146017)

UDIN: 20146017AAAABD5956

Place: Mumbai
Date: June 16, 2020

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

(Incorporated in France with limited liability)

INDIAN BRANCHES

Annexure A to the Independent Auditor's report of even date on the financial statements of Credit Agricole Corporate & Investment Bank – Indian Branches

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 **Credit Agricole Corporate & Investment Bank – Indian Branches** ('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 offinancial 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 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/-
Ankush Goyal
Partner
(Membership No. 146017)

UDIN: 20146017AAAABD5956

Place: Mumbai
Date: June 16, 2020

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

(Incorporated in France with limited liability)

INDIAN BRANCHES

BALANCE SHEET AS AT MARCH 31, 2020

All amounts in thousands of Indian Rupees

	Schedules	As at March 31, 2020	As at March 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	10,971,666	9,783,701
Reserves and surplus	2	8,308,286	7,315,801
Deposits	3	65,506,423	27,048,614
Borrowings	4	8,524,945	34,464,271
Other liabilities and provisions	5	119,818,961	75,819,952
Total Liabilities		213,130,281	154,432,339
ASSETS			
Cash and balances with Reserve Bank of India	6	10,170,876	2,340,786
Balances with banks and money at call and short notice	7	5,506,872	8,990,402
Investments	8	35,010,343	23,021,469
Advances	9	50,409,872	50,309,614
Fixed assets	10	208,149	229,842
Other assets	11	111,824,169	69,540,226
Total Assets		213,130,281	154,432,339
Contingent liabilities	12	7,099,239,533	5,473,299,419
Bills for collection		38,555,974	33,848,941
Significant Accounting policies	17		
Notes to Accounts	18		

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

All amounts in thousands of Indian Rupees

	Schedules	For the year ended March 31, 2020	For the year ended March 31, 2019
INCOME			
Interest earned	13	5,696,823	5,277,702
Other income	14	464,021	81,505
		6,160,844	5,359,207
EXPENDITURE			
Interest expended	15	3,057,822	3,019,059
Operating expenses	16	1,595,638	1,660,450
Provisions and contingencies	18.10.1	514,899	(919,077)
		5,168,359	3,760,432
PROFIT			
Net profit for the year		992,485	1,598,775
Profit brought forward		(3,198,624)	(4,372,787)
		(2,206,139)	(2,774,012)
APPROPRIATIONS			
Transfer to Statutory Reserve		248,121	399,694
Remitted to Head Office		–	–
Remittable profit retained for capital adequacy		–	–
Transfer to Investment Reserve		28,458	24,918
Transfer to Capital Reserve		–	–
Balance carried forward		(2,482,718)	(3,198,624)
		(2,206,139)	(2,774,012)
Significant Accounting policies	17		
Notes to Accounts	18		

The accompanying schedules are an integral part of the financial statements

As per our attached report of even date

For **A P Sanzgiri & Co**
Chartered Accountants
ICAI Firm Registration No: 116293W

CREDIT AGRICOLE CORPORATE & INVESTMENT BANK
Indian Branches

Sd/-
Ankush Goyal
Partner
Membership Number - 146017

Sd/-
Ravinarayanan Iyer
Chief Financial Officer - India

Sd/-
Loic Borrey
Chief Operating Officer - India

Mumbai
June 16, 2020

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

(Incorporated in France with limited liability)

INDIAN BRANCHES

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(All amounts in thousands of Indian Rupees)

		For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flow from operating activities			
Net Profit after taxes		**992,485**	**1,598,775**
Adjustments for :			
Depreciation on fixed assets		56,716	42,067
Provision for other liabilities		1,039	(50,835)
Provision for taxes		238,273	–
Provision for depreciation on investments		(67,371)	(58,993)
Provisions for country risk, standard assets, bad and doubtful debts (Funded/Non Funded) & write off		123,958	(863,248)
Provisions for CVA		219,000	54,000
(Profit)/ Loss on sale of fixed assets		3,792	36
		1,567,892	**721,802**
Adjustments for :			
(Increase)/Decrease in Investments		(11,921,503)	(5,030,732)
(Increase)/Decrease in Advances		(100,258)	(10,708,516)
Increase/(Decrease) in Borrowings		(20,199,461)	19,469,434
Increase/(Decrease) in Deposits		38,457,809	26,233
(Increase)/Decrease in Other Assets		(42,267,117)	(39,999,591)
Increase/(Decrease) in Other Liabilities and Provisions		43,655,012	42,282,087
		7,624,482	**6,038,915**
Direct Taxes Paid (Net)		(255,098)	–
Net Cash flow from operating activities	**(A)**	**8,937,276**	**6,760,717**
Cash flow from investing activities			
Purchase of fixed assets		(41,946)	(94,102)
Proceeds from sale of fixed assets		3,130	2,572
Net cash flow from investing activities	**(B)**	**(38,816)**	**(91,530)**
Cash flow from financing activities			
Capital remittance from Head Office		1,187,965	–
Profits remitted to Head Office		–	–
Subordinated debt taken/(repaid) from/to Head Office		(5,739,865)	–
Net Cash flow from financing activities	**(C)**	**(4,551,900)**	**–**
Net increase in cash and cash equivalents	**(A + B + C)**	**4,346,560**	**6,669,187**
Cash and cash equivalents at the beginning of the year as per Schedules 6 & 7		11,331,188	4,662,001
Cash and cash equivalents at the end of the year as per Schedules 6 & 7		15,677,748	11,331,188

The accompanying schedules are an integral part of the financial statements

As per our attached report of even date

For **A P Sanzgiri & Co**
Chartered Accountants
ICAI Firm Registration No: 116293W

CREDIT AGRICOLE CORPORATE & INVESTMENT BANK
Indian Branches

Sd/-
Ankush Goyal
Partner
Membership Number - 146017

Sd/-
Ravinarayanan Iyer
Chief Financial Officer - India

Sd/-
Loic Borrey
Chief Operating Officer - India

Mumbai
June 16, 2020

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

(Incorporated in France with limited liability)

INDIAN BRANCHES

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2020

All amounts in thousands of Indian Rupees

		As at March 31, 2020	As at March 31, 2019
1	**CAPITAL**		
	Capital		
	Opening balance	9,783,701	9,783,701
	Additions during the year	1,187,965	–
		10,971,666	9,783,701
		10,971,666	9,783,701
	Deposit kept with the Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949 (Face Value)	4,180,000	3,780,000
2	**RESERVES AND SURPLUS**		
	Statutory reserve		
	Opening balance	4,012,465	3,612,771
	Additions during the year	248,121	399,694
	Closing balance	4,260,586	4,012,465
	Investment Reserve		
	Opening balance	246,950	222,032
	Additions during the year	28,458	24,918
	Closing balance	275,408	246,950
	Capital reserve		
	Opening balance	174,731	174,731
	Closing balance	174,731	174,731
	General Reserve		
	Opening balance	250,670	250,670
	Closing balance	250,670	250,670
	Remittable profit retained for capital adequacy		
	Opening balance	5,829,609	5,829,609
	Closing balance	5,829,609	5,829,609
	Balance in profit and loss account	(2,482,718)	(3,198,624)
		8,308,286	7,315,801
3	**DEPOSITS**		
	Demand deposits		
	From banks	82,262	55,839
	From others	5,714,150	5,610,406
	Savings bank deposits	9,847	18,804
	Term deposits		
	From banks	3,060,000	–
	From others	56,640,164	21,363,565
	Total Deposits	65,506,423	27,048,614
	Deposits of branches in India	65,506,423	27,048,614
		65,506,423	27,048,614

All amounts in thousands of Indian Rupees

		As at March 31, 2020	As at March 31, 2019
4	**BORROWINGS**		
	In India		
	Reserve Bank of India	–	920,000
	Banks other than Reserve Bank of India	4,000,000	14,000,000
	Other institutions and agencies	–	1,898,657
	Outside India		
	From Head Office and its Branches (Incl export refinance)	1,120,020	8,793,774
	Subordinated Debt from Head Office in foreign currency	3,404,925	8,851,840
		8,524,945	34,464,271
	Secured borrowings included in above (Repos and Export Refinance are secured)	180,680	11,612,431
5	**OTHER LIABILITIES AND PROVISIONS**		
	Interoffice adjustments/transactions	–	–
	Bills payable	4,231	6,190
	Interest accrued	319,479	289,252
	Mark-to-market (MTM) adjustments on Foreign Exchange and Derivative contracts (Gross)	115,419,402	73,408,467
	Others [includes CSA margin received Rs. 1,642,400 (P.Y. NIL) Provision for standard assets Rs 905,300 (P.Y. Rs.786,900) Provision for CVA Rs.424,000 (P.Y. Rs. 205,000)]	4,075,849	2,116,043
		119,818,961	75,819,952
6	**CASH AND BALANCES WITH RESERVE BANK OF INDIA**		
	Cash in hand	89	43
	Balances with Reserve Bank of India		
	In current accounts	1,600,787	2,340,743
	In other accounts (Reverse repo under LAF)	8,570,000	–
		10,170,876	2,340,786
7	**BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**		
	In India		
	Balances with banks		
	In Current accounts	16,580	52,508
	Money at call and short notice		
	With Other institutions	–	–
	Outside India		
	In Current accounts	5,490,292	8,937,894
	In other deposit accounts	–	–
	Money at call and short notice	–	–
		5,506,872	8,990,402

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

(Incorporated in France with limited liability)

INDIAN BRANCHES

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2020

All amounts in thousands of Indian Rupees

	As at March 31, 2020	As at March 31, 2019
8 INVESTMENTS		
Investments in India in		
Government securities	35,010,343	23,088,840
Shares	–	–
Others	–	–
Gross Investments in India	35,010,343	23,088,840
Less : Depreciation in the value of investments	–	(67,371)
Net Investments in India	35,010,343	23,021,469
Investments outside India	–	–
	35,010,343	23,021,469

Government securities includes the following at Face Value (amounts in INR '000):

a) Securities kept as collateral under 'Securities Segment' of 8,427,000 & Default Fund of 5,000 with Clearing Corporation of India Ltd (CCIL) (PY 3,490,000 and 5,000 respectively)
b) Securities kept as collateral for 'Triparty Repo' of 6,000,000 & Default Fund of 6,000 with CCIL. (PY 5,200,000 and 3,800 respectively)
c) Securities kept as Default Fund for 'Forex Forward' of 777,000 & for 'Forex Settlement' of 117,000 with CCIL. (PY 430,700 and 128,000 respectively)
d) Securities deposited with RBI under repo NIL (PY 889,670)

	As at March 31, 2020	As at March 31, 2019
9 ADVANCES		
Bills purchased and discounted	6,927,233	22,137,996
Cash credits, overdrafts and loans repayable on demand	37,201,884	25,826,618
Term loans	6,280,755	2,345,000
	50,409,872	50,309,614
Secured by tangible assets (includes secured against book debts)	2,703,496	2,581,697
Covered by bank/ government guarantees	7,893,703	20,419,083
Unsecured	39,812,673	27,308,834
	50,409,872	50,309,614
Advances in India		
Priority sectors	6,226,511	12,867,628
Banks	–	–
Others	44,183,361	37,441,986
	50,409,872	50,309,614

The Bank has purchased Priority Sector Lending Certificates with Face Value Rs. 15,372,500 (P.Y. 5,787,500) to meet PSL needs. The same is not included as part of advances

All amounts in thousands of Indian Rupees

	As at March 31, 2020	As at March 31, 2019
10 FIXED ASSETS		
Premises		
Cost – beginning of the year	212,938	212,938
Additions during the year	–	–
Deductions during the year	–	–
Gross book value	212,938	212,938
Depreciation to date	(115,578)	(109,190)
Net book value	97,360	103,748
Other than premises (including furniture & fixtures)		
Cost - beginning of the year	318,951	271,567
Additions during the year	41,946	94,102
Deductions during the year	(18,628)	(46,718)
Gross book value	342,269	318,951
Depreciation to date	(231,480)	(192,857)
Net book value	110,789	126,094
	208,149	229,842
11 OTHER ASSETS		
Interoffice adjustments/ transactions	–	–
Interest accrued	717,538	462,621
Mark-to-market (MTM) adjustments on Foreign Exchange and Derivative contracts (Gross)	107,492,496	65,765,954
Advance tax/Tax deducted at source (net of provisions)	2,240,244	2,223,419
Deferred tax asset (Net) (Refer Schedule 18 - Note 18.9.5)	–	–
Others (Initial/Variable Margin:INR 976,510; P.Y.INR 697,747)	1,373,891	1,088,232
	111,824,169	69,540,226
12 CONTINGENT LIABILITIES		
Transfers to Depositor Education and Awareness Fund	42,140	41,293
Claims against the bank not acknowledged as debts	55,000	55,000
Liability on account of outstanding:		
a) Forward exchange contracts	5,322,668,940	4,092,857,288
b) Currency option contracts	14,771,662	18,863,174
c) Other Derivative contracts (including currency futures)	1,692,830,156	1,285,766,586
Guarantees given on behalf of constituents :		
In India	21,812,079	18,927,995
Outside India	28,898,078	43,026,037
Letter of credit	4,600,054	5,428,942
Acceptances, endorsements and other obligations	12,510,669	7,366,793
Other items for which the bank is contingently liable	1,050,755	966,311
	7,099,239,533	5,473,299,419

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

(Incorporated in France with limited liability)

INDIAN BRANCHES

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2020

All amounts in thousands of Indian Rupees

		For the year ended March 31, 2020	For the year ended March 31, 2019
13	**INTEREST EARNED**		
	Interest /discount on advances/bills	3,375,743	3,470,117
	Income on investments	2,090,768	1,556,567
	Interest on balances with the Reserve Bank of India and other interbank funds (includes income from tri party reverse repo)	165,287	111,743
	Others (including on margin placements with QCCPs/ Credit Support Annexe margin and on income tax refunds)	65,025	139,275
		5,696,823	5,277,702
14	**OTHER INCOME**		
	Commission, exchange and brokerage	426,329	224,556
	Profit/(Loss) on sale of investments	(134,107)	(67,516)
	PSLC premium expenses	(83,829)	(30,641)
	Profit/(Loss) on sale of Fixed assets	(3,792)	(36)
	Income on Exchange & Derivative transactions	257,765	(48,553)
	Miscellaneous Income (net)	1,655	3,695
		464,021	81,505

All amounts in thousands of Indian Rupees

		For the year ended March 31, 2020	For the year ended March 31, 2019
15	**INTEREST EXPENDED**		
	Interest on deposits	2,321,476	1,802,618
	Interest on Reserve Bank of India/ interbank borrowings (includes Triparty repo interest expense)	406,143	712,601
	Others (includes interest on Sub-Debt and interest on collateral received under Credit Support Annex)	330,203	503,840
		3,057,822	3,019,059
16	**OPERATING EXPENSES**		
	Payments to and provisions for employees	648,129	601,697
	Rent, taxes & lighting	53,757	54,077
	Printing & stationery	2,564	2,627
	Advertisement & publicity	994	2,973
	Depreciation on bank's property	56,716	42,067
	Auditors' fees & expenses (incl. Tax Audit)	2,640	3,500
	Law charges	43,636	24,990
	Postage, telegrams, telephone etc.	24,891	16,846
	Repairs & maintenance	50,710	41,355
	Insurance	38,671	31,520
	Other expenditure [Please refer Note 18.8.2 for significant items]	672,930	838,798
		1,595,638	1,660,450

17. SIGNIFICANT ACCOUNTING POLICIES

17.1 General

17.1.1 **Background**

The financial statements for the year ended March 31, 2020 comprise the accounts of the Indian branches of Credit Agricole Corporate & Investment Bank ('the Bank') which is incorporated in France with Limited Liability.

17.1.2 **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 policies used in the preparation of these financial statements, in all material aspects, conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and prescribed under Section 133 of the Companies Act, 2013 ('Act') and the Companies (Accounting Standards) Amendment Rules 2016, read with Rule 7 of the Companies (Account) Rules, 2014, the provisions of the Act 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.

17.1.3 **Use of estimates**

The preparation of financial statements requires the management to make estimates and assumptions to be considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expense during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

17.2 **Transactions involving foreign exchange and derivatives**

17.2.1 Foreign currency assets and liabilities are translated at the spot exchange rates prevailing at the close of the year as notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gain or loss is accounted in Profit and Loss Account.

17.2.2 Income and expenditure items in foreign currency are translated at the exchange rates prevailing on the date of the transaction.

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

(Incorporated in France with limited liability)

INDIAN BRANCHES

17.2.3 Outstanding forward foreign exchange contracts designated as 'Trading' as at balance sheet date are fair valued based on the exchange rates notified by FEDAI for specified maturities. The marked to market assets/liabilities as at the reporting date are shown at gross value in the balance sheet.

17.2.4 Outstanding forward foreign exchange contracts designated as 'Hedging' and spot exchange contracts as at balance sheet date are revalued at the spot exchange rates, prevailing at the close of the year as notified by FEDAI. Premium / discount on these forward foreign exchange contracts are evenly spread over the tenor of the contract and are recognized as income / expense.

17.2.5 Outstanding derivatives contracts, designated as 'Trading', are measured at their fair value. The resulting profit / losses are recognized in the Profit & Loss Account. The marked to market assets/liabilities as at the reporting date are shown at gross value in the balance sheet.

17.2.6 Outstanding derivatives contracts, designated as 'Hedging', are undertaken for hedging interest rate risks and the income/ expenditure on these derivative contracts is accounted for on an accrual basis over the life of the contract. The hedge contracts are marked to market in case the underlying is marked to market.

17.2.7 Contingent liabilities on account of guarantees, acceptances, endorsements and other obligations are stated at the spot exchange rates prevailing at the close of the year as notified by FEDAI.

17.2.8 In respect of derivative transactions, any overdue receivables representing positive Marked to Market (MTM) value due to the Bank, which remains unpaid for a period of 90 days from the specified due date for payment, as well as the recognized positive MTM in respect of future receivables, as per RBI guidelines are reversed from the Profit & Loss Account.

17.3 Investments

17.3.1 Investments are classified as "Available for Sale (AFS)", "Held for Trading (HFT)" or "Held to Maturity (HTM)" based on intent at the time of its purchase, in accordance with the RBI guidelines. The Bank follows the settlement date method of accounting (the Bank records an off balance sheet commitment for the purchase / sale of the security on the trade date). Cost of investments is determined on the FIFO cost basis. In determining cost of investment, brokerage, commission etc. paid at the time of purchase/sale is charged to the Profit and Loss Accounts. Broken period interest paid at the time of acquisition of security is not capitalized.

17.3.2 Profit/Loss on sale of Investment under aforesaid three categories are recognized in Profit and Loss Account to the extent specified in RBI circular.

17.3.3 The investment held under the "Held for Trading", "Available for sale" and "Held to Maturity" categories are valued in accordance with the guidelines issued by the RBI. Investments under 'Available for Sale' and 'Held for Trading' categories are valued monthly at the market price or fair value as declared by Financial Benchmark India Pvt. Ltd. (FBIL). Securities under each category are valued scrip-wise and depreciation/appreciation is aggregated for each category. Net depreciation, if any, is provided for in the Profit & Loss Account and net appreciation (if any) is ignored per category. Treasury bills and certificates of deposits, being discounted instruments, are valued at carrying cost. Investments classified under "Held to Maturity (HTM)" are carried at their acquisition cost or amortized cost, if acquired at a premium/discount to the face value.

17.3.4 In accordance with the RBI's Master Circular DBR No.BP.BC.6/21.04.141/2015-16 dated 1st July 2015, and FIMCIR/2017-18/001 dated April 03, 2017, any reversal of provision on account of depreciation in the HFT and AFS categories in excess of the required amount in any financial year 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) shown under Reserves and Surplus in Schedule 2. IRA is utilized on an event of provision creation on account of depreciation in HFT and AFS categories by debiting to the Profit and Loss Account and an equivalent amount (net of tax benefit, if any, and net of consequent reduction in the transfer to Statutory Reserve), is transferred from the IRA to the P&L Account.

17.3.5 In accordance with the RBI regulations, repurchase and reverse repurchase transactions are accounted for as secured borrowing and lending transaction respectively. The expenditure/ income in respect of such transactions are treated as interest expense/income.

17.4 Advances

17.4.1 Advances are classified into performing and non-performing advances based on the management's periodic internal assessment and RBI's prudential norms on classification, including the COVID-19 Regulatory Package – Asset Classification and Provisioning circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17,2020.

17.4.2 Provisions for non-performing advances are made as per the guidelines prescribed by the RBI. The related interest on such non performing advances is not recognized as income until received.

17.4.3 In addition to the specific provision on NPAs, the Bank maintains a general provision on standard assets (including on positive mark to market gain on derivatives portfolio) as per RBI guidelines. This general provision also includes the incremental provisioning requirement towards un-hedged foreign currency exposures introduced vide RBI's Circular DBOD No.BP. BC.85/21.06.200/2013-14 dated 15th January 2014 effective 1st April 2014.

The Bank also considers the RBI circular RBI/2016-17/282, DBR.No.BP.BC.64/21.04.048/2016-17 dated April 18, 2017 and titled Additional Provisions for Standard Advances at higher than the prescribed rates and RBI/2016-17/50 DBR.BP.BC. No.8/21.01.003/2016-17 dated August 25, 2016 titled Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism.

17.5 Fixed assets and depreciation

17.5.1 Fixed assets are stated at cost less accumulated depreciation.

17.5.2 Depreciation has been provided on straight line method, over the estimated useful lives, as determined by the management, at the rates mentioned below per annum:

Premises*	33 Years
Furniture and Fixtures	10 Years
Office and Residential Equipment*	4 Years
Motor Vehicles*	5 Years
Computers and Software	3 Years

17.5.3 The useful lives of fixed assets marked with * above 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.

17.5.4 Depreciation to the extent of the original cost is charged to the Profit & Loss Account starting from the month of purchase.

17.5.5 Depreciation of assets with original cost below INR 5,000 is provided at 100%

17.6 Revenue recognition and related matters

Interest income is recognized on an accrual basis except interest income on non-performing assets on a case by case basis, which is recognized upon realization as per the applicable RBI guidelines.

Income on discounted instrument is recognized over the tenor of the instrument on a straight-line basis.

Commission received on Guarantees /Letter of Credit issued is amortized on a straight-line basis over the period of the Guarantees / Letter of Credit. Other fees and commission income are recognized on accrual basis.

Fees paid for purchase of Priority Sector Lending Certificate are recognized in accordance with the RBI guidelines.

17.7 Employees benefits

17.7.1 **Provident Fund**

The Bank contributes to a recognized provident fund. These contributions are accounted for on an accrual basis and recognized in the Profit & Loss Account.

17.7.2 **Gratuity**

The Bank makes an annual contribution to an insurance company for amounts notified by the said insurance company. The Bank provides for gratuity based on an independent external actuarial valuation at the balance sheet date using the Projected Unit Credit Method.

17.7.3 **Leave Encashment/Compensated Absences**

The Bank does not have a policy of encashment of un-availed leave, except at the time of separation of an eligible employee. The Bank provides for leave encashment/compensated absences based on an independent external actuarial valuation at the balance sheet date.

17.7.4 **Long service award**

The Bank rewards its eligible employees under the long service award pay plan, which is a non-contributory defined benefit plan. The Bank provides for this plan based on an independent external actuarial valuation at the balance sheet date.

17.7.5 **Actuarial gains/losses**

Actuarial gains/losses are immediately recognized/provided for in the Profit & Loss Account.

17.8 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 recognized as an expense in the Profit & Loss Account on a straight line basis over the lease term.

17.9 Taxation

Provision for corporate tax is arrived at after due consideration of the applicable law, judicial pronouncements and / or legal counsels' opinion on the issues. The charge for taxation during the year comprises current tax charge and the net change in the deferred tax asset and liability during the year. The Bank accounts for deferred taxes in accordance with provisions of Accounting Standard (AS) 22 "Accounting for Taxes on Income" issued by Institute of Chartered Accountants of India (ICAI). Deferred taxation is provided on timing differences between accounting and tax treatment of income/expenditure. Deferred tax assets are recognized 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 recognized only if there is virtual certainty of realization of such assets. Deferred tax assets/ liabilities are measured using tax rates that have been substantially enacted as on balance sheet date.

Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognized as current tax in the Profit and Loss Account. The credit available under the Act in respect of MAT paid is recognized as an asset only when and to the extent there is convincing evidence that the Bank will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognized as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

17.10 Accounting for Provisions, Contingent Liabilities 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 recognized when the Bank has a present obligation as a result of 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's estimate required to settle the obligations at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the management's current 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 is made in the financial statements. In case of remote possibility, neither provisions nor disclosure is made in the financial statements.

17.11 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.

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18. Notes to Accounts

18.1 Capital

As per the RBI guidelines on Capital to Risk Weighted Assets Ratio (CRAR) issued, banks are required to compute their capital requirement under Basel III effective June 30, 2013. The CRAR as per Basel III is 12.43% (Previous year 12.74%).

The CRAR of the Bank, calculated as per RBI Basel III guidelines is given below.

(Amount in ₹ crore)

S. No.	Particulars	2020	2019
(i)	Common Equity Tier I Capital Ratio (%)	10.17%	10.26%
(ii)	Tier I Capital Ratio (%)	10.17%	10.26%
(iii)	Tier II Capital Ratio (%)	2.26%	2.48%
(iv)	Total Capital Ratio (%)	12.43%	12.74%
(v)	Amount of Interest free funds raised from HO in the year	118.80	Nil
(vi)	Amount of Additional Tier I capital raised from HO in the year	Nil	Nil
(vii)	Amount of Tier II capital raised from HO in the year	Nil	Nil

Details of Sub-Debt raised from CA-CIB Head office outstanding as of 31.03.2020 are as follows:

Date of Receipt	Maturity date	Amount	Tenor
October 13, 2016	October 13, 2026*	USD 45 millions	10 years

* With a call option after 5 years exercisable only after prior RBI approval.

Details of Sub-Debt raised from CA-CIB Head office outstanding as of 31.03.2019 are as follows:

Date of Receipt	Maturity date	Amount	Tenor
September 18, 2009	September 18, 2019	USD 43 millions	10 years
August 3, 2011	August 5, 2019	USD 40 millions	8 years
October 13, 2016	October 13, 2026*	USD 45 millions	10 years

* With a call option after 5 years exercisable only after prior RBI approval.

18.2 Investments

18.2.1. Value of investments

(Amount in ₹ crore)

		2020	2019
(1)	Value of Investments		
	Gross Value of Investments	**3,501.03**	**2,308.89**
	In India	3,501.03	2,308.89
	Outside India	–	–
	Provisions for Depreciation	**–**	**(6.74)**
	In India	–	(6.74)
	Outside India	–	–
	Net Value of Investments	3,501.03	2,302.15
	In India	3,501.03	2,302.15
	Outside India	–	–
(2)	Movement of provisions held towards depreciation on investments		
	Opening balance	6.74	12.64
	Add: Provisions made during the year	–	–
	Less: Write-off, excess provisions written back during the year	(6.74)	(5.90)
	Closing balance	–	6.74

18.2.2. Repo and Reverse Repo transactions (including LAF)

(Amount in ₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2020
Securities sold under repo				
i. Government securities	–	878.69	286.03	–
	(–)	(585.35)	(53.91)	(281.87)
ii. Corporate debt securities	–	–	–	–
	(–)	(–)	(–)	(–)
Securities bought under reverse repo				
i. Government securities	–	857.00	183.97	857.00
	(–)	(649.95)	(45.42)	(–)
ii. Corporate debt securities	–	–	–	–
	(–)	(–)	(–)	(–)

1. The above transactions are inclusive of repos and reverse repos done with RBI and under tri-party repo with the Clearing Corporation of India.
2. The previous year's figures are shown in brackets.
3. Amounts are based on actual borrowing and lending under repo and reverse repo respectively
4. Minimum & Average outstanding during the year includes days with Nil outstanding.

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18.2.3. Non-SLR investment portfolio

i) Issuer composition of Non-SLR investments
There were no Non-SLR investments as on March 31, 2020 and March 31, 2019.

ii) Non performing Non-SLR investments
There were no non performing Non-SLR investments as on March 31, 2020 and March 31, 2019.

18.2.4. Sale and Transfers to/from HTM Category

The Bank does not have any investments in the HTM category as on March 31, 2020 and March 31, 2019. As such, there were no sale and transfer to/from HTM category during the year ending March 31, 2020 and March 31, 2019.

18.3 Derivatives

18.3.1. Forward rate agreements/Interest rate swaps

(Amount in ₹ crore)

	Particulars	2020	2019
i)	The notional principal of swap agreements	149,873.67	111,054.71
	Of which:		
	• *IRS*	149,873.67	111,054.71
	• *FRA*	NIL	NIL
ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,659.44	856.79
iii)	Collateral required by the Bank upon entering into swaps	150.67	18.78
iv)	Concentration of credit risk arising from the swaps*	95.17%	93.51%
v)	The fair value of the swap book	-341.77	-254.04

* Based on total credit exposure amount, the maximum single industry exposure lies with the banking industry (incl. interbank deals novated to CCIL).

The nature and terms of the IRS as on March 31, 2020 are set out below

(Amount in ₹ crore)

Nature	No. of Trades	Notional Principal	Benchmark	Term
Trading	733	32,305.81	OIS	Fixed Receivable v/s Floating Payable
Trading	731	33,338.63	OIS	Floating Receivable v/s Fixed Payable
Trading	300	15,183.00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	306	16,746.00	MIFOR	Floating Receivable v/s Fixed Payable
Trading	7	1,754.51	LIBOR	Floating Receivable v/s Floating Payable
Trading	150	26,110.47	LIBOR	Floating Receivable v/s Fixed Payable
Trading	120	24,435.25	LIBOR	Fixed Receivable v/s Floating Payable
	2,347	**149,873.67**		

The nature and terms of the IRS as on March 31, 2019 are set out below

(Amount in ₹ crore)

Nature	No. of Trades	Notional Principal	Benchmark	Term
Trading	486	19,634.44	OIS	Fixed Receivable v/s Floating Payable
Trading	397	21,065.40	OIS	Floating Receivable v/s Fixed Payable
Trading	207	10,418.00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	233	13,679.28	MIFOR	Floating Receivable v/s Fixed Payable
Trading	6	1,798.03	LIBOR	Floating Receivable v/s Floating Payable
Trading	120	22,203.50	LIBOR	Floating Receivable v/s Fixed Payable
Trading	119	22,256.06	LIBOR	Fixed Receivable v/s Floating Payable
	1,568	**111,054.71**		

18.3.2. Exchange traded interest rate derivatives

(Amount in ₹ crore)

Sr. No.	Particulars	2020	2019
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	NIL	NIL
2	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March	NIL	NIL
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective".	NIL	NIL
4	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective".	NIL	NIL

18.3.3. Credit Default Swap

The bank does not deal in Credit Default Swap transactions

18.3.4. Disclosures on risk exposure in derivatives

Qualitative Disclosure:

Products

The Bank offers derivative products to its customers for hedging various types of risk exposures. The Bank is also an active market maker in the derivative market. The derivative transactions expose the Bank primarily to counterparty credit risk, market risk, operational risk, interest rate, liquidity risk and foreign exchange risk.

Organization architecture

The Bank has a derivative desk within the Global Markets front office in India, which deals in derivative transactions. The Bank has independent back-office and mid-office as per regulatory guidelines. The Bank has a credit and market risk department that processes various counterparty and market risks limit assessments, within the risk architecture and processes of the bank. The back-office is part of the operations and mid-office is under the control of Risk, thus providing segregation of functions and effective controls.

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. 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. Towards this end, the Bank has a New Activities and Product Committee which validates these products taking into account various risks and local requirements for dealing in such products.

All the transactions undertaken by the Bank for trading purpose are classified under trading book, which are marked to market on daily basis. Other transactions are classified as part of banking book. Derivative transactions in the nature of balance sheet hedges are identified at inception and the hedge effectiveness is measured periodically.

Risk measurement and monitoring

The Bank uses Value at Risk (VaR) to measure and monitor all market risk related activities. Back testing of VaR models are carried out to ensure pre-determined levels of accuracy are maintained. In addition to VaR, other sensitivity measures like PV01, stress testing and limits specific to instruments and currency are placed and applied as risk management tools. Option risks are controlled through full revaluation limits in conjunction with limits on underlying variables that determine option's value. This monitoring is done by the treasury mid-office (Market Activity Monitoring department) on a daily basis through system reports and advised to senior management as appropriate. The Bank ensures that the gross PV01 of all non-option rupee derivative contracts are within 0.25 percent of the net worth, of the Bank as on the last day of the balance sheet.

The Bank enters into derivative deals within credit limits set for each counterparty by the risk department. These limits are set based on the Bank's credit risk assessment for the counterparty which inter alia considers the ability of the counterparty to honor its obligations in the event of crystallization of the exposure. Exposures against these limits are monitored on day to day basis by an independent risk department at local as well as at head office level. The Bank applies the current exposure methodology to manage credit risk associated with derivative transactions. This is calculated by taking the cost of replacing the contract, where its mark-to-market value is positive together with an estimate of the potential future change in the market value of the contract, reflecting the volatilities that affect it. The credit risk on contracts with a negative mark-to-market value is restricted to the potential future change in their market value. Bank obtains standard ISDA documentation from the counterparties to cover the derivative transactions.

Provisioning, collateral and credit risk mitigation

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. Appropriate credit covenants and collaterals are stipulated where required for risk mitigation and termination events to call for collaterals or for reducing the risk by terminating the contracts.

For accounting policies on derivatives please refer Schedule 17.2

Quantitative Disclosure (Amount in ₹ crore)

		2020		2019	
Sr. No	**Particulars**	**Currency Derivatives***	**Interest Rate Derivatives#**	**Currency Derivatives***	**Interest Rate Derivatives#**
(i)	Derivatives (Notional Principal)				
	a) For hedging	–	–	–	–
	b) For trading	20,886.52	149,873.67	19,408.27	111,054.71
(ii)	Marked to Market Positions (net)				
	a) Assets (+)	343.20	1,659.44	393.12	856.79
	b) Liability (–)	-801.72	-2,001.21	-648.45	-1,110.83
(iii)	Credit Exposure	2,116.01	2,926.77	1,710.98	1,902.20
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) On hedging derivatives	–	–	–	–
	b) On trading derivatives	(96.81)	113.91	(62.55)	42.01
(v)	Maximum and minimum of 100*PV01 observed during the year				
	a) On hedging				
	Minimum	–	–	–	–
	Maximum	–	–	–	–
	b) On trading				
	Minimum	(53.79)	41.78	(62.83)	10.45
	Maximum	(96.81)	130.10	(14.18)	53.61

* Currency Derivatives include exchange traded currency futures and FX options.

Interest Rate Derivatives include interest rate options, if any.

18.4 Asset quality

18.4.1. Non-performing assets**

(Amount in ₹ crore)

		2020	2019
(i)	**Net NPAs to Net Advances**	0.00%	0.00%
(ii)	**Movement of NPAs (gross)**		
	Opening balance	3.17	383.56
	Additions during the year	–	13.45
	Reductions during the year	(0.24)	(393.84)
	Exchange rate movement	–	–
	Closing balance	2.93	3.17
(iii)	Movement of net NPAs		
	Opening balance	–	56.99
	Additions during the year	–	–
	Reductions during the year	–	(56.99)
	Exchange rate movement	–	–
	Closing balance	–	–
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	Opening balance	3.17	326.56
	Provisions made during the year	–	70.45
	Write-off/write-back of excess provisions during the year (including recovery)	(0.24)	(393.84)
	Exchange rate movement	–	–
	Closing balance	2.93	3.17

** The information disclosed pertains to only advances (as reported in Schedule 9 of the Balance Sheet)

18.4.2. Divergence in the asset classification and provisioning

The RBI vide circular no. DBR.BP.BC.No.63/21.04.018/2016-17 & DBR.BP.BC.No.32/21.04.018/2018-19, titled "Disclosure in the Notes to Accounts to the Financial Statements - Divergence in the asset classification and provisioning" released on April 18, 2017 & April 01, 2019 respectively has advised banks to include a disclosure with respect to the additional provisioning requirement or the additional gross NPA assessed by RBI for the financial year.

There has been no NPA divergence observations/comments for the FY 2018-19 and FY 2017-18 and accordingly disclosures as required vide the above circular are not applicable.

18.4.3. Non-Performing Assets (Mark to Market on Derivative deals)

As per the guidelines issued by RBI vide notification DBOD.No.BP.BC.28/21.04.157/2011-12 dated August 11, 2011, Crystallized Receivables – Positive MTM on terminated derivative deals overdue for more than 90 days have been reported under "Schedule 11- Other Assets" after netting of the "Suspense crystallized receivables". The Gross value of crystallized receivables as on March 31, 2020 is Nil (Previous year: -Nil) and the Net value is Nil (Previous year: Nil).

18.4.4. Particulars of accounts restructured

During the year, the Bank has not subjected any loans/assets to restructuring (Previous year Nil).

18.4.5. Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

(Amount in ₹ crore)

Sr. No.	Particulars	2020	2019
1	No. of accounts	–	3
2	Aggregate value (net of provisions) of accounts sold to SC/RC	–	–
3	Aggregate consideration	–	139.04
4	Additional consideration realized in respect of accounts transferred in earlier years	–	–
5	Aggregate gain/(loss) over net book value	–	139.04

18.4.6. Details of non-performing financial assets purchased/sold to/from banks

The Bank has not sold or purchased non-performing assets to/from banks in India during the year (Previous year Nil).

18.4.7. Provisions towards standard assets

(Amount in ₹ crore)

Particulars	2020	2019
Provisions towards standard assets (including provision for derivative, un-hedged foreign currency exposure & additional provision at higher than prescribed rates)	90.53	78.69

18.5 Business Ratios

(Amount in ₹ crore unless otherwise stated)

Sr. No.	Particulars	2020	2019
(i)	Interest Income as a percentage to working funds	3.93%	3.88%
(ii)	Non-Interest income as a percentage to working funds	0.32%	0.06%
(iii)	Operating Profit as a percentage to working funds	1.04%	0.50%
(iv)	Return on Assets	0.68%	1.17%
(v)	Business (Deposits + Advances) per employee	115.08	78.88
(vi)	Profit per employee	1.01	1.63

Notes:-

a) Employees as of balance sheet date are considered for computation of ratios.
b) Deposit & Advances (excluding interbank) outstanding as of balance sheet date are taken for calculating ratios in (v) above.
c) Working funds is average of total assets of Form X as reported to RBI.
d) Operating profit = Interest Income + Other Income – Interest Expenses – Operating Expenses

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18.6 Asset liability management: Maturity pattern of assets and liabilities

Year ended March 31, 2020 (D/M/Y indicate days/months/years respectively)

(Amount in ₹ crore)

Particulars	1D	2D to 7D	8D to 14D	15D to 30D	31D to 3M	Over 3M & up to 6M	Over 6M & up to 1Y	Over 1Y & up to 3Y	Over 3Y & up to 5Y	Over 5Y	Total
Advances	199.76	307.05	866.18	728.54	1,227.87	434.04	895.51	377.04	5.00	–	5,040.99
Investments	1,728.98	655.49	100.54	205.79	242.48	202.00	65.22	157.84	–	142.69	3,501.03
Deposits	48.38	1,434.68	489.06	2,518.51	1,253.57	180.75	173.77	451.92	–	–	6,550.64
Borrowings	–	93.93	–	4.41	400.00	13.66	–	–	–	340.49	852.49
Foreign currency assets	549.03	54.32	183.02	32.17	122.14	67.58	–	29.12	–	40.70	1,078.08
Foreign currency liabilities	8.40	101.01	7.02	11.89	22.23	25.04	12.79	78.36	–	340.49	607.23

Year ended March 31, 2019 (D/M/Y indicate days/months/years respectively)

(Amount in ₹ crore)

Particulars	1D	2D to 7D	8D to 14D	15D to 30D	31D to 3M	Over 3M & up to 6M	Over 6M & up to 1Y	Over 1Y & up to 3Y	Over 3Y & up to 5Y	Over 5Y	Total
Advances	119.18	513.45	811.76	552.63	1,391.88	1,108.91	332.03	131.62	69.50	–	5,030.96
Investments	746.30	602.38	268.50	84.49	175.22	154.30	88.03	79.44	–	103.49	2,302.15
Deposits	50.71	627.45	306.73	231.76	948.10	70.32	32.26	437.53	–	–	2,704.86
Borrowings	–	1,186.21	301.40	173.57	808.23	633.18	32.64	–	–	311.20	3,446.43
Foreign currency assets	894.00	3.47	301.67	178.81	460.04	255.80	132.95	26.62	–	496.19	2,749.55
Foreign currency liabilities	8.51	12.92	309.90	180.31	336.42	642.98	57.79	79.93	–	311.20	1,939.96

Classification of assets and liabilities under the different maturity buckets are compiled by management based on the guidelines issued by the RBI and are based on the same assumptions as used by the Bank for compiling the return submitted to the RBI and which have been relied upon by the Auditors.

18.7 Exposures

18.7.1. Exposure to real estate sector

(Amount in ₹ crore)

Particulars	2020	2019
Direct exposure	–	–
Residential Mortgages	–	–
Residential Mortgages – Individual housing loans up to INR 20 lakh	–	–
Residential Mortgages – All Others	–	–
Commercial Real Estate	–	–
Investments in MBS and other securitized exposures	–	–
Residential Real Estate	–	–
Commercial Real Estate	–	–
Any Other-Direct Exposure	–	
Please Specify	–	–
Indirect Exposure	150.00	–
Funded and Non-Funded exposures NHB and Housing Finance Companies (HFCs)	150.00	–
Any Other-Indirect Exposure	–	
Please Specify	–	–
Total Exposure to Real Estate Sector (A + B)	150.00	–

18.7.2. Exposure to capital market

(Amount in ₹ crore)

		2020	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 individual for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual fund;	–	–
(iii)	Advances for any other purpose where shares or convertible bonds or convertible debenture or units of equity-oriented mutual fund are taken as primary security;	–	–
(iv)	Advance for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual fund i.e. where the primary security other than shares/ convertible bonds/ convertible debentures/units of equity oriented mutual fund does not fully cover the advances;	–	–

18.7.2. Exposure to capital market *(Continued)*

(Amount in ₹ crore)

		2020	2019
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	–	–
(vi)	Loan sanctioned to corporate against security of share/ bonds/ debentures or other security or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	–	–
(vii)	Bridge loan 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 debenture or units of equity oriented mutual fund;	–	–
(ix)	Financing to stockbrokers for margin trading;	–	–
(x)	All exposures to Venture Capital Funds (both registered and unregistered)	–	–
	Total exposure to capital market	**–**	**–**

18.7.3. Risk category wise country exposure

(Amount in ₹ crore)

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	4,149.22	3.31	3,487.00	2.44
Low	188.11	0.00	298.36	0.15
Moderate	–	–	5.53	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-Credit	–	–	–	–
Total	**4,337.33**	**3.31**	**3,790.89**	**2.59**

Note: Exposures computed on a net basis i.e., gross exposure 'minus' for cash collaterals, bank guarantees and credit insurance available in/ issued by countries in a lower risk category than the country on which exposure is assumed

18.7.4. Details of Single Borrower Limit (SBL)/Group Borrower Limit (GBL) exceeded by the bank

During FY 2019-20, the Bank has taken group borrower exposure above 25% of capital funds with the approval of the bank's local credit committee in the below cases:

Name of Borrower	During the year 2019-20	As at 31.3.2020
FORD GROUP	25.49%	18.08%
TATA GROUP	26.03%	20.54%

During FY 2018-19, the Bank has taken single borrower exposure above 15% of capital funds with the approval of the Bank's local credit committee in the below cases:

Name of Borrower	During the year 2018-19	As at 31.3.2019
AUROBINDO PHARMA LTD	17.16%	14.96%
HINDALCO INDUSTRIES LTD	17.00%	14.96%
DR REDDYS LABORATORIES LTD	16.17%	14.96%
SIEMENS GAMESA RENEWABLE POWER PVT LTD	15.88%	14.96%
DAIMLER INDIA COMMERCIAL VEHICLES PVT LTD	15.26%	15.00%

18.7.5. Unsecured Advances – advances granted against intangible securities

There are no advances granted against intangible securities such as charge over the rights, licenses, authority, etc. during the year (Previous year Nil).

18.7.6. COVID19 Regulatory Package – Asset Classification and Provisioning

(Amount in ₹ crore)

Sr No.	Particulars	Amounts
(i)	Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended	NIL
(ii)	Respective amount where asset classification benefits is extended	NIL
(iii)	Provisions made during the Q4FY2020 and Q1FY2021	NIL
(iv)	Provisions adjusted during the respective accounting periods against slippages and the residual provisions	NIL

Assessment of COVID-19 impact:

The banking services being under essential services, the operations of the bank continued during the lock down period due to COVID-19. The bank has been constantly reviewing the evolution due to COVID-19 and the related impact on business including that of regulatory evolutions. As of 31st March 2020, there are no impacts of material nature due to the same. There remains a level of uncertainty about the time required for business operations to normalize but the bank management does not estimate any significant impact on its business and financial results on long term basis at this juncture considering the composition of its credit portfolio and borrowers credit worthiness and also the constant review of borrowers undertaken by the bank management.

18.8 Regulatory Disclosures related to Profit and Loss Account

18.8.1. Penalties imposed by the Reserve Bank of India (RBI)

There have been no instances of penalty imposed and other actions taken by the Reserve Bank of India. (Previous year: NIL).

18.8.2. Other Operating Expenses

Details of significant expenses included in other operating expenses (Schedule 16) are as follows:

(Amount in ₹ crore)

Sr No.	Particulars	March 31, 2020	March 31, 2019
(i)	HO expenses (allocated expenses excl. taxes)	12.81	15.07
(ii)	IT expenses - HO/Branches (excl. taxes)	23.85	28.59
(iii)	Back Office and other Support Costs (excl. taxes)	9.54	8.72

18.9 Disclosures as per Accounting Standards (AS)

18.9.1. Accounting Standard 15 - Employee benefits

18.9.1.1. Provident fund

The Guidance Note on implementing AS 15 states that benefits involving employer established provident funds, which requires interest shortfalls to be provided, are to be considered as defined benefit plans. As per the information available with the bank, there is no interest shortfall to be provided as at March 31, 20 (Previous year Nil). The amount charged to P&L in the current year is INR 1.99 crore (PY INR 1.60 crore).

18.9.1.2. Gratuity

The following table gives the disclosures regarding the Gratuity Scheme in accordance with Accounting Standard 15 (Revised) as notified by the Companies (Accounting Standards) Rules 2006.

(Amount in ₹ crore)

(1) Changes in Defined Benefit Obligation during the year

Particulars	2020	2019
Opening Defined Benefit Obligation	5.71	5.43
Interest cost	0.37	0.40
Current service cost	0.63	0.62
Benefits paid	(0.55)	(0.29)
Actuarial (gain)/losses	(0.26)	(0.45)
Closing Defined Benefit Obligation	5.90	5.71

(2) Changes in fair value of Plan Assets

Particulars	2020	2019
Opening fair value of Plan Assets	5.80	5.50
Expected return on Plan Assets	0.40	0.42
Contributions	0.20	0.16
Benefits paid	(0.55)	(0.29)
Transfer Out	(0.51)	–
Actuarial gain/(losses)	(0.01)	0.01
Closing fair value of Plan Assets	5.33	5.80

(3) Net (Asset) /Liability recognised in the Balance Sheet

Particulars	2020	2019
Present value of obligations as at year end	5.90	5.71
Fair value of Plan Assets as at year end	(5.33)	(5.80)
Net (Asset)/Liability recognised in Balance Sheet	0.57	(0.09)

(4) Amount recognised in the Profit & Loss Account

Particulars	2020	2019
Current service cost	0.63	0.62
Interest cost	0.37	0.40
Expected return on Plan Assets	(0.40)	(0.42)
Net actuarial losses/(gain) recognised in the year	(0.25)	(0.46)
Past service cost	–	–
Amount recognised in the Profit & Loss Account	0.35	0.14

(5) Experience Adjustments

Particulars	2020	2019	2018	2017	2016
Value of Obligation	5.90	5.71	5.43	5.79	6.06
Fair Value of Plan Assets	5.33	5.80	5.50	4.86	4.94
Experience Adjustment on Plan Liabilities (Gain)/Loss	(0.16)	(0.01)	(0.11)	(0.88)	0.15
Experience Adjustment on Plan Assets Gain/(Loss)	(0.03)	0.00	0.39	(0.38)	0.02

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18.9.1.3. Other Long Term Employee Benefits

Amount of INR 0.28 crore [Previous year INR 0.10 crore] is charged in Profit & Loss Account towards provision for Long Term Employee Benefits included under the head "Payments to and provisions for employees". Details of Provisions outstanding for various long Term Employees' Benefits are as below:

(Amount in ₹ crore)

Sr. No.	Long Term Employees' Benefits	2020	2019
1	Compensated absences including Leave Encashment at the time of separation/retirement	1.55	1.38
2	Long Service Award	0.69	0.58
Total		**2.24**	**1.96**

18.9.1.4. Principal actuarial assumptions

31st March 2020	Long Service Award	Gratuity	Leave Encashment
Discount rate	6.84%	6.84%	6.84%
Expected rate of return on plan assets	N.A.	7.25%	N.A.
Salary escalation rate	N.A.	5.00%	5.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) Ultimate		
Attrition Rate	6.00%	6.00%	6.00%

31st March 2019	Long Service Award	Gratuity	Leave Encashment
Discount rate	7.54%	7.54%	7.54%
Expected rate of return on plan assets	N.A.	7.50%	N.A.
Salary escalation rate	N.A.	6.00%	6.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) Ultimate		
Attrition Rate	7.00%	7.00%	7.00%

18.9.1.5. Superannuation

The Superannuation fund of the Bank has been discontinued effective April 01, 2010. An application to wind up the fund was made to the Income tax authorities and we have received approval from them on Jan 07, 2014. We received approval on Superannuation withdrawal from LIC on July 29, 2015. There has been withdrawal from the fund by employees during the year, though few employees are yet to revert and as such the Superannuation Fund Account continues to have balance.

18.9.2. Accounting Standard 17 – Segment reporting

i. In line with the RBI guidelines, the Bank has identified "Global Market Operations", "Corporate/Wholesale Banking" and "Other Banking Operations" as the primary reporting segments.

ii. Global Market Operations includes foreign exchange (merchant and inter-bank), money market, derivatives trading and liquidity management. Corporate/Wholesale Banking includes commercial client relationships, structured & international finance, debt/local syndications, trade finance, correspondent banking, cash management activities, corporate finance/advisory and Distressed Assets. Other Banking Operations comprises activities other than Global Market Operations and Corporate/Wholesale Banking (mainly internal capital management).

iii. The methodology of funds transfer pricing between the segments, which is essentially based on market rates, is determined by the Bank's Assets & Liabilities Committee from time to time.

iv. The Bank operates only in domestic segment.

Year ended March 31, 2020 (Amount in ₹ crore)

Business Segments	Global Market Operations	Corporate/ Wholesale Banking	Other Banking Operations**	Total
Revenue	147.71	351.53	116.84	616.08
Result	39.75	12.47	83.67	135.89
Unallocated expenses				(12.81)
Operating Profit/Loss				123.08
Income taxes				(23.83)
Net Profit/Loss				99.25
Other Information				
Segment assets	15,990.58	5,048.55	49.88	21,089.01
Unallocated assets#				224.02
Total Assets				21,313.03
Segment liabilities	12,299.65	6,692.46	392.92	19,385.03
Unallocated Liabilities*				1,928.00
Total Liabilities				21,313.03

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Year ended March 31, 2019 (Amount in ₹ crore)

Business Segments	Global Market Operations	Corporate/ Wholesale Banking	Other Banking Operations**	Total
Revenue	144.07	274.49	117.37	535.92
Result	29.08	83.20	62.66	174.95
Unallocated expenses				(15.07)
Operating Profit/Loss				159.88
Income taxes				–
Net Profit/Loss				159.88
Other Information				
Segment assets	10,140.74	5,038.87	41.28	15,220.89
Unallocated assets#				222.34
Total Assets				15,443.23
Segment liabilities	9,085.87	3,703.11	944.30	13,733.28
Unallocated Liabilities*				1,709.95
Total Liabilities				15,443.23

(Segment details as compiled by Management and relied upon by the Auditors)

Unallocated assets represent advance tax net of provision & deferred tax assets if any

* Unallocated liabilities represent capital & reserves

** Subordinated Borrowing & related interest expenses are reported under other banking operations.

18.9.3. Accounting Standard 18 - Related party disclosures:

As per AS 18 "Related Party Disclosures", notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014, the Bank's related parties for the year ended March 31, 2020 are disclosed below:

i. Related party relationships with whom transactions have occurred during the year including outstanding:

Sr. No.	Relationships	Party Name
1.	Parent	The bank is a branch of Credit Agricole Corporate & Investment Bank SA, a limited liability company in France headquartered at Paris and Credit Agricole SA is the ultimate Holding Company.
2.	Fellow subsidiaries	Companies which have a common ultimate holding company for year ended 2020 a) Credit Agricole Friuladria SPA b) Credit Agricole Italia SPA c) Banca Popolare Friuladria SPA d) Le Credit Lyonnais e) CRCAM De Champagne Bourgogne f) CRCAM Des Savoie g) Bankoa SA h) Credit Agricole Egypt. SAE i) CRCAM Atlantique Vendee j) CRCAM Centre Est k) CRCAM Nord de France l) Credit Agricole Alpes Provence m) CAISSE Regionale de Credit Agricole n) Credit Agricole Cariparma SPA o) Union De Banques Arabes Et Francaises Other related party for year ended 2020 a) Grameen Credit Agricole Microfinance Foundation* * Created in 2008 at the joint initiative of Crédit Agricole's Directors and Professor Yunus, founder of the Grameen Bank Companies which have a common ultimate holding company for year ended 2019 a) Credit Agricole Srbija Ad Novi SAD b) Banca Popolare Friuladria SPA c) Le Credit Lyonnais d) CRCAM Sud Rhone Alpes e) CRCAM Des Savoie f) Bankoa SA g) BNI Madagascar h) Credit Du Maroc S.A. i) CRCAM De L Anjou Et Du Maine j) Credit Agricole Egypt. SAE k) CRCAM Atlantique Vendee l) CRCAM Centre Est m) CRCAM Nord de France n) Credit Agricole Alpes Provence o) CAISSE Regionale de Credit Agricole p) Credit Agricole Bank Polska SA q) Credit Agricole Cariparma SPA

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18.9.3. Accounting Standard 18 - Related party disclosures: *(Continued)*

Sr. No.	Relationships	Party Name
		Subsidiaries of Head Office for year ended 2020 a) Credit Agricole CIB (China) Limited b) Credit Agricole CIB Services Pvt Ltd c) CA Indosuez Switzerland SA d) Credit Agricole CIB Algerie SPA e) Indosuez W I Carr Securities India Private Limited f) CA Indosuez Wealth Europe Union de Banques Arabes et Francaises Subsidiaries of Head Office for year ended 2019 a) Credit Agricole CIB (China) Limited b) Credit Agricole CIB Services Pvt Ltd c) CA Indosuez Switzerland SA d) Credit Agricole CIB Algerie SPA e) Indosuez W I Carr Securities India Private Limited f) CA Indosuez Wealth Europe Union de Banques Arabes et Francaises g) Banque Saudi Fransi
3.	Key Management Personnel	Mr. Aymeric DE REYNIES, SCO as at 31st Mar 20 Mr. Emmanuel BOUVIER D'YVOIRE, SCO as at 31st Mar 19

Related parties are identified by the management and relied upon by the auditors.

ii. The details of transactions/ financial dealings of the Bank with the above related parties are detailed below except where there is only one related party (i.e. Parent, overseas branches of parent and Key Management Personnel), or where the Bank has an obligation under law to maintain confidentiality in respect of their customer transactions.

(Amount in ₹ crore)

Items/Related party	Fellow Subsidiaries 2020		Fellow Subsidiaries 2019	
	Outstanding	Maximum outstanding	Outstanding	Maximum outstanding
Advances	–	–	6.05	411.85
Deposit	4.68	9.43	4.62	5.54
Net Other Liabilities	0.44	NA	0.12	NA
Net Other Assets	–	NA	–	NA
Non-funded commitments	44.50	125.22	118.67	333.11
	For the year	For the year	For the year	
Interest expenses	0.08	NA	0.05	NA
Interest income	–	NA	1.24	NA
Charges paid	11.78	NA	9.71	NA
Non-interest income	0.27	NA	0.37	NA
Purchase of fixed assets	–	–	–	–
Sale of fixed assets	–	–	–	–

The information is compiled by the Management and relied upon by the auditors.

18.9.4. Accounting Standard 19 – Leases

Lease payments for assets taken on operating lease are recognized in the Profit & Loss Account over the term of the lease in accordance with the AS-19 on Leases. The Bank has entered into non-cancellable operating leases only for vehicles and rented premises.

The total of future minimum lease payments under non-cancellable operating leases as determined by the lease agreements are as follows:

(Amount in ₹ crore)

Particulars	2020	2019
Not later than one year	0.46	0.21
Later than one year and not later than five years	1.33	0.40
Later than five years	–	–
Total	1.79	0.61
Total minimum lease payments recognized in the P&L	0.31	0.22

18.9.5. Accounting standard 22 – Accounting for taxes on income

No deferred taxes have been recorded for FY 2019-20 and FY 2018-19 since the bank is having carry forward of losses in the tax books.

18.9.6. Accounting Standard 26 – Intangible Assets

The Bank holds intangible assets, primarily software, which is reported as part of Schedule 10. Details of the same are given below.

(Amount in ₹ crore)

Particulars	2020	2019
Opening Gross Block	4.72	1.62
Additions during the year	0.66	3.43
Deductions during the year	–	(0.33)
Depreciation till date	(2.92)	(1.68)
Net Block	2.46	3.04
Intangibles under development (CWIP)	0.85	1.29

18.9.7. Accounting Standard 28 – 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" (Previous year Nil).

18.9.8. Accounting Standard 29 - Provisions, contingent liabilities and assets

Sr. No	Contingent Liability	Brief description
1	Claims against the Bank not acknowledged as debts	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, results of operations or cash flows.
2	Liability on account of outstanding forward foreign exchange contracts and other derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward 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 that are recorded, as contingent liabilities are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
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 guarantee on behalf of its customers. Documentary credits such as letter of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payment in the event of the customer failing to fulfill its financial or performance obligations. Acceptances, endorsements and other obligations include undrawn committed credit lines.
4	Other items for which the Bank is contingently liable	The Bank is a party to various taxation matters in respect of which appeals are pending. This is being disputed by the Bank and not provided for. This also includes contingent liability corresponding to amount transferred to Depositor Education and Awareness Fund. There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund (PF) dated 28th February, 2019 on the issue of whether certain allowances should be treated as wages for the purposes of PF. As a matter of caution, the Bank has evaluated the amount to be provided on a prospective basis from the date of the Supreme Court order. As per the Bank's assessment, the amount is immaterial and no provision will be made in the current Financial Year (Previous Year: NIL). The Bank will re- evaluate its position after receiving further clarity on the subject in subsequent Financial Years.

18.10 Miscellaneous disclosures

18.10.1. Breakup of provisions and contingencies

Break of provisions and contingencies charged to the Profit & Loss Account:

(Amount in ₹ crore)

Particulars	2020	2019
Provision for Taxation		
Current Tax	23.83	–
Deferred Tax	–	–
Provision on Depreciation on Investments	(6.74)	(5.90)
Provisions on NPA (including Write-offs)	–	(72.37)
Provision on CVA (Credit Valuation Adjustment)*	21.90	5.40
Provision on Country Risk	0.72	1.37
Provision on Non-Funded Commitments	(0.17)	(15.33)
Provision on Standard Advances	11.84	–
Provision on Other Assets (including Write-offs)	0.11	(5.08)
Total	**51.49**	**(91.91)**

* Pursuant to CVA guidelines provided in the master circular of RBI on Basel III – Capital Regulations

18.10.2. Floating provisions

The floating provisions as on March 31, 2020 is Nil (Previous year Nil).

18.10.3. Draw down from Reserves

The Bank has not drawn down from Reserves during the current year (Previous year Nil).

18.10.4. Customer complaints and unimplemented awards of Banking Ombudsman

A. Customer complaints

	Particulars	2020	2019
(a)	No. of complaints pending at the beginning of the year	–	–
(b)	No. of complaints received during the year	–	1
(c)	No. of complaints redressed during the year	–	1
(d)	No. of complaints pending at the end of the year	–	–

B. Awards passed by the Banking Ombudsman

	Particulars	2020	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	–	–

The above details (A & B) has been based on the information provided by the Management and relied upon by the auditor.

18.10.5. Letters of comfort (LoCs) issued by banks

The Bank did not issue any LoCs during the year (Previous year Nil).

18.10.6. Provision Coverage Ratio

The Provision coverage ratio of the Bank as at March 31, 2020 computed as per the RBI guidelines is 100% (Previous year 100%).

18.10.7. Provision pertaining to Fraud Accounts

No fraud has been reported during FY 2019-20 (Previous year Nil)

18.10.8. Bancassurance Business

The Bank has not earned any income from bancassurance business during the year ended March 31, 2020 (Previous year Nil).

18.10.9. Concentration of Deposits, Advances, Exposures and NPA

Concentration of Deposits (Amount in ₹ crore)

Particulars	2020	2019
Total Deposits of twenty largest depositors	5,110.91	2,270.41
% of Deposits of twenty largest depositors to Total deposits of the bank	78.02%	83.94%

Concentration of Advances** (Amount in ₹ crore)

Particulars	2020	2019
Total Advances of twenty largest borrowers*	1,549.06	1,083.09
% of Advances to twenty largest borrowers to Total Advances of the bank	34.77%	35.98%

* Excluding Inter-bank exposure and based on actual outstanding.

** Advances are computed as per definition of Credit Exposure including derivatives furnished in the Master Circular on Exposure Norms.

Concentration of Exposures (Amount in ₹ crore)

Particulars	2020	2019
Total Exposure to twenty largest borrowers/customers*	6,260.45	5,874.19
% of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	35.39%	36.76%

* Excluding Inter-bank exposure and based on higher of actual outstanding or limits.

Concentration of NPAs** (Amount in ₹ crore)

Particulars	2020	2019
Total Exposure to top four NPA accounts	2.93	3.17

** The information disclosed pertains to only advances (as reported in Schedule 9 of the Balance Sheet). Also, there is only 1 case of NPA outstanding as of 31st Mar 2020 (P.Y. 2 cases).

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18.10.10. Sector-wise Advances

(Amount in ₹ crore)

Sl. No.	Sector	2020			2019		
		Total Advances (Gross)	Gross NPAs	% of Gross NPAs to total advances in that sector	Total Advances (Gross)	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	555.08	–	–	1286.76	–	–
3	Services	67.57	–	–	–	–	–
4	Personal loans	–	–	–	–	–	–
	Sub-total (A)	**622.65**	**–**	**–**	**1286.76**	**–**	**–**
B	**Non Priority Sector**						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry	2,723.00	2.93	0.11%	2388.43	3.17	0.13%
3	Services	1,698.27	–	–	1358.94	–	–
4	Personal loans	–	–	–	–	–	–
	Sub-total (B)	**4,421.27**	**2.93**	**0.07%**	**3,747.37**	**3.17**	**0.08%**
	Total (A+B)	**5,043.92**	**2.93**	**0.06%**	**5,034.13**	**3.17**	**0.06%**

18.10.11. Movement of NPAs**

(Amount in ₹ crore)

Particulars	2020	2019
Gross NPAs – Opening	**3.17**	**383.56**
Additions (Fresh NPAs) during the year	–	13.45
Sub-total (A)	**3.17**	**397.01**
Less:-		
(i) Up-gradations	–	–
(ii) Recoveries (excluding recoveries made from upgraded accounts)	–	142.81
(iii) Write-offs	0.24	251.03
(iv) Exchange rate movement	–	–
Sub-Total (B)	**0.24**	**393.84**
Gross NPAs – Closing (A-B)	**2.93**	**3.17**

** The information disclosed pertains to only advances (as reported in Schedule 9 of the Balance Sheet)

18.10.12. Overseas Assets, NPAs and Revenue

The Bank does not have any Overseas Assets and NPAs as at March 31, 2020 and hence related revenues for the year ended March 31, 2020 is Nil (Previous year Nil).

18.10.13. Off-balance Sheet sponsored Special Purpose Vehicles (SPVs)

The Bank does not have any off balance sheet sponsored SPVs as at March 31, 2020 (Previous year Nil).

18.10.14. 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 Directors/Chief Executive Officers/Risk takers and Control function staff, etc.", the Bank has submitted a declaration received from its Head Office to RBI to the effect that the compensation structure in India, including that of CEO's, is in conformity with the Financial Stability Board principles and standards.

18.10.15. Disclosures relating to Securitization

The Bank does not have any securitized assets as of March 31, 2020 and March 31, 2019.

18.10.16. Intra-Group Exposures

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 their Head Office and overseas branches of the parent bank, except for proprietary derivative transactions undertaken with them, are excluded from intra-group exposure.

(a) Total amount of intra-group exposures – INR 57.46 crore (Previous year INR 121.34 crore).
(b) Total amount of top-20 intra-group exposures - INR 57.46 crore (Previous year INR 121.34 crore).
(c) Percentage of intra-group exposures to total exposure of the bank on borrowers/customers – 0.13% (Previous year 0.40%).
(d) Details of breach of limits on intra-group exposures and regulatory action thereon, if any – NIL (Previous year Nil)

18.10.17. Transfer to Depositor Education and Awareness Fund (DEAF)

(Amount in ₹ crore)

	Particulars	2020	2019
	Opening balance of amounts transferred to DEAF	4.13	3.58
Add	Amounts transferred to DEAF during the year	0.34	0.64
Less	Amounts reimbursed by DEAF towards claims	(0.26)	(0.09)
	Closing balance of amounts transferred to DEAF	4.21	4.13

The amount transferred to DEAF is also shown as contingent liability under Schedule 12.

18.10.18. Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures (UFCE) of its borrowers. UFCE exposes the borrowers to the risk of exchange rate fluctuation, impacting the corporate's profitability and ability to service debt. The objective of the Bank's policy is to monitor & review the UFCE of the borrowers, encouraging the borrowers to hedge their UFCE and evaluate the risks arising out of UFCE of the borrowers while approving the credit facilities and price them in the credit risk premium. The Bank has also stipulated threshold limits for mandatory hedging in respect of foreign currency loans given by the Bank. The credit analysis critically evaluates the risks arising out of UFCE of the borrowers and its impact on the corporate's profitability and financial profile, with due consideration given to the foreign currency receivables generated by the borrower's export activities and the extent to which this might mitigate the foreign currency exposure.

The Bank reviews the UFCE across its portfolio on a periodic basis. The Bank also maintains incremental provision and capital towards the UFCE of its borrowers in line with the extant RBI guidelines.

In accordance with the RBI's Circular DBOD No.BP.BC.85/21.06.200/2013-14 dated 15th January 2014 effective 1st April 2014, the Bank has maintained incremental provision of INR 28.21 crores (Previous year INR 19.87 crores) and additional capital of INR 168.94 crores (Previous year INR 144.81 crores) on account of unhedged foreign currency exposure of its borrowers as at 31 Mar 2020.

18.11 Liquidity Coverage Ratio (LCR)

The RBI basis the circular titled "Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards" released on June 09, 2014 (DBOD.BP.BC.No.120/21.04.098/2013-14) & Master circular on Disclosure in Financial Statements - Notes to Accounts has advised banks to measure and report LCR.

The LCR guidelines aims to ensure that the 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 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 can be taken.

As per the RBI guidelines the minimum LCR required to be maintained shall be implemented in the phased manner from January 01, 2015. The minimum LCR requirement from 2019 is 100%.

The ratio is defined as the amount of High Quality Liquid Assets ("HQLA") that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario. Below are the details of each component:

a) Composition of HQLA

The HQLA of the bank mainly consist of government securities in excess of minimum SLR requirements apart from regulatory dispensation allowed up to 18% of NDTL in the form of borrowings limit available through Marginal Standing Facility (MSF) @3% and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) @ 14.5%. The bank does not hold any FCY HQLA.

b) Composition of Cash Outflows

The total cash outflows mainly comprise of deposits from small business customers, unsecured wholesale funding in the form of corporate term deposits, secured funding in the form of repo (including Treps) borrowings backed by Level 1 assets, other outflows in the form of net derivative exposures and credit & liquidity facilities, and other contractual and contingent funding obligations. Other contractual funding obligations consist of borrowings & overdrawn nostros and contingent funding obligations consist of outflows from credit & liquidity facilities, letters of credit, guarantees and trade finance facilities granted to corporate customers.

c) Composition of Cash Inflows

The total cash inflows comprise of secured lending transaction backed by Level 1 assets collateral and other cash inflows comprises mainly of loans extended to corporate customers, interest receivable, reciprocal lines unutilized, nostros etc.

The framework for funding the balance sheet is well defined in the ALCO policy which is supplemented with stress testing policy. All relevant aspects of liquidity measurement and monitoring are covered in the aforesaid policies. The liquidity for the bank is managed centrally from its Mumbai Office by the Treasurer.

Given the business profile (Corporate Banking), the bank relies/concentrates more on corporate deposits and money market for its funding requirements which has a short term maturity cycle. It is the bank's conscious strategy to comply with the LCR mandate within the business and regulatory environment it is operating.

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Below is the quarter wise summary of the ratios for both the years:

Quarter	FY 2019-20		FY 2018-19	
	Actual	Limit	Actual	Limit
March	240.83%	100%	164.16%	100%
December	216.83%	100%	171.83%	90%
September	202.74%	100%	119.45%	90%
June	164.41%	100%	101.30%	90%

18.12 Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)

(Amount in ₹ crore)

	March 31, 2020	March 31, 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	–	–
Interest due on above	–	–
	March 31, 2020	**March 31, 2019**
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	–	–
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 the MSMED Act 2006.	–	–
The amount of interest accrued and remaining unpaid at the end of each accounting year	–	–
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 MSMED Act 2006	–	–

To the extent of the information received by the Bank from its vendors, there are three payment transactions (five payment transactions in previous year) with MSMED registered vendors as defined under the Micro, Small and Medium Enterprises Development Act, 2006 during the financial year.

18.13 Corporate Social Responsibility (CSR)

The details of CSR expenditure are given below:

Gross amount required to be spent by the company during the year: NIL (Previous year NIL)

Expenses incurred during the year ended March 31, 2020 (Amount in ₹ crore)

Sr No.	Particulars	In Cash	Yet to be paid in Cash	Total
(i)	Construction/Acquisition of any asset	0.00	–	0.00
(ii)	On purposes other than (i) above	1.25	–	1.25

Expenses incurred during the year ended March 31, 2019 (Amount in ₹ crore)

Sr No.	Particulars	In Cash	Yet to be paid in Cash	Total
(i)	Construction/Acquisition of any asset	0.27	–	0.27
(ii)	On purposes other than (i) above	0.73	–	0.73

18.14 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.

18.15 Priority Sector Lending Certificates (PSLCs)

The Bank has purchased PSLCs during the year. Stock of PSLCs held at year end is detailed below in face value terms.

(Amount in ₹ crore)

Sr No.	Particulars	2020	2019
(i)	PSLC - General	987.50	124.25
(ii)	PSLC - Micro Enterprises	549.75	285.00
(iii)	PSLC - Agriculture	–	169.50
	Total	**1,537.25**	**578.75**

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18.16 Transfer to Investment Reserve and Investment Fluctuation Reserve.

In terms of RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018 on creation of Investment Fluctuation Reserve (IFR), the Bank has not transferred any amount for the FY 2019-20 (P.Y: NIL) as the Bank is having loss from sale of investment. The Bank will create the fund in coming years.

Transfers to Investment Reserve Account has been made as per extant RBI guidelines and disclosed in Schedule No. 2.

18.17 Sexual Harassment of Women at Workplace

The bank has received no complaints for its disposal under the provisions of "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

18.18 Update on IND AS Implementation

The Institute of Chartered Accountants of India has issued IND AS (a revised set of accounting standards) which largely converge the Indian accounting standards with International Financial Reporting Standards (IFRS). The same have since been notified by the Ministry of Corporate Affairs (MCA). The RBI has issued a circular applicable to all commercial banks (RBI/2015-16/315 DBR.BP.BC. No.76/21.07.001/2015-16 dated 11th Feb 2016) on Implementation of Indian Accounting Standards (IND AS).

IND AS was required to be fully implemented from 1st April 2018 onwards with comparatives required for periods beginning 1st April 2017, subsequently this was deferred for one year by RBI vide their press release dated April 05, 2018 on "Statement on Developmental & Regulatory Policies".

In FY 2018-19 RBI has deferred the IND AS implementation again as per RBI Circular No. RBI/2018-2019/146 DBR.BP.BC. No.29/21.07.001/2018-19 dated 22nd Mar 2019 until further notice.

The Bank has undertaken the following actions:

Considering the nature and size of business of the bank, the responsibility for implementation of IND AS, primarily stemming from relevant RBI circulars, is with the following Committees:

i. Management Committee

ii. Audit Committee

iii. Steering Committee constituted for IND – AS implementation

The Steering Committee primarily consists of the CFO and Representatives from Finance Control, Risk & Other Support Functions. Any other representation will be included in the committee on a need basis.

The Steering Committee provides updates on a regular basis to the Audit Committee and Management Committee with regard to the progress of the IND AS implementation.

Pro-forma IND AS financial statements are being submitted to RBI on a quarterly basis in line RBI's email dated 20th July 2018 for the same.

18.19 Previous Year's Comparatives

Prior year amounts have been re-classified/re-stated wherever necessary to conform to the current year's presentation.

As per our attached report of even date

For **A P Sanzgiri & Co**
Chartered Accountants
ICAI Firm Registration No: 116293W

CREDIT AGRICOLE CORPORATE & INVESTMENT BANK
Indian Branches

Sd/-
Ankush Goyal
Partner
Membership Number - 146017

Sd/-
Ravinarayanan Iyer
Chief Financial Officer - India

Sd/-
Loic Borrey
Chief Operating Officer - India

Mumbai
June 16, 2020

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BASEL III DISCLOSURES as at March 31, 2020 (Indian Branches)

1. SCOPE OF APPLICATION

The Basel III disclosures contained herein relate to the Indian Branches of Credit Agricole Corporate & Investment Bank ('the Bank') for the year ended Mar 31, 2020. These are primarily in the context of the disclosures required under Annex 18 – Pillar 3 disclosure requirements of the Reserve Bank of India ('the RBI') Master Circular – Basel III Capital Regulations dated 1st July 2015. The Bank has implemented the requirements laid down by RBI for Pillar 3 disclosure, covering both the qualitative and quantitative items. The information provided has been reviewed by senior management and is in accordance with the guidelines prescribed by the RBI. All table DF references relate to those mentioned in Annex 18 – Pillar 3 of the above mentioned circular.

Qualitative & Quantitative disclosures as per table DF 1

The Bank does not have any interest in subsidiaries/associates/Joint Ventures or Insurance entities. As such this disclosure is not applicable to the bank.

2. CAPITAL ADEQUACY

Qualitative Disclosures as per table DF 2

The Capital to Risk Weighted Assets Ratio (CRAR) of the bank is 12.43% as of Mar 31, 2020 computed under Basel III norms, higher than the minimum regulatory CRAR requirement of 10.875% including Capital Conservation Buffer (CCB) of 1.875%.

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. It is overseen by the Bank's Asset and Liability Committee (ALCO) and Local Credit Committee (LCC). It has a process for assessing its overall capital adequacy in relation to the risk profile. The Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'). The Bank's ICAAP document covers the capital management framework of the Bank, sets the process for assessment of the adequacy of capital to support current and future activities/risks and a report on the capital projections for a period of 3 years. The framework has been created by way of an approved ICAAP Manual which ensures existence of a good governance model to identify, assess, monitor and manage all material risks. This framework is supplemented by the existence of an approved stress testing framework which is an integral part of the ICAAP.

In the normal course of events, management reviews the adequacy of capital quarterly or with increased frequency, if circumstances demand. The capital requirement of the Bank is assessed after considering the Bank's strategy, its business model as well as opportunities for growth. The capital assessment by the Bank factors in the credit, operational and market risks associated with its current and future activities as well as the effective management of these risks to optimize the utilization of capital.

Quantitative Disclosures as per table DF 2

A summary of the bank's capital requirement for credit, market and operational risk and the capital adequacy ratio is presented below:

(Amount in ₹ crore)

Particulars		March 31, 2020	March 31, 2019
A	Capital Requirement for Credit Risk (Standardized Approach)	1,537.59	1,420.00
	• On B/s excl securitization exposures	579.34	540.60
	• Off B/s excl securitization exposures	958.25	879.40
	1. Non - Market Related	345.65	386.76
	2. Market Related	612.60	492.64
	• Securitization Exposures	–	–
B	Capital Requirement for Market Risk (Standardized Duration Approach)	291.11	229.02
	• Interest Rate Risk	255.11	211.02
	• Foreign Exchange Risk	36.00	18.00
	• Equity Risk	–	–
C	Capital Requirement for Operational Risk (Basic Indicator Approach)	27.54	7.26
D	Total Capital Requirement	1,856.24	1,656.28
E	Total Risk Weighted Assets of the Bank	18,654.94	16,418.96
	• Credit Risk	14,671.72	13,465.58
	• Market Risk	3,638.93	2,862.68
	• Operational Risk	344.29	90.70
F	Total Capital Ratio	12.43%	12.74%
	• Common Equity Tier I	10.17%	10.26%
	• Tier I	10.17%	10.26%
	• Tier II	2.26%	2.48%

3. RISK EXPOSURE AND ASSESSMENT

Risk Management

The management of risk lies at the heart of the Bank's business. The businesses undertaken by the Bank requires it to identify, measure, control, monitor and report risks effectively and to allocate capital among businesses appropriately.

The key components of the Bank's risk management are the risk policies, comprehensive processes, integrated risk management systems and internal control mechanism. The Bank's risk policies focus attention on key areas of risks such as counterparty, market, country, portfolio and operational risk and identification, analysis, measurement and control of these risks for effective and continuous monitoring.

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4. CREDIT RISK: GENERAL DISCLOSURES

Qualitative Disclosures as per table DF 3

Credit Risk Management Policy

The Bank's credit risk management process integrates risk management into the business management processes, while preserving the independence and integrity of risk assessment. There is a clear segregation of duties between transaction originators in the businesses and the approvers in the Risk functions. All credit exposure limits are approved within a defined credit approval authority framework.

The Head Office of the Bank establishes the parameters for risk appetite, which is defined quantitatively and qualitatively in accordance with the laid-down strategic business plan for the country. Group policies/procedures are customized locally to incorporate any local regulatory and governance needs. This is laid down through a combination of organizational structures and credit risk policies, control processes and credit systems embedded into an integrated risk management framework.

The Bank regularly monitors credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios, portfolio delinquency and loan impairment performance.

Identification & Management of Doubtful Assets & Provisioning

The Bank has laid down a global policy for identification and management of Doubtful Assets and provisioning. In addition, the Bank's non-performing advances are identified by regular review of the portfolio by senior management in accordance with RBI guidelines on asset classification and provisioning. Specific provision is made on a case by case basis based on the management's assessment of impairment of the advance with approval from the Head Office, subject to the minimum provisioning levels prescribed by the RBI. All non performing advances are monitored by a specialized department called Distressed Assets Services at Regional Office, Hong Kong. The Bank engages with customers closely to work out of distress situations.

Concentration Risk

The Bank controls and limits concentration risk by means of appropriate borrower limits based on creditworthiness. These include:

Large exposures to individual clients or group:

The exposure limits on various categories of borrowers/counterparties and group of borrowers/counterparties shall be in accordance with the Large Exposure (LE) Framework of RBI.

The Bank has adopted the limits prescribed in the LE Framework as prudential exposure limit:

Single Borrower/counterparty: The sum of all the exposure values to a single counterparty must not be higher than 20% of the Bank's available eligible capital base at all time (i.e. Tier I capital).

Groups of connected Borrowers/counterparties: The sum of all the exposure values of a bank to a group of connected counterparties (as defined in the RBI regulation on Large Exposure Framework) must not be higher than 25% of the Bank's available eligible capital base at all times.

Interbank exposures: The interbank exposures, except intra-day interbank exposures, will be subject to the large exposure limit of 25% of Bank's Tier 1 capital. Additionally, in case of exposure to a G-SIB (including branch) and a non-bank G-SIFI, the exposure limit is further restricted to 20% of capital base (noting that CACIB is a not a G-SIB). For this purpose, Indian branches of a foreign G-SIB is treated as non-GSIB.

Exposure to Head Office: The sum of all the exposure values to Head office (including other overseas branches/subsidiaries/parent/group entities) must not be higher than 25% of the Bank's available eligible capital base at all time.

Exposure to NBFCs: Exposure Ceilings proposed under LE Framework:

(i) Exposures to NBFCs: Banks' exposures to a single NBFC will be restricted to 15 percent of the eligible capital base. However, for NBFCs having significant exposure to unsecured personal loans in its portfolio, the exposure be restricted to 10% of eligible capital base.

(ii) Banks' exposures to a group of connected NBFCs or groups of connected counterparties having NBFCs in the group will be restricted to 25 percent of their Tier I Capital.

Industries

Industry analysis plays an important part in assessing the 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.

Quantitative Disclosures as per table DF 3

CREDIT RISK EXPOSURES

Total Net Credit Risk Exposure

(Amount in ₹ crore)

Particulars	As at Mar 31, 2020	As at Mar 31, 2019
Fund Based	5,040.98	5,030.96
Non Fund Based	6,927.61	7,462.85
Total	11,968.59	12,493.81

Note 1: Fund-based exposure represents funded loans & advances including overdrafts, cash credits and bill discounting.
Note 2: Non-fund based exposures are guarantees given on behalf of constituents, Letters of Credit, Undrawn binding commitments, acceptances and endorsements.
Note 3: The exposure amount is the net outstanding (i.e. net of provisions and credit risk mitigants, if any).
Note 4: The increase in exposures by 25% due to unhedged foreign currency exposure is not considered in the above figures.

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The Bank does not have overseas operations and hence exposures are restricted to the domestic segment.

Distribution of credit risk exposure by industry sector as at Mar 31, 2020

(Amount in ₹ crore)

Industry code	Industry Name		Funded	Non Funded	Total
1	A.	Mining and Quarrying (A. 1 & A.2)	–	2.15	2.15
1.1	A.1	Coal	–	–	–
1.2	A.2	Others	–	2.15	2.15
2	B.	Food Processing (Sumof B.1 to B.5)	1.85	–	1.85
2.1	B.1	Sugar	–	–	–
2.2	B.2	Edible Oils and Vanaspati	–		–
2.3	B.3	Tea	–	–	–
2.4	B.4	Coffee	–	–	–
2.5	B.5	Others	1.85	–	1.85
3	C.	Beverages (excluding Tea & Coffee) and Tobbacco (sum of C.1 & C.2)	–	1.27	1.27
3.1	C.1	Tobacco and Tobacco products	–	–	–
3.2	C.2	Others	–	1.27	1.27
4	D.	Textiles (Sum of D.1 to D.6)	–	8.20	8.20
4.1	D.1	Cotton	–	–	–
4.2	D.2	Jute	–	–	–
4.3	D.3	Handicraft/Khadi (Non priority)	–	–	–
4.4	D.4	Silk	–	–	–
4.5	D.5	Woolen	–	–	–
4.6	D.6	Others	–	8.20	8.20
4.7	Out of D (i.e Total Textiles) to Spinning Mills		–	–	–
5	E.	Leather and Leather products	–	–	–
6	F.	Wood and Wood products	–	–	–
7	G.	Paper and paper products		–	–
8	H.	Petroleum (non-infra), Coal products (non-mining) and Nuclear Fuels	267.94	–	267.94
9	I	Chemicals & Chemical products (Dyes, Paints, etc.) (Sum of 1.1 to 1.4)	100.05	16.51	116.56
9.1	I.1	Fertilisers	–	–	–
9.2	I.2	Drugs and Pharmaceuticals	81.30	15.97	97.27
9.3	I.3	Petro-chemicals (Excluding under Infrastructure)	–	–	–
9.4	I.4	Others	18.75	0.54	19.29
10	J	Rubber, Plastic and their Products	192.55	30.17	222.72
11	K	Glass & Glassware	35.00	3.55	38.55
12	L	Cement and Cement products	–	9.16	9.16
13	M	Basic Metal and Metal products (M.1 + M.2)	400.29	625.07	1,025.36
13.1	M.1	Iron and Steel	87.71	339.29	427.00
13.2	M.2	Other Metal and Metal Products.	312.58	285.78	598.36
14	N	All Engineering (N.1+ N.2)	981.98	1,019.88	2,001.86
14.1	N.1	Electronics	150.96	–	150.96
14.2	N.2	Others	831.02	1,019.88	1,850.90
15	O	Vehicles, Vehicles Parts and Transport Equipments	623.55	251.36	874.91
16	P	Gems and Jewellery	–	–	–
17	Q	Construction	88.89	592.31	681.20
18	R	Infrastructure (Sum of R1 to R4)	267.66	599.23	866.89
18.1	R.1	Transport ((Sum of R.1.1 to R.1.5)	–	–	–
18.1.1	R.1.1	Railways	–	–	–
18.1.2	R.1.2	Roadways	–	–	–
18.1.3	R.1.3	Airport	–	–	–
18.1.4	R.1.4	Waterways	–	–	–
18.1.5	R.1.5	Others	–	–	–
18.2	R.2	Energy (Sum of R.2.1 to R.2.4)	177.10	197.90	375.00
18.2.1	R.2.1	Electricity (generation-transportation and distribution)	177.10	197.90	375.00
18.2.1.1	R.2.1.1	State Electricity Boards	–	–	–
18.2.1.2	R.2.1.2	Others	177.10	197.90	375.00
18.2.2	R.2.2	Oil (Storage and Pipeline)	–	–	–
18.2.3	R.2.3	Gas/LNG (Storage and Pipeline)	–	–	–
18.2.4	R.2.4	Others	–	–	–
18.3	R.3	Telecommunication	–	–	–
18.4	R.4	Others (Sum of R.4.1 to R.4.3)	90.56	401.33	491.89
18.4.1	R.4.1	Water Sanitation			–
18.4.2	R.4.2	Social & Commercial Infrastructure	–	–	–
18.4.3	R.4.3	Others	90.56	401.33	491.89
19	S Others Industries		181.82	93.86	275.68
20	All Industries (Sum of A to S)		3,141.58	3,252.85	6,394.43
21	Residuary other Advances (to tally with gross advances) [a+b+c]		1,899.40	3674.89	5,574.29
21.1	a	Education Loan	–	–	–
21.2	b	Aviation Sector	–	–	–
21.3	c	Other Residuary Advances	1,899.40	3,674.89	5,574.29
22	Total Loans and Advances		5,040.98	6,927.61	11,968.59

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Residual contractual maturity breakdown of total assets

(Amount in ₹ crore)

Maturity bucket	Mar 31, 2020	Mar 31, 2019
1day	2,485.70	1,826.27
2 to 7 days	1,877.66	1,160.35
8 to 14 days	995.77	1,125.92
15 to 30 days	959.59	658.05
31 days to 3 months	1,546.48	1,618.80
3 to 6 months	665.48	1,295.41
6 to 12 months	968.82	434.22
1 to 3 years	877.07	520.62
3 to 5 years	5.00	69.49
Over 5 years	10,931.46	6,734.10
Total	21,313.03	15,443.23

Movement of NPAs and Provision for NPAs (excludes NPAs on derivatives)

(Amount in ₹ crore)

			Mar 31, 2020	Mar 31, 2019
A	Amount of NPAs (Gross)		2.93	3.17
	–	Substandard	–	–
	–	Doubtful 1	–	–
	–	Doubtful 2	–	–
	–	Doubtful 3	–	–
	–	Loss	2.93	3.17
B	Net NPAs		–	–
C	NPA Ratios			
	–	Gross NPAs to gross advances (%)	0.06%	0.06%
	–	Net NPAs to net advances (%)	0.00%	0.00%
D	Movement of NPAs (Gross)			
	–	Opening balance	3.17	383.56
	–	Additions	–	13.45
	–	Reductions	(0.24)	(393.84)
	–	Exchange rate movement	–	–
	–	Closing balance	2.93	3.17
E	Movement of Provision for NPAs			
	–	Opening balance	3.17	326.56
	–	Provision made	–	70.45
	–	Write-off/write-back of excess provisions during the year (including recovery)	(0.24)	(393.84)
	–	Exchange rate movement	–	–
	–	Closing balance	2.93	3.17

NPIs and movement of provision for depreciation on investments

(Amount in ₹ crore)

			Mar 31, 2020	Mar 31, 2019
A	Amount of Non-Performing Investments		–	–
B	Amount of provision held for Non-Performing Investments		–	–
C	Movement of provision for depreciation on investments			
	–	Opening balance	6.74	12.64
	–	Provision made	–	–
	–	Write-offs	–	–
	–	Write-back of excess provision	(6.74)	(5.90)
	–	Closing balance	–	6.74

5. **CREDIT RISK – Disclosures for portfolios under the standardized approach**

Qualitative Disclosures as per table DF 4

Use of external ratings issued by Rating Agencies under the Standardized Approach

The Bank uses the issuer ratings and short-term and long-term instrument/bank facilities' ratings which are assigned by the accredited rating agencies viz. CRISIL, CARE, ICRA, India Ratings (FITCH group company), Brickwork and SMERA, and published in the public domain to assign risk-weights in terms of RBI guidelines. In respect of claims on non-resident corporates and foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch are 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.

Risk weight mapping of foreign public sector entities and non-resident corporates:

S&P/FITCH ratings	AAA to AA	A	BBB	Below B	Unrated
Moody's ratings	**Aaa to Aa**	**A**	**Baa**	**Below B**	**Unrated**
Risk Weight (%)	20	50	100	150	100

Quantitative Disclosures as per table DF 4

Amount of credit RWA outstanding under various risk buckets:

(Amount in ₹ crore)

Particulars	Mar 31, 2020	Mar 31, 2019
Below 100% risk weight	3,370.02	4,423.66
100% risk weight	2,747.77	6,362.84
More than 100% risk weight	8,553.93	2,679.08
Deductions		
Total risk weighted assets	14,671.72	13,465.58

Note: Credit Risk Exposure for foreign exchange contracts and derivatives has been calculated as per Current Exposure Method in accordance with RBI guidelines.

6. CREDIT RISK MITIGATION

Qualitative Disclosures as per table DF 5

The Bank uses various collaterals both financial as well as non-financial as credit risk mitigants (CRM). The main collateral recognized by the Bank for RWA purpose comprises of bank deposits/cash margin.

The Bank has in place a Credit Risk Mitigants management 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 a counter party 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 and rating of the collateral/collateral provider.

Quantitative Disclosures as per table DF 5

The quantum of the credit portfolio which benefits from financial collaterals and/or guarantees as credit risk mitigants is an insignificant portion of our customer advances. Therefore, the credit and/or market concentration risks are not material.

The total exposure that is covered by eligible financial collateral, after the application of haircuts is INR 30.99 crores (March 31, 2019:- INR 15.41 crores).

Break-down of exposure covered by eligible financial collateral:

(Amount in ₹ crore)

Facility	Mar 31, 2020	Mar 31, 2019
Funded	–	–
Non-Funded - Letters of Credit	–	–
Non-funded - Guarantees	30.99	15.41
Non-funded - FX/Derivative	–	–
Total	30.99	15.41

7. SECURITIZATION EXPOSURES

Qualitative & Quantitative disclosures as per table DF 6

The Bank has not undertaken any securitization activity either as an originator or as credit enhancer. Details of exposure securitized by the Bank and subject to securitization framework is thus NIL.

8. MARKET RISK IN TRADING BOOK

Qualitative Disclosures as per table DF 7

Market risk is the risk to the Bank's earnings and capital due to changes in the market level of interest rates or prices of securities and foreign exchange as well as the volatilities of those changes.

Bank's market risk objectives are to understand and control market risk by robust measurement and the setting of position limits, facilitate business growth within a controlled and transparent risk management framework and minimize non-traded market risk.

The Bank is exposed to market risk through its trading activities, which are carried out for customers. The Bank adopts a comprehensive approach to market risk management for its trading, investment and asset/liability portfolios. The Bank uses various risk metrics, both statistical and non-statistical, including:

– Value at Risk (VaR)

– Non-statistical measures like position, gaps and sensitivities i.e. PV01, Duration and Option Greeks

The Bank uses Historical Simulation method for calculation of VaR at 99% confidence interval and holding period of 1 day. The 261 days historical market data (rate + volatility) are used. The shocks are applied to market data to calculate mark to market value of each scenario in a portfolio at each level of consolidation. The VaR models are back-tested at regular intervals and results are used to maintain and improve the efficacy of the model. VaR is calculated for trading and non-trading portfolio on daily basis and reported to senior management of the Bank. Stress test is also conducted on quarterly basis as per RBI methodology. Similarly stress test is also performed as per internal methodology on the total portfolio on weekly basis, which shows impact of extreme market movements on Bank's portfolio.

Different risk limits such as Overnight position, maximum maturity, Profit and Loss alert and Annual stop loss alerts are set up according to a number of criteria including relevant market analysis, business strategy, management experience and risk appetite for market risk exposures. These limits are monitored on daily basis and exceptions are reported to management and put up to ALCO. Market risk limits are reviewed at least once a year or more frequently if deemed necessary to maintain consistency with trading strategies and material developments in market conditions.

Concentration Risk

The Bank has allocated internal risk limits in order to avoid concentrations, wherever relevant. The Bank has allocated PVO1 limits currency wise/bucket wise, which are monitored on daily basis for any possible concentration risk.

Quantitative Disclosures as per table DF 7

Capital Requirement for Market Risk

(Amount in ₹ crore)

Particulars	Mar 31, 2020	Mar 31, 2019
– Interest rate risk	255.11	211.01
– Equity position risk	–	–
– Foreign exchange risk (including gold)	36.00	18.00
Total	**291.11**	**229.01**

9. OPERATIONAL RISK

Qualitative Disclosures as per table DF 8

Operational Risk - Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is the risk of direct or indirect losses resulting from human factors, external events, inadequate or failed internal processes and systems. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisition, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff and social and environmental impacts. This definition includes legal risk, but excludes business and reputation risk.

Strategies and Processes

The Bank has set up a Permanent Control Department within Risk to manage operational risk through identification, assessment and monitoring. Simultaneously, a framework has been laid to capture loss data which can be mapped to operational risk events to measure the impact quantitatively. The Bank has put in place a structure to effectively manage operational risk through the formation of several Internal Committees viz., Internal Control Committee (ICC), New Products and Activities Committee. The functioning of these committees is well defined. The Risk and Permanent Control Department acts as the convener of ICC.

Structure and Organization

The Bank has an Internal Control Committee (ICC) which is responsible for implementation of the Operational Risk policies of the Bank. This Internal Control Committee supervises effective monitoring of operational risk and the implementation of measures for enhanced capability to manage operational risk.

Internal Vigilance System

As mandated by Reserve Bank of India the Bank has setup an Internal Vigilance Committee chaired by the Senior Country Officer (the other members being Chief Operating Officer, Heads of Risk, HR, Audit and Compliance with the Permanent Control Officer as the Chief Vigilance Officer) that is responsible for implementing anti-corruption measures and looking into acts of misconduct, alleged or committed, by employees within its control and take appropriate punitive action. The Committee also takes appropriate measures to prevent commission of misconducts/malpractices by employees. The Committee meets on a quarterly basis.

Operational Risk Reporting and Measurement Systems

A systematic centralized process for reporting losses, "near misses" issues relating to operational events is implemented. Based upon the information gathered, control measures would be introduced. All operational loss events and potential loss events are reported to HO and reviewed by the Local ICC.

An Operational Risk Mapping project has been undertaken within the Bank to identify and assess the operational risk inherent in all material products, activities, processes and systems. The objective of the Operational Risk Mapping is to map the various business lines, organizational functions or process flows by risk type to reveal areas of weakness so to prioritize subsequent management actions.

Policies for Managing Operational risk

An Operational Risk Management Policy approved by the Internal Control Committee of the Bank details the framework for reducing/ controlling operational risk in the Bank. As per the policy, all new products are being vetted by the New Products and Activities Committee to identify and assess potential operational risks involved and suggest control measures to mitigate the risks. A review of the approved products is being done by the Compliance Department on a regular basis.

Operational Risk Capital Assessment

As per the RBI guidelines, the Bank has followed the Basic Indicator Approach for the year ending 31st Mar 2020.

10. INTEREST RATE RISK IN THE BANKING BOOK

Qualitative Disclosures as per table DF 9

Interest rate risk in the 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 rates. Treasury desk under the supervision of the Asset/Liability Committee (ALCO) manages interest rate risk within the ALM guidelines set up at Bank level and within the limits set up by the Department of Risk Management. The bank has ALCO approved funds transfer pricing policy between various product lines in the bank and also details about the interest rate risk management framework. As part of the policy interest rate risk originated due to commercial banking activities are transferred to Treasury – Fund Management desk, which is in charge of managing the interest rate risk within the banking book. The Treasury desk manages interest rate risk on ongoing basis by dealing in various approved financial products and is subject to same VaR & stress tests as that for the trading book.

Quantitative Disclosures as per table DF 9

The bank has uses the modified duration approach to measure potential impact on the capital fund (MVE) for upward and downward interest rate shocks of 200 bps on quarterly basis. The bank also has prescribed shocks to calculate impact arising out of the basis risk in the banking book.

The impact on the capital funds for upward/downward interest rate shock of 200 bps as at Mar 31,2020 is as below:-

(Amount in ₹ crore)

Currency	Upward Interest rate shock	Downward Interest rate shock
INR	73.57	-73.57
USD	-9.63	9.63
Others	-2.20	2.20
Total	61.74	-61.74

Earnings at risk (EaR) measure the interest rate risk from earnings perspective. This is computed based on the net gaps for each bucket up to 1 year with a 1% parallel shift in the yield curve on the bank's earning. The impact from earnings perspective as at Mar 31,2020 is INR 9.04 crores.

11. GENERAL DISCLOSURE FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK

Qualitative Disclosures as per table DF 10

The Bank stipulates limits as per the norms on exposure stipulated by RBI for both fund and non-fund based products including derivatives. Limits are set as a percentage of the capital funds and are monitored. The utilization against specified limits is reported to the Credit Committee on a periodic basis. The analysis of the composition of the portfolio is presented to the Local Management Committee on a half yearly basis.

Credit Control Department monitors the credit excess (including FX/ Derivatives exceeding approved limit) on a daily basis. The 'credit exposure' arising on account of interest rate and foreign exchange derivative transactions is computed using the "Current Exposure Method" as laid down by RBI.

The Bank has entered into Credit Support Annex (CSA) agreement with local banks. 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.

Exposure to Central counterparties arising from over-the-counter derivative trades, exchange traded derivatives transactions and security financing transactions (SFTs), attracts capital charges applicable to Central Counterparty.

Applicable risk weights for trades, guaranteed by central counterparties, which are recognized as qualifying central counterparty (QCCP) by Reserve Bank of India or SEBI, are comparatively lower than OTC deals.

In India, presently there are four QCCPs viz. Clearing Corporation of India (CCIL), National Securities Clearing Corporation Ltd (NSCCL), Indian Clearing Corporation Ltd (ICCL) and MCX-SX Clearing Corporation Ltd (MCX-SXCCL). These CCPs are subjected, on an ongoing basis, to rules and regulations that are consistent with CPSS-IOSCO Principles for Financial Market Infrastructures.

The bank has also computed the incurred Credit Valuation Adjustment (CVA) loss as per Basel III master circular and the same has been considered for reduction in derivative exposure computation. The provision amount outstanding as on Mar 31, 2020 is INR 42.40 crores.

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Quantitative Disclosures as per table DF 10

The derivative exposure outstanding as of Mar 31, 2020 is given below:

(Amount in ₹ crore)

Particulars	Notional Amount	Positive MTM	Add-On	Current Exposure
Interest Rate Swaps	149,873.67	1,659.44	1,267.33	2,926.77
Currency Swaps (CIRS)	19,401.75	323.02	1,721.93	2,044.95
Currency Options	1,477.17	20.18	50.73	70.91
Currency Future	7.60	0.00	0.15	0.15
Foreign Exchange Contract	532,266.89	8,460.83	11,616.02	20,076.85
Total	**703,027.08**	**10,463.47**	**14,656.16**	**25,119.63**

There are no Forward Rate Agreements outstanding as on date. The bank does not deal in Credit Default Swaps. The above table does not include the impact of CVA provision which is used to reduce the exposure computation.

12. COMPOSITION OF CAPITAL DISCLOSURE TEMPLATES (CAPITAL STRUCTURE)

Common Equity Tier I Capital: primarily comprises of interest free capital funds received from Head Office, statutory reserves, capital reserve, general reserves and remittable surplus retained for meeting capital adequacy requirements.

Additional Tier I Capital: The bank does not have any Additional Tier I capital.

Tier II Capital mainly comprises of the subordinated debt raised from Head Office, investment reserve, provision for country risk, provision towards standard assets (including on positive marked to market and un-hedged foreign currency exposures).

Quantitative Disclosures as per table DF 11, table DF 12, table DF 13 and DF 14

The composition of capital as on Mar 31, 2020 as per Table DF 11, Composition of Capital- Reconciliation Requirements as of Mar 31, 2020 (Step 1 to 3) as per Table DF 12 and Main Features of Regulatory Capital Instruments as per Table DF 13 are provided as separate annexures to this disclosure.

The Bank has received only interest free capital funds & also raised subordinated debt from Head Office. The terms & condition of same is already disclosed under DF 13. The Bank has not issued any regulatory capital instruments in India. Accordingly, no specific disclosure is required under DF 14.

13. REMUNERATION

As per section C of RBI circular DBOD.No.BC.72/29.67.001/2011-12 dated January 13, 2012 – Guidelines on compensation of Whole Time Directors /Chief Executive Officers/Risk takers and Control function staff, etc. on "Compensation guidelines for foreign banks", foreign banks operating in India through branch mode of presence and having their compensation policy governed by their respective Head Office policies are expected to align the policy (In the light of the initiative taken by the FSB, G-20 and the BCBS endorsement of the FSB principles) in line with the Financial Stability Board (FSB) principles. As the bank's compensation structure is in conformity with the FSB principles and standards, no specific qualitative and quantitative disclosure as per table DF 15 is required.

14. Equities –Banking Book Positions

Qualitative & Quantitative disclosures as per table DF 16

The Bank does not have any equity exposure and disclosure under this section is NIL.

15. Leverage Ratio Disclosures

As on Mar 31, 2020 the leverage ratio is 4.75%. 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 annexures to this disclosure.

Ravinarayanan Iyer
Chief Financial Officer - India

Loic Borrey
Chief Operating Officer - India

Mumbai
Date: Jun 16, 2020

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Table DF - 11 : Composition of Capital as of March 31, 2020

(Rs. in million)

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)	10,971.67		A= A1+A2
2	Retained earnings	10,515.59		
3	Accumulated other comprehensive income (and other reserves)	–		B=B1+B2+ B3+B4+B5
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	NA		
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	21,487.26		
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)	2,515.78		
10	Deferred tax assets	–		
11	Cash-flow hedge reserve	–		
12	Shortfall of provisions to expected losses	–		
13	Securitisation gain on sale	–		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–		
15	Defined-benefit pension fund net assets	–		
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	–		
17	Reciprocal cross-holdings in common equity	–		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–		
20	Mortgage servicing rights (amount above 10% threshold)	–		
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	–		
	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]	–		

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Table DF - 11 : Composition of Capital as of March 31, 2020

(Rs. in million)

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amounts Subject to Pre-Basel III Treatment	Ref No.
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**	2,515.78		
29	**Common Equity Tier 1 capital (CET1)**	**18,971.48**		
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	–		
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)**	**18,971.48**		
Tier 2 capital : instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	3,009.95		D=D1
47	Directly issued capital instruments subject to phase out from Tier 2	–	–	C=C1
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	1,213.81		E=E1+E2+E3

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Table DF - 11 : Composition of Capital as of March 31, 2020

(Rs. in million)

Basel III common disclosure template to be used during the transition of regulatory adjustments			**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
51	**Tier 2 capital before regulatory adjustments**	**4,223.76**		
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	–		
	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)**	**4,223.76**		
58a	Tier 2 capital reckoned for capital adequacy	4,223.76		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	**–**		
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**4,223.76**		
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	**23,195.23**		
	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)**	**186,549.42**		
60a	of which : total credit risk weighted assets	146,717.19		
60b	of which : total market risk weighted assets	36,389.31		
60c	of which : total operational risk weighted assets	3,442.92		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.17%		
62	Tier 1 (as a percentage of risk weighted assets)	10.17%		
63	Total capital (as a percentage of risk weighted assets)	12.43%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	7.375%		
65	of which : capital conservation buffer requirement	1.875%		
66	of which : bank specific countercyclical buffer requirement	0.00%		
67	of which : G-SIB buffer requirement	0.00%		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.79%		
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%		

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Table DF - 11 : Composition of Capital as of March 31, 2020

(Rs. in million)

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amounts Subject to Pre-Basel III Treatment	Ref No.
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)	1,213.81		E=E1+E2+E3
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,833.96		
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	–		C1
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–		C1

Notes to 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	–
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	NA
	of which : Increase in Common Equity Tier 1 capital	NA
	of which : Increase in Additional Tier 1 capital	NA
	of which : Increase in Tier 2 capital	NA
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then :	NA
	(i) Increase in Common Equity Tier 1 capital	NA
	(ii) Increase in risk weighted assets	NA
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	1,213.81
	Eligible Revaluation Reserves included in Tier 2 capital	–
	Total of row 50	1,213.81
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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Table DF-12 : Composition of Capital- Reconciliation Requirements as of March 31, 2020 (Step 1)

(Rs. in million)

			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**	**10,971.67**	**10,971.67**
		Reserves & Surplus	8,308.29	8,308.29
		Minority Interest	–	–
		Total Capital	**19,279.96**	**19,279.95**
	ii.	**Deposits**	**65,506.42**	**65,506.42**
		of which : Deposits from banks	3,142.26	3,142.26
		of which : Customer deposits	62,364.16	62,364.16
		of which : Other deposits (pl. specify)	–	–
	iii.	**Borrowings**	**8,524.94**	**8,524.94**
		of which : From RBI	–	–
		of which : From banks	4,000.00	4,000.00
		of which : From other institutions & agencies	–	–
		of which : Others (Banks Outside India)	1,120.02	1,120.02
		of which : Capital instruments	3,404.92	3,404.92
	iv.	**Other liabilities & provisions**	**119,818.96**	**119,818.96**
	Total		**213,130.28**	**213,130.28**
B	**Assets**			
	i.	**Cash and balances with Reserve Bank of India**	**10,170.88**	**10,170.88**
		Balance with banks and money at call and short notice	**5,506.87**	**5,506.87**
	ii.	**Investments :**	**35,010.34**	**35,010.34**
		of which : Government securities	35,010.34	35,010.34
		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**	**50,409.87**	**50,409.87**
		of which : Loans and advances to banks	–	–
		of which : Loans and advances to customers	50,409.87	50,409.87
	iv.	**Fixed assets**	**208.15**	**208.15**
	v.	**Other assets**	**111,824.17**	**111,824.17**
		of which : Goodwill and intangible assets	–	–
		of which : Deferred tax assets	–	–
	vi.	**Goodwill on consolidation**	**–**	**–**
	vii.	**Debit balance in Profit & Loss account**	**–**	**–**
	Total Assets		**213,130.28**	**213,130.28**

Table DF-12 : Composition of Capital- Reconciliation Requirements as of March 31, 2020 (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**	**10,971.67**	**10,971.67**	
		of which : Amount eligible for CET1	10,971.67	10,971.67	A1
		of which : Amount eligible for AT1	–	–	A2
		Reserves & Surplus	**8,308.29**	**8,308.29**	
		of which : Statutory Reserves	4,260.59	4,260.59	B1
		of which : Investment Reserves	275.41	275.41	E1
		of which : General Reserves	250.67	250.67	B2
		of which : Remittable profit retained for Capital Adequacy	5,829.61	5,829.61	B3
		of which : Balance in P&L A/c	(2,482.72)	(2,482.72)	B4
		Minority Interest	–	–	B5
		Total Capital	**19,279.96**	**19,279.96**	

Table DF-12 : Composition of Capital-Reconciliation Requirements as of March 31, 2020 (Step 2)

(Rs. in million)

			Balance sheet as in financial statements As on reporting date	Balance sheet under regulatory scope of consolidation As on reporting date	Ref No.
A	ii.	**Deposits**	**65,506.42**	**65,506.42**	
		of which : Deposits from banks	3,142.26	3,142.26	
		of which : Customer deposits	62,364.16	62,364.16	
		of which : Other deposits (pl. specify)	–	–	
	iii.	**Borrowings**	**8,524.94**	**8,524.94**	
		of which : From RBI	–	–	
		of which : From banks	4,000.00	4,000.00	
		of which : From other institutions & agencies	–	–	
		of which : Others (Banks outside India)	1,120.02	1,120.02	
		of which : Capital instruments	3,404.92	3,404.92	
		of which : Eligible Tier II Instruments (Phase Out)	–	–	C1
		of which : Eligible Tier II Instruments (No Phase Out)	–	3,009.95	D1
	iv.	**Other liabilities & provisions**	**119,818.96**	**119,818.96**	
		of which : DTLs related to goodwill	–	–	
		of which : DTLs related to intangible assets	–	–	
		of which : Provision for Standard Assets	905.30	905.30	E2
		of which : Provision for Country Risk	33.10	33.10	E3
		Total Capital and Liabilities	**213,130.28**	**213,130.28**	
B	**Assets**				
	i.	**Cash and balances with Reserve Bank of India**	**10,170.88**	**10,170.88**	
		Balance with banks and money at call and short notice	**5,506.87**	**5,506.87**	
	ii.	**Investments :**	**35,010.34**	**35,010.34**	
		of which : Government securities	35,010.34	35,010.34	
		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.) SIDBI Deposits	–	–	
	iii.	**Loans and advances**	**50,409.87**	**50,409.87**	
		of which : Loans and advances to banks	–	–	
		of which : Loans and advances to customers	50,409.87	50,409.87	
	iv.	**Fixed assets**	**208.15**	**208.15**	
	v.	**Other assets**	**111,824.17**	**111,824.17**	
		of which : Goodwill and intangible assets	–	–	
		Out of which :	–	–	
		Goodwill	–	–	
		Other intangibles (excluding MSRs)	–	–	
		Deferred tax assets	–	–	
	vi.	**Goodwill on consolidation**	**–**	**–**	
	vii.	**Debit balance in Profit & Loss account**	**–**	**–**	
	Total Assets		**213,130.28**	**213,130.28**	

Extract of Basel III common disclosure template (with added column) – Table DF-11 (Step 3)

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 step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	10,971.67	A1
2	Retained earnings	–	
3	Accumulated other comprehensive income (and other reserves)	–	B1+B2+B3+B5
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	10,971.67	
7	Prudential valuation adjustments	–	
8	Goodwill (net of related tax liability)	–	

(Incorporated in France with limited liability)

INDIAN BRANCHES

Table DF-13: Main Features of Regulatory Capital Instruments
Disclosure template for main features of regulatory capital instruments

1	Issuer	CA-CIB India Branches	CA-CIB India Branches
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA
3	Governing law(s) of the instrument	Indian Laws	Indian Laws
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier I	Tier II
5	Post-transitional Basel III rules	Common Equity Tier I	Tier II
6	Eligible at solo / group / group & solo *	Solo	Solo
7	Instrument type	Head Office Capital	Subordinated Debt
8	Amount recognised in regulatory capital (Rs. in actual, as of most recent reporting date)	INR 10,971,665,394.00	INR 3,009,949,500.00
9	Par value of instrument	NA	USD 45,000,000.00
10	Accounting classification	Capital	Borrowings
11	Original date of issuance	Various	13-Oct-16
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	NA	13-Oct-26
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	No	After 13-Oct-21 or Tax Event or Regulatory Event
16	Subsequent call dates, if applicable	No	No
	Coupons/dividends		
17	Fixed or floating dividend / coupon	NA	Floating
18	Coupon rate and any related index	NA	LIBOR 6M + 2.57%
19	Existence of a dividend stopper	NA	No
20	Fully discretionary, partially discretionary or mandatory	NA	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	NA	Yes
24	If convertible, conversion trigger(s)	NA	On Occurrence of Non-Viability Event
25	If convertible, fully or partially	NA	Both
26	If convertible, conversion rate	NA	On the day of occurrence of the Non-Viability Event
27	If convertible, mandatory or optional conversion	NA	Mandatory
28	If convertible, specify instrument type convertible into	NA	Common Equity Tier I Capital
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	NA	Yes
31	If write-down, write-down trigger(s)	NA	On Occurrence of Non-Viability Event
32	If write-down, full or partial	NA	Both
33	If write-down, permanent or temporary	NA	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Debt	All other depositors and creditors of the bank
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

* The bank is present in India as branches of a foreign bank and as such only has solo reporting (i.e. no difference between solo and group)

Table DF-17: Summary comparison of accounting assets vs. leverage ratio exposure measure as of March 31, 2020

	Item	(Rs. in Million)
1	Total consolidated assets as per published financial statements	213,130.28
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	(107,492.50)
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	149.96
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	293,503.13
7	Other adjustments	(33.07)
8	Leverage ratio exposure	399,257.80

Table DF-18: Leverage ratio common disclosure template as of March 31, 2020

	Item	(Rs. in Million)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	105,637.78
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	33.07
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**105,670.85**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	104,210.68
5	Add-on amounts for PFE associated with all derivatives transactions	146,561.65
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)**	**250,772.33**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	8,570.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	CCR exposure for SFT assets	149.96
15	Agent transaction exposures	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**8,719.96**
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	67,820.88
18	(Adjustments for conversion to credit equivalent amounts)	(25,090.07)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**42,730.81**
Capital and total exposures		
20	Tier 1 capital	18,971.48
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**399,257.80**
Leverage ratio		
22	**Basel III leverage ratio**	**4.75%**

Paytm Payments Bank Limited

INDEPENDENT AUDITOR'S REPORT
To the Members of Paytm Payments Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Paytm Payments Bank Limited ("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.

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, 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 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 Company 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.

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

The Bank's Board of Directors is responsible for the other information. The other information comprises the Director's report but does not include financial statements and our report thereon. The Director's report is expected to be made available to us after the date of the 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 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 Financial Statements

The Bank's Board of Directors 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 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 Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors 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 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.

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.

Paytm Payments Bank

Paytm Payments Bank Limited

Report on Other Legal and Regulatory Requirements

1. The Balance sheet and 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 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 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 Bank;
   c. 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 as all the necessary records and data required for the purposes 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 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. On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
   f. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company 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 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 Note 32 to the financial statements;
      ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. Refer Note 30 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.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Sd/-
Swapnil Kale
Partner
Membership No. 117812
UDIN: 20117812AAAAGI9530

Mumbai
May 20, 2020

Paytm Payments Bank Limited

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF PAYTM PAYMENTS BANK LIMITED

[Referred to in paragraph (2f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Paytm Payments Bank Limited ("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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls With Reference to Financial Statements

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

Opinion

In our opinion, the Bank has, in all material respects, adequate internal financial controls 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 with reference to 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 No. 105047W

Sd/-
Swapnil Kale
Partner
Membership No. 117812

Place: Mumbai
Date: May 20, 2020

Paytm Payments Bank Limited

BALANCE SHEET AS AT MARCH 31, 2020

(Rs. in '000)

	Schedule	**As at March 31, 2020**	As at March 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	**4,000,000**	4,000,000
Reserves & surplus	2	**(23,982)**	(322,144)
Deposits	3	**28,697,032**	21,425,146
Borrowings	4	**–**	–
Other liabilities & provisions	5	**12,229,617**	11,415,652
Total		**44,902,667**	36,518,654
ASSETS			
Cash and balances with Reserve Bank of India	6	**5,972,768**	4,509,176
Balances with banks and money at call and short notice	7	**9,224,198**	4,492,196
Investments	8	**25,354,433**	20,922,309
Advances	9	**–**	–
Fixed assets	10	**608,123**	812,751
Other assets	11	**3,743,145**	5,782,222
Total		**44,902,667**	36,518,654
Contingent Liabilities	12	**219,046**	53,811
Bills for collection			
Summary of significant accounting policies	19.1		

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

(Rs. in '000, except per share data)

		Schedule	**For the year ended March 31, 2020**	For the year ended March 31, 2019
I.	**INCOME**			
	Interest earned	13	**1,922,440**	1,424,754
	Other Income	14	**20,140,310**	15,248,728
	Total		**22,062,750**	16,673,482
II.	**EXPENDITURE**			
	Interest expended	15	**272,438**	145,839
	Operating expenses	16	**21,426,696**	16,162,472
	Provisions and contingencies	17	**65,454**	172,977
	Total		**21,764,588**	16,481,288
III.	**PROFIT/(LOSS)**			
	Net Profit for the year		**298,162**	192,194
	Loss brought forward		**(370,193)**	(514,338)
	Total		**(72,031)**	(322,144)
IV.	**APPROPRIATIONS**			
	Transfer to statutory reserves		**74,540**	48,049
	Transfer to other reserves		**–**	–
	Transfer to government/ proposed dividend		**–**	–
	Balance carried over to balance sheet		**(146,571)**	(370,193)
	Total		**(72,031)**	(322,144)
V.	**EARNINGS PER EQUITY SHARE (Face value Rs. 10 per share)**			
	Basic		**0.75**	0.48
	Diluted		**0.75**	0.48
	Summary of significant accounting policies	19.1		

The schedules referred to above form an integral part of the financial statement
This is the Balance Sheet referred to in our report of even date

For MSKA & Associates
ICAI Firm Regn. No. 105047W
Chartered Accountants

Sd/-
Swapnil Kale
Partner
Membership No. 117812
Place: Mumbai

Date: May 20, 2020

The schedules referred to above form an integral part of the financial statement
This is the Profit and Loss Account referred to in our report of even date

For and on behalf of the Board of Directors of Paytm Payments Bank Limited

Sd/-
Vijay Shekhar Sharma
(Part time Chairman & Director)
(DIN : 00466521)
Place: Delhi

Sd/-
Satish Kumar Gupta
(Managing Director & CEO)
(DIN : 08190146)
Place: Mumbai

Sd/-
Vaibhav Goel
(Director)
(DIN : 06658218)
Place: Gurugram

Sd/-
Sanjay Saxena
(Chief Financial Officer)
Place: Delhi

Sd/-
Sachin Jain
(Company Secretary)
Place: Noida

Paytm Payments Bank Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(Rs. in '000)

	For the Year ended March 31, 2020	For the year ended March 31, 2019
A. Cash flow from operating activities		
Profit before tax	**290,407**	324,140
Adjustments for:		
Add: Depreciation on fixed assets	**746,259**	762,954
Add: Loss/(Profit) on sale/discard of fixed assets (net)	**(145)**	6,361
Add: Provision for dimunition in the value of investment	**15,235**	–
Operating profit before working capital changes	**1,051,756**	1,093,455
Movements in working capital:		
Increase/(Decrease) in deposits	**7,271,887**	6,975,793
(Increase)/Decrease in other assets	**2,527,977**	(4,281,659)
(Increase)/Decrease in investments	**(4,447,359)**	(7,652,341)
Increase/(Decrease) in other liabilities and provisions	**1,207,510**	6,227,331
Cash generated from operations	**7,611,771**	2,362,579
Direct taxes paid (net of refunds)	**(464,966)**	(334,006)
Net cash from operating activities (A)	**7,146,805**	2,028,573
B. Cash flow from investing activities		
Purchase of fixed assets	**(1,000,420)**	(383,761)
Proceeds from sale of assets	**49,209**	–
Net cash used in investing activities (B)	**(951,211)**	(383,761)
C. Cash flow from financing activities		
Net cash from financing activities (C)	**–**	–
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**6,195,594**	1,644,812
Cash and cash equivalents at the beginning of the year	**9,001,372**	7,356,560
Cash and cash equivalents at the end of the year	**15,196,966**	9,001,372

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements
2. Figures in bracket indicate cash outflow.
3. Cash and cash equivalents include the following

Particulars	**As at March 31, 2020**	As at March 31, 2019
Cash and Balances with Reserve Bank of India (Schedule 6)	**5,972,768**	4,509,176
Balances with Banks and Money at Call and Short Notice (Schedule 7)	**9,224,198**	4,492,196
Total	**15,196,966**	9,001,372

This is the Cash Flow Statement referred to in our report of even date

For MSKA & Associates
ICAI Firm Regn. No. 105047W
Chartered Accountants

Sd/-
Swapnil Kale
Partner
Membership No. 117812
Place: Mumbai

Date: May 20, 2020

For and on behalf of the Board of Directors of
Paytm Payments Bank Limited

Sd/-
Vijay Shekhar Sharma
(Part time Chairman & Director)
(DIN : 00466521)
Place: Delhi

Sd/-
Satish Kumar Gupta
(Managing Director & CEO)
(DIN : 08190146)
Place: Mumbai

Sd/-
Vaibhav Goel
(Director)
(DIN : 06658218)
Place: Gurugram

Sd/-
Sanjay Saxena
(Chief Financial Officer)
Place: Delhi

Sd/-
Sachin Jain
(Company Secretary)
Place: Noida

Paytm Payments Bank Limited

Schedules forming part of the financial statements for the year ended March 31, 2020

(Rs. in '000)

	As at March 31, 2020	As at March 31, 2019
Schedule 1 - Capital		
Authorised Capital		
400,000,000 (previous year: 400,000,000) equity share of Rs. 10 each	**4,000,000**	4,000,000
Issued, subscribed and paid up - capital		
400,000,000 (previous year : 400,000,000) equity shares of Rs. 10 each	**4,000,000**	4,000,000
Total	**4,000,000**	4,000,000
Schedule 2 - Reserves and Surplus		
I. Statutory Reserves		
Opening balance	**48,049**	–
Additions during the year	**74,540**	48,049
Deductions during the year	–	–
Sub total (A)	**122,589**	48,049
II. Capital Reserves		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
Sub total (B)	–	–
III. Share Premium		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
Sub total (C)	–	–
IV. Revenue and Other Reserves		
Opening balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
Sub total (D)	–	–
V. Balance in statement of Profit & Loss	**(146,571)**	(370,193)
Sub total (E)	**(146,571)**	(370,193)
Total (A+B+C+D+E)	**(23,982)**	(322,144)
Schedule 3 - Deposits		
A. I. Demand Deposits		
(i) From banks	–	–
(ii) From others*	**19,011,312**	16,944,172
	19,011,312	16,944,172
II. Savings bank deposits	**9,685,720**	4,480,974
III. Term Deposits		
(i) From banks	–	–
(ii) From others	–	–
Sub total (I, II, III)	**28,697,032**	21,425,146
B. (i) Deposits of branches in India	**28,697,032**	21,425,146
(ii) Deposits of branches outside India	–	–
	28,697,032	21,425,146
Total	**28,697,032**	21,425,146
** includes balances in semi-closed wallets*		
Schedule 4 - Borrowings		
I. Borrowing in India		
(i) Reserve Bank of India	–	–
(ii) Other Banks	–	–
(iii) Other institutions and agencies	–	–
Sub total (A)	–	–
II. Borrowings outside India	–	–
Sub total (B)	–	–
Total (A+B)	–	–

	As at March 31, 2020	As at March 31, 2019
Schedule 5 - Other liabilities and provisions		
I. Bills payable	–	–
II. Inter-office adjustments (net)	–	–
III. Interests accrued	–	–
IV. Others (including provisions)	**12,229,617**	11,415,652
Total	**12,229,617**	11,415,652
Schedule 6 - Cash and balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	**16,353**	4,786
II. Balance with Reserve Bank of India		
(i) in current account	**5,956,415**	4,504,390
(ii) in other accounts	–	–
Total	**5,972,768**	4,509,176
Schedule 7 - Balances with banks and money at call & short notice		
I. In India		
(i) Balances with banks:		
(a) in current accounts	**1,429,426**	1,732,296
(b) in other deposit accounts	**7,794,772**	2,759,900
Sub total (A)	**9,224,198**	4,492,196
(ii) Money at call and short notices		
(a) with banks	–	–
(b) with other institutions	–	–
Sub total (B)	–	–
Total (A+B) (I)	**9,224,198**	4,492,196
II. Outside India		
(a) in current accounts	–	
(b) in other deposit accounts	–	–
(c) Money at call and short notices	–	–
Total (II)	–	–
Total (I+II)	**9,224,198**	4,492,196
Schedule 8 - Investments		
I. Investments in India (net of provisions) in :		
(i) Government securities	**25,369,668**	20,922,309
(ii) Other approved securities	–	–
(iii) Shares	–	–
(iv) Debentures and bonds	–	–
(v) Subsidiaries and/or joint ventures	–	–
(vi) Others	–	–
Sub total (A)	**25,369,668**	20,922,309
II. Investments outside India (net of provisions) in :		
(i) Government securities (including local authorities)	–	–
(ii) Subsidiaries and/or joint ventures abroad	–	–
(iii) Other investments	–	–
Sub total (B)	–	–
Total (A+B)	**25,369,668**	20,922,309
Provision for Depreciation on Performing Investments	**15,235**	–
Provision for Depreciation on Non-Performing Investments	–	–
Total	**25,354,433**	20,922,309

Paytm Payments Bank Limited

Schedules forming part of the financial statements for the year ended March 31, 2019

(Rs. in '000)

	As at March 31, 2020	As at March 31, 2019
Schedule 9 - Advances		
A. (i) Bills Purchased and Discounted		
(ii) Cash credits, overdrafts and loans repayable on demand	–	–
(iii) Term loans	–	–
Sub total (A)	–	–
B. (i) Secured by tangible assets (including advances against book debt)		
(ii) Covered by Bank/ Government guarantees	–	–
(iii) Unsecured	–	–
Sub total (B)	–	–
C. (I) Advances in India		
(i) Priority sectors (including export finance)	–	–
(ii) Public sector	–	–
(iii) Banks	–	–
(iv) Others	–	–
Sub total (C)	–	–
D. (I) Advances in India	–	–
(i) Due from banks	–	–
(ii) Due from others	–	–
(iii) Bills purchased and discounted	–	–
(iv) Syndicate loans	–	–
(v) Others	–	–
Sub total (D)	–	–
Total (A+B+C+D)	–	–
Schedule 10 - Fixed Assets		
I. Premises (including land)		
Gross block		
At cost on 31 March of the preceding year	–	–
Additions during the year	–	–
Deductions during the year	–	–
Total (A)	–	–
Depreciation		
As at 31 March of the preceding year	–	–
Charge for the year	–	–
On deductions during the year	–	–
Total (B)	–	–
Net block (A-B) (I)	–	–
II. Other fixed assets (including furniture and fixtures)		
Gross block		
At cost on 31 March of the preceding year	**688,739**	245,547
Additions during the year	**272,611**	443,230
Deductions during the year	**(83,253)**	(38)
Total (A)	**878,097**	688,739
Depreciation		
As at 31 March of the preceding year	**205,668**	74,884
Charge for the year	**233,627**	130,801
On deductions during the year	**(18,010)**	(17)
Total (B)	**421,285**	205,668
Net block (A-B) (II)	**456,812**	483,071

	As at March 31, 2020	As at March 31, 2019
III. Intangible assets		
Gross block		
At cost on 31 March of the preceding year	**1,191,873**	1,079,143
Additions during the year	**348,667**	112,730
Deductions during the year	–	–
Total (A)	**1,540,540**	1,191,873
Amortisation		
As at 31 March of the preceding year	**883,041**	250,887
Charge for the year	**512,632**	632,154
On deductions during the year	–	–
Total (B)	**1,395,673**	883,041
Net block (A-B) (III)	**144,867**	308,832
IV. Assets on lease		
Gross block		
At cost on 31 March of the preceding year	–	–
Additions during the year	–	–
Deductions during the year	–	–
Total (A)	–	–
Depreciation		
As at 31 March of the preceding year	–	–
Charge for the year	–	–
On deductions during the year	–	–
Total (B)	–	–
Net block (A-B) (IV)	–	–
V. Capital-work-in progress	**6,444**	20,848
Total (V)	**6,444**	20,848
Total (I+II+III+IV+V)	**608,123**	812,751
Schedule 11 - Other assets		
I. Inter-office adjustment (net)	–	–
II. Interest accrued	**417,464**	114,538
III. Tax paid in advance/ tax deducted at source	**826,411**	664,821
IV. Stationery and stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Others	**2,499,270**	5,002,863
Total	**3,743,145**	5,782,222
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	–	–
IV. Guarantees given on behalf of constituents		
(a) In India	–	–
(b) Outside India	–	–
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the bank is contingently liable	**219,046**	53,811
Total	**219,046**	53,811

Paytm Payments Bank Limited

Schedules forming part of the financial statements for the year ended March 31, 2020

(Rs. in '000)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Schedule 13 - Interest earned		
I. Interest/discount on advance/bills	**–**	–
II. Income on investments	**1,507,886**	1,246,767
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**8,362**	–
IV. Others	**406,192**	177,987
Total	**1,922,440**	1,424,754
Schedule 14 - Other income		
I. Commission, exchange and brokerage *	**20,143,682**	15,254,615
II. Profit/(loss) on sale of investments (net)	**(63)**	2,240
III. Profit/(loss) on revaluation of investments (net)	**–**	–
IV. Profit/(loss) on sale of land, buildings and other assets (net)	**145**	(6,361)
V. Profit/(loss) on exchange transactions (net)	**(3,551)**	(1,773)
VI. Income earned by way of dividends etc.	**–**	–
VII. Miscellaneous Income	**97**	7
Total	**20,140,310**	15,248,728
** includes income earned from wallet utilisation*		
Schedule 15 - Interest expended		
I. Interest on deposits	**249,950**	112,844
II. Interest on Reserve Bank of India/ Inter-bank borrowings	**–**	–
III. Others	**22,488**	32,995
Total	**272,438**	145,839

	For the year ended March 31, 2020	For the year ended March 31, 2019
Schedule 16 - Operating expenses		
I. Payments to and provisions for employees	**1,677,299**	773,691
II. Rent, taxes and lighting	**55,393**	16,539
III. Printing and stationery	**2,237**	1,133
IV. Advertisement and publicity	**1,206,721**	338,028
V. Depreciation on Bank's property (refer schedule 34)	**746,259**	762,954
VI. Director's fees, allowances and expenses	**6,600**	4,785
VII. Auditors' fees and expenses (including branch auditors)	**5,175**	3,539
VIII. Law charges	**–**	–
IX. Postages, Telegrams, Telephones, etc.	**690**	207
X. Repairs and maintenance	**348,641**	246,295
XI. Insurance	**29,747**	10,238
XII. Other expenditure *	**17,347,934**	14,005,063
Total	**21,426,696**	16,162,472
** includes payment gateway charges*		
Schedule 17 - Provisions and contingencies		
Provision for income tax	**171,431**	131,945
Deferred tax expenses (refer schedule 42)	**(179,186)**	–
Provisions for depreciation on investment	**15,235**	–
Provision for operational losses (net)	**57,974**	41,032
Total	**65,454**	172,977

Schedules forming part of the financial statements for the year ended March 31, 2020

18. Corporate information

Paytm Payments Bank Limited ("Bank") was incorporated on August 22, 2016. The Bank received Payments Bank license as required under Section 22(1) of the Banking Regulation Act, 1949 on January 3, 2017. The Bank commenced its operations from May 23, 2017. The Bank is primarily engaged in the business of accepting demand deposits in the form of current and saving bank deposits, to provide payment and remittance services through Automated Teller Machines (ATMs), Business Correspondent (BCs), semi-closed wallet, Mobile Banking and such other manner available. The Bank is also engaged in acceptance of remittances and payments from multiple banks under payment mechanism such as NEFT/RTGS/ IMPS or any other permitted payment mechanism under the law.

19. Basis of preparation

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, except where otherwise stated, and are 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 under section 133 of the Companies Act, 2013 read together with Paragraph 7 of the Companies (Accounts) Rules 2014 and the relevant provisions of the Companies Act 2013 to the extent applicable and current practices prevailing within the banking industry in India.

19.1 Summary of significant accounting polices

(a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future years.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(c) Depreciation

Depreciation is provided on straight line basis and charged to profit and loss account as per the useful life under schedule II to the Companies Act, 2013 *(Refer Schedule 34)*

Further in case of "Computers" the estimated useful life is as per the circular no. DBOD.No.BP.BC.37/21.04.018/2000, dated October 20, 2000 issued by the RBI. The estimated useful life is mentioned below:

Paytm Payments Bank

Paytm Payments Bank Limited

Assets	Estimated useful life
Computers (including servers and networking equipments)	3 years
Office equipment	5 years
Furniture and fittings	10 years
Vehicles	8 years

Leasehold improvements are depreciated over lower of the period of the lease and useful life.

(d) Intangible assets

Separately acquired intangible assets, such as software are measured initially at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit and loss account in the year in which the expenditure is incurred. Intangible assets with finite useful lives are carried at cost and are amortised on a written down value basis over their estimated useful lives and charged to profit and loss account.

Software and licenses acquired are amortized over a period of 3 years on straight line basis.

Goodwill is amortized on a straight line basis over the period of 2 years.

The amortization period and the amortization method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit and loss account unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(e) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, tangible assets/intangibles are depreciated/ amortised on the revised carrying amount over its remaining useful life.

(f) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement

Bank as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to the Bank is classified as a finance lease. All other leases are classified as operating leases.

(g) Investments

Classification:

In accordance with the RBI guidelines on Investment classification and valuation, all investments, are categorized as “Held for trading” (‘HFT’), “Available for sale” (‘AFS’) or “Held to maturity” (‘HTM’) at the time of its purchase. Investments are further classified under six groups (a) government securities, (b) other approved securities, (c) shares, (d) bonds and debentures, (e) subsidiaries and joint ventures, and (f) others.

Basis of Classification:

Securities that are held principally for resale within 90 days from the date of purchase are classified under the HFT category. Investments that the Bank intends to hold till maturity are classified under the HTM category, or as per RBI guidelines. Securities which are not classified in the above categories are classified under the AFS category.

Acquisition cost:

In determining acquisition cost of an investment, 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.

Valuation:

Treasury Bills being discounted instruments are valued at carrying cost.

Government Securities are valued at cost at which they have been issued by the RBI. The broken period interest paid to seller as part cost is not capitalised and the same has been charged to profit & loss account in respect of investment in Government and other approved securities.

h) Revenue recognition

Revenue is recognised to that extent that is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

(i) Interest Income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(ii) Commission Income:

Commission income is recognised on accrual basis and to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made.

(iii) Debit Card:

The annual/renewal fee for debit cards are amortised on a straight line basis over 1 year.

(iv) Preferred partner fees:

Income received from Business Correspondent (BC’s) as preferred partner fees will be recognised over a period of 2 years.

(i) Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Bank at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

(j) Retirement and other employee benefits

Provident Fund and Employee State Insurance Scheme (Defined Contribution Scheme) - Retirement benefits mainly in the form of provident fund and employee state Insurance schemes are a defined contribution schemes and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations of the Bank other than the contribution to the Fund.

Gratuity (Defined Benefit Scheme) - Gratuity liability is defined benefit obligations and is provided on the basis of an actuarial valuation based on projected unit credit method made at end of each financial year.

Compensated Absences - Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are immediately taken to statement of profit and loss and are not deferred.

(k) Income taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of 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. 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 the taxes on income 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 realized. 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 realized against future taxable profits.

At each balance sheet date the Bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Bank writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternate Tax (MAT) Credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during specified period. The year in which the MAT credit becomes eligible, it is to be recognised as an asset. In accordance with recommendation contained in the guidance note issued by ICAI, said asset is created by way of credit/reversal of provisions of Profit and Loss A/c and included as MAT Credit Entitlements in other assets. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal Income Tax during the specified period.

(l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

(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.

(n) Accounting for provisions, contingent liabilities 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 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 year in which the change occurs.

20. Capital adequacy

The following table shows computation of capital adequacy ratio (Bank's capital to risk weighted assets ratio) as per Basel II framework of RBI.

(Rs. in '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
Common Equity Tier 1 CRAR (%)	**62.41**	45.41
Tier-1 CRAR (%)	**62.41**	45.41
Tier-2 CRAR (%)	**–**	–
Total CRAR (%)	**62.41**	45.41
Amount of equity capital raised	**Nil**	Nil
Amount of Additional Tier-1 capital raised; of which		
Perpetual Non-Cumulative Preference Shares	**Nil**	Nil
Perpetual Debt Instruments	**Nil**	Nil
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

The Bank has followed Basel II standardized approach for credit risk in accordance with the Operating Guidelines issued by the Reserved Bank of India. Further, the RBI vide its circular No. DBR. NBD.No. 4503/16.13.218/2017-18 dated November 8, 2017 has provided an exemption to all Payments banks. whereby no separate capital charge is prescribed for market risk and operational risk. Accordingly, CAR ratio compute considers only RWA for credit risk

Paytm Payments Bank Limited

21. Investments

(i) 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 '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	**25,369,668**	20,922,309
(b) Outside India	**–**	–
(ii) Provisions for depreciation		
(a) In India	**15,235**	–
(b) Outside India	**–**	–
(iii) Net Value of Investments		
(a) In India	**25,354,433**	20,922,309
(b) Outside India	**–**	–
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	**–**	–
(ii) Add: Provisions made during the year	**15,235**	–
(iii) Less: Write off/write back of excess provisions during the year	**–**	–
Closing balance	**15,235**	–

(ii) The following table sets forth, for the periods indicated, the details of investments categorization in accordance with RBI guidelines.

(Rs. in '000)

Security	**As at March 31, 2020**				As at March 31, 2019			
	HTM	**HFT**	**AFS**	**Total**	HTM	HFT	AFS	Total
Govt. Securities	–	–	**25,354,433**	**25,354,433**	–	–	20,922,309	20,922,309
Other Approved Securities	–	–	–	–	–	–	–	–
Shares	–	–	–	–	–	–	–	–
Debentures/Bonds	–	–	–	–	–	–	–	–
Other –Mutual funds	–	–	–	–	–	–	–	–
Other –Joint Venture	–	–	–	–	–	–	–	–

HTM – Held till Maturity, HFT – Held for Trade, AFS – Available for Sale

(iii) During the year ended March 31, 2020 and March 31, 2019, there is no inter category movement in respect of investments held by the Bank and no Investment in Non SLR Investment Portfolio.

(iv) The bank did not have purchased /sell any securities under repo/reverse repo during the year ended March 31, 2020 and March 31, 2019.

22. Derivatives

The Bank has not entered into any derivative transactions (Forward rate agreement/Interest Rate Swap/ Exchange Traded Interest Rate Derivatives) during the year ended March 31, 2020 & March 31, 2019. Therefore, qualitative and quantitative disclosures under RBI guidelines with respect to derivative transactions are not required.

23. Asset quality

As per the guidelines issued by Reserve Bank of India for licensing of Payments Bank, the payment banks are not allowed to give any advance or lend to any person including their directors. Therefore, the disclosures required for asset quality (movements in NPA's, disclosure on accounts subjected to restructuring, provisioning of standard assets etc.) are not applicable to the bank.

24. Business/information ratios

The following table sets forth, for the periods indicated, the business/information ratios.

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Interest income to working funds	**4.72%**	4.76%
Non-interest income to working funds	**49.48%**	50.93%
Operating Profit to working funds	**0.75%**	1.08%
Return on assets	**0.73%**	0.64%
Net Profit per employee (Rs. in '000s)	**184**	284
Business (average deposits plus average advances) per employee (Rs. in '000s)	**15,159**	27,882

Note:

1. Working funds is calculated 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, during the 12 months of the financial year.

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25. Maturity Pattern of Key Assets and Liabilities

The maturity pattern of key assets and liabilities for the year ended March 31, 2020 is as below:

(Rs. in '000)

Particulars	Day 1	2-7 Days	8-14 Days	15-30 Days	31 Days & up to 2 months	Over 2 Months & up to 3 months	Over 3 months & 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
Deposits	1,029,437	207,080	378,064	651,637	1,234,882	1,459,060	2,579,952	4,361,980	14,879,925	1,721,234	193,781	**28,697,032**
Advances	–	–	–	–	–	–	–	–	–	–	–	**–**
Investments	2,119,668	–	–	1,919,764	2,459,149	3,265,750	4,173,629	11,416,473	–	–	–	**25,354,433**
Borrowings	–	–	–	–	–	–	–	–	–	–	–	**–**
Foreign Currency assets	–	–	–	–	–	–	–	–	–	–	–	**–**
Foreign Currency Liabilities	–	–	–	–	–	–	–	–	–	–	–	**–**

The maturity pattern of key assets and liabilities for the year ended March 31, 2019 is as below:

(Rs. in '000)

Particulars	Day 1	2-7 Days	8-14 Days	15-30 Days	31 Days & up to 2 months	Over 2 Months & up to 3 months	Over 3 months & 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
Deposits	526,065	272,798	494,765	838,728	1,548,682	1,758,788	2,910,980	4,273,278	8,233,437	548,986	18,639	21,425,146
Advances	–	–	–	–	–	–	–	–	–	–	–	–
Investments	–	549,725	–	–	5,978,158	1,332,278	2,633,853	10,428,295	–	–	–	20,922,309
Borrowings	–	–	–	–	–	–	–	–	–	–	–	–
Foreign Currency assets	–	–	–	–	–	–	–	–	–	–	–	–
Foreign Currency Liabilities	–	–	–	–	–	–	–	–	–	–	–	–

Note:

(i) The Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI.

(ii) The maturity pattern of wallet deposit under different time bucket is based on experience and estimates of Bank which has been approved by Asset & Liability Committee (ALCO).

26. Details of exposures to real estate and capital market sectors, risk category-wise country exposures, factoring exposures, single/group borrower exposures, unsecured advances and concentration of deposits, advances, exposures and NPA's:

As per the guidelines issued by Reserve Bank of India for licensing of Payments Bank, the payment banks are not allowed to give any advance or lend to any person including their directors. Therefore, the disclosures required in respect to exposure to real estate sector, capital market, category wise country risk, single & group borrower limits and unsecured advances are not applicable to the bank.

27. Disclosure of Penalties imposed by RBI

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Penalty imposed by RBI	**Nil**	Nil
Strictures by RBI on the basis of adverse findings	**Nil**	6 months *

*The bank had been prohibited by Reserve Bank of India (RBI) from opening any new accounts and wallets from June 20, 2018 on account of supervisory concerns, which were lifted by RBI w.e.f. December 31, 2018. However, no restrictions as imposed by RBI on the existing customers of the bank for operating their accounts as per the applicable operating guidelines.

28. Earnings per share (EPS):

(Rs in '000)

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Net Profit/(Loss) after tax (Rs.)	**298,162**	192,194
Weighted average number of equity shares for calculating Basic and Diluted EPS (in'000)	**400,000**	400,000
Basic (Nominal value of share Rs. 10)	**0.75**	0.48
Diluted (Nominal value of share Rs. 10)	**0.75**	0.48

29. Employees benefits:

The bank has defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn basic salary) for each completed year of service. The scheme of the bank is non-funded. Disclosures are as per actuarial report of independent actuary.

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The following table summarizes the components of net benefit expense recognized in the profit and loss account and amount recognized in the balance sheet.

(Rs in '000)

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Current service cost	**14,994**	8,799
Past Service Cost including curtailment Gains/Losses	**–**	–
Interest cost on benefit obligation	**1,769**	462
Expected return on plan assets	**–**	–
Net actuarial (gain)/loss recognized in the year	**1,272**	(4,756)
Net employee benefit expense	**18,035**	4,505

Details of defined benefit gratuity plan

(Rs in '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
Present value of defined benefit obligation	**42,790**	23,099
Fair value of planned assets	**–**	–
Plan assets/(liability)	**–**	–

Changes in the present value of the defined benefit obligation are as follows:

(Rs in '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
Opening defined benefit obligation	**23,099**	5,928
Acquisition adjustment	**1,784**	12,666
Interest cost	**1,769**	462
Current service cost	**14,994**	8,799
Past Service Cost including curtailment Gains/Losses	**–**	–
Benefits paid	**(128)**	–
Actuarial loss/(gain) on obligations	**1,272**	(4,756)
Closing defined benefit obligation	**42,790**	23,099

The principal assumptions used in determining defined benefit plan obligations are shown below:

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Discount rate	**6.76%**	7.66%
Salary Escalation Rate	**10.00%**	10.00%
Attrition rate	**As per table below**	As per table below

Attrition rate used are as per the table below:

Age (Years)	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Up to 30 Years	**30%**	30%
From 31 to 44 years	**30%**	30%
Above 44 years	**30%**	30%

The estimates of future salary increases takes into account the inflation, seniority, promotion and other relevant factors.

30. Provision for long term contracts:

The Bank has a process whereby periodically all long term 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, where applicable, in the books of account and disclosed the same under the relevant notes in the financial statements.

31. Segment Information:

Business Segments:

For the purpose of segment reporting as per Accounting Standard -17 on 'Segment Reporting' issued by Institute of Chartered Accountants of India and as prescribed in Reserve Bank of India guidelines, the business of the Bank has been classified into four segments i.e. a) Treasury Operations, b) Retail Banking, c) Wholesale Banking and d) Other Banking Operations.

Segmental Revenue, Results, Assets & Liabilities in respect of Wholesale and Retail Banking segment have been bifurcated on the basis of exposure to these segments. Assets & Liabilities wherever directly related to segments have been accordingly allocated to segments and wherever not directly related have been allocated on systematic basis.

- **Treasury Operations:** Treasury Operations consist of dealing in securities and other investments.
- **Retail Banking Business Operations**: Includes all other banking operations not covered under treasury & other banking operations.
- **Other Banking Operations**: Other Banking Operations consist of activities which are not in the nature of core banking operations

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Geographical segments:

The Bank does not have any overseas branch therefore disclosure as required under Accounting Standard -17, reporting under geographic segment is not applicable.

The following table provides required information for the primary segments for the year ended March 31, 2020 and March 31, 2019 respectively:

(Rs. in '000)

Particulars	Treasury		Retail banking		Wholesale banking		Other banking operations		Total	
	March 31,		March 31,		March 31,		March 31,		March 31,	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment revenue	**1,922,378**	1,426,994	**16,840,802**	14,203,968	**–**	–	**3,299,570**	1,042,520	**22,062,750**	16,673,482
Segment result	**1,593,452**	1,315,687	**(1,095,178)**	(1,050,513)	**–**	–	**(207,867)**	58,965	**290,407**	324,139
Unallocated expenses									**–**	–
Operating Profit									**290,407**	324,139
Income tax (expense)/ reversal									**7,755**	(131,945)
Net profit									**298,162**	192,194
Segment assets	**41,096,313**	30,046,734	**2,392,103**	4,966,837	**–**	–	**408,657**	840,261	**43,897,073**	35,853,832
Income tax assets (net)									**1,005,594**	664,822
Total Assets	**41,096,313**	30,046,734	**2,392,103**	4,966,837	**–**	–	**408,657**	840,261	**44,902,667**	36,518,654
Segment liabilities	**45,110**	22,188	**39,547,256**	31,837,399	**–**	–	**1,334,283**	849,264	**40,926,649**	32,708,851
Unallocated liabilities									**3,976,018**	3,677,858
Income tax liabilities									**–**	131,945
Total Liabilities	**45,110**	22,188	**39,547,256**	31,837,399	**–**	–	**1,334,283**	849,264	**44,902,667**	36,518,654

32. Provisions and Contingencies

(Rs in '000)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Provision for income tax	**171,431**	131,945
Deferred tax expenses (refer schedule 42)	**(179,186)**	Nil
Provisions for depreciation on investment	**15,235**	Nil
Provision for operational losses (net)	**57,974**	41,032

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, and other contracts long term contracts in accordance with the provision of Accounting Standard – 29 on 'Provisions, Contingent Liabilities and Contingent Assets'.

33. Disclosures as per Micro, Small and Medium Enterprises Development Act, 2006

The Bank has no dues to suppliers registered under micro, small, medium enterprises Development Act 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as:

(Rs in '000)

Particulars	As at March 31, 2020	As at March 31, 2019
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	**26,056**	Nil
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at period end	–	Nil
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the period	**767**	Nil
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the period	–	Nil
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the period	–	Nil
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	–	Nil

34. Change in estimates:

During the year ended March 31, 2020, the Bank has changed the method of charging the depreciation and amortization ("depreciation") from written down value (WDV) to Straight line method (SLM). The Bank has also reassessed the estimated useful life of Computer Hardware and Software.

The Bank has accounted the above changes in accordance with the Accounting Standard -10 "Property, Plant & Equipment" and Accounting Standard-5 on "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

Due to this change in estimates, the depreciation expense for the year ended March 31, 2020 has been increased by Rs. 25.23 crores.

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35. **Related Party Disclosure:**

Name and descriptions of related parties where control exists irrespective of whether transactions have occurred or not:

a) Enterprise which exercise significant influence in voting power and power to direct the financials and operating policies of the Bank.	One 97 Communications Limited
b) Enterprise over which director exercise significant influence in voting power and power to direct the financials and operating policies of the enterprise.	Paytm E-Commerce Private Limited Applied Life Private Limited Paytm Money Limited
c) Key Management Personnel	Satish Kumar Gupta (Managing Director & CEO) (Appointed on October 23rd, 2018) Renu Satti (Managing Director & CEO) (Resigned on July 26th, 2018)

As per master circular no. DBR.BP.BC No.23/21.04.018/2015-16, dated July 01, 2015 issued by RBI, Where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.

(i) Details of transactions with related parties during the year ended March 31, 2020 and March 31, 2019 respectively:-

(Rs. in '000)

Items/Related Party	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Availing of services from enterprise as mentioned in clause (b) in table above	**600**	600
Total	**600**	600
Reimbursement for purchase of assets to enterprise as mentioned in clause (b) in table above	–	60,720
Total	–	60,720
Reimbursement for sale of assets from enterprise as mentioned in clause (b) in table above	**65,341**	–
Total	**65,341**	–

(ii) Balance outstanding with related parties as at March 31, 2020 and March 31, 2019 respectively:-

(Rs. in '000)

Items/Related Party	**As at March 31, 2020**	As at March 31, 2019
Amount receivable towards reimbursement for sale of fixed assets from enterprise as mentioned in clause (b) in table above	**19,068**	–
Total	**19,068**	–
Advance given for operational expenses to enterprise as mentioned in clause (b) in table above	**519**	–
Total	**519**	–
Amount payable towards reimbursement for purchase of fixed assets to enterprise as mentioned in clause (b) in table above	**–**	4,720
Total	**–**	4,720

36. **Disclosure on Remuneration:**

Compensation Policy and practices

(I) **<u>Qualitative Disclosure</u>**:

(a) **Information relating to the composition and mandate of the Remuneration Committee:**
The Nomination and Remuneration Committee comprised of Non-Executive Directors, including Independent Directors of the Bank. Key mandate of the Nomination & Remuneration Committee is to oversee the appointment, terms of engagement and fixation of remuneration of Directors & KMP's and other Key employees. Compensation policy governing all employees of the Bank is approved by the Committee.

(b) **Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:**
The Nomination and Remuneration Committee of the Board oversees the remuneration aspects. The function of the Committee includes recommending appointments of Directors to the Board and other key managerial personnel, lay down criteria for their performance evaluation and also recommend their remuneration (including performance bonus). It also approves the quantum and frequency of bonus payable to members of other staff including senior management. Further, the compensation of staff engaged in control functions like Risk and Compliance depends on their performance, which is based on achievement of the key results of their respective functions and are not linked to any business targets.

The remuneration process of the Bank is in accordance with the defined Compensation policy objectives

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(c) **Description of the ways in which current and future risks are taken into account in the remuneration processes:**

The Board approves the risk framework for the bank and the business activities of the bank are undertaken within this framework to achieve the financial plan. The risk framework includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk.

The annual performance (AOP) targets and performance evaluation incorporate both qualitative and quantitative aspects that other than targeted growth and profit numbers include aspects like adherence to regulatory norms and effective risk management.

(d) **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:**

Key result area is defined for all employees in which their key performance indicators are also defined. The weightage will vary for all employees depending on their level.

The performance assessment of employees is undertaken quarterly/annually based on achievements compared to the KRA assigned to them as stated above. In case the employee fails to achieve his/her KRA and the desired level, the company may decide not to release the variable compensation to the employees.

(e) **A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:**

The quantum of bonus does not exceed a certain percentage (as stipulated in compensation policy) of the total fixed pay in the year. The portion of variable pay would not be paid in a situation where the Bank finds case of gross negligence, breach of code of conduct or in the event of a reasonable evidence of deterioration in financial performance or individual performance.

(f) **Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:**

Variable remuneration includes the following:

- Performance Linked Incentive – paid at defined intervals (quarterly/annually or any other agreed frequency)
- Deferred Remuneration

The form and quantum of variable remuneration depends on the job level, associated risks involved and time spent in the organization.

(II) **Quantitative Disclosure**:

(g) **Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members:**

No. of meetings: **5** meetings (Previous Year: 6 meetings)

Remuneration paid to the members: Rs. **9** lakhs (Previous Year: Rs. 9 Lakhs)

(h) (i) **Number of employees having received a variable remuneration award during the financial year :** 1 employee (Previous Year: Nil)

(ii) **Number and total amount of sign on awards made during the financial year:** Nil (Previous Year: Nil)

(iii) **Details of guaranteed bonus, if any, paid as joining/sign on bonus :** Nil (Previous Year : Nil)

(iv) **Details of severance pay, in addition to accrued benefits, if any :** Nil (Previous Year : Nil)

(i) (i) **Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms :** Nil (Previous Year : Nil)

(ii) **Total amount of deferred remuneration paid out in the financial year:** Nil (Previous Year: Nil)

(j) **Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred:**

Fixed pay (Rs. in '000) – Rs. 12,998 (Previous Year: Rs. 6,851),

Variable pay for FY 2018-2019 paid during the year ended March 31, 2020 (Rs. in '000) - Rs. 2,000 (Previous year Nil)

Variable Pay for FY 2019-20 – This is yet to be reviewed and approved by the Bank's remuneration committee for the year ended March 31, 2020.

(k) (i) **Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments:** Nil (Previous Year : Nil)

(ii) **Total amount of reductions during the financial year due to ex post explicit adjustments:** Nil (Previous Year: Nil)

(iii) **Total amount of reductions during the financial year due to ex post implicit adjustments:** Nil (Previous Year: Nil)

37. **Disclosure of Complaints**

A. Customer Complaints

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
No. of complaints pending at the beginning of the year	**87**	254
No. of complaints received during the year	**14,369**	11,416
No. of complaints redressed during the year	**13,689**	11,583
No. of complaints pending at the end of the year	**767**	87

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B. Awards passed by the Banking Ombudsman

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
No. of unimplemented Awards at the beginning of the year	**Nil**	Nil
No. of Awards passed by the Banking Ombudsmen during the year	**Nil**	Nil
No. of Awards implemented during the year	**Nil**	Nil
No. of unimplemented Awards at the end of the year	**Nil**	Nil

C. Complaints relating to the Bank's customers on other banks' ATMs

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
No. of complaints pending at the beginning of the year	**1**	Nil
No. of complaints received during the year	**82**	38
No. of complaints redressed during the year	**78**	37
No. of complaints pending at the end of the year	**5**	1

38. Letter of Comfort (LOC) and Bancassurance:

Bank has not issued any Letter of Comfort and not engaged in any insurance broking, agency or bank assurance business during the year ended March 31, 2020 and March 31, 2019.

39. Concentration of Deposits

(Rs. in '000)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Total deposits of twenty largest depositors	**2,000**	2,000
Percentage of deposits of twenty largest depositors to total deposits of the bank	**0.01%**	0.01%

40. Concentration of Exposure

(Rs. in '000)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Total Exposure to twenty largest borrowers/customers	**Nil**	Nil
Percentage of Exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	**Nil**	Nil

Exposure is defined as credit and investment exposure as prescribed in Master Circular on exposure Norms. Considering that PPBL did not extend any credit or did not provide any line of credit to either customers or to related parties, there is no fund/non-fund based exposure. Further, since PPBL didn't taken any risk on behalf of its customers or related parties, investment exposure is also Nil.

41. Transfers to Depositor Education and Awareness Fund (DEAF) :

(Rs. in '000)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening balance of amounts transferred to DEAF	**Nil**	Nil
Add : Amounts transferred to DEAF during the year	**Nil**	Nil
Less : Amounts reimbursed by DEAF towards claims	**Nil**	Nil
Closing balance of amounts transferred to DEAF	**Nil**	Nil

42. Deferred Tax :

During the financial year ending year March 31, 2020, the Bank has recognised the deferred tax in accordance with the principle laid down in Accounting Standard 22 "Accounting for Taxes on Income".

As this is the first financial year of the Bank for recognition of deferred tax therefore deferred tax assets for previous years amounting to Rs. 9.46 crore has been recognised in the financial year ending March 31, 2020.

43. **Details of provisioning related to fraud accounts :**

(Rs. in '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
No. of frauds reported	**9**	Nil
Amount involved in such frauds(net of recovery)	**80**	Nil
Quantum of provisions made *	**Nil**	Nil
Quantum of unamortised provision debited from "other Reserves" at the end of the year	**Nil**	Nil

**Excludes amount written off.*

44. **Liquidity Coverage ratio (LCR)** :

Liquidity Coverage Ratio (LCR) standard has been introduced with the objective that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) 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. The shock 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 can be taken. LCR has been defined as Stock of High Quality assets than can be readily sold or used a collateral to obtain funds in a range of stress scenarios.

There are two categories of assets:

Level 1 with 0% haircut and level 2A with minimum 15% haircut and level 2B assets with a minimum 50% haircut.

Though RBI has not mandated the preparation of LCR for Payments Banks, the same has been prepared and disclosed below on a conservative basis. Beginning Jan 2015, LCR has been mandated at 60% which is to rise to 100% in equal steps by 2019. Accordingly LCR has been set at 100%.

As per RBI guidelines on Basel III framework dated April 17, 2020, LCR is not yet mandated for payments banks. The Bank is complying to LCR voluntarily and being disclosed as a best practice

(Rs. in '000)

	Unweighted value (Average)	**Weighted value (Average)**
Total High-Quality Liquid Assests (HQLA)		**22,760,000**
Cash Outflows		
Retail deposits and deposits from small business customers, of which :		
Stable deposits	830,000	83,000
Less stable deposits	27,933,703	5,586,700
Unsecured Wholesale Funding of which :		
Operational deposits (all counterparts)	3,627,264	3,413,100
Non-Operational Deposits (all counterparties)	–	–
Unsecured Debt	–	–
Secured Wholesale funding	–	–
Additional requirements, of which :		
Ouflows related to derivative exposures and collateral requirements	–	–
Outflows related to loss of funding on debt products	–	–
Credit & Liquidity facilities	–	–
Other contractual funding obligations	1,660,900	1,660,900
Other contingent funding obligations	–	–
Total Cash Outflows (A)	**34,051,867**	**10,743,700**

(Rs. in '000)

	Unweighted value (Average)	**Weighted value (Average)**
Cash Inflows		
Secured Lending (eg reverse repos)	–	–
Inflows from fully performing exposures	3,128,045	3,030,000
Other cash inflows	–	–
Total Cash Inflows (B)	**3,128,045**	**3,030,000**
Total Adjusted Value		
Total HQLA		22,760,000
Net Cash Outflow (A-B)		7,713,700
Liquidity Coverage Ratio		**295%**

45. Drawn from Reserves :

The Bank has not drawn any amount from reserves during the year ended March 31, 2020.

46. Operating Lease :

The Bank has operating lease for office premises. The future minimum rentals payable under non-cancellable operating leases period as at year-end are as follows:

(Rs. in '000)

Particulars	**As at March 31, 2020**	As at March 31, 2019
Not later than one year	**48,466**	22,456
Later than one year and not later than five years	**28,124**	26,884
Later than five years	**–**	–

The operating lease arrangements extend for a maximum period of 5 years from their respective dates of inception. Some of the operating lease arrangements have price escalation and option of renewal clause as mutually agreed between the parties and there are no restrictions imposed on lease arrangements

47. Additional Disclosures

Remuneration of Directors ((Non-executive)

(Rs. in '000)

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Sitting Fees	**6,600**	4,785

48. Corporate Social Responsibility:

As per Section 135(1) of the Companies Act 2013, "Every Company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be independent director". Further, the Company should spend, in every financial year at least two percent of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social responsibility policy.

For the financial year ending March 31, 2020, the turnover of the Bank exceeds the threshold limit of turnover as mentioned in above para therefore requirement of Section 135(1) of Companies Act, 2013 is applicable to bank. However, the Bank has incurred average net loss during three immediately preceding financial years therefore provision of CSR relating to spending is not applicable.

49. Impact of COVID-19:

The World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") and classified its outbreak as a pandemic on March 11, 2020. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus, which has been further extended till May 17, 2020. This pandemic and government response are creating disruption in global supply chain and adversely impacting most of the industries which has resulted in global slowdown.

The management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended March 31, 2020 and has concluded that no there is no impact which is required to be recognised in the financial statements. Accordingly, no adjustments have been made to the financial statements.

50. Previous year figures have been regrouped/reclassified where necessary to make them comparable to the current year classification.

For MSKA & Associates
ICAI Firm Regn. No. 105047W
Chartered Accountants

Sd/-
Swapnil Kale
Partner
Membership No. 117812
Place: Mumbai

Date: May 20, 2020

For and on behalf of the Board of Directors of
Paytm Payments Bank Limited

Sd/-
Vijay Shekhar Sharma
(Part time Chairman & Director)
(DIN : 00466521)
Place: Delhi

Sd/-
Satish Kumar Gupta
(Managing Director & CEO)
(DIN : 08190146)
Place: Mumbai

Sd/-
Vaibhav Goel
(Director)
(DIN : 06658218)
Place: Gurugram

Sd/-
Sanjay Saxena
(Chief Financial Officer)
Place: Delhi

Sd/-
Sachin Jain
(Company Secretary)
Place: Noida

KB Kookmin Bank

(Incorporated in Korea, With Limited Liability)

INDEPENDENT AUDITOR'S REPORT
To the Chief Executive Officer- Kookmin Bank- Gurugram Branch

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **KOOKMIN BANK- Gurugram 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.
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 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

3. We conducted our audit 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 Statement's 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 in India, 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 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 Basel III- Pillar 3 disclosures but does not include the financial statements and our auditor's report thereon.
5. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
6. In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, examine if the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our examination, we conclude that there is material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibility of Management and Those Charged with Governance for the Financial Statements

7. 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.
8. 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.
9. 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 Responsibility for the Audit of the Financial Statements

10. 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.
11. As a 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 risk of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedure responsive to those risk, 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.

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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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

12. 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 with 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

13. The Balance Sheet and the Profit & Loss Account have been drawn in accordance with the provisions of Section 29 of 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.

14. 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 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 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 Bank's Gurugram Branch office for the purpose of our audit.

15. 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 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 Companies Act, 2013, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
    e) the requirements of Section 164(2) of the Companies Act, 2013 are not applicable considering the Bank is a branch of Kookmin Bank, which is incorporated with limited liability in Seoul, Korea;
    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 A" to this report;
    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, as amended in our opinion and to the best of our information and according to the explanations given to us:
        i. the Bank has nothing to report in terms of impact of pending litigations on its financial position in its financial statements;
        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 **Surender Kr. Singhal & Co.**
Chartered Accountants
Firm's Registration No. 009156N

Sd/-
Pankaj Gupta
Partner
Membership No. 501398

New Delhi
June 22, 2020

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KOOKMIN BANK- GURUGRAM 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- Kookmin Bank- Gurugram Branch

1. We have audited the internal financial controls over financial reporting of **KOOKMIN BANK-Gurugram 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

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 ("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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit conducted 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 Standard and Guidance Note require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal 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 Company'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 authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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 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 **Surender Kr. Singhal & Co.**
Chartered Accountants
Firm's Registration No. 009156N

Sd/-
Pankaj Gupta
Partner
Membership No. 501398

New Delhi
June 22, 2020

KB Kookmin Bank

(Incorporated in Korea, With Limited Liability)

BALANCE SHEET AS AT 31ST MARCH 2020

Particulars	Schedules	As at March 31, 2020	As at March 31, 2019
		Amount in INR '000	Amount in INR '000
CAPITAL AND LIABILITIES			
Capital	1	3,558,625	3,558,625
Reserves & Surplus	2	2,376	471
Deposits	3	2,902,071	22,479
Borrowings	4	–	–
Other Liabilities and Provisions	5	61,266	8,870
TOTAL		**6,524,338**	**3,590,445**
ASSETS			
Cash and Balances with Reserve Bank of India	6	125,120	2,600
Balances with banks and money at call and short notice	7	4,221,644	3,452,692
Investments	8	565,003	–
Advances	9	1,380,000	–
Fixed Assets	10	110,709	76,421
Other Assets	11	121,862	58,732
TOTAL		**6,524,338**	**3,590,445**
Contingent Liabilities	12	11,487	–
Bills for Collection		–	–
Significant Accounting Policies and Notes forming part of accounts	18		

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

Particulars	Schedules	For the year ended March 31, 2020	For the period February 20, 2019 to March 31, 2019
		Amount in INR '000	Amount in INR '000
I. INCOME			
Interest earned	13	263,557	28,246
Other income	14	2,436	–
TOTAL		**265,993**	**28,246**
II. EXPENDITURE			
Interest expended	15	39,354	52
Operating expenses	16	204,985	25,193
Provisions and contingencies	17	19,749	2,530
TOTAL		**264,088**	**27,775**
III. PROFIT			
Net Profit /(Loss) for the period		1,905	471
Profit /(Loss) brought forward		471	–
TOTAL		**2,376**	**471**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		476	118
Transfer to Other Reserves		–	–
Transfer to Government/ proposed dividend		–	–
Balance carried over to Balance Sheet		1,429	353
TOTAL		**1,905**	**471**
Significant Accounting Policies and Notes forming part of accounts	18		

The Schedules referred to herein form an integral part of the Balance Sheet. In terms of our report of even date attached

The Schedules referred to herein form an integral part of the Profit and Loss Account. In terms of our report of even date attached

For Surender Kr. Singhal & Co.
Chartered Accountants
Firm Registration No. 009156N

sd/
Pankaj Gupta
Partner
Membership No. 501398

Place : New Delhi
Dated : June 22, 2020

For and on Behalf of Kookmin Bank (Gurugram Branch)

sd/-
Hyung Soo Byun
Chief Executive Officer

Place : Gurugram
Dated : June 22, 2020

KB Kookmin Bank

(Incorporated in Korea, With Limited Liability)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

	Particulars	For the year ended March 31, 2020 Amount in INR '000	For the period February 20, 2019 to March 31, 2019 Amount in INR '000
A.	**Cash flow from operating activities**		
	Net Profit/(Loss) before taxes	11,888	3,002
	Adjustments for:	–	–
	Depreciation on fixed assets	14,250	498
	Provision for Rent straightlining reserve	4,740	–
	Provision for standard advances	9,720	–
	Provision for guarantees	46	–
	Operating Profit/(Loss) before changes in working capital	**40,644**	**3,500**
	Changes in Working capital		
	(Increase)/decrease in Investments	(565,003)	–
	(Increase)/decrease in Advances	(1,380,000)	–
	(Increase)/decrease in Other Assets	(42,103)	(55,536)
	Increase/(decrease) in Deposits	2,879,592	22,479
	Increase/(decrease) in Other Liabilities & provisions	24,037	6,339
	Refund/(Payment) of direct taxes (including tax deducted at source)	(17,158)	(3,196)
	Net cash from/(used in) operating activities	**940,009**	**(26,415)**
B.	**Cash flow from investing activities**		
	Purchase of fixed assets including CWIP	(48,537)	(76,918)
	Net cash from/(used in) investing activities	**(48,537)**	**(76,918)**
C.	**Cash flow from financing activities**		
	Amount brought in as start up capital (Head Office)	–	3,558,625
	Net cash from/(used in) financing activities	**–**	**3,558,625**
		–	
	Net increase/(decrease) in cash & cash equivalents (A+B+C)	**891,472**	**3,455,292**
	Cash & cash equivalents at beginning of year	3,455,292	–
	Cash & cash equivalents at end of year	4,346,764	3,455,292
		–	–

NOTES:

1 The above cash flow statement has been prepared under the "Indirect method" as set out in the Accounting Standard 3 on Cash Flow Statements.

2 Cash and cash equivalents at the end of the year consist of cash in hand and balance with banks as follows:

balance with banks as follows:

Particulars	March 31, 2020	March 31, 2019
Cash	2,045	500
Balance with banks	–	–
Current account	153,824	7,792
Fixed Deposit Receipts	4,190,895	3,447,000
	4,346,764	**3,455,292**

In terms of our report of even date attached

For Surender Kr. Singhal & Co.
Chartered Accountants
Firm Registration No. 009156N

sd/
Pankaj Gupta
Partner
Membership No. 501398

Place : New Delhi
Dated : June 22, 2020

For and on Behalf of Kookmin Bank (Gurugram Branch)

sd/-
Hyung Soo Byun
Chief Executive Officer

Place : Gurugram
Dated : June 22, 2020

KB Kookmin Bank

(Incorporated in Korea, With Limited Liability)

Schedules forming part of the financial statements for the year ended March 31, 2020

(Amount in Rs. '000)

Particulars	As at March 31, 2020	As at March 31, 2019
SCHEDULE 1 - CAPITAL		
Amount of deposit kept with RBI under section 11(2) of the Banking Regulation Act, 1949	1,500	1,500
Amount brought in by Bank from Head Office		
Opening Balance	3,558,625	–
Additions during the year	–	3,558,625
Closing Balance	**3,558,625**	**3,558,625**
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	118	–
Additions during the year	476	118
Deductions during the year	–	–
Closing Balance	594	118
II. Capital Reserves		
Opening Balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
Closing Balance	–	–
III. Share Premium		
Opening Balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
Closing Balance	–	–
IV. Revenue and other reserves		
Opening Balance	–	–
Additions during the year	–	–
Deductions during the year	–	–
Closing Balance	–	–
V. Balance in Profit and Loss Account	–	
Opening Balance	353	–
Additions during the year	1,429	353
Deductions during the year	–	–
Closing Balance	1,782	353
Total (I to V)	**2,376**	**471**
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
i) From banks	–	–
ii) From others	33,083	–
Total (I)	33,083	–
II. Savings Bank Deposits	29,288	615
Total (II)	29,288	615
III. Term Deposits		
i) From banks	–	–
ii) From others	2,839,700	21,864
Total (III)	2,839,700	21,864
Total (I, II & III)	**2,902,071**	**22,479**
B i) Deposits of branches in India	2,902,071	22,479
ii) Deposits of branches outside India.	–	–
Total (B)	**2,902,071**	**22,479**
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India :		
i) Reserve Bank of India	–	–
ii) Other banks	–	–
iii) Other institutions and agencies	–	–
Total I	–	–
II. Borrowings outside India	–	–
Total II	–	–
Total (I & II)	–	–
Secured borrowings included in I & II above Rs.-Nil		

Particulars	As at March 31, 2020	As at March 31, 2019
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	–	–
II. Inter-office adjustments (net)	–	–
III. Interest accrued	19,895	35
IV. Others (including provisions)	41,371	8,835
Total (I to IV)	**61,266**	**8,870**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	2,045	500
Total (I)	2,045	500
II. Balances with Reserve Bank of India		
i) In Current Account	123,075	2,100
ii) In Other Accounts	–	–
Total (II)	123,075	2,100
Total (I & II)	**125,120**	**2,600**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balance with banks		
a) In Current accounts	26,395	5,692
b) In Other Deposit accounts	4,164,500	3,447,000
ii) Money at call and short notice		
a) With Banks	–	–
b) With Other Institutions	–	–
Total (I)	4,190,895	3,452,692
II. Outside India		
i) In Current Accounts	30,749	–
ii) In Other Deposit Accounts	–	–
iii) Money at Call and Short Notice	–	–
Total (II)	30,749	–
Total (I &II)	**4,221,644**	**3,452,692**
SCHEDULE 8 - INVESTMENT		
I. Investments in India in		
i) Government Securities (Treasury Bills)	565,003	–
ii) Other approved Securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures	–	–
vi) Others	–	–
Total (I)	565,003	–
II. Investments outside India in		
i) Government Securities (including local authorities)	–	–
ii) Subsidiaries and/ or joint ventures abroad	–	–
iii) Other investments	–	–
Total II	–	–
Total (I & II)	**565,003**	–
SCHEDULE 9 - ADVANCES		
A. i) Bills Purchased and discounted	–	–
ii) Cash C redits, Overdrafts and Loans repayable on demand	680,000	–
iii) Term Loans	700,000	–
Total (A)	1,380,000	–
B. i) Secured by tangible assets	–	–
ii) Covered by Bank/Government Guarantees	700,000	–
iii) Unsecured	680,000	–
Total (B)	1,380,000	–

KB Kookmin Bank

(Incorporated in Korea, With Limited Liability)

Schedules forming part of the financial statements for the year ended March 31, 2020

(Amount in Rs. '000)

Particulars	As at March 31, 2020	As at March 31, 2019
SCHEDULE 9 - ADVANCES *(Continued)*		
C. I. Advances in India		
i) Priority sectors	–	–
ii) Public sector	–	–
iii) Banks	–	–
iv) Others	1,380,000	–
Total (I)	1,380,000	–
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)	**1,380,000**	**–**
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
At cost as on 31st March of the preceding year	–	–
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	–	–
Net Book Value Total (I)	–	–
II. Other Fixed Assets		
(including furniture and fixtures)		
At cost as on 31st March of the preceding year	52,915	–
Additions during the year	35,338	52,915
Deductions during the year	–	–
Depreciation to date	(14,748)	(498)
Net Book Value Total (II)	73,505	52,417
III. Capital work in progress	37,204	24,004
Total (III)	37,204	24,004
Total (I, II & III)	**110,709**	**76,421**
SCHEDULE 11 - OTHER ASSETS		
I. Inter-office adjustment (net)	–	–
II. Interest accrued	52,342	21,015
III. Tax paid in advance/tax deducted at source	20,354	3,196
IV. Stationery and Stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Deferred Tax Assets (Net) (Previous year Deferred Tax Liabilty Rs. 12,29,174)	3,871	–
VII. Others	45,295	34,521
Total (I to VII)	**121,862**	**58,732**
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	–	–
IV. Guarantees given on behalf of constituents		
a) In India	11,487	–
b) Outside India	–	–
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the Bank is contingently liable	–	–
Total (I to VI)	**11,487**	–

Particulars	For the year ended March 31, 2020	For the period Feb 20, 2019 to March 31, 2019
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on advances/Bills	16,728	–
II. Income on investments	7,316	–
III. Interest on balances with Reserve Bank of	–	
India and other inter-bank funds	239,320	28,246
IV. Others	193	–
Total (I to IV)	**263,557**	**28,246**
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	332	–
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)	889	–
VI. Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/ in India	–	–
VII. Miscellaneous Income	1,215	–
Total (I to VII)	**2,436**	**–**
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	39,354	52
II. Interest on Reserve Bank of India/ Inter-bank borrowings	–	–
III. Others	–	–
Total (I to III)	**39,354**	**52**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	124,196	13,506
II. Rent, taxes and lighting	35,676	2,705
III. Printing and stationery	1,057	217
IV. Advertisement and publicity	52	–
V. Depreciation on bank's property	14,250	498
VI. Director's fees, allowances and expenses	–	–
VII. Auditors' fees and expenses	790	382
VIII. Law Charges	779	71
IX. Postage, Telegrams, Telephones, etc.	409	68
X. Repairs and maintenance	3,964	283
XI. Insurance	147	–
XII. Other expenditure (Refer Note 11)	23,665	7,463
Total (I to XII)	**204,985**	**25,193**
SCHEDULE 17 - PROVISION AND CONTINGENCIES		
I. Provision for standard assets	9,720	–
II. Provision for bank guarantees	46	–
III. Provision for income tax	–	–
Current tax Liability	15,083	1,301
Deferred Tax (credit)/ charge	(5,100)	1,230
Total (I to IV)	**19,749**	**2,531**

KB Kookmin Bank

(Incorporated in Korea, With Limited Liability)

Schedule 18

Significant Accounting Policies and notes to accounts forming part of the accounts for the year ended March 31, 2020.

I. Significant Accounting Policies

1. Background

Kookmin Bank, incorporated in Seoul, Korea (hereinafter referred as 'Kookmin Bank') has started operations, as a representative office at Mumbai vide Reserve Bank of India Approval letter no. DBOD.IBD.No.14085/23.13.157/2011-12 dated March 19, 2012.

Kookmin Bank has received an in-principle approval from Reserve bank for upgrading its representative office into branch office vide approval DBR. IBD.No.141/23.13.157/2018-19 dated July 5, 2018. Further, the Bank has received an approval from Reserve bank of India for opening the branch vide approval letter no. DBR.IBD.No. 3666/23.13.157/2018-19 dated October 31, 2018. Accordingly, India Representative office of Kookmin bank was upgraded into a maiden branch at Unit No. 2B/2, 2nd Floor, Two Horizon Centre, Golf Course Road, DLF Phase 5, Sector 43, Gurugram 122002, Haryana, India. w.e.f. February 20, 2019.

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 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 paragraph 7 of the Companies (Accounts) Rule, 2014, Companies (Accounting Standards) Amended Rules 2016, to the extent applicable and current practices prevailing within the banking industry in India. The accounting policies have been consistently applied by the Bank.

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 recognized prospectively in the current and future periods.

4. Investment

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. 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.

5. Advances

Advances are classified as per prudential norms on "Income Recognition and Asset Classification and provisions are pertaining to Advances" as issued by RBI, into performing and non-performing assets and are stated net of specific provisions.

6. Transaction 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 recognized 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 recognized in the profit and loss account of the period.

7. Revenue Recognition

i. Revenue is recognized to the extent that it is probable that the economic benefit 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 recognized in the profit and loss account on receipt basis as per the income recognition and assets classification norms of RBI.

iii. The bank recognized commission on guarantee over the period of the facility.

iv. All other fees and charges are recognized as and when services are rendered by the bank.

8. Employee Benefits

a) Gratuity

Gratuity, which is a defined benefit scheme, is provided for based on an actuarial valuation done by an independent actuary as at the year-end, using the projected unit credit method. Actuarial gains/losses are taken to the profit and loss account.

b) Compensated Absences

Employees are not entitled to encashment of sick leave and casual leave or carry forward the same. Privilege leave, which is cashable, is settled at the calendar year end. Provision for the three months from January to March is made based on internal policy of the bank.

c) Provident Fund

The bank contributes an amount equal to the employee's contribution on a monthly basis to the Regional Provident Fund Commissioner (RPFC). The Bank has no liability for the future provident fund benefits apart from its monthly contribution which is charged to the Profit & loss Account.

9. Fixed Assets and Depreciation

Fixed 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 as per the Straight Line method at the rates specified in the Schedule II of the Companies Act, 2013 except for:

o Computer systems, which are being depreciated on straight-line basis at the rate of 33.33 per cent as per RBI guidelines.

o Items (including computer systems), the purchase value of which is up to Rs. 40,000 are fully depreciated in the year of purchase itself.

There is no change in the depreciation rates as compared to previous year.

10. Accounting for leases

Leases where the lessor effectively retains substantially all the risk and benefit of the ownership of the leased item are classified as operating leases. Operating leases payments are recognized in the profit and loss account on a straight-line basis over the lease term.

11. Taxes on Income

Tax expense comprises of current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorized in accordance with the Income-tax act, 1961.

Deferred income taxes reflected the impact of the current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantially 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 realized against future taxable profits.

At each balance sheet date, the bank re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

12. Net Profit

The Net Profit/Loss disclosed in the Profit and Loss account is after considering:

a) Provision for taxes on income in accordance with statutory requirements.
b) Provision for non-performing advances.
c) Provision for depreciation on investments.
d) Other usual and necessary provisions and contingencies.

13. Provision

a) 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.
b) Provision on standard assets is made in line with the existing RBI guidelines and included in Schedule 5 (“Other liabilities and provisions)”.
c) 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.

14. Provision, contingent liabilities and contingent assets

Provisions are recognized 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 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 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 recognized in the period in which the change occurs.

15. 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 or external factors. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets 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 assets.

16. Cash and Cash equivalents

Cash and cash equivalent for the purpose of cash flow statements comprise of cash in hand, balance with RBI, balance with other banks and money at call and short notice.

17. Cash flows statement

Cash flows are reported using indirect method, whereby profit/(loss) before tax is adjusted for the effect of transaction of non-cash nature and any deferrals of accruals of past or future cash receipts and payments. The cash flows from operating, investing, financing activities of the bank are segregated based on the available information.

18. Others

Expenses incurred on stationery and stamps are charged off to profit and loss account at the time of purchase.

II NOTES TO FINANCIAL STATEMENTS

Background and Key Notes

1. Kookmin Bank, incorporated in Seoul, Korea (hereinafter referred as ‘Kookmin Bank’) has started operations, as a representative office at Mumbai vide Reserve Bank of India Approval letter No. DBOD.IBD.No.14085/23.13.157/2011-12 dated March 19, 2012.
2. Kookmin Bank has received an in-principle approval from Reserve bank for upgrading its representative office into branch office vide approval DBR.IBD.No.141/23.13.157/2018-19 dated July 5, 2018. Further, the Bank has received an approval from Reserve bank of India for opening the branch vide approval letter No. DBR.IBD.No. 3666/23.13.157/2018-19 dated October 31, 2018. Accordingly, India Representative office of Kookmin bank was upgraded into a maiden branch at Unit No. 2B/2, 2nd Floor, Two Horizon Centre, Golf Course Road, DLF Phase 5, Sector 43, Gurugram 122002, Haryana, India. w.e.f. February 20, 2019.
3. The financial statements of the Kookmin Bank Gurugram Branch (the Bank) have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated, and comply with generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (‘RBI’) from time to time, the Accounting Standards (‘AS’) issued by the Institute of Chartered Accountants of India (‘ICAI’) and notified by Companies Accounting Standards Rules, 2014 to the extent applicable and current practices prevailing within the banking industry in India.
4. The financial statements of the Kookmin Bank are for the year ended March 31, 2020. The comparative period for the previous financial year is from February 20, 2019 to March 31, 2019 as the Bank has started the operations from February 20, 2019.
5. The Bank has initiated the process of getting itself notified as a Scheduled Commercial Bank under the Reserve Bank of India Act, 1934 and this process was not completed as on March 31, 2019. Pending notification by Reserve bank of India as a Scheduled Bank, the bank was carrying on the banking business as a Non-Scheduled bank. Further, Bank has been notified as Scheduled Commercial Bank vide notification dated June 6, 2019.

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Significant Accounting Policies and Notes to Financial Statements for the year ended March 31, 2020. *(Continued)*

Other Notes as per Regulatory requirements

1. Capital

	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Common Equity Tier 1 Capital Ratio (%)	109.83%	456.57%
(ii)	Tier 1 Capital Ratio (%)	109.83%	456.57%
(iii)	Tier 2 Capital Ratio (%)	0.30%	–
(iv)	Total Capital Ratio (CRAR) (%)	110.13%	456.57%
(v)	Percentage of the shareholding of the Government of India in Nationalized Banks	–	–
(vi)	Amount of Equity Capital Raised	–	–
(vii)	Amount of Additional Tier 1 capital raised; of which	–	
	PNCPS: Perpetual Non-Cumulative Preference Shares		–
	PDI: Perpetual Debt Instruments		–
(viii)	Amount of Additional Tier 2 capital raised; of which	–	
	Debt Capital Instrument:		
	Preference Share Capital Instruments: (Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS))		–

2. Investments

(1) Value of investments

	(Amount in Rs. Crores)	
	As at March 31, 2020	**As at March 31, 2019**
(i) Gross Value of Investments		
a. In India	56.50	–
b. Outside India	–	–
(ii) Provisions for Depreciation		
a. In India	–	–
b. Outside India	–	–
(iii) Net Value of Investments		
a. In India	56.50	–
b. Outside India	–	–

(2) Movement of provisions held towards depreciation on investments

(Amount in Rs. Crores)

	As at March 31, 2020	As at March 31, 2019
(i) Opening balance	–	–
(ii) **Add**: Provisions made during the year	–	–
(iii) **Less**: Write-off/write-back of excess provisions during the year	–	–
(iv) Closing balance	–	–

2.1 Repo Transactions (in Face Value Terms)

The bank has not undertaken any repo transactions or reverse repo transaction during the year ended March 31, 2020 and during the period ended March 31, 2019.

(Amount in Rs. Crores)

Particulars	Minimum Outstanding During the Year	Maximum Outstanding During the Year	Daily Average Outstanding During the Year	Outstanding as on March 31, 2020
Securities sold under the Repo i. Government Securities ii. Corporate Debt Securities	–	–	–	–
Securities purchased under Reverse Repo i. Government Securities ii. Corporate Debt Securities	–	–	–	–

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Significant Accounting Policies and Notes to Financial Statements for the year ended March 31, 2020. *(Continued)*

2.2 Non-SLR Investment Portfolio

i) Issuer composition of Non-SLR Investments

The bank did not have any non-SLR investments as at March 31, 2020 and as at March 31, 2019.

(Amount in Rs. 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	–	–	–	–	–
(iv)	Private Corporate	–	–	–	–	–
(v)	Subsidiaries/ Joint Ventures	–	–	–	–	–
(vi)	Others	–	–	–	–	–
(vii)	Provisions held towards Depreciation	–	–	–	–	–
	Total	–	–	–	–	–

ii) Non-Performing Non-SLR investments

The bank did not have any Non-Performing Non-SLR investments as at March 31, 2020 and as at March 31, 2019.

(Amount in Rs. Crores)

Particulars	For the year ended March 31, 2020	For the period ended March 31, 2019
Opening Balance	–	–
Addition during the Year	–	–
Reduction during the above period	–	–
Closing Balance	–	–
Total Provisions Held	–	–

2.3 Sale and transfers to/ from HTM Category

There were no sale and transfer to/from HTM Category during the year ended March 31, 2020 and during the period ended March 31, 2019.

3. Derivatives

3.1 Forward Rate Agreements/Interest Rate Swap

The bank has not made any forward rate agreement/ interest rate swap during the year ended March 31, 2020 and during the period ended March 31, 2019.

S. no	Items	(Amount in Rs. Crores)	
		31.03.2020	31.03.2019
(i)	The notional principal of swap agreements	–	–
(ii)	Losses which would be incurred if the counterparties failed to fulfill their obligations under the agreements	–	–
(iii)	Collateral required by the Bank upon entering into swaps	–	–
(iv)	Concentration of credit risk arising from the swaps	–	–
(v)	The fair value of the swap book	–	–

Nature and terms swap

As the bank has not entered any forward rate agreement/ interest rate swap during the period, therefore, the disclosure is not applicable.

Items	(Amount in Rs. Crores)
OIS/IRS swaps	–
Inter Bank (back to back)	–
Swap done on behalf of customers (Back to back)	–
Total	–

3.2 Exchange Traded Interest Rate Derivatives

The bank has no exchange traded interest rate derivative transactions to report during the year ended on March 31, 2020 and during the period ended March 31, 2019.

(Amount in Rs. Crores)

S. No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Notional principal amount of exchange traded interest rate derivatives Undertaken during the year (instrument-wise)	–	–
(ii)	Notional principal amount of exchange traded interest rate derivatives Outstanding as on March 31, 2020 (instrument-wise)	–	–
(iii)	Notional principal amount of exchange traded interest rate derivatives Outstanding and not "highly effective" (instrument-wise)	–	–
(iv)	Mark-to-market value of exchange traded interest rate derivatives Outstanding and not "highly effective" (instrument-wise)	–	–

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Significant Accounting Policies and Notes to Financial Statements for the year ended March 31, 2020. *(Continued)*

3.3 Disclosures on risk exposures in derivatives

During the year ended 31st March 2020 and during the period ended March 31, 2019, there were no derivative transaction entered into by the bank.

4. Asset Quality

4.1 Non-Performing Assets and its movement

There are no 'Non-Performing Assets' (NPA) during the year ended March 31, 2020 and during the period ended March 31, 2019.

(Amount in Rs. Crores)

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Net NPAs to Net Advances (%)	–	–
Movement Of NPAs (Gross)		
(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) Provision made during the year	–	–
(c) Write off/write back of excess provision	–	–
(d) Closing Balance	–	–

4.2 Particulars of Accounts Restructured

No standard assets/substandard assets were subject to restructuring during the year ended March 31, 2020 and during the period ended March 31, 2019.

4.3 Details of financial assets sold to Securitization / Reconstruction Company for Asset Reconstruction

No financial assets have been sold to securitization/Reconstruction Company for Asset Reconstruction during the year ended March 31, 2020 and during the period ended March 31, 2019.

(Amount in Rs. Crores)

Particulars	For the year ended March 31, 2020	For the period ended March 31, 2019
(i) Number of accounts	–	–
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	–	–
(iii) Aggregate consideration	–	–
(iv) Additional consideration realized in respect of accounts transferred in earlier years	–	–
(v) Aggregate gain/loss over net book value	–	–

4.4 Details of Non-Performing Financial Asset purchased/sold

A. Details of Non-Performing Financial Assets purchased:

The bank has not purchased or sold any no-performing financial assets during the year ended March 31, 2020 and during the period ended March 31, 2019.

(Amount in Rs. Crores)

Particulars			For the year ended March 31, 2020	For the period ended March 31, 2019
1	(a)	No of Accounts Purchased during the year	–	–
	(b)	Aggregate outstanding	–	–
2	(a)	Of these, numbers of Accounts restructured during the year	–	–
	(b)	Aggregate Outstanding	–	–

B. Details of Non-Performing Financial Assets sold:

(Amount in Rs. Crores)

Particulars		For the year ended March 31, 2020	For the period ended March 31, 2019
1	No. of Accounts sold	–	–
2	Aggregate Outstanding	–	–
3	Aggregate Consideration received	–	–

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Significant Accounting Policies and Notes to Financial Statements for the year ended March 31, 2020. *(Continued)*

4.5 Provisions on Standard Assets

(Amount in Rs. Crores)

Particulars	As at March 31, 2020	As at March 31, 2019
Provisions towards Standard Assets	0.98	–

5. Business Ratios

Items	As at March 31, 2020	As at March 31, 2019
(i) Interest income as a percentage to working funds (Not Annualized in Previous Period)	5.96%	0.80%
(ii) Non-interest income as a percentage to working funds	0.06%	0.00%
(iii) Operating profit as a percentage to working funds (Not Annualized in Previous Period)	0.49%	0.09%
(iv) Return on Assets (Not Annualized in Previous Period)	0.04%	0.01%
(v) Business (Deposits plus Advances) per employee (Rs. in thousands)	178,420	1,124
(vi) Profit per employee (Rs. in thousands)	79	24

6. Asset Liability Management

2019-20 **(Amount in Rs. Crores)**

Particulars	Day 1	2 to 7 days	8 to 14 Days	15 to 28 Days	29 Days to 3 Months	3 to 6 Months	6 Month to 1 Year	1 to 3 Year	3 to 5 Years	Above 5 Years	Total
Advances	–	–	–	–	68.00	–	–	70.00	–	–	138.00
Investments	–	–	2.72		24.46	24.56	4.76	0.00	–	–	56.50
Deposits	0.77	1.00	10.08	32.59	226.05	1.72	0.24	17.75	–	–	290.21
Borrowings	–	–	–	–	–	–	–	–	–	–	–
Foreign Currency Assets	3.07	–	–	–	–	–	–	–	–	–	3.07
Foreign Currency Liabilities	–	–	–	–	–	–	–	–	–	–	–

2018-19 **(Amount in Rs. Crores)**

Particulars	Day 1	2 to 7 days	8 to 14 Days	15 to 28 Days	29 Days to 3 Months	3 to 6 Months	6 Month to 1 Year	1 to 3 Year	3 to 5 Years	Above 5 Years	Total
Advances	–	–	–	–	–	–	–	–	–	–	0.00
Investments	–	–	–		–	–	–	–	–	–	0.00
Deposits	0.06	–	–	–	–	–	0.02	2.17	–	–	2.25
Borrowings	–	–	–	–	–	–	–	–	–	–	0.00
Foreign Currency Assets	–	–	–	–	–	–	–	–	–	–	0.00
Foreign Currency Liabilities	–	–	–	–	–	–	–	–	–	–	0.00

7. Exposures

7.1 Exposure to Real Estate Sector

The bank has exposure of Rs. 70 cr. in the Real estate sector backed by Stand by Letter of credit issued by the Bank.

(Amount in Rs. Crores)

Category	As at 31.03.2020	As at 31.03.2019
a) Direct Exposure		
(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	–	–
(ii) Commercial Real Estate – Lending secured by mortgages on commercial real estate (including non-fund based limits)	–	–
(iii) Investments in Mortgage Backed Securities and other securitized exposures		
(a) Residential	–	–
(b) Commercial Real Estate	–	–
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank and Housing Finance Companies.	–	–
Total Exposure to Real Estate Sector	–	–

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Significant Accounting Policies and Notes to Financial Statements for the year ended March 31, 2020. ***(Continued)***

7.2 Exposures to Capital Market

The bank has no exposure to the Capital Markets during the year ended March 31, 2020 and during the period ended March 31, 2019.

(Amount in Rs. Crores)

	Item	As at 31.03.2020	As at 31.03.2019
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; Investments made in equity shares	–	–
(ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in Shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	–	–
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	–	–
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	–	–
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	–	–
(vi)	Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	–	–
(vii)	Bridge loans to companies against expected equity flows/issues;	–	–
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	–	–
(ix)	Financing to stockbrokers for margin trading;	–	–
(x)	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	–	–
	Total Exposure to Capital Market	**NIL**	**NIL**

7.3 Risk Category wise Country Exposure

In terms of RBI guidelines on Country Risk Management, since the net funded exposures in respect of any country (except home country i.e. India) is less than 2% of total assets, hence provision for country risk is not required.

(Amount in Rs. Crores)

Risk Category	Exposure (net) as at March 31,2020	Provision held as at March 31,2020	Exposure (net) as at March 31,2019	Provision held as at March 31,2019
Insignificant	–	–	–	–
Low	–	–	–	–
Moderate	–	–	–	–
High	–	–	–	–
Very High	–	–	–	–
Restricted	–	–	–	–
Off-Credit	–	–	–	–
Total	–	–	–	–

7.4 Details of Single Borrower Limit (SBL)/ Group Borrower Limit (GBL) exceeded by the Bank.

RBI issued circular on "Large Exposure Framework" vide its circular no. DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019 has prescribed the maximum exposure limit on consolidated and solo counter party basis. During the year, the bank has not exceeded the prescribed Single Borrower Limit (SBL) and Group Borrower Limit (GBL) during the year ended on March 31, 2020 and during the period ended March 31, 2019.

7.5 Unsecured Advances

(Amount in Rs. Crores)

	Item	As at 31.03.2020	As at 31.03.2019
(i)	Unsecured Advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	70.00	–
(ii)	Other Unsecured Advances	68.00	–

8. <u>Disclosure of Penalties imposed by RBI</u>

No penalties have been imposed by the Reserve Bank of India under the provisions of section 46 (4) of the Banking Regulation Act, 1949 during the year ended March 31, 2020 and during the period ended March 31, 2019.

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9. Disclosure Requirements as per applicable Accounting Standards

9.1 Accounting Standard 5 – Net Profit or Loss for the period, prior period items and changes in accounting policies Unsecured Advances.

(i) Prior Period Items: There are no material prior period items during the year.

(ii) Change in Accounting Policy (AS-5): There is no change in accounting policy.

9.2 Accounting Standard 9 – Revenue Recognition

(i) Interest income is recognized in the Profit and Loss Account on an accrual basis.

(ii) Commission on Bank Guarantee is recognized in the Profit and Loss Account over the tenure of the guarantee provided to the customers.

(iii) Loan processing fee is booked as upfront on the basis of due and realized in accordance with terms and conditions as provided in the loan agreement.

No unresolved significant uncertainties have been identified during the financial year ended on March 31, 2020 and during the period ended March 31, 2019 for postponement of revenue recognition to future years.

9.3 Accounting Standard 15 – Employee Benefits

1) Provident Fund

The Bank has contributed an amount of Rs. 0.16 Crores as employer's contribution for the year ended on 31st March 2020 (Previous period from 20th February to March 31, 2019 was Rs. 0.02 Crore).

2) Gratuity

Gratuity is payable to eligible employees as per the bank's Policy and Payment of Gratuity Act, 1972. The liability with respect to the gratuity is determined based on an Actuarial valuation done by an independent actuary at the year end.

The following table sets out the unfunded status of the gratuity plan and the amount recognized in the bank's financial statement

2.1 Table Showing Changes in Present Value of Obligations:

(Amount in Rs.)

Period	From: 01-04-2019 To: 31-03-2020	From: 20-02-2019 To: 31-03-2019
Present value of the obligation at the beginning of the period	1,34,779	–
Interest cost	9,435	–
Current service cost	3,61,329	–
Past Service Cost	–	–
Benefits paid (if any)	–	–
Actuarial (gain)/loss	26,109	–
Present value of the obligation at the end of the period	5,31,652	1,34,779

2.2 Key results (The amount to be recognized in the Balance Sheet):

(Amount in Rs.)

Period	As on: 31.03.2020	As on: 31.03.2019
Present value of the obligation at the end of the period	5,31,652	1,34,779
Fair value of plan assets at end of period	–	–
Net liability/(asset) recognized in Balance Sheet and related analysis	5,31,652	1,34,779
Funded Status - Surplus/ (Deficit)	(5,31,652)	(1,34,779)

2.3 Summary of membership data at the date of valuation and statistics based thereon:

(Amount in Rs.)

Period	As on: 31.03.2020	As on: 31.03.2019
Number of employees	18	14
Total monthly salary	10,70,581	8,53,313
Average Past Service (Years)	1.1	0.4
Average Future Service (yr)	22.4	21.4
Average Age (Years)	35.6	36.6
Weighted average duration (based on discounted cash flows) in years	17	15
Average monthly salary	59,447	60,951

2.4 The assumptions employed for the calculations are tabulated:

Discount rate	7.00 % per annum	7.75 % per annum
Salary Growth Rate	5.00 % per annum	5.00 % per annum
Mortality	IALM 2012-14	IALM 2006-08 Ultimate
Expected rate of return	–	–
Withdrawal rate (Per Annum)	5.00% p.a.	5.00% p.a.

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2.5 Benefits valued:

(Amount in Rs.)

Normal Retirement Age	58 Years	58 Years
Salary	Last drawn qualifying salary	Last drawn qualifying salary
Vesting Period	5 Years of service	5 Years of service
Benefits on Normal Retirement	15/26 * Salary * Past Service (yr)	15/26 * Salary * Past Service (yr)
Benefit on early exit due to death and disability	As above except that no vesting conditions apply	As above except that no vesting conditions apply
Limit	20,00,000	20,00,000

2.6 Current Liability (*Expected payout in next year as per schedule III of the Companies Act, 2013):

(Amount in Rs.)

Period	As on: 31.03.2020	As on: 31.03.2019
Current Liability (Short Term)*	1,552	428
Non Current Liability (Long Term)	5,30,100	1,34,351
Total Liability	5,31,652	1,34,779

2.7 Projection for next period:

(Amount in Rs.)

Best estimate for contribution during next Period	4,67,821	–

2.8 Sensitivity Analysis: Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase rate. Effect of change in mortality rate is negligible. Please note that the sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one another as some of the assumptions may be correlated. The results of sensitivity analysis are given below:

Period	**As on: 31.03.2020**	**As on: 31.03.2019**
Defined Benefit Obligation (Base)	5,31,652 @ Salary Increase Rate : 5%, and discount rate :7%	1,34,779 @ Salary Increase Rate : 5%, and discount rate :7.75%
Liability with x% increase in Discount Rate	4,84,038; x=1.00% [Change (9)%]	1,23,795; x=1.00% [Change (8)%]
Liability with x% decrease in Discount Rate	5,87,061; x=1.00% [Change 10%]	1,47,334; x=1.00% [Change 9%]
Liability with x% increase in Salary Growth Rate	5,87,628; x=1.00% [Change 11%]	1,47,550; x=1.00% [Change 9%]
Liability with x% decrease in Salary Growth Rate	4,82,748; x=1.00% [Change (9)%]	1,23,426; x=1.00% [Change (8)%]
Liability with x% increase in withdrawal Rate	5,21,010; x=1.00% [Change (2)%]	1,31,461; x=1.00% [Change (2)%]
Liability with x% decrease in withdrawal Rate	5,41,086; x=1.00% [Change 2%]	1,37,799; x=1.00% [Change 2%]

2.9 Reconciliation of liability in balance sheet

(Amount in Rs.)

Period	**From: 01.04.2019 To: 31.03.2020**
Opening gross defined benefit liability/ (asset)	1,34,779
Expenses to be recognized in P&L	3,96,873
Benefits paid (if any)	–
Closing gross defined benefit liability/ (asset)	5,31,652

3) Compensated absences

The bank has made a provision of Rs. 0.03 crores for leave encashment in the current year ended on March 31, 2020 (Previous period figure was Rs. 0.03 crores in respect of provision for leave encashment for the period ended March 31, 2019).

9.4 Accounting Standard 17 – Segment Reporting

A. Primary (Business Segment)

The Following are the Primary segments of the Bank:

- Treasury
- Corporate/ Wholesale Banking
- Other Banking Operations

The present accounting and information system of the bank does not capture and allow extraction of the data in respect of the above segments separately. However, based on the present internal, organizational and management reporting structure and the nature of their risk and returns, the data on the primary segments have been computed as under:

a) **Treasury**- The Treasury segments includes the entire investment portfolio and trading in foreign exchange contracts and derivative Contracts. The Revenue of the treasury segment primary consists of fees and gains or losses from trading operations and interest income on investment portfolio and Fixed Deposits placed with Other Banks.

b) **Corporate/Wholesale Banking-** The Corporate/ Wholesale Banking segment comprises of the lending activities of the corporate accounts group.

c) **Other Banking business-** Segment not classified under (a) and (b)are classified under this primary segment.

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Significant Accounting Policies and Notes to Financial Statements for the year ended March 31, 2020. ***(Continued)***

B. Secondary (Geographical Segment)

i) Domestic Operations- Branches/ Offices having operation in India

ii) Foreign Operations- Branches/ Offices having operation outside India

C. Allocation of Expenses, Assets and Liabilities

Expenses are allocated on the basis of the ratio of number of employees in each segment.

Part A: Business Segments

(Amount in Rs. Crores)

Business Segments	TREASURY		COPORATE/ WHOLESALE BANKING OPERATIONS		OTHER BANKING		TOTAL	
Particulars	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Revenue	24.77	–	1.67	–	0.15	–	26.60	–
Less :Inter segment	–	–	–	–	–	–	–	–
Net revenue	24.77	–	1.67	–	0.15	–	26.60	–
Result	18.82	–	(2.60)	–	0.15	–	16.38	–
Unallocated expenses							14.68	–
Operating profit							1.70	–
Income taxes							1.51	–
Extra ordinary profit or loss	–	–	–	–	–	–	–	–
Net profit -							0.19	–
Other information:								
Segment assets	483.90	–	138.00	–	12.51	–	634.41	–
Unallocated assets							18.02	–
Total assets							652.43	–
Segment liabilities	290.21	–	0.98	–	–	–	291.18	–
Unallocated liabilities							361.25	–
Total liabilities							652.43	–

Part B: Geographic Segments

	Domestic		International		Total	
	31.03.2020	**31.03.2019**	**31.03.2020**	**31.03.2019**	**31.03.2020**	**31.03.2019**
Revenue	26.60	–	–	–	26.60	–
Assets	652.43	–	–	–	652.43	–

- Corresponding previous year figures have not been provided because the bank had a single reportable segment which had similar risk and return for the purpose of AS-17.

9.5 Accounting Standard 18 – Related Party Disclosures

In terms of Accounting Standard 18 ('AS-18') on 'Related Party Disclosures' notified under the companies (Accounting Standards) Rules, 2006 and the related guidelines issued by RBI, the Related parties are identified by the management and relied upon by the auditors.

Details pertaining to related parties are as under:

(i) Related Party relationships:

S. No.	Relationship	Party Name
1	Head Office	Kookmin Bank, Seoul, Korea and its Branches
2	Key Management Personnel	IL Hwang, Chief Executive Officer Hyung Soo Byun, Interim Chief Executive Officer (From January 30, 2020 to April 19, 2020) Chief Executive Officer w.e.f. April 20, 2020.

(ii) The details of the related party relationship/ financial dealings of the bank with the above related parties as defined under AS-18 are as follows:

(Amount in Rs. crore)

Nature of Transactions	For the year ended March 31, 2020	For the period ended March 31, 2019
Inflow of Capital from Head office, Kookmin Bank, Seoul, Korea	–	355.86
Salary paid to Mr. IL Hwang -CEO	1.60	0.25
Salary paid to Mr. Hyun Soo Byun- CEO	0.36	–
Interest received on Nostro balance from Head Office	0.02	–
Reimbursement of Expenses	0.17	–
Standby Letter of Credit received from Kookmin Seoul Branch for Guarantee issued by Bank	1.14	–

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9.6 Accounting Standard 19- Leases

The Lease agreements entered into by the bank pertains to use of premises of the bank. The Lease agreements do not have any undue restrictive or onerous clauses other than those normally prevalent in similar agreement regarding use of assets, lease escalation, renewals and a restriction on sub-leases.

Details of future minimum lease payments under non –cancellable operating leases are given below;

(Amount in Rs. crore)

S.No	Period	As at 31st March 2020	As at 31st March 2019
1	Not later than 1 year	2.62	-
2	Later than 1 year and not later than 5 years	12.17	-
3	Later than 5 years	12.15	-

9.7 Accounting Standard 20 – "Earning per share"

Being a branch of a Foreign Bank, the capital of the bank comprises of interest free funds received from its head office and as such does not have share capital. Hence, the computation of Earnings per share is not applicable. Accordingly, the disclosure as required by AS-20 'Earning per Share' is not applicable in case of the bank.

9.8 Accounting Standard 22 – Accounting for Taxes

Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

The major composition of Deferred tax assets and deferred tax liabilities is as under:

(Amount in Rs. crore)

Particulars	31.03.2020 DTA/(DTL)	31.03.2019 DTA/(DTL)
Depreciation	(0.27)	(0.15)
Provision for Gratuity	0.01	0.01
Provision for Leave Encashment	0.02	0.01
Provision for Bonus	0.02	0.01
Provision for Standard Assets (Loans & bank guarantee)	0.41	–
Other Provisions and contingencies	0.20	–
Deferred Tax Asset/(liability) as shown in Balance Sheet	**0.39**	**(0.12)**

9.9 Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements): Not Applicable

9.10 Accounting Standard 24 (Discontinuing Operations): Not applicable

9.11 Accounting Standard 25: (Interim Financial statements): Not Applicable

9.12 Accounting Standard 28: (Impairment of Assets): Not Applicable

10. Additional Disclosures

10.1 Provisions and Contingencies

(Amount in Rs. crore)

Break-up of Provisions & Contingencies shown under the head Expenditure in Profit & Loss A/c	As at 31.03.2020	As at 31.03.2019
Provision for depreciation on investments	–	–
Provision towards NPA	–	–
Provision towards Standard Assets	0.98	–
Provision made towards income tax (including deferred taxes)	1.00	0.25
Provision for Country Risk	–	–
Total	**1.98**	**0.25**

10.2 Floating Provisions

The bank has not made any floating provisions during the period ended March 31, 2020.

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Opening Balance in the Floating Provisions Account	NIL	NIL
(b) The Quantum of floating provisions made in the Accounting Year	NIL	NIL
(c) Amount of draw down made during the Accounting Year	NIL	NIL
(d) Closing Balance in the Floating Provisions Account	NIL	NIL

10.3 Draw Down from Reserves

There was no drawdown from Reserves to report for the year ended March 31, 2020 and for the period ended March 31, 2019.

10.4 Disclosure of Complaints- Customer Complaints & Awards passed by the banking Ombudsman

There have been no customer complaints during the year ended March 31, 2020 and during the period ended March 31, 2019. Further, there have been no awards passed by the Banking Ombudsman during the above-mentioned period.

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A. Customer Complaints

S. No.	Particulars	As at March 31, 2020	As at March 31, 2019
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	Nil	Nil
(c)	No. of complaints redressed during the year	Nil	Nil
(d)	No. of complaints pending at the end of the year	Nil	Nil

B. Awards passed by the Banking Ombudsman

S. No.	Particulars	As at March 31, 2020	As at March 31, 2019
(a)	No. of unimplemented awards at the beginning of the year	Nil	Nil
(b)	No. of awards passed by the Banking Ombudsmen during the year	Nil	Nil
(c)	No. of awards implemented during the year	Nil	Nil
(d)	No. of unimplemented awards at the end of the year	Nil	Nil

10.5 Letter of Comfort (LoCs)

No Letter of Comfort was issued by the bank during the year ended March 31, 2020 and during the period ended March 31, 2019 & the Outstanding Letter of Comfort as on March 31, 2020 was Nil.

10.6 Provisioning Coverage Ratio (PCR)

Since the bank has no NPA exposure as on March 31, 2020 and as on March 31, 2019, hence this disclosure is not applicable on bank.

10.7 Insurance Business

Bank does not handle insurance business. Therefore, the fees & remuneration received in respect of insurance Business for the year ended March 31, 2020 and for the period ended March 31, 2019 is Nil.

10.8 Concentration of Deposits, Advances, Exposures and NPAs

10.8.1 Concentration of Deposits

(Amount in Rs. crores)

	For the year ended March 31, 2020	For the period ended March 31, 2019
Total Deposits of twenty largest depositors	288.58	2.25
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	99.44%	100%

10.8.2 Concentration of Advances

(Amount in Rs. Crores)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Advances of twenty largest borrowers	138.00	Nil
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	100%	Nil

10.8.3 Concentration of Exposures

(Amount in Rs. Crores)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposure of twenty largest borrowers/customers	138.00	Nil
Percentage of Exposures of twenty largest borrowers/customers to Total Exposures of the bank on borrows/customers	100%	Nil

#for calculation of total exposure and top 20 exposures, balance with other banks have been excluded in above.

10.8.4 Concentration of NPA's

(Amount in Rs. Crores)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Advances to top four NPA accounts	Nil	Nil

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10.9 Sector wise Advances

Sector	As at March 31, 2020			As at March 31, 2019		
	Gross Advances	Gross NPAs	% of gross NPAS to gross advances in this sector	Gross Advances	Gross NPAs	% of gross NPAS to gross advances in this sector
A. Priority Sector						
1. Agriculture & allied activities	–	–	–	–		
2. Advances to industries sector eligible as priority sector lending (MSME)	–	–	–	–		
3. Services	–	–	–	–		
4. Personal Loans	–	–	–	–		
Sub-total (A)	–	–	–	–		
B. Non Priority Sector						
1. Agriculture & allied activities	–	–	–	–		
2. Industry	138.00	–	–	–		
a Real Estate	70.00					
b Trading of Steel Items	68.00					
3. Services	–	–	–	–		
4. Personal Loans	–	–	–	–		
Sub-total (B)	**138.00**	–	–	–		
	–	–	–	–		
Total (A+B)	**138.00**	–	–	–		

10.10 Movement of NPA's

(Amount in Rs. Crores)

Particulars	For the year ended March 31, 2020	For the period ended March 31, 2019
Gross NPAs as on 1st April of particular year (Opening Balance)	–	–
Additions (Fresh NPAs) during the year	–	–
Sub-total **(A)**	–	–
Less:-		
(i) Up gradations	–	–
(ii) Recoveries (excluding recoveries made from upgraded accounts)	–	–
(iii) Write-offs	–	–
Sub-total **(B)**	–	–
Gross NPAs as on 31st March of following year (closing balance) **(A-B)**	–	–

10.11 Overseas Assets, NPA's and Revenue

Bank is not having any overseas assets and hence above disclosure is not applicable to us.

(Amount in Rs. Crores)

Particulars	For the year ended March 31, 2020	For the period ended March 31, 2019
Total Assets	–	–
Total NPAs	–	–
Total Revenue	–	–

10.12 Off balance Sheet SPV's Sponsored- Rs Nil

10.13 Unamortized Pension and Gratuity liabilities- Rs Nil

10.14 Disclosure on Remuneration

The Banks compensation policy including that of CEO's, is in conformity with Financial Stability Board principles and standards. In accordance with the requirements of RBI circular no. DBOD No. BC.72/229.67/001/2011-12 dated January 13, 2012; the bank has submitted a declaration to RBI regarding confirmation of the above matter.

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10.15 Disclosure relating to Securitization

There is no securitization transaction during the year ended March 31, 2020 and during the period ended March 31, 2019. Hence, this disclosure is not applicable.

S.No.	Particulars	
1.	No. of SPVs sponsored by the bank for securitization transactions	NIL
2.	Total amount of securitized assets as per books of the SPVs sponsored by the bank	NIL
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet	NIL
	(a) Off-balance sheet exposures	NIL
	First loss	NIL
	Others	NIL
	(b) On-balance sheet exposures	
	First loss	
	Others	
4.	Amount of exposures to securitization transactions other than MMR	
	(a) Off-balance sheet exposures	NIL
	(i) Exposure to own securitization	NIL
	First loss	NIL
	Others	NIL
	(ii) Exposure to third party securitization	NIL
	First loss	NIL
	Others	NIL
	(b) On-balance sheet exposures	NIL
	(i) Exposure to own securitization	
	First loss	
	Others	
	(ii) Exposure to third party securitization	
	First loss	
	Others	

10.16 Credit Default Swaps

The bank has not entered into any credit default swaps during the year ended March 31, 2020 and during the period ended March 31, 2019.

10.17 Intra group Exposures

Bank has no intra group exposure during the year ended March 31, 2020 and during the period ended March 31, 2019.

10.18 Transfers to Depositors Education and Awareness Fund (DEAF)

The bank has not transferred any fund to Depositors Education and Awareness Fund (DEAF)

(Amount in Rs. Crores)

Particulars	For the Year ended March 31, 2020	For the period ended March 31, 2019
Opening balance of amounts transferred to DEAF	–	–
Add : Amounts transferred to DEAF during the year	–	–
Less : Amounts reimbursed by DEAF towards claims	–	–
Closing balance of amounts transferred to DEAF	–	–

10.19 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 borrower's 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 exposure to entities with Unhedged Foreign Currency Exposures (UFCE). Bank has 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 is not required to create any provision against the unhedged foreign currency exposures (UFCE) of its borrowers as at March 31, 2020.

11. Other Expenditure-Operating Expenses

Expenditure exceeding 1% of the total revenue included in other expenditure in Schedule 16 are as below:

Nature of Expense	**Amount in Rs.**
Professional fees- Consultants	36,98,987
Car hire charges	38,13,293

12. Liquidity Coverage Ratio (LCR)

Qualitative Disclosure-

Reserve Bank of India has issued Basel III framework on Liquidity Coverage Ratio (LCR) on June 09, 2014. The standards include guidelines on minimum liquidity coverage ratio (LCR), liquidity risk monitoring tools and LCR disclosure standards. LCR is designed to address short-term liquidity risk by ensuring banks hold sufficient cash and other liquid assets to meet obligations in a 30-day market stress scenarios. The requirement creates a credit positive incentive for banks to focus on growing their retail deposits and reducing reliance on short term wholesale funding.

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Liquidity Coverage Ratio (LCR) related information for the quarter ending March 31, 2020 is given as under:

(Amount in Rs. Crore)

Particulars	2019-20		2018-19	
	Total Unweighted value	Total weighted value	Total Unweighted value	Total weighted value
High Quality Liquid Assets				
1. Total high quality liquid assets (HQLA)	11.51	11.51	0.25	0.25
Cash outflows				
2. Retail deposits and deposits from small business customers, of which	6.09	0.61	2.24	0.22
(i) Stable deposits	-	-	0.06	-
(ii) Less stable deposits	6.09	0.61	2.19	0.22
3. Unsecured wholesale funding, of which	46.11	4.61	-	-
(i) Operational deposits (all counterparties)	-	-	-	-
(ii) Non-operational deposits (all counterparties)	46.11	4.61	-	-
(iii) Unsecured debt	-	-	-	-
4. Secured Wholesale funding	-	-	-	-
5. Additional requirement, of which			0.44	0.44
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-
6. Other contractual funding obligations	-	-	-	-
7. Other contingent funding obligations	-	-	0.44	0.44
8. Total cash outflows	52.20	5.22	2.69	0.66
Cash Inflows			-	-
9. Secured lending	-	-	-	-
10. Inflows from fully performing exposures	-	-	-	-
11. Other cash inflows	135.92		145.07	145.07
12. Total Cash Inflows	135.92		145.07	145.07
Total Adjusted Value			-	-
13. TOTAL HQLA	-	11.51	0.25	0.25
14. Total net cash outflow	-	1.31	0.67	0.16
15. Liquidity coverage ratio (%)	-	881.86%	-	152.73%

13. 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 31st March 2020 and previous period ended on March 31, 2019.

No supplier has intimated the bank about its status as micro small and medium enterprises or its registration with the appropriate authorities under MSMED.

14. Transfer Pricing

The bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of 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 statement, particularly on the amount of tax expense and that of provision of taxes.

15. Implementation of Indian accounting standard (IND AS)

In January 2016, the Ministry of Corporate Affairs (MCA) issued the roadmap for the implementation of new Indian Accounting Standards (IND AS) for scheduled commercial banks, insurance companies and non –banking financial companies (NBFC). The RBI has also issued a circular DBR.BP.BC.NO.76/21.001/2015-16 dated February 11, 2016 advising that the banks in India be required to implement IND AS from April 1, 2018. Subsequently, RBI in its press release issued on 5 April 2018 and vide notification RBI/2018-2019/146 DBR.BP.BC. NO.29/21.07.001/2018-19 dated March 22, 2019 has deferred the applicability of IND AS for scheduled commercial banks.

Based on RBI directions, the bank has submitted IND AS proforma based financial statements to the RBI on quarterly basis.

16. Previous period figures have been regrouped and revised wherever considered necessary.

For Surender Kr. Singhal & Co.
Chartered Accountants
Firm Registration No. 009156N

sd/-
Pankaj Gupta
(Partner)
Membership No. 501398

Place : New Delhi
Dated : June 22, 2020

For and on Behalf of Kookmin Bank
(Gurugram Branch)

sd/-
Hyung Soo Byun
(Chief Executive Officer)

Place : Gurugram
Dated : June 22, 2020

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KOOKMIN BANK, GURUGRAM BRANCH
DISCLOSURE UNDER PILLAR-3 OF BASEL-3, FOR THE 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: Kookmin Bank Gurugram

(i) Qualitative Disclosures:

a) List of group entities considered for consolidation

The Bank is operating through single branch in India, hence there is no consolidation requirement applicable to bank for accounting and regulatory purposes.

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

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)

As on 31st March 2020, The bank has been operating through single branch in India, hence there are no group entities for group 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 31st March 2020, The bank has been operating through single branch in India, hence there are no group entities for group consolidation.

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

f) Any restrictions or impediments on transfer of funds or regulatory capital within the banking group: NIL

Table DF-2: Capital Adequacy

(1) Qualitative disclosures

a. Banks's approach to assessing the adequacy of its capital to support current and future activities.

The bank maintains a strong base of capital to comply with the local regulatory requirements and also to adequately support its current and future activities.

Capital requirements is assessed taking into account: business growth plans, capital fund 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 risk, etc. The bank has adopted following approaches for the purpose of its capital adequacy assessment in line with the guidelines of Reserve Bank Of India.

- Credit Risk: - Standardized Approach
- Market Risk - Standardized Duration Approach
- Operational Risk - Basic Indicator Approach

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DISCLOSURE UNDER PILLAR-3 OF BASEL-3, FOR THE YEAR ENDED MARCH 31, 2020 *(Continued)*

2. Quantitative disclosures

Capital requirement for credit, market and operational risks on March 31, 2020 is given below:

Risk area	Rs. (in Crores)
Credit Risk	**300.20**
Capital required	
– for Portfolio subject to standardized approach	27.02
– for securitization exposure	–
Market Risk (Standardized Duration Approach)	
Capital required	
– for interest rate risk	–
– for foreign exchange (including gold) risk	–
– for equity portion risk	–
Operational risk (Basic Indicator Approach)	**23.90**
Capital required	2.15
Minimum Capital requirement at 9%	29.17
Minimum CRAR +CCB at 11.5%	37.27
Total capital funds of the Bank	**356.94**
Total risk weighted assets	324.10
Capital adequacy ratio	110.13%

Risk Exposure & assessment

General qualitative disclosure requirement:

The bank has identified following risks as material to its nature of operations:

- Credit Risk (including credit concentration risk)
- Market Risk
- Liquidity Risk
- Interest rate Risk in the banking book
- Operational Risk

The risk management policies and procedures of the bank ensures that all type of risks are systematically identified, measured, analysed and actively managed. Risk management is the responsibility of every member of the management as well as part of job of each staff members of the bank. Individual risk management efforts are coordinated and supervised by the CEO. The HO has responsibility for coordination of overall risk management with respect to business of bank.

Risk Management Framework

The risk management framework aims to integrate the sound principles of risk management system and practices into overall functioning of the bank. The bank has created in its organizational structure a Risk Management Council (RMC) to oversee and discharge efficiently the risk management functions. The RMC is responsible for formulations of the policies and the procedures for the risk management of the branch, Supervision of the appropriateness of the execution of the risk management activities of the branch. Review of limit management as applicable to different types of risk to the Bank. The examination of the risk measurement results based on the process defined in the 'Risk Management Guidelines of Gurugram Branch'. The activities of the asset-liability management (ALM), including the decision on the interest rates and others of the like. The Council will oversee the implementation of an effective process for managing the Branch's interest rate, liquidity, and similar market risks relating to the Branch's balance sheet and associated activities, including the adoption from time to time of policies, risk limits and capital levels and other matters related to the risk management which the Manager of the branch recognizes to be necessary.

Credit Risk

Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contract.

The Kookmin Bank Head Office formulates policies rules and procedure for all branches worldwide. The branch has put in place credit policy for local operations in line with Kookmin bank HO guidelines as well as 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 abide by the RBI directions. The Bank also has an independent committee for evaluation of credit proposals.

Market Risk/ Liquidity Risk

Liquidity risk is the risk that the bank is unable to meet its obligations when they fall due without adversely affecting its financial condition. Liquidity is managed through the bank's Liquidity policy, which is designed to maintain high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations while maintaining a diversified funding profile.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The objective of operational risk management at the Bank is to manage and control operational risk in a cost effective manner within targeted levels as defined in the risk appetite.

Operational Risk in the branch is managed through comprehensive HO rules and Kookmin Bank India internal policies and procedures to monitor transactions. The control framework is designed based on categorization of functions into operational department, treasury, back office comprising Operations, Credit department, Trade Finance Department, Finance and Accounting Department and Human Resource and General Administration Department. The risk 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.

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DISCLOSURE UNDER PILLAR-3 OF BASEL-3, FOR THE YEAR ENDED MARCH 31, 2020 *(Continued)*

4. Movement of NPA's

(Rs. in Crores)

Particulars	Gross NPA's	Net NPA's
Opening balance at March 31, 2019	–	–
Addition during the period	–	–
Reduction during the period	–	–
Closing balance at March 31, 2020	–	–

5. Movement of Provision for NPA's

(Rs. in Crores)

Particulars	Amount
Opening balance at March 31, 2019	–
Provision made during the period	–
Write-off's during the period	–
Write-back of excess provision during the period	–
Closing balance at March 31, 2020	–

6. Amount of non-performing investments (NPA's) in securities, other government and other approved securities

(Rs. in Crores)

Particulars	Amount
Gross NPI's at March 31, 2020	–
Total provision held on NPI's	–
Net NPI's at March 31, 2020	–

7. Movement of provision for depreciation on investments

(Rs. in Crores)

Particulars	Amount
Opening balance at March 31, 2019	–
Provision/ depreciation/ (appreciation) made during the year	–
(Write-off) / (write-back) of excess provision during the year	–
Closing balance at March 31, 2020	**–**

Table DF-4 - Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach

Qualitative Disclosures

Bank has decided to use the ratings of the following domestic/international credit rating agencies for the Credit Exposure of Indian Operations, in line with RBI guidelines:

Domestic

(i) Credit Analysis and Research Ltd.
(ii) CRISIL Ltd.
(iii) FITCH India
(iv) ICRA Ltd.

International

(i) Fitch
(ii) Moody's
(iii) Standard & Poor's

Quantitative Disclosures

The exposure amounts after risk mitigation (subject to the standardized approach) in different risk buckets are as under

(Rs. in Crores)

Exposure category	Amount outstanding
Less than 100% risk weight	496.60
100% risk weight	6.57
More than 100% risk weight	**138.03**
Deducted from capital	–
Total	641.50

Table DF-5: Credit Risk Mitigation: Disclosures for Standardized Approaches

Qualitative Disclosures

Collection of collateral and valuation of property, is being determined by the policies and procedures laid out by Head Office.

The collaterals commonly used by the bank for risk mitigation are financial collaterals comprising of bank deposits and other categories comprising of movable and immovable assets/landed properties.

Banks credit priorities are being determined by Head Office taking Indian market realities and RBI Directives into consideration.

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Exposure limits to single and group borrowers/various industries are well defined and Industry review is being conducted for management review and risk mitigation. Funding strategies are in alignment with the Asset Liability Management position.

Table DF-6: Securitisation Exposures: Disclosure for Standardised Approach

Qualitative Disclosures

Bank does not have any securitization exposure.

Quantitative Disclosures

Not applicable

Table DF-7: Market Risk in Trading Book

Qualitative Disclosures

Bank has adopted the Standardized Approach for computation of capital charge for market risk. The Forex transactions were not undertaken during the period ended March 31, 2020.

Quantitative Disclosure

Not Applicable

Table DF-8: Operational Risk

Qualitative Disclosures

Capital charge for Operations Risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the current period is considered for computing the capital charge. The required capital is Rs. 2.15 Crores.

Table DF-9: Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures

Interest rate risk in Banking Book refers to the risk of loss in earning or economic value of the Bank's Banking Book as a consequences of movement in interest rates. Interest rate risk is managed through gap analysis and the same is being considered in the management of the Assets and Liabilities of the bank.

Quantitative Disclosure

There is no interest rate risk in the banking book of the bank as of March 31, 2020.

Table DF-10: General Disclosure for Exposures Related to Counterparty Credit Risk

Qualitative Disclosures

Counterparty Credit Risk (CCR) Limits for the banking counterparties are assessed by our HO based on an internal model that considers the parameters viz. credit rating and net worth of counterparties, net worth of the Bank and business requirements. Capital for CCR exposure is assessed based on Standardized Approach.

Quantitative Disclosures

The Bank doesn't recognize bilateral netting. The Credit Equivalent amounts of derivatives that are subject to risk weighting are calculated as per the Current Exposure Method. The balance outstanding for forward contracts is as follows:

(Rs in crores)

Nature	Notional amount	Current Exposure
Foreign Exchange contracts	Nil	Nil

Table DF-11: Composition of Capital

1. Common Equity Tier 1 and Total Capital ratios of the bank comprises:

Sr. No.	Tier-1 Capital elements	Rs. (in Crores)
i	Paid-up Share Capital (Capital received from Head Office)	355.86
ii	Reserves (excluding revaluation reserves)	0.24
iii	Innovative Tier-1 Capital Instruments	–
iv	Minority Interest	–
	Gross Tier-1 Capital	**356.10**
	<u>Deductions:</u>	
	Investments in instruments eligible for regulatory capital of financial subsidiaries / associates	
v	Other Eligible Deduction under CET 1	0.13
vi	Others-Losses carried forward	–
	Net Tier-1 Capital	**355.97**

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DISCLOSURE UNDER PILLAR-3 OF BASEL-3, FOR THE YEAR ENDED MARCH 31, 2020 ***(Continued)***

Sr. No		Particulars	Balance sheet as in financial statement	Balance sheet under regulatory scope of consolidation
			As on March 31, 2020	As on March 31, 2020
B		**Assets**		
	1	Cash and balances with RBI	12.51	12.51
		Balance with banks and money at call and short notice	422.16	422.16
	2	Investments:	56.50	56.50
		of which: Government securities	56.50	56.50
		of which: Other approved securities	–	–
		of which: Shares	–	–
		of which: Debentures & Bonds	–	–
		of which: Subsidiaries/Joint Ventures/Associates	–	–
		Associates of which: Others (Commercial Papers, Mutual Funds, PTCs etc.)	–	–
	3	Loans and advances	138.00	138.00
		of which: Loans and advances to banks	–	–
		of which: Loans and advances to customers	138.00	138.00
	4	Fixed assets	11.07	11.07
	5	Other assets	12.19	12.19
		of which: Goodwill and intangible assets	–	–
		of which: Deferred tax assets	0.39	0.39
	6	Goodwill on consolidation	–	–
	7	Debit balance in Profit & Loss account	–	–
		Total Assets	652.43	**652.43**

Step 2

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	
	Capital & Liabilities				
	1	Paid-up Capital	355.86	355.86	A
		Of which amount eligible for CET-I	355.86	355.86	
		Of which amount eligible for AT-I	–	–	
		Reserves & Surplus	0.24	0.24	B
		Of which Statutory Reserve	0.06	0.06	
		Of which Investment Fluctuation Reserve	–	–	
		Of which balance in profit & Loss A/c	–	–	
		Minority Interest	–	–	
		Total Capital	356.10	356.10	
	2	Deposits	290.20	290.20	
		of which: Deposits from banks	–	–	
		of which: Customer deposits	290.20	290.20	
		of which: Other deposits	–	–	
	3	Borrowings	–	–	
		of which: From RBI	–	–	
		of which: From banks	–	–	
		of which: From other institutions & agencies	–	–	
		of which: Others (pl. specify)	–	–	
		of which: Capital instruments	–	–	
	5	Other liabilities & provisions	6.13	6.13	C
		of which: DTLs related to goodwill	–	–	
		of which: DTLs related to intangible assets	–	–	
		Total Liabilities	296.33	**296.33**	
	Total of capital and liabilities		**652.43**	**652.43**	

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INDEPENDENT AUDITOR'S REPORT

To the Apex Committee,
Societe Generale – Indian Branches

Report on audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **Societe Generale – 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 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

4. We draw attention to Note 8 of Schedule 18 to the financial statements which describes the extent to which the COVID-19 pandemic will have impact on 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 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.
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.

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- 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 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.
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 Societe Generale, which is incorporated with limited liability in France;
    g) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
    h) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
        i. the Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12 and Note 24 (i) of Schedule 18 to the financial statements;
        ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 24(vii) of Schedule 18 to the financial statements;
        iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
        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 Societe Generale, which is incorporated in France.

For and on behalf of
A P Sanzgiri & Co
Chartered Accountants
Firm Regn. No. 116293W

Mehul Shah
Partner
(Membership No. 100909)
UDIN: 20100909AAAAAF4291

Place: Mumbai
Date: June 23, 2020

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Annexure A to the Independent Auditor's report of even date on the financial statements of Societe Generale – Indian Branches

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 **Societe Generale – Indian Branches** ('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 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 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 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

Mehul Shah
Partner
(Membership No. 100909)
UDIN: 20100909AAAAAF4291

Place: Mumbai
Date: June 23, 2020

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BALANCE SHEET AS ON MARCH 31, 2020

₹ (000's)

	Schedule	As at March 31, 2020	As at March 31, 2019
CAPITAL & LIABILITIES			
Capital	1	14,493,748	14,493,748
Reserves and Surplus	2	3,007,032	2,718,960
Deposits	3	27,451,332	23,121,395
Borrowings	4	3,037,737	6,295,314
Other Liabilities and Provisions	5	53,979,930	24,297,698
TOTAL:		**101,969,779**	**70,927,115**
ASSETS			
Cash and balances with Reserve Bank of India	6	2,987,804	1,705,698
Balances with Banks and Money at Call and Short Notice	7	2,183,255	4,302,683
Investments	8	30,615,100	22,400,038
Advances	9	15,744,312	14,949,858
Fixed Assets	10	506,566	552,328
Other Assets	11	49,932,742	27,016,510
TOTAL:		**101,969,779**	**70,927,115**
Contingent Liabilities	12	2,428,932,382	1,746,156,400
Bills for Collection		2,617,380	3,031,576
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to herein form an integral part of the Financial Statements.

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

₹ (000's)

	Schedule	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
INCOME			
Interest Earned	13	3,156,015	3,071,316
Other Income	14	795,290	1,065,046
		3,951,305	**4,136,362**
EXPENDITURE			
Interest Expended	15	1,402,012	1,845,202
Operating Expenses	16	1,431,389	1,277,397
Provisions and Contingencies		692,657	958,689
		3,526,058	**4,081,288**
PROFIT			
Net Profit/(Loss) for the year		425,247	55,074
Profit/(Loss) Brought Forward		184,615	172,975
		609,862	**228,049**
APPROPRIATIONS			
Transfer to Statutory Reserve		106,312	13,769
Transfer to Capital Reserve		40,846	10,953
Transfer to Investment Fluctuation Reserve Account		124,336	18,712
Remittance to H.O. during the year		137,177	-
Transfer to surplus retained for Capital Adequacy (CRAR)		–	–
Balance carried over to Balance Sheet		201,191	184,615
		609,862	**228,049**
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to herein form an integral part of the Financial Statements.

As per our attached report of even date

For **A.P. Sanzgiri & Co.,**
Chartered Accountants
Firm Registration No. 116293W

Mehul Shah
Partner
Membership No. 100909

Place : Mumbai
Date : June 23, 2020

For **Societe Generale – Indian Branches**

Antoine Castel
Chief Executive and Chief Country Officer - India

Ashok Krishnamoorthy
Chief Operating and Chief Financial Officer - India

SOCIETE GENERALE

SOCIETE GENERALE

(Incorporated in France as a Public Limited Company)

INDIAN BRANCHES

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

₹ (000's)

Particulars		For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
Cash flows from operating activities			
Net Profit as per Profit and Loss Statement		425,247	55,074
Add: Income Tax Provision		490,764	482,753
Add: Deferred Tax (Asset)/Liability		(158,377)	(378,705)
Net profit before taxation and extraordinary items		**757,634**	**159,122**
Adjustments for:			
Depreciation on Fixed Assets		64,249	85,147
(Profit)/Loss on sale of fixed assets (including write-off)		26,865	1,280
Interest paid on sub-ordinated debt during the year		-	84,725
Addition to/(Write-back) of provision for Loan Losses		(245,534)	859,712
Addition to/(Write-back) of Standard Assets		551,138	85,978
Provision on Country Risk		(1,339)	(4,501)
Provision for Unhedged Foreign Currency Exposure		20,938	(726)
Provision for Sundry Assets (Net of Write back)		(800)	(7,733)
Other Losses/write-offs		-	-
Provision for Large Exposure		38,107	(19,711)
Provision for Stressed Assets		428	(6,782)
Provision on Investments		(2,668)	(51,596)
Operating profit before working capital changes		**1,209,018**	**1,184,914**
(Increase)/Decrease in Investments		(9,112,394)	(9,262,078)
(Increase)/Decrease in Advances		(548,920)	11,391,186
(Increase)/Decrease in Other Assets		(22,654,614)	(18,995,866)
Increase/(Decrease) in Deposits		4,329,938	(3,830,227)
Increase/(Decrease) in Other Liabilities & Provisions		29,073,755	16,772,267
Income taxes (paid)/received		(594,000)	(424,985)
Net Cash Flow generated from Operating Activities	**A**	**1,702,783**	**(3,164,787)**
Cash flows from investing activities			
Purchase of fixed assets		(45,990)	(17,624)
Proceeds from sale of fixed assets		639	3,324
Proceeds from maturity of Held to Maturity Investments		900,000	350,000
Net Cash Flow generated from Investing Activities	**B**	**854,649**	**335,700**
Cash flows from financing activities			
Effect of exchange fluctuation on sub-ordinated debt		-	(3,717,145)
Interest paid on sub-ordinated debt during the year		-	(84,725)
Fresh capital infusion		-	6,666,780
Remittance to H.O. during the year		(137,177)	-
Increase/(Decrease) in Borrowings other than Sub-ordinated debt		(3,257,577)	1,369,319
Net Cash Flow generated used in Financing Activities	**C**	**(3,394,754)**	**4,234,229**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(837,322)**	**1,405,141**
Cash and Cash equivalents at the beginning of the year		6,008,381	4,603,240
Cash and Cash equivalents at the end of the year		**5,171,059**	**6,008,381**
Notes: Cash and Cash Equivalents represent			
Cash and Balances with Reserve Bank of India (As per Schedule 6)		2,987,804	1,705,698
Balances with Banks & Money at Call and Short Notice (As per Schedule 7)		2,183,255	4,302,683
		5,171,059	**6,008,381**
Significant Accounting Policies and Notes to Accounts	**17 & 18**		
Schedules referred to herein form an integral part of the Financial Statements.			

As per our attached report of even date

For **A.P. Sanzgiri & Co.,**
Chartered Accountants
Firm Registration No. 116293W

Mehul Shah
Partner
Membership No. 100909

Place : Mumbai
Date : June 23, 2020

For **Societe Generale – Indian Branches**

Antoine Castel
Chief Executive and Chief Country Officer - India

Ashok Krishnamoorthy
Chief Operating and Chief Financial Officer - India

SOCIETE GENERALE

SOCIETE GENERALE

(Incorporated in France as a Public Limited Company)

INDIAN BRANCHES

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2020

₹ (000's)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 1		
CAPITAL		
(i) Amount brought in by Bank by way of Capital		
As per Last Balance Sheet	14,493,748	7,826,968
Add: Capital infusion during the year from the Head Office	–	6,666,780
Total	**14,493,748**	**14,493,748**
(ii) Amount of deposit kept with the Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949	1,300,000	1,300,000
SCHEDULE 2		
RESERVES AND SURPLUS		
I STATUTORY RESERVE		
As per Last Balance Sheet	1,141,584	1,127,816
Add: Transfer from Profit & Loss Account	106,312	13,768
	1,247,896	**1,141,584**
II CAPITAL RESERVE		
As per Last Balance Sheet	264,212	253,258
Add: Transfer from Profit & Loss Account	40,846	10,953
	305,058	**264,212**
III SURPLUS RETAINED FOR CAPITAL ADEQUACY (CRAR)		
As per Last Balance Sheet	1,018,465	1,018,465
Add: Transfer from Profit & Loss Account	–	–
	1,018,465	**1,018,465**
IV INVESTMENT RESERVE ACCOUNT (IRA)		
As per Last Balance Sheet	91,373	91,373
Add: Transfer from Profit & Loss Account	–	–
	91,373	**91,373**
V INVESTMENT FLUCTUATION ACCOUNT (IFR)		
As per Last Balance Sheet	18,712	–
Add: Transfer from Profit & Loss Account	124,336	18,712
	143,048	**18,712**
VI BALANCE IN PROFIT AND LOSS ACCOUNT		
Balance carried forward from Profit and Loss Account	201,191	184,615
Total	**3,007,032**	**2,718,960**
SCHEDULE 3		
DEPOSITS		
A I **Demand Deposits**		
(i) From Banks	1,160,068	16,709
(ii) From Others	2,714,962	1,563,052
	3,875,030	**1,579,761**
II **Saving Bank Deposits**	40,786	34,097
III **Term Deposits**		
(i) From Banks	–	–
(ii) From Others	23,535,516	21,507,537
	23,535,516	**21,507,537**
Total	**27,451,332**	**23,121,395**
B (i) Deposits of branches in India	27,451,332	23,121,395
(ii) Deposits of branches outside India	–	–
Total	**27,451,332**	**23,121,395**

₹ (000's)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 4		
BORROWINGS		
I Borrowings in India		
(i) Reserve Bank of India	–	–
(ii) Other Banks	–	–
(iii) Other institutions and agencies	2,999,904	6,295,314
	2,999,904	**6,295,314**
II Borrowings outside India		
(i) Subordinated Debt from Head Office	–	–
(ii) From Head Office and its Branche	37,833	–
	37,833	**–**
Total (I+II)	**3,037,737**	**6,295,314**
Secured borrowings included in I & II above	2,999,904	6,295,314
SCHEDULE 5		
OTHER LIABILITIES AND PROVISIONS		
I Bills Payable	589	3,202
II Inter-Office Adjustment (Net)	–	–
III Interest Accrued	257,291	191,086
IV Provision for standard assets (this also includes provision for Diminution in Fair value of ₹104,211 (PY ₹134,246) and stressed standard assets of ₹591,085 (PY ₹160,109)	1,190,228	639,090
V Deferred Tax Liability (Net)	–	–
VI Others (including provisions)	52,531,822	23,464,320
Total	**53,979,930**	**24,297,698**
SCHEDULE 6		
CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	164	152
II Balances with Reserve Bank of India		
(i) In Current Account	2,987,640	1,705,546
(ii) In Other Account	–	–
Total (I+II)	**2,987,804**	**1,705,698**
SCHEDULE 7		
BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
(i) Balances with Banks		
(a) In Current Account	4	110
(b) In Other Deposit Account	–	–
(ii) Money at Call and Short Notice		
(a) With Banks (including LAF with RBI)	–	3,600,000
(b) With Other Institutions	1,997,264	–
	1,997,268	**3,600,110**
II Outside India		
(i) In Current Account	185,987	176,995
(ii) In Other Deposit Accounts	–	–
(iii) Money at Call and Short Notice	–	525,578
	185,987	**702,573**
Total (I+II)	**2,183,255**	**4,302,683**

SOCIETE GENERALE

(Incorporated in France as a Public Limited Company)

INDIAN BRANCHES

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2020

₹ (000's)

		As at March 31, 2020	As at March 31, 2019
SCHEDULE 8			
INVESTMENTS			
I	Investments in India in		
	(i) Government securities (*)	29,984,121	21,742,191
	(ii) Other approved securities	–	–
	(iii) Shares	–	–
	(iv) Debentures and bonds	630,979	657,847
	(v) Subsidiaries / Joint Ventures	–	–
	(vi) Others	–	–
		30,615,100	**22,400,038**
II	Investments outside India	–	–
		30,615,100	**22,400,038**
III	Investments in India		
	Gross Value	30,787,229	22,574,836
	Less:- Provision on Investments	(172,129)	(174,798)
	Net Value	**30,615,100**	**22,400,038**

* includes Securities kept with CCIL as margin for securities segment of book value of ₹5,914,039 (P. Y. BV 4,191,116); for securities under triparty repo book value of ₹5,598,914 (P. Y. BV ₹6,287,804); for Forex segment book value of ₹322,798 (P. Y. BV ₹217,493); and with RBI under section 11(2)(b)(ii) of Banking Regulation Act, 1949 of Face Value of ₹1,300,000 (P. Y. Face Value ₹1,300,000).

		As at March 31, 2020	As at March 31, 2019
SCHEDULE 9			
ADVANCES			
A	(i) Bills purchased and discounted	138,131	1,141,403
	(ii) Cash credits, Overdrafts & Loans	15,306,181	12,838,455
	(iii) Term Loans	300,000	970,000
	Total	**15,744,312**	**14,949,858**
B	(i) Secured by tangible assets*	2,146,657	2,673,392
	(ii) Covered by Bank/ Government Guarantees	138,131	1,141,403
	(iii) Unsecured	13,459,524	11,135,062
	*includes advances against book debts		
	Total	**15,744,312**	**14,949,857**
C	**I Advances in India**		
	(i) Priority Sector	138,131	3,895,767
	(ii) Public Sector	–	
	(iii) Banks	–	
	(iv) Others	15,606,181	11,054,091
	Sub-total	**15,744,312**	**14,949,858**
	II Advances outside India	–	–
	Sub-total	–	–
	Total	**15,744,312**	**14,949,858**

		As at March 31, 2020	As at March 31, 2019
SCHEDULE 10			
FIXED ASSETS			
I.a	Premises		
	At book value		
	Beginning of the year	618,243	618,243
	Additions during the year	19,169	–
	Deductions during the year	(51,086)	–
	Adjustments during the year	–	–
		586,326	618,243
	Depreciation to date		
	Beginning of the year	132,742	99,604
	Additions during the year	32,722	33,138
	Deductions during the year	(26,280)	–
		139,184	132,742
SCHEDULE 10 *(Contd.)*			
II.b	Asset held for sale/disposal		
	At book value		
	At cost as per last Balance Sheet	–	–
	Additions during the year	–	–
	Deductions during the year	–	–
		–	–
	Depreciation to date		
	Beginning of the year	–	–
	Additions during the year	–	–
	Deductions during the year	–	–
		–	–
	Total (I)	**447,142**	**485,501**
II	Other fixed assets (including Furniture and Fixtures)		
	At book value		
	Beginning of the year	695,741	809,280
	Additions during the year	25,788	16,168
	Deductions during the year	(14,914)	(129,707)
		706,615	**695,741**
	Depreciation to date		
	Beginning of the year	630,370	704,918
	Additions during the year	31,527	52,009
	Deductions during the year	(12,215)	(126,557)
		649,682	630,370
	Total (II)	**56,933**	**65,372**
III	Capital work in progress	2,491	1,456
	Total	**506,566**	**552,328**

		As at March 31, 2020	As at March 31, 2019
SCHEDULE 11			
OTHER ASSETS			
I	Inter-Office Adjustment (Net)	–	–
II	Interest accrued	791,703	447,504
III	Tax paid in advance/ tax deducted at source (net of provisions)	311,067	207,827
IV	Deferred Tax Assets (Net)	758,385	600,008
V	Stationery and stamps	42	8
VI	Others*	48,071,545	25,761,163
	Total	**49,932,742**	**27,016,510**

* includes Deposit kept with NABARD ₹455,887 (P. Y. NIL); with SIDBI ₹247,184 (P. Y. ₹NIL) for meeting shortfall in Priority Sector Lending.

		As at March 31, 2020	As at March 31, 2019
SCHEDULE 12			
CONTINGENT LIABILITIES			
((refer note 18.23.iii))			
I	Claims against the bank not acknowledged as debts	–	–
II	Liability for partly paid investments	–	–
III	Liabilities on account of outstanding forward exchange contracts	655,208,535	424,998,253
IV	Liabilities on account of outstanding derivative contracts	1,748,502,411	1,287,347,483
V	Guarantees given on behalf of constituents	–	
	(a) In India	20,500,655	22,034,256
	(b) Outside India	–	–
VI	Acceptances, endorsements and other obligations	3,445,172	4,708,670
VII	Other items for which the Banks is contingently liable	1,275,609	7,067,738
	Total	**2,428,932,382**	**1,746,156,400**

SOCIETE GENERALE

SOCIETE GENERALE

(Incorporated in France as a Public Limited Company)

INDIAN BRANCHES

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

₹ (000's)

		For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
SCHEDULE 13 INTEREST EARNED			
I	Interest/Discount on Advances/Bills	1,183,045	1,680,800
II	Income on Investments	1,806,065	1,279,992
III	Interest on balance with Reserve Bank of India and other inter-bank funds	65,414	23,771
IV	Others	101,491	86,753
	Total	**3,156,015**	**3,071,316**
SCHEDULE 14 OTHER INCOME			
I	Commission, Exchange and Brokerage	195,927	387,041
II	Profit/(Loss) on sale of Investments (net)	221,036	44,643
III	Profit/(Loss) on sale of assets (net)	(26,865)	(1,280)
IV	Profit/(Loss) on Foreign Exchange Transactions (net)	(3,214,463)	291,066
V	Income earned by way of dividends, etc. from subsidiaries, companies, joint venture abroad/in India	–	–
VI	Profit/(Loss) on Derivative Transactions (net)	3,595,619	279,960
VII	Miscellaneous Income (refer note 18.24.xv)	24,036	63,616
	Total	**795,290**	**1,065,046**
SCHEDULE 15 INTEREST EXPENDED			
I	Interest on Deposits	1,097,625	1,388,431
II	Interest on Reserve Bank of India/Inter-bank borrowings	61,504	212,196
III	Others	242,883	244,575
	Total	**1,402,012**	**1,845,202**

₹ (000's)

		For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
SCHEDULE 16 OPERATING EXPENSES			
I	Payment to and provisions for employees	603,358	543,103
II	Rent, Taxes and Lighting	22,206	23,137
III	Printing and Stationery	1,428	2,314
IV	Advertisement and Publicity	(1,390)	9,766
V	Depreciation on Bank's Property	64,249	85,147
VI	Directors' Fees, Allowances and Expenses	–	–
VII	Auditors' Fees and Expenses	2,242	2,289
VIII	Law Charges	2,579	3,139
IX	Postage, Telegrams, Telephones etc.	9,139	4,421
X	Repairs and Maintenance	58,675	50,082
XI	Insurance	26,442	29,859
XII	Head Office Charges	38,269	115,227
XIII	Intra-Group Service Fee	221,548	115,439
XIV	Inter-unit recharges	91,499	105,561
XV	Fee paid for Priority Sector Lending Certificates	36,901	29,177
XVI	CSR Expenditure	4,339	(163)
XVII	Other Expenditure (refer note 18.22.iv)	249,905	158,899
	Total	**1,431,389**	**1,277,397**
PROVISIONS AND CONTINGENCIES			
I	Current Tax Expense (refer note 18.22.i)	490,764	482,753
II	Deferred tax expense/ (benefit)	(158,377)	(378,705)
III	Provision / (Writeback) for loan losses	(245,534)	859,712
IV	Provision for Standard Assets	551,138	85,978
V	Provision for Country Risk	(1,339)	(4,501)
VI	Provision for Unhedged Foregin Currency Exposure	20,938	(726)
VII	Provision for Diminution in value of Investments	(2,668)	(51,596)
VIII	Provision for Sundry Assets (Net of Write back)	(800)	(7,733)
IX	Other Loan losses/write-offs	–	–
X	Provision for Large Exposure	38,107	(19,711)
XI	Provision for Stressed Assets	428	(6,782)
	Total	**692,657**	**958,689**

Schedule 17- SIGNIFICANT ACCOUNTING POLICIES

I Principal Accounting Policies

1. Background

The accompanying financial statements for the year ended 31st March 2020 comprise the accounts of the Indian branches of Société Générale ('The Bank'), which is incorporated in France as a Public Limited Company. The Indian operations are in Mumbai and New Delhi with Mumbai being the headquarters.

The Apex Committee is supreme governing body of the Bank. The members of the Apex Committee comprise:

- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer
- Chief Risk Officer
- Head – Corporate Banking
- Head – Treasury (Fixed Income and Sales)
- Head – Trade Finance (TRA and PCM)
- Head – Internal Audit
- Head – HR
- Head – Legal
- Head – Compliance
- Head – Communications
- Head – Credit
- Head – Operations
- Head – Operational Risk
- Head – IT

SOCIETE GENERALE

(Incorporated in France as a Public Limited Company)

INDIAN BRANCHES

2. 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, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, in so far as they apply to banks and current practices prevailing within the banking industry in India.

3. Use of estimates

The preparation of the financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities (including contingent liabilities) as at the date of the financial statements, revenues and expenses during the period. Management believes that the estimates used in preparation of financial statements are prudent and reasonable and although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Any revision to the accounting estimates is recognized prospectively in current and future periods.

4. Significant Accounting Policies

4a. Transactions involving foreign exchange

(a) Foreign currency monetary assets, liabilities are translated at the Balance Sheet date at exchange rates notified by the FEDAI. The resulting gains or losses are accounted in the Profit and Loss Account.

(b) Forward foreign exchange contracts are revalued FEDAI rates for specified maturity discounted to present value based on the future cash flows. The resulting gains or losses are recognized in the Profit and Loss Account.

(c) Income and expenditure in foreign currency is translated at the exchange rates prevailing on the date of the transaction.

(d) Monetary assets and liabilities, contingent liabilities on accounts of guarantees, endorsements and other obligations denominated in foreign currencies are stated at the exchange rates notified by FEDAI at the Balance Sheet date.

4b. Investments

Classification & income recognition

As per the guidelines for investments laid down by the Reserve Bank of India ('RBI'), the investment portfolio of the Bank is classified as on the date of purchase under "Held to Maturity", "Available for Sale" and "Held for Trading" categories. The Bank follows settlement date accounting for its investments.

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the Profit and Loss Account. Cost of investments is computed based on the First-In-First-Out (FIFO) method.

Profit/loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and Profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve.

Profit/loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account.

Broken period interest (the amount of interest from the previous interest payment date till the date of purchase/sale of instruments) on debt instruments is treated as a revenue item.

Provision for non-performing investments and investment subjected to prudential norms is made based on a periodic review of investments as per Bank's policy and after having considered the provisioning guidelines issued by the RBI as amended from time to time.

Basis of classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM/AFS in accordance with the RBI guidelines. Investments which are not classified in the above categories are classified under AFS category.

Short Sale

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Profit and Loss Account.

Valuation & provisioning

a) Treasury Bills, Commercial Paper and Certificates of Deposit being discounted instruments, are valued at carrying cost.

b) Held to Maturity: Investments under this category are carried at cost of acquisition, adjusted for the premium, which is amortized over the residual maturity of the security. Any diminution, other than temporary, in the value of such securities is provided for.

c) Available for Sale & Held for Trading: Investments in both categories are valued at lower of cost of acquisition or market value as declared by Financial Benchmark India Private Limited ('FBIL'). Securities under each category are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net depreciation, if any, in aggregate for each classification is recognized in the Profit and Loss Account and net appreciation, if any, is ignored. Except in cases where provision for diminution other than temporary is created, the book value of the individual securities is not changed as a result of periodic valuations.

d) Quoted investments are valued based on prices declared by Primary Dealers Association of India jointly with FBIL periodically and the price list of RBI. Quoted equity shares are valued at their closing price on a recognized stock exchange. Unquoted equity shares are valued at the break-up value if the latest balance sheet is available, else, at Rs. 1 per company, as per relevant RBI guidelines.

e) The market/ fair value of unquoted government securities included in the AFS and HFT category is determined as per the prices published by FBIL. Further, in the case of unquoted bonds, debentures, pass through certificates (other than priority sector) and preference shares, valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk) over the Yield to Maturity ('YTM') rates of government securities. Such mark up and YTM rates applied are as per the relevant rates published by FIMMDA/FBIL.

Transfer between categories: Reclassification of investments from one category to the other, if done, is in accordance with RBI guidelines and any such transfer is accounted for at the lower of acquisition cost/book value/ market value, as at the date of transfer. Depreciation, if any, on such transfer is fully provided for.

Accounting for Repo/Reverse Repo: Repo and Reverse Repo transactions in securities (including Borrowing/Lending under Liquidity Adjustment Facility) are accounted for as collateralized borrowing and lending transactions respectively. The borrowing cost on repo transactions is accounted as Interest Expense and revenue on reverse repo transactions is accounted as Interest Income. Repo and reverse repo transactions with the RBI under the Liquidity Adjustment Facility (LAF) are accounted for as secured borrowing and lending transactions.

4c. Advances

Advances are classified as performing and non-performing advances ('NPAs') based on the RBI guidelines as amended from time to time and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Also, NPAs are classified into sub-standard, doubtful and loss assets. Unrealised Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account.

Provisions for non-performing advances are made based on a periodic review of advances as per the Bank's policy, which comply with the provisioning guidelines issued by the RBI as amended from time to time. Specific loan loss provision in respect of non-performing advances is charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognized in the Profit and Loss Account.

In addition to the above, the Bank on a prudential basis makes provisions on advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under other liabilities.

In accordance with RBI guidelines and prudential provisioning norms, the Bank has provided 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 and disclosed in Schedule 5 "Other liabilities and provisions".

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.

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. This provision is classified under Schedule 5 – Other Liabilities in the balance sheet.

For Large exposure provision, Bank follow provisioning guidelines given in circular RBI/2016-17/50 DBR.BP.BC.No.8/21.01.003/2016-17 dated 25-Aug-2016.

For Stressed sector provision, Bank follows provisioning guidelines given in circular DBR.No.BP.BC.64/21.04.048/2016-17 dated 18-Apr-2017.

The Bank does not have a policy of creating floating provisions.

4d. Fixed Assets

(a) Fixed assets are stated at historical cost less accumulated depreciation /amortisation and adjusted for impairment, if any. Cost includes cost of purchase inclusive of freight, duties, incidental expenses and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to put to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

(b) Depreciation is provided using the Straight-Line Method as per the useful lives of the assets estimated by the management, or at the useful life prescribed under part "C" of schedule II of the Companies Act, 2013 whichever is lower. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in schedule II to the companies Act, 2013 except in respect of the premises, software and motor vehicle in which case the life of the assets has been assessed as under based on the nature of the assets, estimated usage of the asset.

Assets	Useful Life	Schedule II
Premises	23 years	60 years
Improvement to own premises	10 years	
Furniture and Fixtures	10 years	10 years
Office Equipments	5 years	5 years
Computers	3 years	3 years
Software	4 years	6 years
Motor Vehicles	4 years	8 years
Leasehold Improvements	Over the life of the lease	

(c) Depreciation on improvements to leased premises is based on the primary period of the lease of such premises.

(d) All fixed assets purchased in a block of 10 or less and individually costing less than Rs. 35,000/- are fully charged to the Profit and Loss Account in the year of purchase.

(e) Profit on sale of premises, if any, is transferred to Capital Reserve as per the RBI guidelines.

(f) Fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the profit and loss statement.

4e. Staff Retirement Benefits

(a) Provident Fund

The eligible employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan, in which both employees and the Bank make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' basic salary), which is recognised as an expense in the Profit and Loss Account during the period. The contributions as specified under the law are paid to the provident fund set up as irrevocable trust by the Bank. The Bank is generally liable for annual contributions and any shortfall in the fund assets based on the government specified minimum rates of return and recognises such contributions and shortfall, if any, as an expense in the year incurred.

(b) Gratuity

The Bank provides for its gratuity liability which is a defined benefit scheme, based on actuarial valuation at the Balance Sheet date carried out by an independent actuary using the Projected Unit Credit Method. The actuarial gains or losses arising during the year are recognized in the Profit and Loss Account and are not deferred. The Bank makes contribution to a Gratuity Fund administered by trustees and managed by a life insurance company.

(c) Pension

The Bank has a pension scheme, which is a defined contribution plan for employees participating in the scheme. The contributions are accounted for on an accrual basis and charged to the Profit and Loss account.

The Bank received an approval from the Office of the Principal Commissioner of Income Tax (Governing Authority) for the following amendments to the pension scheme:

i. Eligibility criteria for all employees changed from 5 (five) years to 1 (one) year;

ii. To offer a one-time option to all existing employees to opt out of the SG India Pension Fund.

SG India Pension fund will pay the corpus for each of the employee who opted out from the pension fund. The current pension contribution is towards the employees who have not opted out from the pension fund.

(d) Short term compensated absences are provided for based on estimates, by charging to the Profit and Loss Account.

(e) Long Service Awards

The Bank provides lump sum benefits linked to final eligible salary after completing each 5 years of service. The detailed actuarial valuation of the present value of the defined benefit obligations may be made at the interval not exceeding three years. However, with a view that the amount recognized in the financial statement do not differ materially from the amount that would be determined at the balance sheet date, the most recent valuation is reviewed at the balance sheet date and updated to reflect any material transactions and other material changes in circumstances (including changes in interest rate) between the date of valuation and the balance sheet date. The fair value of any plan assets is determined at each balance sheet date.

4f. Net Profit/ (Loss)

The net profit/ (loss) disclosed in the Profit and Loss Account is after provisions, if any, for:

- taxes (including deferred tax)
- non-performing advances
- standard assets and derivatives
- diminution in the value of investments
- other necessary provisions

4g. Derivatives

Notional amounts of derivative transactions comprising of forwards, swaps, futures and options are disclosed as off Balance Sheet exposures. The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates. Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

All notional amounts of outstanding derivative transactions are recorded as Off-Balance Sheet items. The trading positions are Mark to market on a daily basis whereas hedge deals are recorded on accrual basis.

MTM receivables and payables are disclosed in the Financial Statements on a gross basis in other assets & other liabilities respectively.

Option contracts 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 corresponding asset or liability is shown under Other assets or Other Liabilities. Premium received or Premium paid is recognized in the Profit and Loss Account upon expiry or exercise of the option.

4h. Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is determined in accordance with the Income-tax Act, 1961 and the rules framed there under. Deferred tax adjustments comprise of changes in the deferred tax assets and liabilities. Deferred tax reflects the impact of the timing differences between taxable income and accounting income for the year

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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 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. It recognizes previously 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 realized.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realised.

4i. Revenue Recognition

(i) Interest income is recognized in the Profit and Loss Account as it accrues, except in the case of interest on non-performing assets and restructured accounts. Interest on non-performing assets and accounts restructured as per prevailing guidelines on date of restructuring is recognized as per the prudential norms of RBI and applicable guidelines.

(ii) Commission received on guarantees and letters of credit issued is amortised on a straight-line basis over the period of the contract.

(iii) Loan processing fee is recognized as income when due.

(iv) Income on discounted instruments is recognized over the tenure of the instrument on a straight-line basis.

(v) Other fee and commission are recognized as and when they become due and a binding obligation to receive fees has arisen.

4j. Lease transactions

Lease of assets under which all the risks and benefits of ownership are actively 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.

4k. Provisions, contingent liabilities 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 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 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 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. The Bank does not account for or disclose contingent assets, if any.

Provisions for onerous contract are recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting the future obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes any impairment loss on the asset associated with that contract.

4l. 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 (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

4m. Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. Impairment loss, if any, is provided in the Profit and Loss Account to the extent of carrying amount of assets exceeds their estimated recoverable amount.

4n. Segment Information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

4o. Société Générale has policy of allocating certain costs incurred centrally by Head Office, subsidiaries and branches based on group cost allocation methodology. A brief description of the costs is as follows:

IT & Other support services: These allocated costs include various IT & other support services provided by the Head Office along-with its' regional offices. These costs are recorded as intra-group costs in the Profit and Loss Account.

Corporate Support Function: These costs include certain corporate function such as administrative services (planning, co-ordination, budgetary control, financial advises etc.), financial services (supervision of solvency, capital increases, management of refinancing) and assistance in the fields of recruiting, training, marketing and strategic planning, etc. These costs are booked as Head-Office charges in the Profit and Loss Account.

Inter-unit recharges: Expense paid for Non-Financial services (e.g.: group reporting, vendor payments, IT support, HR support and Backoffice support etc.) off-shored to shared service unit is reported under Inter-unit recharge category and booked in Profit and Loss Account.

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Schedule18 -NOTES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

All amounts in ₹'000s, unless otherwise stated

1. **Internal Controls Over Financial Reporting**
The Apex Committee of the Bank certifies that it has laid down the internal financial controls to be followed by the Bank and that such controls are adequate and were operating effectively.

2. **Capital:**
The Bank's capital adequacy ratio computed under Basel III is given below: **₹ '000s**

Sr. No.	Particulars	March 31, 2020	March 31, 2019
i)	Common Equity Tier I Capital (%)	11.60%	15.86%
ii)	Tier I Capital (%)	11.60%	15.86%
iii)	Tier II Capital (%)	0.98%	0.73%
iv)	Total CRAR %	12.58%	16.59%
v)	Percentage of the shareholding of the Government of India	–	–
vi)	Amount of Tier I capital	16,301,924	16,306,009
vii)	Amount of Additional Tier I capital	–	–
viii)	Amount of Tier II Capital of which		
	- Subordinated Debt from Head Office	–	–
	- Others	1,375,126	751,167
	Amount of Tier II Capital	1,375,126	751,167
(ix)	**Total Capital**	**17,677,050**	**17,057,176**
(x)	**Total Risk weighted Assets**	**140,589,999**	**102,806,896**

3. **Investments in India**
Value of Investments: **₹ '000s**

Particulars	March 31, 2020	March 31, 2019
Gross value of investments in India*	30,787,229	22,574,836
Provision for depreciation in India*	(172,129)	(174,798)
Net value of investments in India*	30,615,100	22,400,038

* The Bank has not made any investment outside India

Movement in provision for depreciation/diminution on investments: **₹ '000s**

Particulars	2019-20	2018-19
Opening Balance at beginning of the year	174,798	226,394
Add: Provisions made during the year	–	–
Less: Write-off/write-back of excess provisions during the year	2,669	51,596
Closing Balance at end of the year*	172,129	174,798

*Includes provisions on Non-performing investments.

4. **Repo and Reverse Repo:-**
(i) Details of Repos and Reverse Repos including Liquidity Adjustment Facility (in face value terms): **₹ '000s**

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	March 31, 2020
Securities sold under repos				
– Government Securities	–	1,999,968	11,530	–
– Corporate Debt Securities				
Securities purchased under reverse repos				
– Government Securities	–	10,900,000	292,263	–
– Corporate Debt Securities				

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	March 31, 2019
Securities sold under repos				
– Government Securities	–	8,398,700	985,075	–
– Corporate Debt Securities	–	–	–	–
Securities purchased under reverse repos				
– Government Securities	–	5,626,100	407,927	3,873,360
– Corporate Debt Securities	–	–	–	–

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5. **Non-SLR Investment Portfolio:**

i. **Issuer Composition of Non SLR investments as at March 31, 2020** ₹ '000s

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)
1	PSUs	–	–	–	–	–
2	Fis	–	–	–	–	–
3	Banks	–	–	–	–	–
4	Private Corporates (*)	803,108	803,108	–	803,108	732,092
5	Subsidiaries/Joint Ventures	–	–	–	–	–
6	Others	–	–	–	–	–
7	Provision held towards depreciation	(172,129)	(172,129)	–	(172,129)	(101,113)
	Total	**630,979**	**630,979**	–	**630,979**	**630,979**

(*) Non SLR investment portfolio comprise of Equity shares and Optionally Convertible Debentures (OCDs) received by Bank from one borrower each under S4A & SDR scheme. These equity shares and OCD's have been held under AFS category as per RBI circular RBI/2015-16/97 DBR No BP.BC.6 /21.04.141/2015-16 dated July 01, 2015. However, since the equity shares are vulnerable to market risk and to adhere to group norms the Bank has made 100% provision on these equity shares thus reducing the book value of shares to zero.

Issuer Composition of Non SLR investments as at March 31, 2019 ₹ '000s

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)
1	PSUs	–	–	–	–	–
2	Fis	–	–	–	–	–
3	Banks	–	–	–	–	–
4	Private Corporate (*)	832,645	832,645	–	832,645	761,629
5	Subsidiaries/Joint Ventures	–	–	–	–	–
6	Others	–	–	–	–	–
7	Provision held towards depreciation	(174,798)	(174,798)	–	(174,798)	(103,782)
	Total	**657,847**	**657,847**	**–**	**657,847**	**657,847**

(*) Non SLR investment portfolio comprise of Equity shares and Optionally Convertible Debentures (OCDs) received by Bank from one borrower each under S4A & SDR scheme. These equity shares and OCD's have been held under AFS category as per RBI circular RBI/2015-16/97 DBR No BP.BC.6 /21.04.141/2015-16 dated July 01, 2015. However, since the equity shares are vulnerable to market risk and to adhere to group norms the Bank has made 100% provision on these equity shares thus reducing the book value of shares to zero.

ii. Non-performing Non-SLR Investments: ₹ '000s

Particulars	2019-20	2018-19
Opening Balance	297,245	–
Additions during the year	–	335,857
Reductions during the year#	(29,537)	(38,612)
Closing balance	267,708	297,245
Total provisions held	103,808	131,842

reduction is on account of repayment of some portion of OCD during the year ended March 31, 2020 and March 31, 2019.

iii. During the year ended March 31, 2020 and March 31, 2019, the Bank has not sold any securities held under HTM portfolio.

iv. During the year ended March 31, 2020 and March 31, 2019, the Bank has not transferred securities from HTM to AFS/HFT portfolio.

v. In Accordance with RBI circular RBI/2017-18/147 DBR No BP.BC.102/21.04.048/2017-18 dated April 02, 2018 Bank has made Investment fluctuation reserve on investment made in HFT and AFS portfolio. Investment fluctuation reserve on investment HFT and AFS portfolio held as at March 31,2020 is ₹143,048 (P.Y ₹18,712).

vi. During the year ended March 31,2020 and March 31,2019 the Bank has not availed the option of spreading the mark to market losses on investment held in AFS and HFT.

6. **Derivatives:-**

(i) Forward rate agreements / Interest Rate Swaps outstanding: ₹ '000s

Items	March 31, 2020	March 31, 2019
The Notional principal of swap agreements	1,381,954,011	1,011,701,075
Loss which would be incurred if counterparties failed to fulfill their obligations under the agreements	23,514,904	9,580,515
Collateral required by the Bank upon entering into swaps	–	–
Concentration of credit risk arising from the swaps %		
– Banks and Financial Institutions	99.20%	99.98%
– Others	0.80%	0.02%
Fair value of the swap book	(3,626,512)	(151,077)

Bank exchanges collateral with the counterparties as per the Credit Support Annex (CSA) signed.

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Nature and terms of interest rate swaps:

Outstanding as at March 31, 2020: (₹. '000s)

Nature	No.	Notional Principal	Terms
Trading Swaps	500	197,217,308	Floating Receivable v/s Fixed Payable linked to INO-INR-1D
Trading Swaps	415	172,353,354	Fixed Receivable v/s Floating Payable linked to INO-INR-1D
Trading Swaps	124	119,429,636	Floating Receivable v/s Fixed Payable linked to LIB-USD-6M
Trading Swaps	98	112,914,880	Fixed Receivable v/s Floating Payable linked to LIB-USD-6M
Trading Swaps	1	1,655,400	Floating Receivable v/s Fixed Payable linked to EIB-EUR-6M
Trading Swaps	4	2,152,020	Fixed Receivable v/s Floating Payable linked to EIB-EUR-6M
Trading Swaps	253	147,600,000	Floating Receivable v/s Fixed Payable linked to MIF-INR-6M
Trading Swaps	277	148,820,000	Fixed Receivable v/s Floating Payable linked to MIF-INR-6M
Trading Swaps	7	4,640,310	Fixed Receivable v/s Floating Payable linked to OIS-JPY-1D
Trading Swaps	3	2,648,640	Floating Receivable v/s Fixed Payable linked to EON-EUR-1D
Trading Swaps	7	3,186,645	Fixed Receivable v/s Floating Payable linked to EON-EUR-1D
Trading Swaps	225	161,204,283	Floating Receivable v/s Fixed Payable linked to LIB-USD-3M
Trading Swaps	214	155,847,201	Fixed Receivable v/s Floating Payable linked to LIB-USD-3M
Trading Swaps	2	522,122	Floating Receivable v/s Fixed Payable linked to EIB-EUR-3M
Trading Swaps	2	522,122	Fixed Receivable v/s Floating Payable linked to EIB-EUR-3M
Trading Swaps	23	10,615,800	Floating Receivable v/s Fixed Payable linked to OIS-USD-1D
Trading Swaps	8	9,359,761	Fixed Receivable v/s Floating Payable linked to OIS-USD-1D
Trading Swaps	4	7,883,792	Floating Receivable v/s Fixed Payable linked to LIB-JPY-6M
Trading Swaps	8	12,798,732	Fixed Receivable v/s Floating Payable linked to LIB-JPY-6M
Basis Swap	19	10,139,110	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-3M & Paying leg linked to OIS-USD-1D
Basis Swap	21	38,014,096	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-3M & Paying leg linked to LIB-USD-6M
Basis Swap	1	340,493	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-6M & Paying leg linked to OIS-USD-1D
Basis Swap	9	14,153,670	Single Currency Basis Swaps with Receiving leg linked to EON-EUR-1D & Paying leg linked to EIB-EUR-6M
Basis Swap	12	16,948,960	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-6M & Paying leg linked to LIB-USD-3M
Basis Swap	1	1,566,731	Single Currency Basis Swaps with Receiving leg linked to LIB-JPY-3M & Paying leg linked to LIB-JPY-6M
Basis Swap	1	1,392,650	Single Currency Basis Swaps with Receiving leg linked to OIS-JPY-1D & Paying leg linked to LIB-JPY-6M
Basis Swap	2	2,269,950	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-1M & Paying leg linked to LIB-USD-3M
Basis Swap	2	2,269,950	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-3M & Paying leg linked to LIB-USD-1M
Basis Swap	5	7,263,840	Single Currency Basis Swaps with Receiving leg linked to OIS-USD-1D & Paying leg linked to LIB-USD-3M
Basis Swap	7	6,704,370	Single Currency Basis Swaps with Receiving leg linked to EIB-EUR-6M & Paying leg linked to EIB-EUR-3M
Basis Swap	2	2,648,275	Single Currency Basis Swaps with Receiving leg linked to OIS-USD-1D & Paying leg linked to LIB-USD-6M
Basis Swap	3	6,869,910	Single Currency Basis Swaps with Receiving leg linked to EIB-EUR-6M & Paying leg linked to EON-EUR-1D
	2,260	**1,381,954,011**	

Outstanding as at March 31, 2019: (₹. '000s)

Nature	No.	Notional Principal	Terms
Trading Swaps	431	168,325,708	Floating Receivable v/s Fixed Payable linked to INO-INR-1D
Trading Swaps	370	161,578,332	Fixed Receivable v/s Floating Payable linked to INO-INR-1D
Trading Swaps	97	106,184,045	Floating Receivable v/s Fixed Payable linked to LIB-USD-6M
Trading Swaps	73	100,872,941	Fixed Receivable v/s Floating Payable linked to LIB-USD-6M
Trading Swaps	1	233,018	Floating Receivable v/s Fixed Payable linked to EIB-EUR-6M
Trading Swaps	4	1,553,450	Fixed Receivable v/s Floating Payable linked to EIB-EUR-6M
Trading Swaps	160	90,550,000	Floating Receivable v/s Fixed Payable linked to MIF-INR-6M
Trading Swaps	191	105,870,000	Fixed Receivable v/s Floating Payable linked to MIF-INR-6M
Trading Swaps	6	3,472,910	Fixed Receivable v/s Floating Payable linked to OIS-JPY-1D
Trading Swaps	2	1,708,795	Floating Receivable v/s Fixed Payable linked to EON-EUR-1D
Trading Swaps	7	2,990,391	Fixed Receivable v/s Floating Payable linked to EON-EUR-1D
Trading Swaps	132	98,912,397	Floating Receivable v/s Fixed Payable linked to LIB-USD-3M
Trading Swaps	93	60,856,400	Fixed Receivable v/s Floating Payable linked to LIB-USD-3M
Trading Swaps	2	612,457	Floating Receivable v/s Fixed Payable linked to EIB-EUR-3M
Trading Swaps	2	612,457	Fixed Receivable v/s Floating Payable linked to EIB-EUR-3M
Trading Swaps	23	9,356,672	Floating Receivable v/s Fixed Payable linked to OIS-USD-1D
Trading Swaps	7	6,555,894	Fixed Receivable v/s Floating Payable linked to OIS-USD-1D
Trading Swaps	4	7,066,909	Floating Receivable v/s Fixed Payable linked to LIB-JPY-6M
Trading Swaps	6	9,238,040	Fixed Receivable v/s Floating Payable linked to LIB-JPY-6M
Basis Swap	16	6,846,345	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-3M & Paying leg linked to OIS-USD-1D
Basis Swap	14	28,657,832	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-3M & Paying leg linked to LIB-USD-6M
Basis Swap	1	311,198	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-6M & Paying leg linked to OIS-USD-1D

Nature	No.	Notional Principal	Terms
Basis Swap	5	7,844,923	Single Currency Basis Swaps with Receiving leg linked to EON-EUR-1D & Paying leg linked to EIB-EUR-6M
Basis Swap	8	11,203,110	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-6M & Paying leg linked to LIB-USD-3M
Basis Swap	1	1,248,350	Single Currency Basis Swaps with Receiving leg linked to OIS-JPY-1D & Paying leg linked to LIB-JPY-6M
Basis Swap	2	2,074,650	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-1M & Paying leg linked to LIB-USD-3M
Basis Swap	2	2,074,650	Single Currency Basis Swaps with Receiving leg linked to LIB-USD-3M & Paying leg linked to LIB-USD-1M
Basis Swap	3	4,771,695	Single Currency Basis Swaps with Receiving leg linked to OIS-USD-1D & Paying leg linked to LIB-USD-3M
Basis Swap	1	1,941,813	Single Currency Basis Swaps with Receiving leg linked to EIB-EUR-6M & Paying leg linked to EIB-EUR-3M
Basis Swap	1	1,728,875	Single Currency Basis Swaps with Receiving leg linked to OIS-USD-1D & Paying leg linked to LIB-USD-6M
Basis Swap	3	6,446,818	Single Currency Basis Swaps with Receiving leg linked to EIB-EUR-6M & Paying leg linked to EON-EUR-1D
	1,668	**1,011,701,075**	

There were no forward rate agreement outstanding as at 31.03.2020: Nil (P.Y. – Nil)

(ii) Risk Exposure in Derivatives:

Qualitative Disclosures

The Bank undertakes transactions in Derivatives, namely, Foreign exchange forward contracts, Interest rate swaps, Currency interest rate swaps and FX Options within the limits approved.

There is a clear segregation of duties between the front and back offices independently.

The global risk management systems of the Société Générale group are adopted by the Indian branches for both Market and Credit risk. The calculation of the various market risk parameters is undertaken by the Regional Office in Hong Kong. The report along with exceptions, if any is circulated to the local management, front office and Chief Risk Officer. The local Chief Risk Officer monitors the limits based on the reports received and those generated locally.

Accounting policy: All outstanding derivative transactions are recorded as Off-Balance Sheet items. The trading positions are Mark to market on a daily basis whereas hedge deals are recorded on accrual basis.

Quantitative Disclosure as at March 31, 2020: **₹ '000s**

Sr. No.	Particulars	Currency Derivatives #	Interest Rate Derivatives
1	Derivatives (Notional Principal amount)		
	a) For hedging	–	–
	b) For trading	1,021,756,935	1,381,954,011
2	Marked to Market Positions		
	a) Assets (+)	14,772,586	23,514,904
	b) Liability (-)	(16,380,850)	(27,141,416)
3	Credit Exposure	69,204,243	39,102,446
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	–	–
	b) on trading derivatives	1,103,609	1,223,137
5	Maximum of 100*PV01 observed during the year		
	a) on hedging	–	–
	b) on Trading	1,114,076	1,358,125
6	Minimum of 100*PV01 observed during the year		
	a) on hedging	–	–
	b) on Trading	759,796	749,845

Quantitative Disclosure as at March 31, 2019: **₹ '000s**

Sr. No.	Particulars	Currency Derivatives #	Interest Rate Derivatives
1	Derivatives (Notional Principal amount)		
	a) For hedging	–	–
	b) For trading	700,644,661	1,011,701,075
2	Marked to Market Positions		
	a) Assets (+)	9,121,487	9,580,515
	b) Liability (-)	(9,252,472)	(9,731,592)
3	Credit Exposure	51,171,315	22,195,120
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	–	–
	b) on trading derivatives	937,759	961,601
5	Maximum of 100*PV01 observed during the year		
	a) on hedging	–	–
	b) on Trading	1,398,115	1,519,472
6	Minimum of 100*PV01 observed during the year		
	a) on hedging	–	–
	b) on Trading	847,803	722,365

Currency derivatives include forward foreign exchange contracts.

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(iii) Unhedged/uncovered foreign currency exposure

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 the RBI. NOOP as at March 31, 2020 is ₹174,805/- (P.Y. ₹344,155/-).

(iv) Exchange Traded Interest Rate Derivatives:

Sr. No.	Particulars	2019-20	2018-19
1	Notional principal amount of exchange traded interest rate derivatives undertaken during the year.	–	–
2	Notional principal amount of exchange traded interest rate derivatives outstanding at the end of the year.	–	–
3	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective".	–	–
4	Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective".	–	–

(v) Credit default swaps:

The Bank has not entered into any Credit Default Swap transactions.

7. Asset Quality

(i) Non-Performing Assets ₹ '000s

Particulars	2019-20	2018-19
Net NPAs to Net Advances (%)	0.00%	3.04%
Gross Non-Performing Advances		
Opening Balance at beginning of the year	1,489,178	700,000
Additions during the year	–	789,178
Less: Amounts recovered	(700,000)	–
Less: Amounts written off		–
Closing Balance at end of the year	789,178	1,489,178
Provisions for Non-Performing Advances (excluding provision for standard assets)		
Opening Balance at beginning of the year	1034,172	175,000
Add: Provisions made during the year	454,466	859,712
Less: write-back of excess provisions during the year	(700,000)	–
Closing Balance at end of the year	789,178	1,034,712
Net Non-Performing Advances		
Opening Balance at beginning of the year	454,466	525,000
Additions/(Reduction) during the year	(454,466)	(70,534)
Less: Amounts recovered	–	–
Less: Amounts written off	–	–
Closing Balance at end of the year	–	454,466

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

No financial assets have been sold to Securitization/Reconstruction Company for Asset Reconstruction during the year Nil (P.Y. – Nil)

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

No non-performing financial assets have been purchased/sold from/to other banks during the year Nil (P.Y. - Nil)

(iv) Provision on Standard Assets ₹ '000s

Particulars	March 31, 2020	March 31, 2019
Standard Advances*	757,001	350,964
Credit Exposure on Derivatives	433,227	288,126
TOTAL	**1,190,228**	**639,090**

* this also includes provision for Diminution in Fair value of ₹104,211 (PY 134,246) & stressed standard assets of ₹591,085 (PY ₹160,109)

(v) Major component of provisions under other liabilities as mentioned in Schedule 5 ₹ '000s

Particulars	March 31, 2020	March 31, 2019
Provision for Un-Hedged Foreign Currency Exposure	21,188	250
Provision for Country Risk Exposure	255	1,594
Provision for Stressed Sector	575	147
Provision for Large Exposure	38,107	–
TOTAL	**60,125**	**1,991**

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(vi) Particulars of Accounts Restructured -

The following tables set forth, for the periods indicated, details of loan assets subjected to restructuring.

March 31, 2020 **₹ '000s**

Sr. No.	Type of Restructuring		Others				
	Asset Classification		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	–	–	–	–	–
1A	Movement in Opening Balances (Recoveries)	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	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
5	Down gradations 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 of the FY (closing figures*)	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–

March 31, 2019 **₹ '000s**

Sr. No.	Type of Restructuring		Others				
	Asset Classification		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	–	–	–	–	–
1A	Movement in Opening Balances (Recoveries)	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	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–
5	Down gradations 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 of the FY (closing figures*)	No. of borrowers	–	–	–	–	–
		Amount outstanding	–	–	–	–	–
		Provision thereon	–	–	–	–	–

** Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable) and loans restructured under Strategic Debt Restructuring (SDR) and Scheme for Sustainable Structuring of Stressed Assets (S4A).*

There are no cases restructured on account of CDR mechanism or SME debt restructuring in the current or previous year.

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vii) Disclosure on Strategic Debt Restructuring Scheme

March 31, 2020 **₹ '000s**

No. of Accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
01	535,400	–	–	–	535,400	–

Provision held against the OCD received from the carved-out debt is ₹172,533 (Diminution in Fair value of ₹104,211 and MTM Loss of ₹68,322).

March 31, 2019 **₹ '000s**

No. of Accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
01	535,400	–	–	–	535,400	–

Provision held against the OCD received from the carved-out debt is ₹177,202 (Diminution in Fair value of ₹134,246 and MTM Loss of ₹42,956).

viii) Disclosure on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

The disclosure on S4A as on 31 March 2020 is as under **₹ '000s**

No. of Accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as standard	346,657	346,657	–	260,756
Classified as NPA/NPI	267,708	–	267,708	103,808

Bank has outstanding OCDs of ₹196,692 Equity Shares of ₹71,016 and working capital demand loan of ₹346,657 on which provision held is ₹32,792, ₹71,016 and ₹260,756 respectively.

The disclosure on S4A as on 31 March 2019: **₹ '000s**

No. of Accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as standard	343,192	343,192	–	160,109
Classified as NPA/NPI	297,245	–	297,245	131,842

Bank has outstanding OCDs of ₹226,229 Equity Shares of ₹71,016 and working capital demand loan of ₹343,192 on which provision held is ₹60,826, ₹71,016 and ₹160,109 respectively.

ix) There was no account under the stand-still period where there was change in ownership outside Strategic Debt Restructuring Scheme as on March 31,2020 (P.Y. Nil).

x) Bank does not have any account under flexible debt restructuring as on March 31, 2020 (P.Y. Nil).

xi) RBI vide its circular DBR.No.BP.BC.101/21.01.18/2017-18 dated February 12, 2018 issued a revised framework for resolution of Stressed Assets which supersedes the existing guidelines of SDR, Corporate Debt Restructuring Scheme, Flexible Structuring of existing long-term project loans, Change in Ownership Outside SDR and S4A with immediate effect. Under the revised framework, there were no accounts where any of these Schemes had been invoked but not yet fully implemented.

xii) There are no Micro, Small and Medium Enterprises (MSME) cases which have been restructured during the year ended March 31, 2020 in term of the circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019 on MSME sector – Restructuring of Advances.

xiii) With reference to RBI circular No. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019. Bank has no borrower where the process of implementing a resolution plan (RP) was initiated.

8. COVID-19 Impact Assessment and Regulatory Disclosure

The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. The Government of India ordered a nationwide Lockdown as a preventive measure against the COVID-19 pandemic in India. The Ministry of Home Affairs have declared Banking service as part of essential service and thus the Bank was full operational during the lockdown period.

The Bank has used the principles of prudence in applying judgments, estimates and assumptions to assess overall impact of the pandemic on the business and Financial Statements for the year ended 31 March 2020. However, due to the uncertainties associated with the pandemic, the actual impact may not be in line with current estimates. The Bank will continue to closely monitor any further development relating to COVID-19, which may have impact on business and financial position. Further the impact assessment does not indicate any significant impact on its business and financial results in long term.

The impact of COVID-19 pandemic to the Bank is done by the management regularly in consultation with Crisis Management Team (CMT). All necessary measures are taken by the management to ensure smooth functioning of the business during lock down. The clients are communicated of any important regulatory updates due to COVID-19 situation. The employees are communicated on all updates important w.r.t COVID-19.

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 has made no provisions as at 31st March 2020 against the potential impact of COVID-19 based on the information available up to a point in time.

9. Business Ratios

Particulars	2019-20	2018-19
Interest Income as a percentage to Working Funds (Note 1)	4.00%	5.07%
Non-Interest Income as a percentage to Working Funds (Note 1)	1.01%	1.76%
Operating profit (Note 2) as a percentage to Working Funds (Note 1)	1.42%	1.67%
Return on assets (Note 3)	0.54%	0.09%
Business per employee (₹. 000s) (Note 4 and 5)	494,536	380,545
Profit per employee (₹. 000s) (Note 4)	5,003	551

Note 1: Working Funds represents the average of total assets as reported to RBI by the Bank in Form X under Section 27 of the Banking Regulation Act, 1949 during the 12months of financial year.
Note 2: Operating Profit = Interest Income + Other Income – Interest Expenses – Operating Expenses
Note 3: Net profit as a percentage to working funds
Note 4: Productivity ratios are based on average employee number.
Note 5: Business means total of advances and deposits as at year end, excluding interbank deposits
Previous year's figures are not reclassified to conform to current year's presentation.

10. Exposures

(i) Exposure to Real Estate Sector* ₹ '000s

Category	March 31, 2020	March 31, 2019
a) Direct exposure:		
(i) Residential mortgages	–	–
(ii) Commercial real estate	–	–
(iii) Investments in mortgage backed securities (MBS) and other securitized exposures:		
a) Residential		
b) Commercial Real Estate	–	–
b) Indirect exposure: Fund based and non-fund based exposures on National Housing Bank (NHB) and housing finance companies (HFCs)	800,000	–
Total Real Estate Exposure	**800,000**	–

**On the basis of limits or outstanding, whichever is higher.*

(ii) Exposure to Capital Market* ₹ '000s

No	Particulars	March 31, 2020	March 31, 2019
1	Direct investments made 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	–	–
2	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in equity shares (including IPO's/ ESOPS), convertible bonds or convertible debentures, units of equity oriented mutual funds	–	–
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	–	–
4	Advances for any other purposes to the extent secured by 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	–	–
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	100,000	100,000
6	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	–	–
7	Bridge loans to companies against expected equity flows/issues	–	–
8	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	–	–
9	Financing to stockbrokers for margin trading	–	–
10	All exposures to venture capital funds (both registered and unregistered) deemed to be on par with equity and hence reckoned for capital market exposure.	–	–
	Total Exposure to Capital Market	**100,000**	**100,000**

** On the basis of limits or outstanding, whichever is higher.*

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(iii) Country Risk Exposure ₹ '000s

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	373,542	255	2,626,507	1,594
Low	–	–	700,613	–
Moderate	20,574	–	56,121	–
High	28,626	–	294,931	–
Very Hig	–	–	–	–
Restricted	–	–	–	–
Off-Credit	–	–	–	–
Total	422,742	255	3,678,172	1,594

(Net funded outstanding as at reporting date has been reported)*
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 the auditor.

(iv) Disclosure on Single/Group Borrower Limits
During the year 2019-20 and 2018-19, the Bank's credit exposures to single borrowers and group borrowers were within the limits prescribed by Reserve Bank of India.

(v) Unsecured Advances
There are no advances for which intangible security such as charge over the rights, licenses, authority, etc. are accepted as collateral by the Bank.

11. Disclosures for the dealings with the Group entities March 31, 2020 ₹ '000s

Sr. No.	Type of Entity	Name of Entity	Total Intra Group Exposure	Total Exposure as per cent of Paid-up Capital and Reserves
1	Subsidiary – Parent	KOMERCNI BANK AS	481,455	2.80
2		SOCIETE GENERALE CHINA LIMITED	–	–
3		SOCIETE GENERALE, ALGERIE	–	–
4		SOCIETE GENERALE GLOBAL SOLUTION CENTRE PVT LTD	239,864	1.39
5		SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	100,000	0.58
6		BRD GROUPE SOCIETE GENERALE SA	–	–
7		CREDIT DU NORD	–	–
8		SKB BANKA DD	35,002	0.20
9		ROSBANK,MOSCOW	28,913	0.17
10		SOCIETE GENERALE SPOLKA AKCYJNA ODDZIAL W POLSCE	19,632	0.11
11		SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD	–	–
		Total Intra Group Exposure	**904,866**	**5.26**
		Total Exposure of the Bank	**164,870,198**	
		% of Intra-group exposure to total exposure of the bank	**0.005%**	

Note: The exposures to ALD Automotive Private Limited are excluded from the above computation of Intra Group Exposures for F.Y. 2019-20 based on the exemption as per Master Circular on Intra Group Transactions and Exposures DBOD.No.BP.BC.96/21.06.102/2013-14 dated February 11, 2014 reference no. 3.4.C. The Letter of Comfort is issued by Société Générale Paris (Head Office of Société Générale India) for the facility sanctioned by Société Générale India to M/s. ALD Automotive Private Limited.

There was no breach of limits on intra group exposure during the financial year 2019-20(P.Y. Nil).

March 31, 2019 ₹ '000s

Sr. No.	Type of Entity	Name of Entity	Total Intra Group Exposure [(E)= (A)+(B)+(C) - (D)]	Total Exposure as per cent of Paid-up Capital and Reserves
1	Subsidiary – Parent	KOMERCNI BANK AS	659,772	3.83
2		SOCIETE GENERALE CHINA LIMITED	–	–
3		SOCIETE GENERALE, ALGERIE	31,0057	1.80
4		SOCIETE GENERALE GLOBAL SOLUTION CENTRE PVT LTD	134,683	0.78
5		SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	100,000	0.58
6		BRD GROUPE SOCIETE GENERALE SA	–	–
7		CREDIT DU NORD	12,596	0.07
8		SKB BANKA DD	33,175	0.19
9		ROSBANK, MOSCOW	44,461	0.26
10		SOCIETE GENERALE SPOLKA AKCYJNA ODDZIAL W POLSCE	17,943	0.10
11		SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD	3,824	0.02
		Total Intra Group Exposure	**1,316,511**	**7.65**
		Total Exposure of the Bank	**136,228,490**	
		% of Intra-group exposure to total exposure of the bank	**0.97%**	

Note: The exposures to ALD Automotive Private Limited are excluded from the above computation of Intra Group Exposures for F.Y. 2018-19 based on the exemption as per Master Circular on Intra Group Transactions and Exposures DBOD.No.BP.BC.96/21.06.102/2013-14 dated February 11, 2014 reference no. 3.4.C. The Letter of Comfort is issued by Société Générale Paris (Head Office of Société Générale India) for the facility sanctioned by Société Générale India to M/s. ALD Automotive Private Limited.

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12. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities as at March 31, 2020 ₹ '000s

Particulars	Day – 1	2-7 Days	8-14 Days	15-30 Days	31 days and upto 2 months	over 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
Loans and Advances	1,363,633	44,775	15,149	376,050	12,348	4,061	1,702	2,493	13,923,150	951	–	15,744,312
Investment	24,362,590	–	–	1,925,898	646,717	1,381,690	1,155,771	414,300	66,166	18,053	643,915	30,615,100
Deposits	42,304	3,379,385	4,400,126	3,857,459	3,019,084	4,414,891	4,563,548	2,485,264	869,612	257,958	161,701	27,451,332
Borrowing	–	3,037,737	–	–	–	–	–	–	–	–	–	3,037,737
FCY Assets	23,636,861	42,104	12,030	68,925	11,664	816,111	–	–	–	–	1,024	24,588,719
FCY Liabilities	22,930,541	163,878	129,455	295,897	79,495	63,753	654,487	126,192	75,364	2,849	65,985	24,587,896

Maturity Pattern of certain items of assets and liabilities as at March 31, 2019 ₹. '000s

Paticulars	Day – 1	2-7 Days	8-14 Days	15-30 Days	31 days and upto 2 months	over 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Years and upto 5 years	Over 5 years	Total
Loans and Advances	1,143,267	75,093	90,860	248,925	356,063	34,970	328,843	248,215	11,952,612	471,010	–	14,949,857
Investment	16,963,256	–	–	63,590	805,245	1,113,815	1,700,879	182,857	350,407	–	1,219,989	22,400,038
Deposits	16,746	1,344,364	1,897,984	1,128,664	6,049,632	8,165,919	2,050,355	1,910,175	369,401	102,533	85,623	23,121,395
Borrowing	–	6,295,314	–	–	–	–	–	–	–	–	–	6,295,314
FCY Assets	6,150,762	615,553	105,173	281,643	367,635	522,347	346,415	18,770	793,058	496	25	9,201,877
FCY Liabilities	3,161,409	37,660	43,936	100,449	26,980	21,637	271,116	64,162	25,578	967	47,451	3,801,345

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities is excluding off Balance Sheet transactions.

13. Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits ₹ '000s

Particulars	March 31, 2020	March 31, 2019
Total deposits of twenty largest depositors	26,975,748	22,439,587
% of deposits of twenty largest depositors to total deposits	98.27%	97.05%

b) Concentration of Advances* ₹ '000s

Particulars	March 31, 2020	March 31, 2019
Total advances to twenty largest borrowers	111,916,079	85,114,317
% of advances of twenty largest borrowers to total advances	67.95%	62.51%

**Advances computed based on definition of Credit Exposure including derivatives as per Master Circular on Exposure Norms DBR.No.Dir.BC.12 /13.03.00/2015-16 dated July 1, 2015.*

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 the auditor.

c) Concentration of Exposures** ₹ '000s

Particulars	March 31, 2020	March 31, 2019
Total exposure to twenty largest borrowers/customers	111,992,163	85,379,106
% of exposures to twenty largest borrowers/customers to total advances	67.93%	61.82%

***Exposures represent credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC.12 /13.03.00/2015-16 dated July 1, 2015.*

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 the auditor.

d) Concentration of NPAs/NPIs*** ₹ '000s

Particulars	March 31, 2020	March 31, 2019
Total exposure to top four NPAs/NPIs accounts	1,237,700	1,967,245

****Represents NPAs/NPIs portion of gross exposure i.e. credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC.12 /13.03.00/2015-16 dated July 1, 2015.*

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14. Sector Wise Advances ₹ '000s

Sr. No.	Sector*	2019-20 Gross Advances	2019-20 Gross NPAs	2019-20 Percentage of Gross NPAs to Total Advances in that sector	2018-19 Gross Advances	2018-19 Gross NPAs	2018-19 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	–	–	–	2,754,365	–	–
3	Services	138,131	–	–	1,141,403	–	–
4	Personal loans	–	–	–	–	–	–
	Sub-total (A)*	**138,131**	**–**		**3,895,768**	–	**–**
B	**Non-Priority Sector**						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry	5,246,181	90,000	1.72 %	5,293,466	90,000	1.70%
3	Services	11,149,178	699,178	6.27%	6,795,336	1,399,178	20.59%
4	Personal loans	–	–	–	–	–	–
	Sub-total (B)	**16,395,359**	**789,178**	**–**	**12,088,802**	**1,489,178**	**–**
	Total (A+B)	**16,533,490**	**789,178**	**4.77%**	**15,984,570**	**1,489,178**	**9.32%**

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 the auditors

** Bank has outstanding PSLC of ₹9,280,000/- as of March 2020. (P. Y. ₹7,725,000).*

15. Movement of NPAs ₹ '000s

Particulars	2019-20	2018-19
Gross NPAs as on 1st April of particular year (opening balance)	1,489,178	700,000
Additions (Fresh NPAs) during the year	–	789,178
Sub-total (A)	1,489,178	1,489,178
Less:		
(i) Up gradations	–	–
(ii) Recoveries (excluding recoveries made from upgraded accounts)	(700,000)	–
(iii) Technical / Prudential Write-offs	–	–
(iv) Write-offs other than those under (iii) above	–	–
Sub-total (B)	(700,000)	–
Gross NPAs as on 31st March (closing balance) (A-B)	789,178	1,489,178

Movement of Technical Write-offs and Recoveries: ₹ '000s

Particulars	2019-2020	2018-2019
Opening balance of Technical / Prudential written-off accounts as at 1st April	–	–
Add: Technical / Prudential write-offs during the year	–	–
Sub-Total (A)	–	–
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	–	–
Closing Balance as at 31st March (A-B)	–	–

16. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off, if any is 100% as at March 31, 2020 (P.Y: 69.48%).

17. Divergence in Asset Classification and Provisioning for NPAs/NPIs

The RBI vide circular no. DBR.BP.BC.No.63/21.04.018/2016-17 & DBR.BP.BC.No.32/21.04.018/2018-19, titled 'Disclosure in the Notes to Accounts to the financial statements -Divergence in the asset classification and provisioning' dated April 18, 2017 & April 01, 2019 respectively has advised banks to include a disclosure with respect to the additional requirement or the additional gross NPA assessed by RBI for the financial year.

There has been no NPA divergence observations/comments for the FY2018-19. Accordingly, disclosure as required by above circular is not applicable for FY2019-20.

As part of the onsite inspection for supervisory evaluation for FY 2017-18 undertaken, the RBI had pointed out certain retrospective divergence in the Bank's asset classification and provisioning as on 31st March 2018 in respect of Part B (Investment)portion of Advance restructured under S4A scheme. In conformity with the RBI circulars DBR.BP.BC.NO.63/21.04.018/2016-17 issued on April 18, 2017, the below table outlines divergences in asset classification in respect of Part B (Investment) portion and provisioning:-

₹ in '000s

Sr.	Particulars	Amount
1	Gross NPAs/NPIs as on March 31, 2018* as reported by the bank	700,000
2	Gross NPAs/NPIs as on March 31, 2018 as assessed by RBI	1,035,857
3	Divergence in Gross NPAs/NPIs (2-1)	335,857
4	Net NPAs/NPIs as on March 31, 2018 as reported by the bank	525,000
5	Net NPAs/NPIs as on March 31, 2018 as assessed by RBI	860,857
6	Divergence in Net NPAs/NPIs (5-4)	335,857
7	Provisions for NPAs/NPIs as on March 31, 2018 as reported by the bank	175,000
8	Provisions for NPAs/NPIs as on March 31, 2018 as assessed by RBI	175,000
9	Divergence in provisioning (8-7)	–
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2018	173,841
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2018 after taking into account the divergence in provisioning	173,841

* March 31, 2018 is the close of the reference period in respect of which divergences were assessed

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18. Overseas Assets, NPAs and Revenue ₹ '000s

Particulars	March 31, 2020	March 31, 2019
Total Assets	–	–
Total NPAs	–	–
Total Revenues	–	–

19. Off Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)- Domestic and Overseas: NIL (P.Y. – Nil)

20. The Bank has not undertaken any factoring business during the Financial Year 2019-20 (P.Y. Nil).

21. Indian Accounting Standards (IND-AS)

The Institute of Chartered Accountants of India has 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. The RBI has issued a circular applicable to all commercial banks (RBI/2015-16/315 DBR.BP.BC. No. 76/21.07.001/2015-16 dated 11th Feb 2016) on Implementation of Indian Accounting Standards (IND AS). In FY 2018-19 RBI has deferred the IND AS Implementation again as per RBI circular No. RBI/2018-19/146 DBR.BP.BC.No. 29/21.07.001/2018-19 dated 22nd Mar 2019 until further notice. The Reserve Bank of India (RBI) through its press release dated March 22, 2019 has deferred the implementation of Indian Accounting Standards (Ind-AS) till further notice for scheduled commercial banks. In preparedness towards achieving the same, the Bank had prepared proforma financial statements as required by Reserve Bank of India (RBI) vide its circular ref. DBR.BP.BC.No.106/21.07.001/2015-16 dated June 23, 2016, ref. DO.DBR.BP.No.2535/21.07.001/2017-18 dated September 13, 2017 and mail dated July 20, 2018 for every quarter, starting from quarter ended June 30, 2018 up to 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.

22. Miscellaneous

(i) Amount of provisions made for Income-Tax during the year ₹ '000s

Particulars	2019-20	2018-19
– Current tax expense	506,000	475,000
– Tax Provision (Prior Years)	(15,236)	7,753
Total Tax Expense – A	**490,764**	**482,753**
– Deferred tax expense/(benefit) – B	(158,377)	(378,705)
Total (A+B)	**332,387**	**104,048**

(ii) Disclosure of Penalties imposed by RBI

During the Financial Year 2019-20 and 2018-19, no penalties were imposed on the Bank.

(iii) Bancassurance Business ₹. '000s

Nature of Income	2019-20	2018-19
Selling life insurance policies	–	–
Selling non-life insurance policies	–	–
Selling mutual fund products	–	–
Others (to be specified)	–	–

(iv) Operating Expenses

The major components of other expenditure are as follows: ₹. '000s

Particulars	2019-20	2018-19
Subscription charges	32,382	31,410
Professional Fees	10,547	10,223
Travel Expenses	13,937	16,460

(v) Disclosure on frauds: ₹ '000s

Particulars	2019-20	2018-19
No. of frauds reported during the period	–	–
Amount involved	–	–
Provision made	–	–
Unamortized provision debited from "Other Reserves"	–	–

23. Disclosures as per Accounting Standards (AS)

(i) Employee Benefits- AS 15

Provident Fund: The contribution to the employee's provident fund amounted to ₹19,457 for the year ended March 31, 2020 (P.Y. ₹19,679)

In February 2019, the honorable Supreme Court of India in its judgement clarified that certain special allowances should be considered to measure obligations under Employees Provident Funds and Miscellaneous Provisions Act,1952 (the PF act). The Bank has been formally advised that there are interpretative challenges on the application of judgement retrospectively and as such does not consider there is any probable obligations for past periods. With reference to said order the bank does not foresee any such liability.

Pension Fund: The contribution to the employee's pension fund amounted to ₹NIL for the year ended March 31, 2020 (P.Y. ₹5,596)

Gratuity: The Bank's gratuity scheme is managed by Life Insurance Corporation of India Ltd. Based on an actuarial valuation the insurance company claims the difference between the present value of the gratuity obligation and the fund value.

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The details of the Bank's postretirement benefit plans for gratuity for its employees in accordance with AS 15(R) are given below which are certified by the actuary and relied upon by the auditors.

₹ '000s

Reconciliation of Defined Benefit Obligations	2019-20	2018-19
Present Value of the Obligation at the beginning of the year	45,950	43,826
Interest cost	2,693	3,011
Current service cost	6,307	5,986
Settlement cost	(2,284)	–
Benefits paid	(17,613)	(9,425)
Actuarial gain/(loss) on obligations	3,709	2,552
Present Value of the Obligation at the end of the year	38,764	45,950

Reconciliation of Fair Value of Plan Assets	2019-20	2018-19
Fair Value Plan Assets at the beginning of the year	34,677	34,855
Expected return on Plan Assets	2,328	2,551
Employer's contribution	11,274	5,971
Benefits paid	(17,613)	(9,425)
Actuarial gain /(loss) on obligations	(689)	725
Assets distributed on settlements	–	–
Fair Value Plan Assets at the end of the year	29,978	34,677

Amount to be recognized in Balance Sheet	2019-20	2018-19
Present Value of funded obligations	38,764	45,951
Fair value of Plan Assets	(29,978)	(34,677)
Present Value of unfunded obligations	–	–
Unrecognized past service cost	–	–
Amount not recognized as an asset	–	–
Net (Asset)/Liability in Balance Sheet under "Other Assets/Other Liabilities and Provisions"	8,786	11,274

Amount to be recognized in Profit and Loss Account	2019-20	2018-19
Current service cost	6,307	5,986
Interest on defined benefit obligation	2,693	3,011
Expected Return on Plan Assets	(2,328)	(2,550)
Settlement Cost	(2,284)	–
Net Actuarial losses/(gains) recognized during the year	4,398	1,826
Past service cost	–	–
Total expense recognized in the Profit & Loss Account under "Payments to and Provision for Employees"	8,786	8,274
Actual Return on Plan Assets	1,639	3,276

Experience Adjustment #	2019-20	2018-19	2017-18	2016-17	2015-16
Defined Benefit Obligation	38,764	45,950	43,826	40,365	41,595
Plan Assets	29,978	34,677	34,855	30,939	30,761
Surplus/(Deficit)	(8,786)	(11,274)	(8,971)	(9,426)	(10,834)
Gains/(Losses) due to change in assumptions	(1,261)	(2,721)	(1,730)	1,971	990
Exp. Adj. on plan Liabilities	(2,449)	168	(409)	(6,281)	(4,037)
Exp. Adj. on plan assets	(689)	726	(47)	223	(63)

Summary of principal actuarial assumptions	2019-20	2018-19
Discount rate (p.a.)	6.80%	7.60%
Expected rate of return (p.a.)	7.50%	7.50%
Salary escalation rate (p.a.)	7.00%	7.50%
Employees attrition rate	Upto 30 years: 10% 31-40 years: 5% 41-50 years: 3% Above 50 years: 2%	Upto 30 years: 10% 31-40 years: 5% 41-50 years: 3% Above 50 years: 2%
Mortality rate	Indian Assured Lives Mortality (2006-2008)	Indian Assured Lives Mortality (2006-2008)

As the Gratuity Fund is managed by a Life Insurance Company, details of Investment are not available with the Bank.

Leave Encashment: The Bank charged an amount of ₹6,335 ('000s) as liability for leave encashment for the year ended March 31, 2020 (P.Y. – ₹5,017 (000s).

Long Service Awards: The actuarial liability for Long Service Awards in accordance with AS-15 (R) was ₹2,136 for the year ended March 31, 2020 (P.Y. ₹2,504).

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Unamortized Pension and Gratuity Liabilities

Amortization of pension and gratuity liabilities expenditure in terms of circular no. DBOD. No.BP.BC.80/21.04.018/2010-11 dated February 09,2011 is NIL for the year under review (P.Y : Nil)

Termination Benefits

As part of business restructuring/reorganization the Bank has during the year closed two of its branches situated at Sanand & Chengalpattu and has paid ₹30,661 (in '000) towards termination benefits.

Employee Stock Options

Société Générale (Parent) provides its employees worldwide the opportunity to become shareholders of the company on preferential terms as part of the annual capital increase reserved for the employees. All eligible employees can participate in the "International Group Savings Plan" and subscribe to Société Générale shares within their individual entitlement during the limited period of subscription.

The preferential terms include a discount to the reference price and an "Employers Matching Contribution" up to the specified limit per employee. Payments to and provision towards GESOP for employees for FY 19-20 is ₹720 (in'000) (P.Y: ₹Nil) towards this scheme. There is no future liability in respect of this scheme.

(ii) Segment Reporting- AS 17

(a) The Bank in India operates as a single unit and there are no identifiable geographical segments.

(b) The Bank has classified its business into the following segments, namely:
- Treasury – primarily comprising of trading in forex, bonds, government securities and derivatives.
- Corporate/Wholesale Banking - comprising of commercial client relationship and trade finance.
- Other Banking Operations – comprising of all operations including retail and other than treasury and corporate/wholesale banking.

(c) Segment revenues stated below are aggregate of Schedule 13 – Interest income and Schedule 14 – Other income after considering the net inter-segment fund transfer pricing.

(d) Segment result is net of expenses both directly attributable as well as allocated costs of support functions.

(e) Segment assets and liabilities include the respective amounts directly attributable to each of the segments.

(f) The Bank does not have retail operations in India.

FY 2019-20 **₹ '000s**

Business Segments → Particulars ↓	Treasury	Corporate / Wholesale Banking	Other Banking Operations	Total
Revenue	2,377,373	1,600,798	–	3,978,171
Unallocated Revenue	–	–	–	(26,865)
Result	2,091,108	(1,306,611)	–	784,497
Unallocated Results	–	–	–	(26,865)
Unallocated Expenses	–	–	–	–
Operating profit	–	–	–	757,634
Income Taxes	–	–	–	332,387
Extraordinary Profit/Loss	–	–	–	–
Net Profit	–	–	–	425,247
Other Information:	–	–	–	–
Segment Assets	84,344,116	15,982,673	–	100,326,789
Unallocated assets	–	–	–	1,642,990
Total Assets	–	–	–	101,969,779
Segment Liabilities	56,462,738	44,921,337	–	101,384,075
Unallocated Liabilities	–	–	–	585,704
Total Liabilities	–	–	–	101,969,779

Segmental Information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditor.

FY 2018-19 **₹ '000s**

Business Segments → Particulars ↓	Treasury	Corporate / Wholesale Banking	Other Banking Operations	Total
Revenue	2,025,358	2,112,286	–	4,137,644
Unallocated Revenue	–	–	–	(1,280)
Result	1,192,222	(1,031,820)	–	160,402
Unallocated Results	–	–	–	(1,280)
Unallocated Expenses	–	–	–	–
Operating profit	–	–	–	159,122
Income Taxes	–	–	–	104,048
Extraordinary Profit/Loss	–	–	–	–
Net Profit	–	–	–	55,074
Other Information:	–	–	–	–
Segment Assets	54,051,947	15,453,500	–	69,505,447
Unallocated assets	–	–	–	1,421,668
Total Assets	–	–	–	70,927,115
Segment Liabilities	31,001,677	39,553,453	–	70,555,130
Unallocated Liabilities	–	–	–	371,986
Total Liabilities	–	–	–	70,927,115

Segmental Information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditor.

₹ '000s

Particulars	2019-20	2018-19
Interest Expense	360,341	354,984
Interest Income	13,365	31,393
Rendering of Services*	22,273	28,268
Receipt of Services	91,499	111,213

** includes fee income on Non-Funded Commitments and Foreign Exchange transactions*

Material related party transactions are given below:
The following were the material transactions between the Bank and its related parties for the year ended March 31, 2020. A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category.

Interest Expense
Interest on deposits paid to Société Générale Securities India Private Limited ₹148,369 (P.Y. ₹211,439), Société Générale Global Centre Private Limited ₹191,931 (P.Y. ₹124,370).

Interest Income
Interest on loans from ALD Automotive Private Limited ₹13,284 (P.Y. ₹31,179).

Rendering of Services
Fee and Commission Income / Other Income / Income on Foreign Exchange transactions received from Société Générale Global Solution Centre Private Limited ₹12,298 (P.Y. ₹19,195), Société Générale securities private limited ₹7,070 (P.Y. ₹NIL), Komercini Bank ₹1,964 (P.Y. ₹2,295) and ALD Automotive Private Limited ₹341 (P.Y. ₹335).

Receipt of Services
Payment to ALD Automotive Private Limited NIL (P.Y. ₹5,653) towards car leasing services and Société Générale Global Solution Centre Private Limited ₹91,499 (P.Y. Rs 105,561) towards back office support and software services.

(iv) Lease Accounting- AS 19

(a) Nature of Lease – Operating Lease for motor cars, office premises and residential premises for staff.

(b) Minimum Lease Payments over the non-cancelable period of the lease: NIL (P.Y. ₹1,260).

₹ '000s

Particulars	2019-20	2018-19
Up to 1 year	–	1,260
1-5 years	–	–
Above 5 years	–	–
TOTAL	**–**	**1,260**

(c) Lease payments recognized in the Profit and Loss Account during the year: ₹23,819 (P.Y. ₹20,678).

(d) The lease agreements do not have any undue restrictive or onerous clauses other than those normally prevalent in similar agreements regarding use of assets, lease escalation clauses, renewals and a restriction on sub-leases.

(v) Taxes on Income-AS 22
In accordance with Accounting Standard 22 on "Accounting for taxes on income" issued, the Bank has recognized Deferred Tax Asset (DTA) on timing differences to the extent there is reasonable certainty based on contracts and arrangements in place which will enable the Deferred Tax Asset to reverse:

₹. '000s

Particulars	March 31, 2020	March 31, 2019
Deferred Tax Asset		
– Provision for standard assets and other provisions	831,912	689,441
– Amortization of premium on HTM securities	–	–
– Provision for employee benefits	23,836	15,423
– Provision on Non-SLR Investments	31,020	31,020
– Provision for Sundry Assets	–	349
– Expenses accrued but disallowed	–	5,827
Deferred Tax Liability		
– Difference in Accounting and Tax Depreciation	(128,383)	(142,052)
Net Deferred Tax Asset/(Liability)	**758,385**	**600,008**

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(vi) Particulars of intangible assets **₹. '000s**

Application Software	March 31, 2020	March 31, 2019
Gross Block		
At cost as at 31st March of the preceding year	486,727	545,798
Additions during the year	5525	889
Deductions during the year	(676)	(59,959)
TOTAL:	**491,576**	**486,727**
Depreciation / Amortization		
As at 31st March of the preceding year	(474,733)	(498,388)
Charge for the year	(12,660)	(36,296)
Deductions during the year	676	59,951
Depreciation to date	(486,717)	(474,733)
Net block	**4,859**	**11,994**

(vii) Capital Commitments **₹ '000s**

Capital Commitments	March 31, 2020	March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for.	15,200	-

24. Additional Disclosures

(i) Provisions and Contingencies

Description of Contingent Liabilities

Claims against the Bank not acknowledged as debt.

The Bank has responded to the notice received from Directorate of Enforcement on an existing matter related to FEMA. The Bank does not expect the outcome of these proceedings, if any, to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

Other items for which the Bank is contingently liable

This also includes contingent liability corresponding to amount transferred do Depositor Education and Awareness Fund (DEAF), the capital commitments given to vendors, constituent subsidiary general ledger balance, Municipal demand under protest and undrawn commitment funded credit lines.

Tax contingent liability - The Bank expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.

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 customer. The notional amounts that are recorded as contingent liabilities form the basis for the calculation of the interest component on the contracts where applicable.

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 customer.

Provisions and Contingencies recognized in the Profit and Loss Account include: **₹'000**

Provision and Contingencies	2019-20	2018-19
I. Taxation Charge		
– Current tax expense	506,000	475,000
– Tax Provision (Prior Years)	(15,236)	7,753
– Deferred tax expense/ (benefit)	(158,377)	(378,705)
II. Provision / (Write back) for loan losses	(245,534)	859,712
III. Provision for Standard Assets	551,138	85,978
IV. Provision for Diminution in value of Investment	(2,668)	(51,596)
V. Provision for Country Risk	(1,339)	(4,501)
VI. Provision for Un-Hedged Foreign Currency Exposure	20,938	(726)
VII. Provision for Sundry Assets (Net of Write back)	(800)	(7,733)
VIII. Other losses/write-offs	–	–
IX. Provision for Large Exposure	38,107	(19,711)
X. Provision for Stressed Assets	428	(6,782)
TOTAL	**692,657**	**958,689**

(ii) Floating Provisions: Nil (P.Y. Nil)

(iii) Draw down from Reserves:

The Bank did not have drawdowns from reserves during the year ended March 31, 2020 (P.Y. Nil).

(iv) Disclosure of Complaints:

Sr. No.	Customer Complaints	2019-20	2018-19
a)	No. of complaints pending at the beginning of the year	–	–
b)	No. of complaints received during the year	3	3
c)	No. of complaints redressed received during the year	3	3
d)	No. of complaints pending at the end of the year	–	–

The above information does not include complaints redressed within 1 working day and is as certified by the Management and relied upon by the auditor.

(v) Disclosure of Awards passed by the Banking Ombudsman

Sr. No.	Awards passed by the Banking Ombudsman	2019-20	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	–	–

The above information is as certified by the Management and relied upon by the auditor.

(vi) Disclosure of Letters of Comfort

The Bank has not issued any Letter of Comfort during the year. The assessed cumulative financial obligation under the Letters of Comfort issued and outstanding is ₹Nil. (P.Y. NIL)

(vii) 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 accounts and disclosed the same under the relevant notes in the financial statements.

(viii) PSLCs sold and purchased during the year ended March 31, 2020 ₹'000

Particulars	2019-20		2018-19	
	Purchased	Sold	Purchased	Sold
PSLC – Agriculture	–	–	–	–
PSLC – SF/MF	–	–	–	–
PSLC – Micro Enterprises	6,280,000	–	2,225,000	–
PSLC – General	3,000,000	–	5,500,000	–

(ix) Disclosures on Remuneration

In accordance with the requirement of the RBI Circular No. DBOD.NO.BC.72/29.67/001/2011-12 dated 13 January 2012, the Bank has submitted to the RBI a letter from the Head Office which states that the compensation policies in India including that for the Chief Executive Officer are in line with the Financial Stability Board (FSB) requirements.

(x) Disclosure on Corporate Social Responsibility (CSR) Expenditure

(a) As per the provisions of section 135 of the companies Act, 2013, amount to be contributed by the Bank is ₹4,487 ('000) (based on 2% of average net profits before tax of three immediate preceding financial years)

(b) As per RBI circular DBOD. No. DIR.BC. 50/13.01.01/2005-06 dated December 21, 2005, amount to be contributed by the Bank is ₹3,182 ('000s) (based on 2% of published profits for the previous year)

(c) Amount spent during the year ₹ '000s

Particulars		Paid
(i)	Construction/ acquisition of any asset	–
(ii)	On purpose other than (i) above	4,418

(xi) Disclosure on transfer to Depositor Education and Awareness Fund (DEAF) ₹ '000s

Particulars	2019-20	2018-19
Opening balance of amounts transferred to DEAF	2,925	2,313
Add: Amounts transferred to DEAF during year	732	612
Less: Amounts reimbursed by DEAF towards claims	–	–
Closing balance of amounts transferred to DEAF	**3,657**	**2925**

(xii) Based on the available information, there are no outstanding dues towards principal amount or interest thereon remaining unpaid to any supplier covered under, Micro, Small and Medium Enterprises Development Act, 2006 as at the end of the accounting year. Further, no interest was due or payable by the Bank to any supplier during the year under the provisions of the said Act. This information has been provided by the management and relied upon by the auditor.

(xiii) Unhedged Foreign Currency Exposures

The Bank has provided for unhedged foreign currency exposure as per RBI master circular DBOD.No.BP.BC.2/21.04.048/2015-16 dated 01 July 2015 on prudential norms on income recognition, asset classification and provisioning pertaining to advances. The Bank considers all customers who have borrowed from the Bank and covers gross sum of all items on the customer's balance sheet that has an impact on the profit and loss account due to movement in foreign exchange rates. While providing for unhedged foreign currency exposure, the Bank has considered both financial hedges and natural hedges. The Bank has internally devised the mechanism of identifying the un-hedged foreign currency exposure to individual clients based on the latest certificates.

Provision towards unhedged foreign currency exposure as on March 31, 2020 is ₹21,188 (in '000s) (P.Y. ₹249) and the capital held by the Bank towards this risk is ₹148,148 (P.Y. NIL).

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(xiv) Liquidity Coverage Ratio (LCR) **₹'000s**

Sr. No.	Particulars	Quarter Ended 31-Mar-2020		Quarter Ended 31-Dec-2019		Quarter Ended 30-Sep-2019		Quarter Ended 30-June-2019		Quarter Ended 31-Mar-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)	268,770	268,770	240,485	240,485	188,353	188,353	172,390	172,390	138,880	138,880
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:	–	–	–	–	–	–	4	0	8	1
(i)	Stable deposits	–	–	–	–	–	–	–	–	8	1
(ii)	Less stable deposits	–	–	–	–	–	–	4	–	–	–
3	Unsecured wholesale funding, of which:	253,849	138,788	245,726	134,944	228,603	117,711	229,092	102,868	235,062	108,101
(i)	Operational deposits (all counterparties)	–	–	–	–	–	–	–	–	–	–
(ii)	Non-operational deposits (all counterparties)	191,768	76,707	184,637	73,855	184,820	73,928	210,373	84,149	211,602	84,641
(iii)	Unsecured debt	62,081	62,081	61,089	61,089	43,783	43,783	18,719	18,719	23,461	23,461
4	Secured wholesale funding		–	–	–	–	–	–	–	–	–
5	Additional requirements, of which	14,371	5,057	10,930	3,845	18,388	5,531	14,043	6,670	24,387	6,771
(i)	Outflows related to derivative exposures and other collateral requirements	817	817	798	798	1,143	1,143	3,510	3,510	14,025	3,663
(ii)	Outflow related to loss of funding on debt products	–	–	–	–	–	–	–	–	–	–
(iii)	Credit and liquidity facilities	13,555	4,240	10,131	3,046	17,245	4,387	10,534	3,160	10,362	3,109
6	Other contractual funding obligations	280,418	280,418	230,646	230,646	248,914	248,914	169,677	169,677	137,037	137,037
7	Other contingent funding obligations	350,846	12,844	336,724	11,919	327,252	11,805	277,477	9,231	273,647	8,209
8	Total Cash Outflows	899,483	437,107	824,026	381,354	823,157	383,961	690,293	288,446	670,141	260,119
Cash Inflows											
9	Secured lending	–	–	–	–	–	–	–	–	–	–
10	Inflows from fully performing exposures	94,231	68,314	97,359	67,754	112,229	75,588	104,299	57,293	117,914	60,568
11	Other cash inflows	308,153	308,153	263,243	263,243	276,584	276,584	216,072	216,072	159,933	159,933
12	Total Cash Inflows	402,385	376,468	360,602	330,997	388,814	352,172	320,372	273,366	277,847	220,501
13	Total HQLA*		268,770		240,485		188,353		172,390		138,880
14	Total Net Cash Outflows*		109,277		95,338		95,990		72,244		65,030
15	Liquidity Coverage Ratio (%)*		248.44%		251.44%		195.63%		243.00%		205.65%

* The average weighted, unweighted amounts, TOTAL HQLA, Total Net Cash Outflow, LCR are calculated taking simple average of month end numbers for each quarter.

Qualitative Disclosure

1) In accordance with Basel III norms, the LCR requirement has been introduced by RBI for banks in India effective January 1, 2015 with a minimum 60% for the calendar year 2015, rising in equal steps each calendar year to reach the minimum 100% requirement by January 1, 2019. The minimum requirement for calendar year 2017 is 80%, for 2018 is 90% and for 2019 is 100%.
2) LCR standard aims to ensure sufficient liquidity within the bank through High Quality Liquidity Assets (HQLA) to survive acute stress scenario lasting for 30 days, as it is expected that the bank will take appropriate corrective action within 30 days.
3) Banks HQLA primarily consists of GSEC investments above the SLR limit and Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF and FALLCR.
4) The Bank's ALCO is responsible for liquidity risk management on an overall basis, providing guidance to respective stakeholders within the Bank.
5) The aforementioned table provides the quarterly LCR computation for the four quarters of the Financial Year 2019-20. The LCR is being monitored on daily basis effective January 1, 2017. Accordingly, figures are reported as simple average of daily observation for 90 days for all quarters of the FY 2019-20.
6) In computing the above information, certain estimates/assumptions have been made by the Bank's management which have been relied upon by the auditor.

(xv) Miscellaneous income includes recovery from network, processing fees, rental income etc.

(xvi) In terms of RBI Master Circular on Foreign Investments in India dated July 1, 2015, the bank does not have any subsidiary companies and as such no certificate was required from the statutory auditors on an annual basis as regards status of compliance with the instruction on downstream investments in compliance with the FEMA provisions.

(xvii) The Bank has received no complaints for its disposal under the provisions of The Sexual Harassment of Women at Workplace (Prevention, prohibition and Redressal) Act, 2013.

(xviii) Previous year's figures have been regrouped or rearranged, wherever necessary, to conform to current year's presentation.

For Société Générale – Indian Branches

Antoine Castel
Chief Executive and Chief Country Officer - India

Ashok Krishnamoorthy
Chief Financial Officer/Chief Operating Officer - India

Place: Mumbai
Date: June 23, 2020

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Basel III disclosures of the Indian Branches for the year ended 31 March 2020

All amounts in ₹ '000s, unless otherwise stated

DF 1. Scope of application

1. **Qualitative and Quantitative Disclosures:**

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% {12.5% including Capital Conservation Buffer (CCB) and additional CET 1 requirement under Global Systemically Important Bank}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March 2020. These guidelines on Basel III has been implemented on 1st April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the year ended 31st March 2020 is 9% with minimum Common Equity Tier 1 (CET1) of 5.5%. The risk management framework of Indian operations is integrated with the Bank's strategy and business planning processes at global level. The Bank has comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed in conducting its activities. The risk management function in India is as per directives and framework set out at Head Office level. As at March 31, 2020, the Bank does not have any investment in subsidiaries/Joint Ventures and Associates, significant minority equity investment in insurance, financial and commercial entities.

2. **Capital structure**

Qualitative Disclosures

Bank regulatory capital consists of two components – Tier 1 capital and Tier 2 capital. Both components of capital provide support for banking operations and protect depositor. As per Reserve Bank of India (RBI) guidelines, the composition of capital instruments for foreign banks in India would include the following elements:

Tier 1 Capital:

- Interest-free funds received from Head Office
- Statutory reserves kept in Indian books
- Remittable surplus retained in Indian books which is not repatriable so long as the bank functions in India
- Capital Reserves
- Interest-free funds remitted from Head Office for acquisition of property

Tier 2 Capital:

- General provisions and loss reserves:

  General provisions and loss reserves can be reckoned up to a maximum of 1.25 per cent of the total Credit risk-weighted assets. Such provisions and reserves include provisions on Standard Assets, Country Risk Exposures, Unhedged Foreign Currency Exposures and Investment Reserve Account'.

  Head Office borrowings in foreign currency raised by foreign banks operating in India classified as subordinated debt subject to a maximum ceiling of 50% of the Tier 1 capital maintained in India.

Quantitative Disclosure

a) Tier 1 Capital (₹ '000s)

Amount Received from Head Office	14,148,680
Statutory Reserves	1,247,896
Remittable Surplus Retained in India for CRAR	1,018,465
Capital Reserves	305,058
Interest-free funds remitted from Head Office for acquisition of property	345,068
Less: Intangible Assets and Deferred Tax Assets	(763,243)
Total Tier 1 Capital	**16,301,924**

b) Tier 2 Capital (₹ '000s)

General Provisions and loss Reserves reckoned up to a maximum of 1.25 per cent of the total Credit risk-weighted assets	1,375.126
Amount eligible to be reckoned as capital funds	**1,375,126**

c) Debt Capital Instruments Eligible for inclusion in Upper Tier 2 Capital (₹ '000s)

Total Amount Outstanding	–
of which amount raised during the current year	–
Amount eligible to be reckoned as capital funds	–

d) Subordinated Debt Eligible for inclusion in Lower Tier 2 Capital (₹ '000s)

Total amount outstanding	–
of which amount raised during the current year	–
Amount eligible to be reckoned as capital funds	–

Total Tier 2 Capital (b) + (c) + (d)	**1,375,126**

e) Other deduction from capital.
There are no other deductions from capital.

f) Total Eligible Capital
The total eligible capital is ₹17,677,050 ('000s).

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DF 2. Capital Adequacy

Qualitative Disclosures

The Bank has assessed its capital requirement taking into account the 3 main risks as defined by Pillar 1 of the Basel III norms viz: Credit Risk, Market Risk and Operational Risk. The Credit Risk is computed using the Standardized Approach, the Market Risk is calculated using the Standardized Duration Approach and the Operational Risk is calculated using the Basic Indicator Approach. The risk computation under each of these 3 categories is adequately covered by the Capital of the Bank.

The Bank has assessed its future capital requirement and the same has been documented in the ICAAP (Internal Capital Adequacy Assessment Process) based on the position as of March 31’2020. The capital requirement will be re-assessed taking into consideration the position of the Bank for the financial year ended March 31’2020.

The existing level of Capital is adequate to meet the Bank’s current and future business requirements and the CRAR ratio of the Bank is significantly higher than that prescribed by the regulator. A summary of the Bank’s capital requirement for credit, market and operational risk and the capital adequacy ratio as on 31st March 2020 is presented below:

Quantitative Disclosures (₹ ‘000s)

(a)	Capital Requirements for Credit Risk:	
	Portfolios subject to Standardized Approach	9,900,906
	Securitization Exposures	–
(b)	Capital Requirements for Market Risk: Standardized Duration Approach:	
	Interest Rate Risk	1,869,475
	Foreign Exchange risk (including Gold)	270,000
	Equity Risk	–
(c)	Capital Requirement for Operational Risk:	
	Basic Indicator Approach	345,285
Total Eligible Capital		17,677,050
Total Risk Weighted Assets		1,40,589,999
Total Capital Ratio		12.58%
Tier 1 Capital Ratio		11.60%

DF 3. Credit risk: general disclosures

Qualitative Disclosures

Credit Risk has been defined as the risk of financial loss if counterparty defaults on an obligation under a contract. It arises mainly from direct lending, off-balance sheet exposures such as guarantees & derivatives and from the Bank’s investments in debt securities.

Strategy and processes (including credit risk management policy of the Bank)

The credit risk management framework is based upon Société Générale group policies and revolves around certain key principles

- All transactions and facilities must be authorized in advance.
- All requests for authorizations relating to a specific client or client group are handled by a single operating division.
- All authorizations are given by an independent risk department, and approval rests on a framework based on internal counterparty risk ratings, Loss given default and a risk-adjusted return on capital analysis
- There are internal caps on the total sub-investment grade exposure (defined as internal rating of 6 (six) or below), exposure to sensitive sectors and on the extent of unsecured exposure.
- There are also specific controls on exposures to banks and financial institutions, designed to ensure against excessive risk concentration.

Structure and Organization:

The risk ratings are proposed by the operating divisions and are validated by the respective Risk Divisions at the Regional/Head Office (HO) Hubs. The Risk department is independent of the operating divisions. Risk ratings are included in all credit proposals and are factored into all credit decisions.

There is a specialized and centralized department for financial institutions which is located at Regional/HO hubs.

Scope and nature of risk reporting and measurement:

The internal rating models measure counterparty risk (expressed as a probability of default by the borrower in one year) and transaction risk (expressed as the amount that will be lost should a borrower default). An in-house database stores all credit limits.

The risk on counterparty exposure on market transactions is measured by modeling the future mark to market value of transactions, after taking into account netting and correlation effects.

Non-performing advances:

Non-performing advances are identified by regular appraisals of the portfolio by management or in accordance with RBI guidelines, whichever is earlier. Specific provision is made on a case by case basis, subject to minimum provisioning levels prescribed by RBI. Special attention is paid to early identification of problem exposures. The Bank’s approach towards problem exposures is:

- Quick identification and isolation of potential weak /non-performing credits for concentrated attention through inclusion in the watch list. Watch list discussions are attended by Senior Management, Head of Risk and the Relationship Manager.
- Continued and rigorous follow up of these credits with the intention to monitor a possible turnaround or an early exit.
- A structured and sustained pro-active approach complemented by a rigorous follow up procedures.

For recognition of past due and impaired loans and advances, the Bank follows guidelines prescribed by Reserve Bank of India as contained in the Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning, as amended from time to time and other relevant circulars/notifications issued by RBI during the course of the year in this regard.

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Quantitative Disclosures

a) Total gross credit risk exposure (₹ '000s)

	Fund Based	Non-Fund Based	Total
As at 31 March 2020	**63,396,678**	**14,358,936**	**77,755,614**

b) Geographic distribution of exposures (₹ '000s)

	As at 31.03.2020		
	Fund Based	**Non-Fund Based**	**Total**
Overseas	–	–	–
Domestic	63,396,678	14,358,936	77,755,614
Total	**63,396,678**	**14,358,936**	**77,755,614**

c) Industry type distribution of exposures (₹ '000s)

Industry	Funded	Non-Funded	Grand Total
Cement and Cement Products	–	156,013	156,013
Chemical and chemicals products	500,000	–	500,000
Food Processing	1,658,040	2,416,805	4,074,845
Infrastructure	2,276,400	2,262,087	4,539,487
Mining & Quarrying-Others	–	109,077	109,077
All Engineering – Others	1,474,849	2,385,161	3,860,010
Banking & Finance	412,765	3,472,095	3,893,860
NBFC	76,00,000	800,000	84,00,000
Financial Institution	703,355	–	703,355
Vehicles, Vehicle Parts and Transport Equipments	–	250	250
Other Industries	48,762,269	2,756,729	51,518,998
Total	**63,396,678**	**14,358,936**	**77,755,614**

- Fund-based exposure represents funded loans & advances including overdrafts, cash credits and bill discounting.
- Non-fund-based exposures are guarantees given on behalf of constituents, Letters of Credit, Undrawn binding commitments, acceptances and endorsements.
- The exposure amount is the net outstanding (i.e. net of provisions and credit risk mitigants, if any)
- The increase in exposures by 25% due to unhedged foreign currency exposure is not considered in the above figures.

d) Residual contractual maturity breakdown of assets (₹ '000s)

	As at 31.03.2020
1 day	76,230,225
2-7 days	2,053,745
8-14 days	15,149
15-30 days	2,598,086
31 days and up to 2 months	750,989
over 2 months and up to 3 months	2,479,451
Over 3 Months and up to 6 months	1,413,837
Over 6 Months and up to 1 year	754,385
Over 1 Year and up to 3 years	14,266,029
Over 3 Years and up to 5 years	121,865
Over 5 years	1,286,060
Total	**101,969,779**

e) Amount of NPAs (Gross) – ₹789,178 (P.Y. ₹1,489,178) in '000'

f) Net NPAs- Nil (P.Y. ₹454,466) in '000'

g) NPA Ratios
- Gross NPAs to gross advances 4.77 % (P.Y.9.32%)
- Net NPAs to net advances- Nil (P.Y. 3.04%)

h) Movement of NPAs (₹ '000s)

	Gross NPAs	Provision	Net NPA
Opening balance	1,489,178	1,034,712	454,466
Additions	–	–	–
Reduction (including write backs / write offs)	700,000	245,534	454,466
Closing balance	**789,178**	**789,178**	**–**

i) Non-performing investments – ₹267,708 (P.Y. ₹297,245) in '000'

j) Provisions held for non-performing investments – ₹103,808 (P.Y. ₹131,842) in '000'

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k) Movement of provisions for depreciation on investments (₹ '000s)

	2019-20
Opening Balance at beginning of the year	174,798
Add: Provisions made during the year	–
Less: Write-off/write-back of excess provisions during the year	(2.668)
Closing Balance at end of the year	**172,130**

DF 4. Credit risk: disclosures for portfolios subject to the standardized approach

Qualitative Disclosures

The Bank relies on the ratings given by the following External Credit Rating Agencies (ECRAs) approved by the RBI to calculate its capital requirement under the standardized approach for credit risk

Domestic Credit Rating Agencies for external ratings of Indian Corporates:

1) Credit Analysis and Research Ltd. (CARE)
2) CRISIL.
3) India Ratings & Research Private Limited (earlier known as FITCH India)
4) ICRA Ltd, Brickwork Ratings India Pvt. Ltd., SMERA Ratings Limited

The Bank has used issue-specific solicited ratings available in the public domain (for both Long Term and Short-Term facilities) from the above domestic rating agencies to allocate appropriate risk weighting for both funded as well as non-funded exposures on corporate customer.

The mapping of external credit ratings and risk weights for corporate exposures is provided in the tables below:

Risk weight mapping of long-term corporate ratings

Long term ratings	Risk weights
AAA	20%
AA	30%
A	50%
BBB	100%
BB & Below	150%
Unrated	100%

Risk weight mapping of short term corporate ratings

CARE	CRISIL	FITCH	ICRA	Risk weights
PR1+	P1+	F1+	A1+	20%
PR1	P1	F1	A1	30%
PR2	P2	F2	A2	50%
PR3	P3	F3	A3	100%
PR4 & PR5	P4 & P5	F4/F5	A4 & D	150%
Unrated	Unrated	Unrated	Unrated	100%

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 are risk weighted as under:

Level of Common Equity Tier 1 capital (CET1) including applicable capital conservation buffer (CCB) (%)	All Scheduled Banks	All Non-Scheduled Banks
Applicable Minimum CET1 + Applicable CCB and above	20	100
Applicable Minimum CET1 + CCB = 75% and <100% of applicable CCB33	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 ECRAs for external ratings of Foreign Banks, Foreign Sovereigns, Foreign Public-Sector Entities and Non-Resident Corporates:

a) Fitch
b) Moody's
c) Standard & Poor's

The mapping of external credit ratings and risk weights for the above entities are provided in the tables below to the extent applicable.

Risk weights of Claims on foreign banks:

S &P / Fitch ratings	AAA to AA	A	BBB	BB to B	Below B	Unrated
Moody's ratings	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
Risk weight (%)	20	50	50	100	150	50

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Amount outstanding under various risk buckets: (₹ '000s)

	As at 31.03.2020
Below 100 % risk weight	181,509,448
100 % risk weight	10,233,171
More than 100 % risk weight	15,435,462
Deducted	–
Total**	**207,178,081**

**The increase in exposures by 25% due to unhedged foreign currency exposure (₹ 5,217,295) is not considered in the above figures.

DF 5. Credit risk mitigation: disclosures for standardized approaches:

Qualitative Disclosures

Policy for collateral valuation and Management

All corporate and institutional facilities are reviewed (and hence revalued) at least on an annual basis. All deeds of ownership/ titles related to collateral are held in physical custody under the control of executive's independent of the business. Unsecured exposures cannot exceed the overall ceiling fixed for such facilities.

The main categories of recognized collateral taken by the Bank conform to the list of eligible financial collateral advised in RBI's Prudential guidelines on Capital Adequacy and Market discipline and include cash on deposits, marketable equities, and recognized debt securities

The Bank also extends credit facilities against guarantees from international corporates and banks. For a corporate guarantee to be recognized as a credit risk mitigant, the guarantor must have a rating of A or above from Standard & Poor's, Fitch and / or Moody's.

The Bank is not active in securitization of standard assets in India.

Quantitative Disclosures:

As on March 31, 2020, the total exposure covered by eligible financial collateral after application of haircuts was ₹7,579,716 (P.Y. ₹3,958,751) in 000s.

DF 6. Securitization: disclosure for standardized approach

The Bank has not undertaken any securitization operation during the year.

DF 7. Market risk in trading book

Qualitative Disclosures

Market risk arises out of the fluctuation in the interest rates, foreign exchange rates and the consequent change in the prices of various financial instruments held by the Bank. The financial instruments are revalued daily as per the guidelines issued by the regulatory authorities. The change in the valuation of the financial instruments may result in profit or loss for the Bank.

The primary objective of Bank's market risk management is the continuous and independent mo(20nitoring of positions, market and counterparty risks incurred by the Bank's trading activities, and the comparison of these positions and risks with established limits.

Strategy and Process:

All open Market Risk is subject to approved limits. The limits are set based on the projected business plan of the Risk Taking Unit, market environment and the risk perception. The internal HO Market Risk limits are defined as per the HO Market Risk policy under which the requests for limits are made by the relevant business line accompanied by supporting rationale (viz. projected business plan and historical utilizations). Market Risk team at the Regional/HO level then reviews and validates the limits in discussion with the business lines. All approved limits are then recorded in the reference systems for Market Limits (Colibris). The approved Market Risk limits are also presented to the Bank's ALCO, which reviews and revalidates the limits. The limits are reviewed on an annual basis or if particular circumstances arise.

In addition to the HO Market Risk limits, SG India also has local Stress Test, portfolio-wise VaR and PV01 limits. The local limits setting process involves, initiation of the request for limits by Treasury Front Office (TFO) to Chief Risk Officer (CRO), which then reviews and validates the limits based on the rationale provided by the TFO. While reviewing the proposed limits, the CRO considers the business plan forecasts, past utilizations, market environment and risk perception. Subsequently, the limits are then presented to ALCO for its approval. The ALCO takes into consideration TFO's capacity and capability to perform within the proposed limits evidenced by the experience of the Traders, controls and risk management, audit ratings and trading revenues. Post approval by the ALCO, the limits are documented in the limits package of SG India and updated in all the relevant risk monitoring reports. SG India also has Stop Loss limits applicable to the trading desk that is approved by the ALCO and the respective business head at the SG's Regional Office.

Structure and organization of market risk management

The local CRO is overall responsible for the management of Market Risk under support and guidance from the Market Risk Department (Risq/RMA) at the HO Level. The local CRO, functions within the broad framework defined by Risq/RMA, HO and ensures compliance with the local regulatory requirements. It works independently of Front Office, who have no hierarchical authority over CRO and no pressure may be brought to bear by traders in relation to allocated limits or calculated risk amounts used by CRO. The TFO is the Risk Taking Unit within the bank. The primary responsibility for risk management of market transactions is held by TFO s as part of the ongoing management of their activities and the continuous monitoring of their positions.

Scope and nature of risk measurement, risk reporting and risk monitoring system:

Market risk is monitored and controlled using parameters, such as, Value at Risk (VaR), Sensitivity limits (parallel shift in interest rates), net open position limit (Foreign exchange positions) and stress test. The bank has set limits on each of these parameters and the utilizations are reported on a daily basis to the senior management.

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All trading transactions are booked in the front office deal booking system called X-ONE. This system is capable of calculating the position and sensitivity on treasury transactions that are used by TFO to view the risk on their portfolio. Additionally, TFO refers to another system called 'Mercury' to view the sensitivities on their positions. The Market Risk parameters like VaR, stress tests, Interest Rate sensitivity (10bps) and Forex Spot Position are computed by the Market Risk Department at HO (RISQ/RMA) using systems called RISK-ONE and AGRisk. The local CRO compiles the sensitivities and VaR report for the Bank's portfolio using reports received from the Regional Office as well as those that are generated locally using RISK-ONE system. The SG's VaR model uses historical simulation methodology based on a 1-day time horizon at the 99% confidence interval using a 1-year sliding window.

The bank has adopted stress testing as an integral part of its risk management framework and as such it is used to evaluate potential vulnerability to some unlikely but plausible events or movements in financial variable. While there is a well-defined global framework designed at the SG's HO level on stress test, that covers all the geographical locations and markets including the Indian branches of SG, the bank has adopted a localized stress test framework to incorporate the local risk factors having an impact on the Bank's portfolio. The Bank performs Market Risk Stress Test on a quarterly basis for both the Trading and accrual portfolios. The methodology, assumptions, scenarios and results of the Stress Test are presented to ALCO and APEX Committee for discussion and review.

Capital requirements for market risk: (₹ '000s)

Standardized duration approach	**31.03.2020**
Interest rate risk	1,869,475
Foreign exchange risk	270,000
Equity risk	–
Capital requirements for market risk	**21,394,475**

DF 8. Operational Risk:

Qualitative disclosures

The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risks.

Strategy and Process

The Bank has an Incident Management policy in place which classifies Operational Risk events into 8 major heads and 58 sub heads to map with the Basel II Loss Event Type Classifications, Event Description, Corrective & Preventive Action plan and loss amounts & recoveries. The risk is managed through a system of prevention, control and coverage that comprises detailed procedures, permanent supervision, and insurance policies, further supported by reviews of the Regional/Head-office teams.

Structure and Organization

Implementation of the Operational Risk framework of the bank is done by the Head-Operational Risk Management under guidance from the regional Regulatory, Oversight & Cyber Security (**ROCS**) team responsible for Operational Risk topics. The framework rests on the following pillars: -

- Operational Loss Collection.
- Risk & Controls Self-Assessment
- Permanent Supervision
- Key Risk Indicators
- New Product Approval process
- Outsourcing of Essential Services process
- Business Continuity & Crisis Management
- Information & Cyber Security

The Operational Risk aspects are discussed in the APEX Committee meetings, Operational Risk Management Committee and Outsourcing Committee meetings chaired by the India CEO/COO and participants from the respective Business/Support Functions.

Scope and nature of Risk reporting / measurement system

The Bank has clearly defined the nature, scope of risk reporting by putting in place systems and thresholds for loss data collection, measurement and reporting by category and sub category of events. The Bank's internal classification has been mapped to the Basel II Loss Event Type Classifications. Based on this classification Risk Drivers (KRIs) that convey any control weakness that could cause an Operational Risk Event are identified and assessed through multiple evaluation questions.

The Bank also has a RCSA (Risk Control & Self-Assessment) process in place which helps to evaluate the inherent risk in the business and the controls in place to mitigate it. The process covers all business units of the bank.

Hedging / Mitigating techniques

Permanent Supervision controls framework is in place to ensure risk mitigants or controls are identified and monitored periodically to prevent or reduce operational losses and impacts. The gaps / residual risks identified during the RSCA exercises are addressed by implementing additional controls to ensure a robust ORM structure.

The Bank has adopted the Basic Indicator approach to compute the capital requirement for operational risk as prescribed by RBI

DF 9. Interest rate risk in the banking book (IRRBB)

In order to manage the risk optimally, the Interest Rate Risk in the Banking Book (IRRBB) is centralized within the ALM desk in Finance department. The Head Office has assigned sensitivity limits on the IRRBB which also covers the capital and investments held in the HTM category. The risks arising out of various commercial banking activities are transferred to the ALM desk using the internal funds transfer pricing mechanism.

The ALM desk manages and hedges, if required, the IRRBB with Treasury under the guidance of the ALCO.

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Quantitative Disclosures

Market Risk Limits

1- Value at Risk: VAR 99% (₹ '000s)

VAR	Limit	Usage	
FX VaR	450,000	113,643,21	25%
Interest Rate Trading VaR	450,000	164,615.13	37%
Consolidated Trading VaR (FX and IR)	350,000	179,683.14	51%

2- Interest Rate Sensitivity Limits

Parallel	Limit	Usage	
Total Investments PVBP01 (HFT + AFS + HTM)	18,500	8534.29	46%
IRD Trading PVBP01	7,000	1,098.78	16%

3- Stress Tests

	Limit	Usage	
Stress Test	3,500,000	1,844,000	53%

As required under Pillar III norms, the increase / decline in earnings and economic value for an upward / downward rate shock of 200 basis points as on March 31, 2020, broken down by currency is as follows:

Earnings Perspective (₹ '000s)

Currency	Interest Rate Shock	
	2% Increase	2% Decrease
Rupees and other major currencies	(39,031)	39,031
US Dollar	185,952	(185,952)

Economic Value Perspective (₹ '000s)

Currency	Interest rate shock	
	2% increase	2% Decrease
Rupees and other major currencies	1,889,266	(1,889,266)
US Dollar	(107,432)	107,432

DF 10: General Disclosure for Exposures Related to Counterparty Credit Risk-

Qualitative Disclosures:

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors. SG India Bank computes the exposure amount for counterparty credit risk using the Current Exposure Method (CEM). The credit equivalent amount of a market related off-balance sheet transaction is calculated by taking the sum of current credit exposure and potential future credit exposure.

The Bank has entered into CSAs with some Bank counterparties which requires maintenance of collateral due to valuation changes on transactions under the CSA framework. Exposures to central counterparties arising from OTC derivatives transactions, exchange traded derivatives transactions and securities financing transactions (SFTs) are arrived at basis the counterparty credit risk treatment as stipulated in the regulatory guidelines. The Bank has exposure to only one QCCP, CCIL. The Bank does not take into account netting while computing exposures with counterparties except for the exposures with CCIL.

Quantitative Disclosure: The derivative exposure is calculated using Current Exposure method, as seen in the table below

Type (₹ '000s)		**Notional Amount**	**Exposure as per Current Exposure Method**
I.	Interest rate Swap	1,271,372,006	34,638,658
II.	Currency Swap	356,961,946	44,169,872
III.	Forex Forwards	180,060,700	9,497,843
IV.	Swap	110,582,005	2,100,2800
V.	Options	9,586,455	270,587
Total Current Exposure		1,928,563,111	90,677,239

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DF 11. Composition of capital: (₹ '000s)

	Particulars	Amount	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)	14,493,750	–	Schedule 1
2	Retained earnings	1,018,465	–	Schedule 2
3	Accumulated other comprehensive income (and other reserves)	1,552,952	–	Schedule 2
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**	**17,065,167**	–	
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)	4,858	–	Schedule 18 Note 22 (vi)
10	Deferred tax assets	758,385	–	Schedule 11
11	Cash-flow hedge reserve	–	–	
12	Shortfall of provisions to expected losses	–	–	
13	Securitization 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)	–	–	
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: Unamortized pension funds expenditures	–	–	
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which: HO Debit Balance	–	–	
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**	763,243	–	Schedule 18 Note 22 (vi) & Schedule 11
29	**Common Equity Tier 1 capital (CET1)**	**16,301,924**	–	
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	–	–	
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:	–	–	
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)**	**16,301,924**	–	
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)	1,375,126	–	
51	**Tier 2 capital before regulatory adjustments**	**1,375,126**	–	
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: Investment in Subsidiaries	–	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	–	
58	**Tier 2 capital (T2)**	**1,375,126**	–	
58a	**Tier 2 capital reckoned for capital adequacy**	**1,375,126**	–	
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	–	–	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**1,375,126**	–	
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	**17,677,050**	–	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which: …	–	–	
60	**Total risk weighted assets (60a + 60b + 60c)**	**1,40,589,999**	–	
60a	of which: total credit risk weighted assets	1,10,010,061	–	
60b	of which: total market risk weighted assets	26,743,442	–	
60c	of which: total operational risk weighted assets	3,836,496	–	
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.60%	–	
62	Tier 1 (as a percentage of risk weighted assets)	11.60%	–	

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63	Total capital (as a percentage of risk weighted assets)	12.58%	–	
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)	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 standardized approach (prior to application of cap)	1,375,126	–	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	1,375,126	–	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N.A.	–	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	N.A.	–	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2018 and March 31, 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	N.A.	–	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N.A.	–	
82	Current cap on AT1 instruments subject to phase out arrangements	N.A.	–	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N.A.	–	
84	Current cap on T2 instruments subject to phase out arrangements	N.A.	–	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N.A.	–	

Note to the template		
Row No. of the template	Particular	(₹ '000s)
10	Deferred tax assets associated with accumulated losses	–
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	758,385
	Total as indicated in row 10	758,385
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	1,375,126
	Eligible Revaluation Reserves included in Tier 2 capital	–
	Total of row 50	1,375,126
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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Table DF-12: Composition of Capital- Reconciliation requirements

Step 1 (₹ '000s)

		Particulars	**Balance sheet as in published financial statements As at 31.03.2020**	**Under regulatory scope of consolidation As at 31.03.2019**
A	**Capital & Liabilities**			
	i.	Paid-up Capital (funds from HO)	14,493,748	14,493,748
		Reserves & Surplus	3,007,032	2,718,960
		Minority Interest	–	–
		Total Capital	**17,500,778**	**17,212,708**
	ii.	Deposits	**27,451,332**	**23,121,395**
		of which: Deposits from banks	1,160,068	16,709
		of which: Customer deposits	26,291,264	23,104,686
		of which: Other deposits (pl. specify)	–	–
	iii.	Borrowings	**3,037,737**	**6,295,314**
		of which: From RBI	–	–
		of which: From banks	37,833	–
		of which: From other institutions & agencies	2,999,904	6,295,314
		of which: Others (pl. specify) (Borrowings outside India)	37,833	–
		of which: Capital instruments	–	–
	iv.	Other liabilities & provisions	53,979,930	24,297,698
		Total	**101,969,779**	**70,927,115**
B	**Assets**			
	i.	Cash and balances with Reserve Bank of India	2,987,804	1,705,698
		Balance with banks and money at call and short notice	2,183,255	4,302,683
	ii.	Investments:	30,615,100	22,400,038
		of which: Government securities	29,984,121	21,742,191
		of which: Other approved securities	–	–
		of which: Shares	–	–
		of which: Debentures & Bonds	630,979	657,847
		of which: Subsidiaries / Joint Ventures / Associates	–	–
		of which: Others (Commercial Papers, Mutual Funds etc.)	–	–
	iii.	Loans and advances	15,744,312	14,949,858
		of which: Loans and advances to banks	138,131	1,141,403
		of which: Loans and advances to customers	15,606,181	13,808,455
	iv.	Fixed assets	506,566	552,328
	v.	Other assets	49,932,742	27,016,510
		of which: Goodwill and intangible assets	–	–
		of which: Deferred tax assets	758,385	600,008
	vi.	Goodwill on consolidation	–	–
	vii.	Debit balance in Profit & Loss account	–	–
		Total Assets	**101,969,779**	**70,927,115**

Step 2

		Particulars	**Balance sheet as in published financial statements As at 31.03.2020**	**Under regulatory scope of consolidation As at 31.03.2019**
A	**Capital & Liabilities**			
	i.	**Paid-up Capital (funds from HO)**		
		of which: Amount eligible for CET1	17,065,168	16,918,010
		of which: Amount eligible for AT1	–	–
		Reserves & Surplus	435,613	294,698
		Minority Interest	–	–
		Total Capital	**17,500,781**	**17,212,708**
	ii.	**Deposits**	**27,451,332**	**23,121,395**
		of which: Deposits from banks	1,160,068	16,709
		of which: Customer deposits	26,291,264	23,104,686
		of which: Other deposits (pl. specify)	–	–

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	iii.	**Borrowings**	**3,037,737**	**6,295,314**
		of which: From RBI	–	–
		of which: From banks	37,833	–
		of which: From other institutions & agencies	2,999,904	6,295,314
		of which: Others (pl. specify) (Borrowings outside India)	37,833	–
		of which: Capital instruments	–	–
	iv.	**Other liabilities & provisions**	53,979,930	24,297,698
		of which: DTLs related to goodwill	–	–
		of which: DTLs related to intangible assets	–	–
		Total	**101,969,779**	**70,927,115**
	Assets			
B	i.	Cash and balances with Reserve Bank of India	2,987,804	1,705,698
		Balance with banks and money at call and short notice	2,183,255	4,302,683
	ii.	**Investments:**	30,615,100	22,400,038
		of which: Government securities	29,984,121	21,742,191
		of which: Other approved securities	–	–
		of which: Shares	–	–
		of which: Debentures & Bonds	630,979	657,847
		of which: Subsidiaries / Joint Ventures / Associates	–	–
		of which: Others (Commercial Papers, Mutual Funds etc.)	–	–
	iii.	**Loans and advances**	15,744,312	14,949,858
		of which: Loans and advances to banks	138,131	1,141,403
		of which: Loans and advances to customers	15,606,181	13,808,455
	iv.	**Fixed assets**	506,566	552,328
	v.	**Other assets**	49,932,742	27,016,510
		of which: Goodwill and intangible assets	–	–
		of which: Goodwill	–	–
		of which: Intangible assets	–	–
		Deferred tax assets	758,385	600,008
	vi.	Goodwill on consolidation	–	–
	vii.	Debit balance in Profit & Loss account	–	–
		Total Assets	**101,969,779**	**70,927,115**

Step 3: 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 step 2
1	Directly issued qualifying common share (and equivalent for non- joint stock companies) capital plus related stock surplus	14,493,750	14,493,750
2	Retained earnings	1,018,465	1,018,465
3	Accumulated other comprehensive income	1,552,952	1,405,795
4	(and other reserves)	–	–
5	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	–
6	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	17,065,167	16,918,010
7	Common Equity Tier 1 capital before regulatory adjustments	–	–
8	Prudential valuation adjustments	–	–
9	Goodwill (net of related tax liability)	4,858	11,993
10	Other intangibles other than mortgage-servicing rights (net of related tax liability)	758,385	600,008
11	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–
	Common Equity Tier 1 capital (CET1)	**16,301,924**	**16,306,009**

DF-13: Main Features of Regulatory Capital Instruments

The bank has not issued any regulatory capital instruments during the period.

DF 14: Full Terms and Conditions of Regulatory Capital Instruments
The bank has not issued any regulatory capital instruments during the period.

DF 15: Disclosure Requirements for Remuneration:
The Bank's compensation policies are 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 Head Office of the Bank in Paris, France has submitted a declaration to RBI confirming the aforesaid matter. Accordingly, no disclosure is required to be made in this regard.

DF 16: Equities – Disclosure for Banking Book Positions:

Qualitative Disclosures

Investment in Equities amounting to ₹71,016 (in 000s) as at 31st March 2020 are the shares obtained from restructuring of debt of client and are publicly traded. These have been full provided and therefore the Net Investment in Equities is nil.

Quantitative Disclosures
The Book value and Market value of quoted and unquoted securities are as follows: ₹in 000

Securities	Book Value	Market Value
Investment in Equities: Quoted	71,016	13,568
Investment in Equities: Unquoted	–	–

DF 17: Summary comparison of accounting assets vs. leverage ratio exposure measure:

	Item	(₹ in Millions)
1	Total consolidated assets as per published financial statements	101,970
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	100,790
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)	14,835
7	Other adjustments	(38,502)
8	**Leverage ratio exposure**	**179,093**

DF 18: Leverage ratio common disclosure template:

	Item	(₹ in Millions)
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	64,160
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(763)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	63,397
	Derivative exposures	
4	Replacement cost associated with all *derivatives* transactions (i.e. net of eligible cash variation margin)	36,201
5	Add-on amounts for PFE associated with *all* derivatives transactions	64,589
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)**	**100,790**
	Securities financing transaction exposures	
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	71
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)**	**71**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	37,201
18	(Adjustments for conversion to credit equivalent amounts)	(22,366)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**14,835**
	Capital and total exposures	
20	**Tier 1 capital**	**16,302**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**179,093**
	Leverage ratio	
22	**Basel III leverage ratio**	**9.1**

Deutsche Bank

India Annual Results 2019-2020
Deutsche Bank AG, India Branches
(Incorporated in Germany with limited liability)

INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer Deutsche Bank AG – India Branches

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Deutsche Bank AG – India Branches ("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 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 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 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 4(h)(x) of Schedule 18 to the financial statements which describes that the extent to which the COVID-19 Pandemic will impact the Bank's 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 Financial Statements and Auditor's Report Thereon

The Branch Management Board of the Bank is responsible for the other information. The other information comprises the Basel III - Pillar 3 Disclosure 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 Branch Management Board for Financial Statements

The Branch Management Board of the Bank 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 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 (the "RBI") from time to time as applicable to the 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 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, 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 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 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 the Management.
- Conclude on the appropriateness of the 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 financial statements of the Bank for the year ended March 31, 2019, were audited by another auditor whose report dated June 19, 2019 expressed an unmodified opinion on those financial statements.

Our opinion is not modified in respect of this matter.

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; and
   c. 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 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 RBI;
   e. The requirements of Section 164(2) of the Act is not applicable to the Bank considering it is a branch of Deutsche Bank AG, which is incorporated with limited liability in Germany;
   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 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 financial statements – Refer Schedule 12 and Note 4(n)(i) and 4(v) of Schedule 18 to the financial statements;
      ii. The Bank has made provision as at March 31, 2020, 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 4(g), 4(h)(i) and Note 4(n)(i) of Schedule 18 to the financial statements; and
      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.

For MSKC & Associates (Formerly known as R.K. Kumar & Co.)
Chartered Accountants
ICAI Firm Registration Number: 001595S

sd/-
Tushar Kurani
Partner
Membership Number: 118580
UDIN: 20118580AAAACD3673

Mumbai
June 22, 2020

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF DEUTSCHE BANK AG – 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 Chief Executive Officer of Deutsche Bank AG – 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 financial statements of Deutsche Bank AG - 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 ("the 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 financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, 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. 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 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 financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls With reference to financial statements

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

Opinion

In our opinion, the Bank has, in all material respects, adequate internal financial controls 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 with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

For MSKC & Associates (Formerly known as R.K. Kumar & Co.)
Chartered Accountants
ICAI Firm Registration Number: 001595S

sd/-
Tushar Kurani
Partner
Membership Number: 118580
UDIN: 20118580AAAACD3673

Mumbai
June 22, 2020

Deutsche Bank

India Annual Results 2019-2020
Deutsche Bank AG, India Branches
(Incorporated in Germany with limited liability)

Balance Sheet as on 31 March 2020

In thousands of Indian Rupees

Particulars	Schedule	31 March 2020	31 March 2019
Capital and Liabilities			
Capital	1	75,881,087	75,881,087
Reserves and Surplus	2	94,014,941	83,705,521
Deposits	3	599,095,565	555,408,831
Borrowings	4	139,736,932	167,252,499
Other Liabilities and Provisions	5	303,711,894	180,638,101
Total		**1,212,440,419**	**1,062,886,039**
Assets			
Cash and Balances with Reserve Bank of India	6	31,946,422	29,368,589
Balances with Banks and Money at Call and Short Notice	7	66,851,653	133,139,715
Investments	8	331,799,673	257,856,672
Advances	9	510,677,596	482,695,715
Fixed assets	10	1,138,329	1,238,112
Other assets	11	270,026,746	158,587,236
Total		**1,212,440,419**	**1,062,886,039**
Contingent liabilities	12	14,090,570,798	11,414,292,324
Bills for collection		373,538,918	644,660,349
Significant accounting policies and Notes to the financial statements	18		

The accompanying notes form an integral part of this Balance Sheet

Profit and Loss Account for the year ended 31 March 2020

In thousands of Indian Rupees

Particulars	Schedule	Year ended 31 March 2020	Year ended 31 March 2019
Income			
Interest Earned	13	66,541,712	56,762,129
Other Income	14	7,318,779	12,147,854
Total		**73,860,491**	**68,909,983**
Expenditure			
Interest Expended	15	28,760,907	25,421,677
Operating Expenses	16	19,959,024	18,620,632
Provisions and Contingencies	17	14,831,140	12,876,074
Total		**63,551,071**	**56,918,383**
Profit / (Loss)			
Net profit for the year		10,309,420	11,991,600
Profit brought forward		9,238,069	7,922,281
Total		**19,547,489**	**19,913,881**
Appropriations			
Transfer to statutory reserve		2,577,355	2,997,900
Transfer to/(from) investment fluctuation reserve		2,400,000	804,519
Transfer to/(from) investment reserve		(145,699)	(47,526)
Transfer to remittable surplus retained for CRAR requirements		–	6,920,919
Remittances to Head Office made during the year		–	–
Balance carried over to Balance Sheet		14,715,833	9,238,069
Total		**19,547,489**	**19,913,881**
Significant accounting policies and notes to the financial statements	18		

The accompanying notes form an integral part of this 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 **MSKC & Associates (Formerly known as R.K. Kumar & Co.)**
Chartered Accountants
Firm Registration No: 001595S

For **Deutsche Bank AG - India Branches**

Sd/-
Tushar Kurani
Partner
Membership No: 118580

Sd/-
Kaushik Shaparia
Chief Executive Officer – India

Sd/-
Avinash Prabhu
Chief Financial Officer – India

Place : Mumbai
Date : 22 June, 2020

Place : Mumbai
Date : 22 June, 2020

Deutsche Bank

India Annual Results 2019-2020
Deutsche Bank AG, India Branches
(Incorporated in Germany with limited liability)

Cash Flow Statement for the year ended 31 March 2020

In thousands of Indian Rupees

Particular	31 March 2020	31 March 2019
Cash Flow from operating activities		
Net profit before Taxes	19,816,226	22,652,704
Adjustment for:		
Depreciation and amortisation for the year	375,487	342,365
Provision for depreciation on investments	2,696,443	112,514
Provision for loan loss (net)	1,121,733	113,867
Provision for contingent credit exposures	(42,906)	47,811
Bad-debts written off	1,049,334	1,688,550
Provision for country risk	21,772	(5,035)
Provision for standard assets	47,936	1,214,149
Other Provisions	392,522	(956,886)
(Profit)/Loss on sale of fixed assets (net)	116,870	9,463
	25,595,417	25,219,502
Adjustment for:		
Increase / (Decrease) in deposits	43,686,734	88,011,071
Increase / (Decrease) in other liabilities and provisions	122,654,469	90,134,410
(Increase) / Decrease in investments	(76,639,444)	(67,757,658)
(Increase) / Decrease in advances	(30,152,948)	(92,023,569)
(Increase) / Decrease in other assets	(110,590,785)	(83,044,185)
	(25,446,557)	(39,460,429)
Income tax paid	(10,355,531)	(10,133,001)
Net cash flow from / (used in) operating activities (A)	**(35,802,088)**	**(49,593,430)**
Cash flows from investing activities		
Purchase of fixed assets	(249,041)	(549,003)
Capital Work-in-progress	(146,900)	51,078
Proceeds from sale of fixed assets	3,367	951
Net cash flow from/(used in) investing activities (B)	**(392,574)**	**(496,974)**
Cash flows from financing activities		
Increase in Capital	–	28,540,000
Remittance of profit to Head Office	–	–
Increase / (Decrease) in borrowings (net)	(27,515,567)	59,668,901
Net cash flow from/(used in) financing activities (C)	**(27,515,567)**	**88,208,901**
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	**(63,710,229)**	**38,118,497**
Cash and cash equivalents at beginning of the year	162,508,304	124,389,807
Cash and cash equivalents at end of the year	98,798,075	162,508,304
Net Increase / (Decrease) in cash and cash equivalents	(63,710,229)	38,118,497
Notes on cash flow statement		
1. Cash and balances with Reserve Bank of India	31,946,422	29,368,589
Balances with banks and money at call and short notice	66,851,653	133,139,715
Cash and cash equivalents at end of the year	**98,798,075**	**162,508,304**

2. The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This is the Cash Flow Statement referred to in our report of even date.

For **MSKC & Associates (Formerly known as R.K. Kumar & Co.)**
Chartered Accountants
Firm Registration No: 001595S

Sd/-
Tushar Kurani
Partner
Membership No: 118580

Place : Mumbai
Date : 22 June, 2020

For **Deutsche Bank AG - India Branches**

Sd/-
Kaushik Shaparia
Chief Executive Officer – India

Sd/-
Avinash Prabhu
Chief Financial Officer – India

Place : Mumbai
Date : 22 June, 2020

Deutsche Bank

India Annual Results 2019-2020
Deutsche Bank AG, India Branches
(Incorporated in Germany with limited liability)

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

In thousands of Indian Rupees

Particulars	31 March 2020	31 March 2019
Schedule 1 - Capital		
Amount of deposit with Reserve Bank of India (at face value) under Section 11 (2) (b) of the Banking Regulation Act, 1949	30,750,000	28,150,000
Head Office Account		
Opening Balance (including start-up capital of Rs 2 million and remittances from Head office)	75,881,087	47,341,087
Additions during the year	–	28,540,000
Total	**75,881,087**	**75,881,087**
Schedule 2 - Reserves and Surplus		
1 Statutory reserve		
Opening Balance	29,688,575	26,690,675
Additions during the year: Additions : Transfer from Profit and Loss Account	2,577,355	2,997,900
	32,265,930	**29,688,575**
2 Capital reserve		
Opening Balance	360,607	360,607
Additions during the year	–	–
	360,607	**360,607**
3 Investment fluctuation reserve		
Opening Balance	804,519	**–**
Additions/(Deductions) : Transfer from/(to) Profit and Loss Account (Refer Schedule 18 Note-4 n iii b)	2,400,000	**804,519**
	3,204,519	**804,519**
4 Investment reserve		
Opening Balance	145,699	193,225
Additions/(Deductions) : Transfer from/(to) Profit and Loss Account (Refer Schedule 18 Note-4 n iii a)	(145,699)	(47,526)
	-	**145,699**
5 Balance in Profit and Loss Account	**14,715,833**	**9,238,069**
6 Remittable Surplus retained for CRAR requirements		
Opening Balance	43,468,052	36,547,133
Additions : Transfer from Profit and Loss Account	–	6,920,919
	43,468,052	**43,468,052**
Total	**94,014,941**	**83,705,521**
Schedule 3 - Deposits		
1 (a) Demand deposits		
i. From banks	14,199,869	15,180,169
ii. From others	300,888,085	227,673,570
	315,087,954	**242,853,739**
(b) Savings bank deposits	**24,728,970**	**20,970,403**
(c) Term deposits		
i. From banks	-	-
ii. From others	259,278,641	291,584,689
	259,278,641	**291,584,689**
Total	**599,095,565**	**555,408,831**
2 (i) Deposits of branches in India	**599,095,565**	555,408,831
(ii) Deposits of branches outside India	**-**	**-**
Total	**599,095,565**	**555,408,831**

Particulars	31 March 2020	31 March 2019
Schedule 4 - Borrowings		
1 Borrowings in India		
(a) Reserve Bank of India	1,120,000	7,500,000
(b) Other Banks	7,628	-
(c) Other institutions and agencies	124,661,805	111,343,999
	125,789,433	**118,843,999**
2 Borrowings outside India		
Other Banks	13,947,499	48,408,500
	13,947,499	**48,408,500**
Total	**139,736,932**	**167,252,499**
Secured borrowings included in 1 and 2 above	**110,781,806**	**118,843,999**
Schedule 5 - Other Liabilities and Provisions		
1 Bills payable	2,429,930	4,776,047
2 Inter-office adjustments - branches in India (net)	1,263	-
3 Interest accrued	9,227,865	8,808,121
4 Provision for taxation (net of tax paid in advance / tax deducted at source)	-	-
5 Others (including provisions) (Refer Schedule 18 Note-4 h vi)	292,052,836	167,053,933
Total	**303,711,894**	**180,638,101**
Schedule 6 - Cash and Balances with Reserve Bank of India		
1 Cash in hand (including foreign currency notes)	174,570	130,800
2 Balances with Reserve Bank of India		
(a) in current account	31,771,852	29,237,789
(b) in other accounts	-	-
Total	**31,946,422**	**29,368,589**
Schedule 7 - Balances with Banks and Money at Call and Short Notice		
1 In India		
(a) Balances with banks		
i. in current accounts	68,980	35,661
ii. in other deposit accounts	552,500	2,052,500
(b) Money at call and short notice		
i. with banks	31,820,000	71,390,000
ii. with other institutions	8,636,435	14,280,876
2 Outside India		
(a) in current accounts	12,154,038	17,718,678
(b) in deposit accounts	–	–
(c) Money at call and short notice	13,619,700	27,662,000
Total	**66,851,653**	**133,139,715**

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

In thousands of Indian Rupees

Particulars		31 March 2020	31 March 2019
Schedule 8 - Investments			
(1)	**Investments in India in:**		
1	Government securities	261,306,910	229,965,794
2	Other approved securities	–	–
3	Shares	648,835	648,798
4	Debentures and bonds	26,516,185	27,667,884
5	Others (Includes Security Receipts, Pass Through Certificates)	8,955,428	339,514
Gross Investments in India		**297,427,358**	**258,621,990**
Less : Provision for depreciation on investments		(3,461,761)	(765,318)
	Total	**293,965,597**	**257,856,672**
(2)	**Investments outside India in:**		
1	Government securities	37,834,076	–
Less : Provision for depreciation on investments		–	–
		37,834,076	**–**
Total Investments		**331,799,673**	**257,856,672**
Schedule 9 - Advances			
1	(a) Bills purchased and discounted	68,081,593	73,019,548
	(b) Cash credits, overdrafts and loans repayable on demand	226,440,122	192,417,565
	(c) Term loans	216,155,881	217,258,602
	Total	**510,677,596**	**482,695,715**
2	(a) Secured by tangible assets (includes advances against book debts)	247,541,568	257,320,771
	(b) Covered by bank / Government guarantees	1,477,070	2,670,388
	(c) Unsecured	261,658,958	222,704,556
	Total	**510,677,596**	**482,695,715**
3	Advances in India		
	(a) Priority sector	162,239,018	144,313,960
	(b) Public sector	10,616,794	705,153
	(c) Banks	5,853,175	10,847,445
	(d) Others	331,968,609	326,829,157
	Total	**510,677,596**	**482,695,715**
Schedule 10 - Fixed Assets			
1	**Premises (including leasehold improvements)**		
	(a) Cost as on 31st March of the preceding year	1,263,982	1,260,762
	(b) Additions during the year	21,100	71,973
	(c) Deductions during the year	(4,635)	(68,753)
	(d) Accumulated depreciation to date (Refer Schedule 18 Note-4 m vi i)	(995,329)	(904,319)
	Net Block	**285,118**	**359,663**
2	**Other Fixed Assets (including furniture and fixtures)**		
	(a) Cost as on 31st March of the preceding year	2,269,670	1,896,807
	(b) Additions during the year	227,941	477,030
	(c) Deductions during the year	(178,947)	(104,167)
	(d) Accumulated depreciation to date (Refer Schedule 18 Note-4 m vi i)	(1,666,543)	(1,445,411)
	Net Block	**652,121**	**824,259**
3	**Capital Work-in-progress**	201,090	54,190
	Total	**1,138,329**	**1,238,112**
Schedule 11 - Other Assets			
1	Inter-office adjustments - branches in India (net)	-	502
2	Interest accrued	6,017,621	5,402,257
3	Tax paid in advance / tax deducted at source (net of provision for taxation)	6,522,875	6,358,033
4	Stationery and stamps	549	604
5	Others (including deferred tax - Refer Schedule 18 Note - 4 m iv)	257,485,701	146,825,840
	Total	**270,026,746**	**158,587,236**
Schedule 12 - Contingent Liabilities			
1	Claims against the Bank not acknowledged as debts (including tax related matters)	2,808,421	3,301,759
2	Liability on account of outstanding foreign exchange contracts	5,918,245,182	5,591,366,751
3	Guarantees given on behalf of constituents		
	(a) In India	138,075,187	156,174,596
	(b) Outside India	42,400,114	44,234,980
4	Acceptances, endorsements and other obligations	20,404,174	47,833,994
5	Bills rediscounted	-	-
6	Other Items for which the Bank is contingently liable		
	(a) Swaps	7,283,619,067	4,936,954,291
	(b) Options	644,743,317	562,630,666
	(c) Futures	-	5,260,748
	(d) Other items	40,275,336	66,534,539
	Total	**14,090,570,798**	**11,414,292,324**

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

In thousands of Indian Rupees

Particulars		Year ended 31 March 2020	Year ended 31 March 2019
Schedule 13 - Interest Earned			
1	Interest/discounts on advances/bills	42,112,651	37,233,587
2	Income on investments	19,581,579	15,138,664
3	Interest on balances with Reserve Bank of India and other interbank funds	4,808,132	4,342,562
4	Others	39,350	47,316
	Total	**66,541,712**	**56,762,129**
Schedule 14 - Other Income			
1	Commission, exchange and brokerage (net) (including custodial and depository income)	5,259,347	4,672,670
2	Profit / (Loss) on sale of investments (net)	1,150,286	804,519
3	Profit / (Loss) on sale of fixed assets (net)	(116,870)	(9,463)
4	Profit / (Loss) on exchange transactions (net)	22,991	5,862,800
5	Miscellaneous Income / (Loss)	1,003,025	817,328
	Total	**7,318,779**	**12,147,854**
Schedule 15 - Interest Expended			
1	Interest on deposits	21,873,459	19,461,525
2	Interest on Reserve Bank of India and other interbank borrowings (including from other money market participants)	6,845,998	5,857,797
3	Others	41,450	102,355
	Total	**28,760,907**	**25,421,677**

Particulars		Year ended 31 March 2020	Year ended 31 March 2019
Schedule 16 - Operating Expenses			
1	Payments to and provisions for employees (Refer Schedule 18 Note-4 m i) (net of cost recoveries)	5,651,992	5,845,197
2	Rent, taxes and lighting (net of cost recoveries) (Refer Schedule 18 Note-4 m v)	908,817	921,727
3	Printing and stationery	35,681	37,376
4	Advertisement and publicity	80,584	50,071
5	Depreciation on Bank's property	375,487	342,365
6	Auditors' fees and expenses	5,460	3,900
7	Law charges	59,946	78,661
8	Postage, telegrams, telephones, etc.	362,246	323,035
9	Repairs and maintenance	372,431	426,595
10	Insurance	648,005	516,137
11	Head office charges	2,034,573	2,319,705
12	Other expenditure (net of cost recoveries) (Refer Schedule 18 Note-4 m vi iii)	9,423,802	7,755,863
	Total	**19,959,024**	**18,620,632**
Schedule 17 - Provision and Contingencies			
1	Provision for loan loss (net)	1,121,733	113,867
2	Provision / (write back) for contingent credit exposures	(42,906)	47,811
3	Provision made on sale of NPA	37,500	-
4	Provision / (write back) for standard assets	47,936	1,214,149
5	Provision / (write back) for country risk	21,772	(5,035)
6	Bad debts written off	1,049,334	1,688,550
7	Provision / (write back) for depreciation on investments	2,696,443	112,514
8	Other Provisions (net)	392,522	(956,886)
9	Provision for taxation:		
	(a) Current tax	10,190,689	11,169,254
	(b) Deferred tax (Refer Schedule 18 Note-4 m iv)	(683,883)	(508,150)
	Total	**14,831,140**	**12,876,074**

Schedule 18: Notes forming part of the financial statements of the India Branches

For the year ended 31 March 2020

1. Background

The accompanying financial statements for the year ended 31 March 2020 comprise accounts of the India Branches of Deutsche Bank AG (the 'Bank') which is incorporated in Germany with limited liability.

2. Basis of preparation and use of estimates

The financial statements have been prepared and presented under the historical cost convention and on accrual basis of accounting, unless otherwise stated, and are in accordance with the generally accepted accounting principles and statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') and Accounting Standards ('AS') specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Account) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules 2016 to the extent applicable and conform to the statutory requirements prescribed by the RBI from time to time and current practices prevailing within the banking industry in India.

The preparation of the financial statements in conformity with the generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities (including contingent liabilities), revenues and expenses as at the date of the financial statements. Actual results could differ from those estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

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Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
For the year ended 31 March 2020

3. Significant accounting policies

a. Foreign currency translation

Monetary foreign currency assets, liabilities and contingent liabilities on account of guarantees, endorsements and other outstandings are translated at the Balance Sheet date at rates notified by the Foreign Exchange Dealers Association of India ('FEDAI'). Revenue and expenses in foreign currency are translated at the rates prevailing on the date of the transaction. Profits/losses resulting from year-end revaluations are included in the Profit and Loss Account.

b. Investments

i. Investments are categorised as Held to Maturity ('HTM'), Available for Sale ('AFS') and Held for Trading ('HFT') in accordance with the RBI guidelines based on intent at the time of acquisition. However, for disclosure in the Balance Sheet, these Investments are classified as Investments in India & Outside India. These are further classified as Government securities, Other approved securities, Shares, Debentures and bonds, Investment in subsidiaries / joint ventures and other investments. These are valued in accordance with extant RBI guidelines.

Investments, which the Bank intends to hold till maturity are classified as HTM investments. Investments that are held principally for resale within a short period are classified as HFT investments. All other investments are classified as AFS investments.

ii. Investments under HTM are carried at acquisition cost or amortised cost if acquired at a premium. The premium, if any, is amortised over the remaining life of the security on a straight line basis, while discount, if any, is ignored. Profit on sale of HTM securities is appropriated to Capital Reserve net of income tax and statutory reserve while loss, if any, is charged to the Profit and Loss Account. A provision is made for other than temporary diminution, if any, in the value of HTM investments.

iii. Investments under AFS and HFT categories are revalued periodically as per RBI guidelines. Securities under each category are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net depreciation, if any, is provided for and net appreciation, if any, is ignored. Net depreciation required to be provided for in any one classification is not reduced on account of net appreciation in any other classification.

iv. Treasury bills including US Treasury bills, commercial paper and certificate of deposits, being discounted instruments, are valued at carrying cost.

v. The market/ fair value applied for the purpose of periodical valuation of quoted investments included in the AFS and HFT categories is the market price of the scrip as available from the trades/ quotes on the stock exchanges, or the prices periodically declared by Fixed Income Money Market and Derivatives Association ('FIMMDA')/ Financial Benchmark India Private Limited ('FBIL').

vi. The market/ fair value of unquoted government securities included in the AFS and HFT category is determined as per the RBI guidelines. Further, in the case of unquoted fixed income securities (other than government securities), valuation is carried out by applying an appropriate mark-up (reflecting associated credit risk) over the Yield to Maturity ('YTM') rates of government securities of similar tenor. Such mark up and YTM rates applied are as per the relevant rates published by FIMMDA/FBIL.

vii. Investments in security receipts issued by asset reconstruction companies are valued at the latest Net Asset Values ("NAV") obtained from the asset reconstruction companies.

viii. Investments in pass through certificates (PTC's) are valued by adopting base yield curve and corporate bond spread relative to weighted average maturity of the security.

ix. Quoted equity shares are valued at their closing price on a recognised stock exchange. Unquoted equity shares are valued at the book value if the latest balance sheet is available, else, at Re. 1 per company, as per relevant RBI guidelines.

x. Cost of investments is based on the weighted average cost method.

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

xii. Brokerage, commission, etc. paid at the time of purchase / sale is charged to the Profit and Loss Account.

xiii. Repurchase (repo) and reverse repurchase (reverse repo) transactions are accounted for as secured borrowing and lending contracts, respectively, in accordance with the extant RBI guidelines. The transactions with RBI under Liquidity Adjustment Facility ("LAF") are also accounted for as secured borrowing and lending transactions. These transactions are reflected under Schedule 4.1 and Schedule 7.1 accordingly.

xiv. The Bank undertakes short sale transactions in Central Government dated securities. In accordance with the RBI guidelines, such short positions are categorised as HFT and are classified under Schedule 5.5. 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.

xv. The difference between the consideration amount of first leg and second leg of the repo/ reverse repo is recognised as interest expense/ income in the Profit and Loss Account.

xvi. The Bank follows settlement date accounting for recording purchase and sale of investments.

xvii. Non-performing investments are identified and provision is made thereon based on the RBI guidelines. The provision on such non-performing investments is not set off against the appreciation in respect of other performing investments.

xviii. Transfer of investments between categories is accounted in accordance with the extant RBI guidelines.

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

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

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

c. Derivatives transactions

i. The Bank enters into derivative contracts such as interest rate swaps, interest rate futures, currency swaps, currency futures, foreign currency-rupee options, cross currency options and foreign exchange contracts for hedging or trading purposes.

ii. All derivative transactions are reported on a mark to market basis in the financial statements, except in the case of derivatives undertaken as hedges for risk arising from on-Balance Sheet / off-Balance Sheet exposures. The mark to market is performed based on the valuation procedures described in para 4 (g) of the Notes to the Accounts. The unrealised gains/losses are recognised in the Profit and Loss Account and the corresponding amounts are reflected as other assets/liabilities respectively in the Balance Sheet.

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Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
For the year ended 31 March 2020

3. Significant accounting policies *(Continued)*

c. Derivatives transactions *(continued)*

iii. The accounting for derivatives transactions undertaken as hedges is as follows:

Derivative contracts that hedge interest bearing assets or liabilities are valued for in the same manner as the underlying asset or liability. The bank identifies the hedged item (asset or liability) at the inception of the transaction itself.

Gains or losses on the termination of derivative transaction would be recognised when the offsetting gain or loss is recognised on the underlying asset or liability. This implies that any gain or loss on the terminated derivative would be deferred and recognised over the shorter of the remaining contractual life of the derivative or the remaining life of the asset/liability.

iv. Overdue receivables under derivative contracts are classified as non-performing when unpaid for a period of 90 days and recognised through the Profit and Loss Account in accordance with applicable RBI guidelines.

v. Foreign exchange contracts outstanding at the Balance Sheet date are marked to market as per methodology and at rates notified by FEDAI for specified maturities, suitably interpolated for in-between maturity contracts as specified by FEDAI. Contracts of maturities over twelve months (Long Term Forex Contracts) are marked to market at rates derived from the Reuters curve for that respective currency. The resulting profits or losses are recognised in the Profit and Loss Account.

vi. In case of currency option trades, the premium received / paid is reflected on the Balance Sheet and recognised in the Profit and Loss Account only on maturity of trade.

d. Advances and provision for advances

i. Advances are stated after deduction of borrowings on inter-bank participation certificate with risk, interest in suspense, bills rediscounting and provisions on non-performing advances.

ii. Non-performing advances are identified by periodic appraisals of the portfolio by the Management and appropriate provisions are made which meet the prudential accounting norms prescribed by the RBI for asset classification, income recognition, and provisioning after considering subsequent recoveries.

Further to the provisions required to be held according to the asset classification status, country risk provisions are held for individual country exposures (other than for home country exposure) in accordance with RBI guidelines.

iii. For standard assets, general provision has been made as prescribed by the RBI. In addition, the Bank also maintains a floating provision to cover potential credit losses which are inherent in any loan portfolio but not yet identified, which is included under Schedule 5.5.

iv. Purchase / sale of non-performing assets are reflected in accordance with the RBI regulations. Provisioning for non-performing assets purchased is made appropriate to the asset classification status determined in accordance with the said guidelines. In case of sale of non-performing assets at a price below the net book value, the loss is debited to the Profit and Loss Account whereas in case of a sale at higher than the net book value, the excess provision is not reversed but retained to meet the shortfall / loss on account of sale of other non-performing financial assets, except in case of sale of non-performing assets to Securitisation Company (SC) / Reconstruction Company (RC) where any excess provision is reversed to Profit and Loss Account in accordance with applicable RBI guidelines on sale of financial assets to SC / RC. Recovery in respect of a non-performing asset purchased is first adjusted against its acquisition cost. In case of sale of non-performing assets to SC/RC, recovery in excess of the acquisition cost is recognised as gain in the Profit and Loss Account.

v. Provisions for restructured assets are made in accordance with applicable RBI guidelines on restructuring of advances by banks.

vi. In addition to above, the Bank on a prudential basis makes provisions on specific advances or exposures which are not NPAs, but has reasons to believe on the basis of the extant environment or specific information, the possible slippage of a specific advance or a group of advances or exposures or potential exposures. These provisions are included under Schedule 5.5.

e. Fixed assets and depreciation

i. Fixed assets are stated at historical cost less accumulated depreciation and impairment, if any. 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 benefit / functioning capability from / of such assets.

ii. Fixed assets individually costing less than Rs 30 thousand are expensed off in the Profit and Loss Account.

iii. 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 and is consistent with its global policy / RBI guidelines as prescribed. The rates for this purpose are as follows:

Asset Type	Estimated useful life
Cost of buildings	40 years
Other fixed assets	
■ Furniture, fixtures and office equipment	10 years
■ Vehicles	5 years
■ Electronic Data Processing (EDP) hardware	3 years
■ Communication equipment	5 years

iv. Depreciation for the entire month is charged in the month in which the asset is purchased.

v. Depreciation for the entire month is charged in the month of sale if the asset is sold after 15th day of the month. Depreciation is not provided for the month of sale if the asset is sold on or before 15th of the month.

vi. Leasehold improvements are depreciated over the residual period of the lease or over a period of 10 years whichever is shorter.

vii. Software is amortised on a straight-line basis over its estimated useful life upto 10 years.

viii. If at the Balance Sheet date there is an indication that an impairment of fixed assets exists, the recoverable amount is reassessed and the asset is reflected at the 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 its depreciable historical cost.

Items of fixed asset that have been retired from active use and are held for sale are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements.

ix. Leasehold land and building thereon is amortised over the period of lease. The lease period of land, acquired by the Bank from Brihanmumbai Municipal Corporation ('BMC') on which the Bank has a building has expired in year 2004. The Bank's solicitor has advised that, based on the current policy on lease renewals of the Government of Maharashtra, the lease/sublease for the bank's premises is expected to be renewed for a period of 30 years on usual term and conditions. Accordingly, the Bank has amortised the leasehold land and building for 30 years.

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Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
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3. Significant accounting policies *(Continued)*

f. Lease transactions:

Lease of assets under which all the risks and benefits of ownership 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.

g. Income recognition

i Revenue is recognised in accordance with the requirements of AS-9 'Revenue Recognition'. Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of interest on non-performing assets which is recognised on receipt basis as per income recognition and asset classification norms of RBI and in accordance with AS 9.

ii. Fee and commission income is recognised on an accrual basis. Commission income on guarantees and acceptances are recognised over the life of the contract.

iii. Income on discounted instruments is recognized over the tenure of the instrument.

iv. The Bank, in accordance with extant RBI guidelines, enters into transactions for sale or purchase of Priority Sector Lending Certificates (PSLC). The fee received for sale of PSLCs is recorded under Schedule 14.5 and fee paid for purchase of the PSLCs is recorded under Schedule 16.12.

h. Staff benefits

i. The Bank pays gratuity to employees who retire or resign after a minimum prescribed period of continuous service. For employees who have joined the Bank on or before 31 December 2015, the Bank's Gratuity Scheme provides benefits to employees which are generally higher than those under the Payment of Gratuity Act, 1972. For employees joining on or after 1 January 2016, gratuity payment is as per the provisions of the Payment of Gratuity Act, 1972. The Bank makes contributions to a separate gratuity fund on a monthly basis subject to adjustments based on actuarial valuation. This fund is recognised by the Income-tax authorities and administered by a trust. The Gratuity Scheme is treated as a defined benefit plan and provision for gratuity expenses are made based on an independent actuarial valuation conducted by a qualified actuary at year-end as per method prescribed in AS 15, Employee benefits (revised).

ii. The Bank contributes 12% of basic salary as employer's contribution towards Provident Fund which is administered by a trust. This Provident Fund is classified as a defined benefit plan under AS 15, Employee benefits (revised) as the same is created with a guaranteed return linked with that under Employees Provident Fund ('EPF') Scheme, 1952. The trust has the option of retaining an appropriate amount out of the amount earned, in a separate account (Surplus account) to finance future shortfalls, if any, after paying out an amount equal to or greater than the guaranteed rate of return. During the year the actuary has estimated the present value obligation (PVO) of the future guaranteed rate(s) of interest as per the guidance from the Institute of Actuaries of India in this regard. The shortfall if any of the PVO and the fair value of surplus account is reflected in the Profit and Loss Account for the year.

iii. Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the financial year are treated as short term benefits. The Bank measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

iv. Eligible employees of the Bank have been granted stock awards under various plans of equity shares of Deutsche Bank AG. As per the various plans, these stock awards vest in installments (tranches) over multi year periods. During the year, the Bank has charged an amount pertaining to these under the head "Payments to and provisions for employees" as compensation cost.

v. Actuarial gains/losses are immediately taken to the Profit and Loss Account.

i. Taxation

i. Income tax expense comprises the current tax (i.e. amount of tax for the year, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the deferred tax charge or credit comprises the tax effects of timing differences between accounting income and taxable income for the year.

ii. 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 substantially enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent 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 only if there is virtual certainty of realisation of such assets.

iii. Current tax assets and Current tax liabilities are off-set as the Bank has a legal right to set off the amounts representing taxes on income levied by the same governing taxation laws and the Bank intends to settle the amounts on a net basis. Deferred tax assets and deferred tax liabilities are off-set as the Bank has a legal right to set off the assets and liabilities and the amounts are related to the taxes on income levied by the same governing taxation laws.

iv. Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realised.

j. Provisions, contingent liabilities and contingent assets

i. The Bank creates a provision when there is 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 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.

ii. 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.

iii. Contingent assets are not recognised or disclosed in the financial statements.

k. Debit Card Reward Points

The Bank estimates the probable redemption of debit card reward points based on an independent actuarial valuation conducted by a qualified actuary at year-end. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the actuary.

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4. Notes to financial statements

a. Capital adequacy ratio

The Bank is subject to the Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till September 30, 2020.

The capital adequacy ratio computed under Basel III is given below:

		31 March 2020	31 March 2019
i)	Common Equity Tier 1 capital ratio	**14.11%**	15.37%
ii)	Tier 1 capital ratio	**14.11%**	15.37%
iii)	Tier 2 capital ratio	**0.82%**	0.66%
iv)	**Total Capital ratio (CRAR)**	**14.93%**	16.03%
v)	Percentage of the shareholding of the Government of India in public sector banks	**NA**	NA
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 and risk weighted assets:

(In Rs.'000)

	31 March 2020	31 March 2019
Common Equity Tier 1 (CET1) capital	**151,390,595**	148,893,536
Tier 1 capital	**151,390,595**	148,893,536
Tier 2 capital	**8,801,955**	6,440,446
Total capital	**160,192,550**	155,333,982
Total risk weighted assets	**1,073,134,308**	968,816,930

b. Investments

(In Rs.'000)

				31 March 2020	31 March 2019
(1)	Value of Investments				
	(i)	Gross Value of Investments			
		(a)	In India	**297,427,358**	258,621,990
		(b)	Outside India	**37,834,076**	-
	(ii)	Provisions for Depreciation			
		(a)	In India	**(3,461,761)**	(765,318)
		(b)	Outside India	**-**	-
	(iii)	Net Value of Investments			
		(a)	In India	**293,965,597**	257,856,672
		(b)	Outside India	**37,834,076**	-
(2)	Movement of provisions held towards depreciation on investments.				
	(i)	Opening balance (as on 1 April)		**765,318**	652,804
	(ii)	Add: Provisions made during the year		**2,696,443**	112,514
	(iii)	Less: Write-off/ (write-back) of excess provisions during the year		**-**	-
	(iv)	Closing balance (as on 31 March)		**3,461,761**	765,318

Investments – Government securities (Schedule 8.1) include:

1) Government securities amounting to Rs. 34,900,000 thousand representing face value (Previous year: Rs. 53,330,000 thousand) are collateral holdings parked with Clearing Corporation of India Limited ('CCIL') for Securities segment and Triparty Repo ('TREPS') segment.

2) Government securities amounting to Rs. 1,093,360 thousand representing face value (Previous year Rs. 7,185,560 thousand) are reported under Liquidity Adjustment Facility ('LAF') with RBI.

3) Government securities amounting to Rs. 13,350,000 thousand representing face value (Previous year: Rs. 13,350,000 thousand) are deposited with RBI in Intra Day Liquidity ('IDL') for availing Real Time Gross Settlement ('RTGS').

4) Government securities amounting to Rs. 30,750,000 thousand representing face value (Previous year Rs. 28,150,000 thousand) are held with RBI under Section 11(2)(b) of the Banking Regulation Act, 1949.

5) Government securities amounting to Rs. 55,351,300 thousand representing face value (Previous year Rs. 33,294,600) are given under repurchase transactions.

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Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
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4. Notes to financial statements *(Continued)*

c. Details of repo / reverse repo deals done during the year (in face value terms):

(In Rs. '000)

31 March 2020	**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	**–**	**55,153,706**	**8,931,353**	**55,153,706**
(ii) Corporate debt Securities	**–**	**–**	**–**	**–**
Securities purchased under reverse repo				
(i) Government securities	**3,893,484**	**140,686,923**	**44,840,091**	**8,636,435**
(ii) Corporate debt Securities	**–**	**–**	**–**	**–**

The above figures exclude Repo & Reverse Repo transactions under LAF and Marginal Standing Facility (MSF) done with RBI.

(In Rs. '000)

31 March 2019	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	–	74,590,100	13,534,837	47,794,600
(ii) Corporate debt Securities	–	–	–	–
Securities purchased under reverse repo				
(i) Government securities	1,200,000	111,134,100	28,271,263	15,100,000
(ii) Corporate debt Securities	–	–	–	–

The above figures exclude Repo & Reverse Repo transactions under LAF and Marginal Standing Facility (MSF) done with RBI.

d. Issuer composition of non statutory liquidity ratio investments

(In Rs.'000)

Issuer 31 March 2020	**Amount**	**Extent of private placement**	**Extent of 'below investment grade' securities**	**Extent of 'unrated' securities***	**Extent of 'unlisted' securities**
Public sector undertakings	**504,679**	**–**	**–**	**–**	**–**
Financial Institutions (FIs)	**3,299,341**	**–**	**–**	**–**	**–**
Banks	**2,389,238**	**–**	**–**	**–**	**–**
Private Corporate	**20,971,761**	**16,230,963**	**–**	**–**	**1,909,250**
Subsidiaries / Joint Ventures	**–**	**–**	**–**	**–**	**–**
Others (including SC/RC, PTC's & US T-Bills)	**46,789,505**	**8,955,428**	**–**	**336,213**	**336,213**
Provision held towards depreciation	**(3,461,761)**	**(3,461,761)**	**–**	**(336,213)**	**(339,213)**
Total	**70,492,763**	**21,724,630**	**–**	**–**	**1,906,250**

Amounts reported under the above columns are not mutually exclusive.
*Excludes investment in equity shares

(In Rs.'000)

Issuer 31 March 2019	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities*	Extent of 'unlisted' securities
Public sector undertakings	–	–	–	–	–
Financial Institutions (FIs)	–	–	–	–	–
Banks	–	–	–	–	–
Private Corporate	28,316,682	22,315,165	–		1,440,994
Subsidiaries / Joint Ventures	–	–	–	–	–
Others (including SC/RC)	339,514	339,514	–	339,514	339,514
Provision held towards depreciation	(765,318)	(765,318)	–	(339,514)	(342,514)
Total	27,890,878	21,889,361	–	–	1,437,994

Amounts reported under the above columns are not mutually exclusive.

*Excludes investment in equity shares

e. Movement in non-performing non-SLR investments

(In Rs.'000)

	31 March 2020	31 March 2019
Opening Balance	**425,804**	66,000
Addition during the year	**3,370,037**	359,804
Reductions during the year	**–**	–
Closing Balance	**3,795,841**	425,804
Total Provisions held	**3,125,548**	425,804

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
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4. Notes to financial statements *(Continued)*

f. Sale and Transfers to/from HTM category

During the year, the Bank has not sold /transferred securities to/from HTM category (Previous year Rs Nil).

g. Derivatives

i Details of outstanding interest rate swap agreements

(In Rs.'000)

		31 March 2020	31 March 2019
1.	The Notional principal of swap agreements	**6,868,087,138**	4,662,853,883
2.	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**114,734,642**	41,590,856
3.	Collateral required by the bank upon entering into swaps	**Nil**	Nil
4.	Concentration of credit risk arising from the Swaps %		
–	Banks (Including CCIL)	**96.51%**	97.18%
–	Others	**3.49%**	2.82%
Total		**100.00%**	100.00%
5.	The fair value of the swap book	**(2,714,000)**	39,372

■ Nature and terms of interest rate swaps

(In Rs.'000)

		31 March 2020	31 March 2019
Trading – MIBOR[1]	Pay Fixed - Receive Floating	**2,415,393,368**	1,645,662,127
Trading – MIBOR[1]	Pay Floating - Receive Fixed	**2,378,132,533**	1,840,683,404
Trading – MIFOR[2]	Pay Fixed - Receive Floating	**520,170,000**	309,470,000
Trading – MIFOR[2]	Pay Floating - Receive Fixed	**307,000,000**	209,590,000
Trading – INBMK[3]	Pay Fixed - Receive Floating	**8,250,000**	8,250,000
Trading – INBMK[3]	Pay Floating - Receive Fixed	**5,500,000**	9,500,000
Trading – Others (Incl LIBOR[4])	Pay Fixed - Receive Floating	**468,545,926**	264,259,873
Trading – Others (Incl LIBOR[4])	Pay Floating - Receive Fixed	**536,972,087**	270,096,102
Trading – LIBOR[4]	Pay Floating - Receive Floating	**225,217,997**	102,616,072
Trading – EUBOR[5]	Pay Floating - Receive Floating	**2,905,227**	2,726,305
Total		**6,868,087,138**	**4,662,853,883**

1 Mumbai Interbank Offer Rate ; 2 Mumbai Interbank Forward Offer Rate ; 3 India Benchmark ; 4 London Interbank Offered Rate ; 5 Euro Interbank Offered Rate

■ There were no rupee forward rate agreements (FRA's) outstanding as at 31 March 2020 and 31 March 2019.

ii Exchange Traded Interest Rate Derivatives

(In Rs.'000)

		31 March 2020	31 March 2019
(i)	Notional principal amount of exchange traded interest rate derivatives under-taken during the year (instrument-wise)*	–	–
	a) 10 year Government Security Notional Bond	–	–
(ii)	Notional principal amount of exchange traded interest rate derivatives out-standing	–	–
	b) 10 year Government Security Notional Bond		
(iii)	Notional principal amount of exchange traded interest rate derivatives out-standing and not "highly effective"	–	–
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"		

* Includes both purchase and sale.

iii Disclosures on risk exposure in Derivatives

Qualitative Disclosures

The Bank undertakes transactions in derivative products in accordance with the extant guidelines issued by the RBI. The broad risk Management framework covering the Bank's derivative business is covered in the below paragraphs.

The Bank undertakes transactions in derivative products either in the role of a user or as market maker.

The risk governance framework at the Bank including for derivatives is designed according to a three lines of defence (3LoD) operating model in order to ensure clear accountabilities for and a comprehensive, but non-duplicative, coverage of all risk management activities across the Bank.

The Bank requires strict independence between its 3LoD in order to avoid conflicts of interest by an appropriate separation of functions and responsibilities. The Bank requires all lines of defence to establish an effective and efficient internal governance structure with well-defined roles and responsibilities.

Risk Management Council (RMC) has been established to oversee credit risk, market risk and operational risk related matters for DB India, to provide a platform for integrated risk management in line with local regulatory requirements and Bank's 3LoD.

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4. Notes to financial statements *(Continued)*

g. Derivatives *(Continued)*

iii Disclosures on risk exposure in Derivatives *(Continued)*

Limits are allocated to specific business lines, trading portfolio groups and geographical regions.

Amongst the most important quantitative tools and metrics currently used to measure, manage and report market risk are Value-at-Risk (VaR) and Stress Testing. The Group acknowledges the limitations in the VaR methodology by supplementing the VaR limits with other position and sensitivity limit structures, as well as with stress testing, on a consolidated basis.

To reduce derivatives related credit risk, the Bank regularly seeks the execution of master agreements (such as the International Swap Dealers Association contract) with clients.

The Bank uses Comprehensive Approach for collateral valuation.

For credit exposure measurement purposes, as the replacement values of the portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, the Bank also estimates the potential future replacement costs of the portfolios over their lifetimes.

Hedging

The Bank manages its risk from derivatives activity on a portfolio basis. Specific hedges undertaken, if any, are ring fenced from the transactions undertaken for trading/market making purposes and held in a separate designated portfolio for easy identification and control.

Accounting, Valuation & Provisioning

Accounting & Provisioning

Refer para 3(c) of Notes to financial statements.

Valuation

All instruments in derivatives portfolio are valued on the basis of a common methodology, consistent with generally accepted practices. The valuation takes into consideration all relevant market factors (e.g. prices, interest rates, currency exchange rates, volatility, liquidity etc.). The accuracy and integrity of the market prices are verified independently of trading personnel.

All linear Over The Counter (OTC) instruments are valued on a discounted cash flow basis, i.e. all future cash flows (receipts and payments) are discounted to their present value using mid market data. Market prices are obtained from established and reliable information services.

OTC option instruments are valued using proprietary option models. In case of foreign currency-rupee options, the volatility used for valuation is as given by FEDAI.

Exchange traded derivative contracts are marked to market using closing price of relevant contract as published by the recognized exchange. Resultant mark to market profit / loss is settled with the exchange on a daily basis.

In case market prices do not accurately represent the fair value that would actually be realized for a position or portfolio, valuation adjustments such as market risk close-out costs, large position liquidity adjustments are made to arrive at the appropriate fair value. These adjustments may be calculated on a portfolio basis and are reported together with, or as a part of the carrying value of the positions being valued, thus reducing trading assets or increasing trading liabilities.

Quantitative Disclosures

(In Rs. '000)

Sr. No			31 March 2020		31 March 2019	
			Currency Derivatives*	Interest Rate Derivatives	Currency Derivatives*	Interest Rate Derivatives
1.	Derivatives (Notional Principal Amounts)					
	a)	For hedging	-	-	-	-
	b)	For Trading	6,978,520,428	6,868,087,138	6,433,358,573	4,662,853,883
2.	Marked to Market Positions (net)					
	a)	Asset (+)	118,416,994	114,734,642	79,789,525	41,590,856
	b)	Liability (-)	(130,692,908)	(117,448,642)	(93,938,105)	(41,551,484)
3.	Credit Exposure #		319,092,732	176,016,205	242,119,020	82,285,152
4.	Likely impact of one percentage change in interest rates (100 * PV01)					
	a)	On hedging	-	-	-	-
	b)	On Trading	2,666,235	2,251,094	1,631,538	181,268
5.	Maximum of 100*PV01 observed during the year @					
	a)	On hedging	-	-	-	-
	b)	On Trading	3,932,466	4,521,459	2,451,431	2,412,677
6.	Minimum of 100*PV01 observed during the year @					
	a)	On hedging	-	-	-	-
	b)	On Trading	1,386,018	183,710	1,060,749	4,548

Based on Current Exposure Method prescribed vide RBI master circular on Exposure norms.

@ Maximum & Minimum of PV01 as disclosed above is based on daily risk data

*Includes foreign exchange contracts

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4. Notes to financial statements *(Continued)*

h. Asset Quality

i Non-Performing Assets (NPAs):

(In Rs.'000)

Movement in NPAs			**31 March 2020**	31 March 2019
(i)		**Net NPAs to Net Advances (%)**	**1.31%**	1.44%
(ii)		**Movement of Gross NPAs**		
	a)	Opening balance	**14,244,373**	10,233,160
	b)	Additions during the year	**8,156,514**	8,216,081
	c)	Reductions during the year	**(7,298,134)**	(4,204,868)
	d)	Closing Balance	**15,102,753**	14,244,373
(iii)		**Movement of Net NPAs**		
	a)	Opening balance	**6,946,507**	3,049,161
	b)	Additions during the year	**5,141,861**	6,097,367
	c)	Reductions during the year	**(5,405,213)**	(2,200,021)
	d)	Closing Balance	**6,683,155**	6,946,507
(iv)		**Movement of Provisions for NPAs**		
	a)	Opening balance	**7,297,866**	7,183,999
	b)	Provisions made during the year	**3,014,653**	2,118,714
	c)	Write off/ write back of excess provisions during the year	**(1,892,921)**	(2,004,847)
	d)	Closing Balance	**8,419,598**	7,297,866

ii Particulars of Accounts Restructured (financial year ended 31 March 2020) ***(In Rs.'000)***

Sl No	Type of Restructuring →		Under CDR Mechanism					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	Standard	Sub-Standard	Doubtful	Loss	Total
	Details ↓																					
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	–	–	1	–	1	–	–	–	–	–	1	2	–	–	3	1	2	1	–	4
		Amount outstanding	–	–	210,000	–	210,000	–	–	–	–	–	898	141,602	–	–	142,500	898	141,602	210,000	–	352,500
		Provision thereon	–	–	210,000	–	210,000	–	–	–	–	–	–	23,439	–	–	23,439	–	23,439	210,000	–	233,439
2	Fresh restructuring during the year	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	1	–	–	1	–	1	–	–	1
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	3,157	–	–	3,157	–	3,157	–	–	3,157
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	789	–	–	789	–	789	–	–	789
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	No. of borrowers	–	–	–	–	–	–	–	–	–	–	1	–	–	–	1	1	–	–	–	1
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	898	–	–	–	898	898	–	–	–	898
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradations of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	(2)	2	–	–	–	(2)	2	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	(141,602)	141,602	–	–	–	(141,602)	141,602	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	(23,439)	42,040	–	18,601	–	(23,439)	42,040	–	18,601

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4. Notes to financial statements *(Continued)*

h. Asset Quality *(Continued)*

ii Particulars of Accounts Restructured (financial year ended 31 March 2020) *(Continued)*

(In Rs. '000)

Sl No	Type of Restructuring →		Under CDR Mechanism					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	Standard	Sub-Standard	Doubtful	Loss	Total
6	Write-offs (net of recovery/ reversal) of restructured accounts during the FY	No. of borrowers	–	–	1	–	1	–	–	–	–	–	–	–	–	–	–	–	–	1	–	1
		Amount outstanding	–	–	210,000	–	210,000	–	–	–	–	–	–	–	3,874	–	3,874	–	–	213,874	–	213,874
		Provision thereon	–	–	210,000	–	210,000	–	–	–	–	–	–	–	–	–	–	–	–	210,000	–	210,000
7	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	1	2	–	3	–	1	2	–	3
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	3,157	137,728	–	140,885	–	3,157	137,728	–	140,885
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	789	42,040	–	42,829	–	789	42,040	–	42,829

Figures under Sr no. 6 (Under CDR Mechanism , Doubtful - Amount outstanding) includes amount recovered from restructured accounts amounting to Rs. 98,891 thousand. Figures under Sl no. 6 (Others, Doubtful - Amount outstanding) includes amount recovered from restructured accounts amounting to Rs. 3,874 thousand

ii Particulars of Accounts Restructured (financial year ended 31 March 2019)

(In Rs.'000)

Sl No	Type of Restructuring →		Under CDR Mechanism					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	Standard	Sub-Standard	Doubtful	Loss	Total
	Details ↓																					
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	–	–	1	–	1	–	–	–	–	–	1	–	–	–	1	1	–	1	–	2
		Amount outstanding	–	–	210,000	–	210,000	–	–	–	–	–	1,862	–	–	–	1,862	1,862	–	210,000	–	211,862
		Provision thereon	–	–	210,000	–	210,000	–	–	–	–	–	–	–	–	–	–	–	–	210,000	–	210,000
2	Fresh restructuring during the year	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	2	–	–	2	–	2	–	–	2
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	141,602	–	–	141,602	–	141,602	–	–	141,602
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	23,439	–	–	23,439	–	23,439	–	–	23,439
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	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradations of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

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4. Notes to financial statements *(Continued)*

h. Asset Quality *(Continued)*

ii Particulars of Accounts Restructured (financial year ended 31 March 2019) *(Continued)*

(In Rs. '000)

Sl No	Type of Restructuring →		Under CDR Mechanism					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	Standard	Sub-Standard	Doubtful	Loss	Total
	Details ↓																					
6	Write-offs (net of recovery/reversal) of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	964	–	–	–	964	964	–	–	–	964
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	–	–	1	–	1	–	–	–	–	–	1	2	–	–	3	1	2	1	–	4
		Amount outstanding	–	–	210,000	–	210,000	–	–	–	–	–	898	141,602	–	–	142,500	898	141,602	210,000	–	352,500
		Provision thereon	–	–	210,000	–	210,000	–	–	–	–	–	–	23,439	–	–	23,439	–	23,439	210,000	–	233,439

Figures under Sr no. 6 (Doubtful - Amount outstanding) includes amount recovered from restructured accounts amounting to Rs. 964 thousand

iii Divergence in Asset Classification and Provisioning for NPAs

Based on the requirement for disclosure of divergence in asset classification and provisioning prescribed by the RBI vide circular no. DBR.BP.BC. No.32/21.04.018/2018-19 dated April 1, 2019, the Bank does not have any such reportable divergences in asset classification and provisioning for the financial year ended March 31, 2020 meeting the criteria specified in the said circular.

iv Details of financial assets sold to Securitisation Companies (SC) / Reconstruction companies (RC) for Asset Reconstruction:

The Bank has not sold any financial assets to SC/RC for Asset Reconstruction during the year ended March 31, 2020 and March 31, 2019.

v Book value and ageing of investments held in security receipts.

(In Rs. '000)

	31 March 2020	31 March 2019
Backed by NPAs sold by the bank as underlying	**-**	-
Backed by NPAs sold by other banks/financial institution/non-banking financial companies as underlying	**336,213**	339,514
Total	**336,213**	339,514

Provision held on above investments is Rs. 336,213 thousand (Previous year Rs. 339,514 thousand).

(In Rs. '000)

31 March 2020		**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	**–**	**–**	–
	Provision held against (i)	**–**	**–**	–
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	**–**	**–**	**336,213**
	Provision held against (ii)	**–**	**–**	**336,213**
	Total (i) + (ii)	**–**	**–**	**336,213**

(In Rs. '000)

31 March 2019		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	–	–	–
	Provision held against (i)	–	–	–
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	–	–	339,514
	Provision held against (ii)	–	–	339,514
	Total (i) + (ii)	–	–	339,514

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4. Notes to financial statements *(Continued)*

h. Asset Quality *(Continued)*

vi Provision for standard assets

Other liabilities and provisions – Others (Schedule 5.5) includes *(In Rs. '000)*

	31 March 2020	31 March 2019
Provision on Standard Assets	**4,183,256**	4,135,320

vii Details of non-performing financial assets purchased / sold: *(In Rs.'000)*

	31 March 2020	31 March 2019
No of accounts sold	**6,545***	–
Aggregate outstanding	**–**	–
Aggregate consideration received	**37,500**	–

* pertains to written off accounts

viii Details of Resolution plan (RP) implemented as prescribed by RBI vide circular no RBI/2018-19/203/DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019: *(In Rs.'000)*

	No of Accounts	Amount Involved (including non-funded exposure)
31 March 2020	**2**	**1,576,671***

* Includes Rs 37 thousand of loan where conversion of debt to equity has taken place.

ix Details of Micro, Small and Medium Enterprises (MSME) accounts restructured as prescribed by RBI vide circular no RBI/2018-19/100 DBR. No.BP.BC.18/21.04.048/2018-19 January 1, 2019: *(In Rs.'000)*

	31 March 2020	31 March 2019
No. of accounts restructured	–	–
Amounts	–	–

x The Novel Coronavirus (COVID-19)

COVID-19 pandemic continues to spread rapidly across the globe including India. The global and Indian financial markets have experienced and may continue to experience significant volatility resulting from the spread of COVID-19. Developments around the COVID 19 disease in 2020 so far suggest that that global and domestic economic growth is expected to be negatively impacted by the spread of the disease and the resulting disruption of economic activity, which could impact the Bank's performance. The extent to which the COVID-19 pandemic will impact the Bank's performance depends on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and governmental response to mitigate its impact.

Management believes that it has taken into account material impact of known events arising from COVID-19 pandemic in the preparation of the financial statements as at 31st March 2020. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and the Bank will continue to monitor any material changes to future economic conditions.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted moratorium to eligible borrowers on the payment of installments and / or interest, as applicable. For such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of day's past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms). The Bank holds provisions in this regard as per the said RBI guidelines and the required disclosures are as follows: *(In Rs.'000)*

		31 March 2020
(i)	Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended	**13,420,601**
(ii)	Respective amount where asset classification benefits is extended.	**789,533**
(iii)	Provisions made during the year	**265,569**
(iv)	Provisions adjusted during the respective accounting periods against slippages and the residual provisions	**–**

i. Business Ratios

Year ended	31 March 2020	31 March 2019
Interest income as a percentage of working funds$	**6.12%**	6.02%
Non-interest income as a percentage of working funds$	**0.67%**	1.29%
Operating profit as a percentage of working funds $	**2.32%**	2.64%
Return on assets #	**0.95%**	1.27%
Business per employee (in Rs. 000's) *@	**645,214**	616,234
Profit per employee (in Rs. 000's) *	**6,072**	7,181

$ Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.
 # Return on Assets would be with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).
@ For the purpose of computation of business per employee (deposits plus advances) interbank deposits are excluded.
** Productivity ratios are based on year end employee numbers.*

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4. Notes to financial statements *(Continued)*

j. Asset Liability Management

Maturity pattern of certain items of assets and liabilities (financial year ended 31 March 2020) ***(In Rs.'000)***

Maturity Bucket*	**Deposits**	**Advances**	**Investments**	**Borrowings**	**Foreign Currency Assets**	**Foreign Currency Liabilities**
Day – 1#	-	-	-	-	-	-
2-7 Days	**127,360,179**	**45,564,301**	**218,636,100**	**65,325,583**	**71,446,062**	**16,553,728**
8-14 Days	**12,555,005**	**37,756,339**	**4,227,714**	**8,026,150**	**3,978,192**	**3,783,250**
15-30 Days	**33,193,252**	**69,641,386**	**3,818,360**	**-**	**15,400,437**	**-**
31 Days and upto 2 months	**22,727,571**	**21,945,014**	**3,674,655**	**250,900**	**2,259,685**	**-**
Over 2 months and upto 3 months	**19,676,892**	**27,511,466**	**2,766,781**	**1,650,900**	**2,598,298**	**-**
Over 3 Months and upto 6 months	**30,838,480**	**25,808,925**	**3,969,261**	**26,252,700**	**1,957,328**	**-**
Over 6 Months and upto 1 year	**41,998,360**	**41,747,971**	**7,558,374**	**12,325,400**	**6,204,919**	**-**
Over 1 Year and upto 3 years	**276,749,060**	**109,417,850**	**42,894,698**	**25,905,299**	**-**	**36,209,084**
Over 3 Year and upto 5 years	**33,996,766**	**31,132,456**	**10,344,828**	**-**	**1,548**	**-**
Over 5 years	**-**	**100,151,888**	**33,908,902**	**-**	**2,524,268**	**5,752,658**
Total	**599,095,565**	**510,677,596**	**331,799,673**	**139,736,932**	**106,370,737**	**62,298,720**

* Maturity bucket has been revised based on RBI guideline dated March 23, 2016
\# Day 1 being a banking holiday amounts are being shown in 2-7 Days bucket.

Maturity pattern of certain items of assets and liabilities (financial year ended 31 March 2019) ***(In Rs.'000)***

Maturity Bucket*	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day – 1#	–	–	–	–	–	–
2-7 Days	73,517,845	34,569,900	141,017,721	48,875,399	50,662,889	4,034,119
8-14 Days	13,536,081	48,707,244	2,430,523	17,873,250	13,896,119	10,373,250
15-30 Days	34,793,006	37,812,202	3,338,565	5,186,625	13,624,924	5,186,625
31 Days and upto 2 months	37,525,110	7,790,819	4,933,680	14,144,000	3,010,330	13,831,000
Over 2 months and upto 3 months	44,612,839	22,684,612	5,674,787	19,017,625	3,472,762	19,017,625
Over 3 Months and upto 6 months	51,175,770	47,014,212	10,560,172	34,669,500	3,831,061	–
Over 6 Months and upto 1 year	38,597,196	18,160,067	7,146,494	5,389,000	279,131	–
Over 1 Year and upto 3 years	230,197,018	124,794,011	48,825,450	22,097,100	–	21,835,101
Over 3 Year and upto 5 years	31,453,294	26,368,684	6,848,135	–	–	–
Over 5 years	672	114,793,964	27,081,145	–	2,392,259	3,470,093
Total	555,408,831	482,695,715	257,856,672	167,252,499	91,169,475	77,747,813

* Maturity bucket has been revised based on RBI guideline dated March 23, 2016
\# Day 1 being a banking holiday amounts are being shown in 2-7 Days bucket.

Classification of assets and liabilities under different maturity buckets are compiled by Management based on guidelines issued by the RBI and are based on the same estimates and assumptions as used by the Bank for compiling returns to be submitted to the RBI.

k. Exposures

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

Category	**31 March 2020**	31 March 2019
a) Direct exposure		
(i) Residential Mortgages –		
(a) Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented [includes an amount of Rs 133,344 thousand (Previous year Rs 168,839 thousand) pertaining to individual housing loans eligible for priority sector advances]	**7,171,964**	9,386,915
(b) Other lendings secured by mortgage on residential property	**100,324,121**	95,611,388
(ii) Commercial Real Estate (CRE)* – 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	**39,792,310**	48,280,660
(iii) Other exposure (lendings secured by commercial property not falling under CRE definition)	**37,966,735**	34,272,048
(iv) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –	**-**	-
a. Residential		
b. Commercial Real Estate		
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**11,176,180**	14,987,491
Total	**196,431,310**	202,538,502

** Commercial Real Estate exposure has been computed and reported in accordance with RBI circular 'Guidelines on Classification of Exposures as Commercial Real Estate (CRE) Exposures' reference DBOD.BP.BC.No. 42 / 08.12.015/ 2009-10 dated September 9, 2009.*

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4. Notes to financial statements *(Continued)*

k. Exposures *(Continued)*

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

Items		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	**529,841**	529,805
(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	**577,461**	352,807
(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	**1,490,000**	7,000,000
(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)	irrevocable Payment Commitments issued by custodian banks in favour of stock exchanges	**1,101,612**	3,292,306
Total		**3,698,914**	11,174,918

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

	31 March 2020		31 March 2019	
Risk Category	**Exposure (net)**	**Provision held**	Exposure (net)	Provision held
Insignificant	**108,384,553**	**86,920**	108,083,671	65,148
Low	**4,865,310**	**–**	2,359,831	–
Moderately Low Risk	**–**	**–**	373,379	–
Moderate	**–**	**–**	15,460	–
Moderately High Risk	**46,275**	**–**	–	–
High	**–**	**–**	–	–
Very High	**–**	**–**	–	–
Restricted	**–**	**–**	–	–
Off-credit	**–**	**–**	–	–
Total	**113,296,138**	**86,920**	110,832,341	65,148

iv Single and Group Borrower Exposures

The exposure ceiling for single borrower limit (SBL) and group borrower limit (GBL) is 15% and 40% of capital funds (i.e. Tier I & Tier II Capital) respectively, with an additional allowance of 5% and 10% of capital funds for infrastructure sector exposure. SBL is 25% of capital funds in respect of Oil companies who have been issued Oil Bonds (which do not have SLR status) by the Government of India.

Based on the above prescribed limits, during the year the Bank has exceeded the credit exposure in respect of the below mentioned entities.

- Wipro Limited*
- Flipkart India Private Limited*
- Star India Private Limited*
- Government of the United States of America@

** Exposure is within the Large Exposure limits as prescribed under RBI circular DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019*
@ Exposure is in excess of Large Exposure limits as prescribed under RBI circular DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019 which is subsequently ratified and informed to RBI

v. Unsecured Advances

The bank does not have any advances secured by an intangible asset (Previous year Rs. Nil).

l. Disclosure of Penalties Imposed by RBI

During the year no penalties have been imposed on the Bank (Previous year: Rs. 40,100 thousand) by the RBI under section 47A(1)(c) read with section 46(4)(i) of the Banking Regulation Act, 1949.

(In Rs.'000)

	31 March 2020	31 March 2019
Non-compliance with the directions issued by RBI on Income Recognition and Asset Classification (IRAC) norms, Know Your Customer / Anti-money Laundering (KYC/AML) norms, and on disclosure of monetary penalties imposed by the regulator.	**–**	30,100
Non-compliance with various directions issued by RBI on time-bound implementation and strengthening of SWIFT-related operational controls	**–**	10,000

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Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
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4. Notes to financial statements *(Continued)*

m. Disclosure requirements as per Accounting Standards
i AS 15 – Employee Benefits
Gratuity
Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity is given below. ***(In Rs.'000)***

	31 March 2020	31 March 2019
Defined benefit obligation	**1,282,693**	1,124,028
Fair value of plan assets	**1,141,985**	1,049,771
Deficit/(Surplus)	**140,708**	74,257
Changes in present value of defined benefits obligations		
Opening Balance	**1,124,028**	1,148,560
Current service cost	**116,989**	123,758
Interest cost	**81,536**	78,499
Benefits paid	**(102,370)**	(231,355)
Actuarial (gain)/loss recognised during the year	**62,510**	4,566
Closing Balance	**1,282,693**	1,124,028
Changes in fair value of plan assets		
Opening Balance	**1,049,771**	1,091,416
Expected return on plan assets	**82,306**	82,084
Contributions by the Bank	**60,484**	100,611
Benefits paid	**(102,370)**	(231,355)
Actuarial gain/(loss) recognised during the year	**51,794**	7,015
Closing Balance	**1,141,985**	1,049,771
Total expense recognised in the Profit and Loss Account in schedule 16.1		
Current service cost	**116,989**	123,758
Interest cost	**81,536**	78,499
Expected return on plan assets	**(82,306)**	(82,084)
Net actuarial (gain)/loss recognised during the year	**10,716**	(2,449)
Expense recognised in the Profit and Loss Account	**126,935**	117,724
Actual return on plan assets	**134,100**	89,099
Key Assumptions		
Salary Escalation	**10.00%**	10.00%
Discount rate	**6.70%**	7.60%
Expected rate of return on plan assets	**8.00%**	8.00%
Attrition rate - 0 to 5 years of service	**20.00%**	20.00%
Attrition rate - 6 to 10 years of service	**15.00%**	15.00%
Attrition rate - above 10 years of service	**5.00%**	5.00%

Gratuity Investment Pattern is as follows:

	31 March 2020	31 March 2019
Government of India Securities (Central and State)	**29.62%**	25.76%
Corporate Bonds (Including Public Sector Bonds)	**59.37%**	66.07%
Equity shares of listed companies	**-**	-
Cash & Cash equivalents (including other current assets)	**10.86%**	7.96%
Others (including fixed deposit & special deposits) (including assets under scheme of Insurance)	**0.15%**	0.21%
Total	**100.00%**	100.00%

Experience adjustments are as follows:

(In Rs.'000)

	For the financial year ended				
	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
Defined Benefit Obligation	**1,282,693**	1,124,028	1,148,560	1,124,791	984,119
Funded Assets	**1,141,985**	1,049,771	1,091,416	1,033,727	942,077
Deficit/ (Surplus)	**140,708**	74,257	57,144	91,064	42,042
Experience Gain/(Loss) adjustments on plan liabilities	**42,578**	(4,566)	15,207	(9,914)	(37,370)
Experience Gain/(Loss) adjustments on plan assets	**51,794**	7,015	(18,806)	40,935	(2,381)
Actuarial Gain/(Loss) due to change of assumptions	**(105,088)**	-	58,304	(68,875)	(8,738)

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4. **Notes to financial statements *(Continued)***

m. **Disclosure requirements as per Accounting Standards *(Continued)***

i **AS 15 – Employee Benefits *(Continued)***

Provident fund
The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Bank has charged Rs. 163,419 thousand (Previous year: Rs 208,047 thousand) to the Profit and Loss Account towards provident fund expenses.

Key Assumptions	**31 March 2020**	31 March 2019
Discount rate	**6.70%**	7.60%
Expected return	**8.50%**	8.50%

Long-Term Award
The Bank has discontinued Long Service Award benefit with effect from October 1, 2019. Accordingly the Bank has reversed Rs. 30,289 thousand (Previous year charged : Rs 6,022 thousand) to the Profit and Loss Account.

ii AS 17- Segment reporting:
'Segment Reporting' prescribed by the AS 17 and in accordance with the guidelines issued by the RBI are given below: ***(In Rs.'000)***

Business Segments	**Global Markets**	**Commercial Banking**	**Retail Banking**	**Others**	**Total**
	For the year ended 31 March 2020				
Revenue	**3,443,655**	**39,138,045**	**22,365,124**	**8,913,667**	**73,860,491**
Less: Inter-segment revenue	**(11,782,746)**	**3,451,772**	**(276,204)**	**(8,607,178)**	**–**
Income from operations	**15,226,401**	**35,686,273**	**22,641,328**	**306,489**	**73,860,491**
Results	**424,326**	**10,764,454**	**2,526,939**	**6,100,507**	**19,816,226**
Unallocated Expenses					**–**
Operating Profit before tax					**19,816,226**
Income Tax and Deferred Tax					**(9,506,806)**
Extraordinary profit/Loss (pre-tax)					**–**
Net Profit after tax					**10,309,420**
Other Information					
Segment Assets	**467,092,018**	**660,533,357**	**61,384,475**	**11,615,179**	**1,200,625,029**
Unallocated Assets					**11,815,390**
Total Assets					**1,212,440,419**
Segment Liabilities	**310,487,899**	**519,942,667**	**192,619,892**	**189,389,961**	**1,212,440,419**
Unallocated Liabilities					**–**
Total Liabilities					**1,212,440,419**
Capital expenditure	**70,831**	**2,461**	**119,635**	**56,115**	**249,042**
Depreciation	**77,730**	**182,176**	**115,581**	**–**	**375,487**

(In Rs.'000)

Business Segments	Global Markets	Commercial Banking	Retail Banking	Others	Total
	For the year ended 31 March 2019				
Revenue	8,455,944	33,826,373	18,106,999	8,520,667	68,909,983
Less: Inter-segment revenue	(8,561,928)	1,738,511	(1,091,668)	7,915,085	–
Income from operations	17,017,872	32,087,862	19,198,667	605,582	68,909,983
Results	2,694,262	11,997,543	1,257,370	6,703,529	22,652,704
Unallocated Expenses					–
Operating Profit before tax					22,652,704
Income Tax and Deferred Tax					(10,661,104)
Extraordinary profit/Loss (pre-tax)					–
Net Profit after tax					11,991,600
Other Information					
Segment Assets	309,715,079	517,082,933	220,815,371	4,305,991	1,051,919,374
Unallocated Assets					10,966,665
Total Assets					1,062,886,039
Segment Liabilities	148,666,423	569,347,700	178,248,313	166,623,603	1,062,886,039
Unallocated Liabilities					–
Total Liabilities					1,062,886,039
Capital expenditure	144,971	2,196	157,797	244,039	549,003
Depreciation	85,299	160,836	96,230	–	342,365

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4. Notes to financial statements *(Continued)*

m. Disclosure requirements as per Accounting Standards *(Continued)*

ii AS 17 – Segment Reporting *(Continued)*

The Bank has classified its business groups into following segments:

- Global Markets
- Commercial banking
- Retail banking
- Others

The Bank's operations predominantly comprise of its business encompassing Global Markets, Commercial banking services and Retail banking.

Global Markets activities encompass trading in forex, derivatives, corporate bonds, government securities, placement of corporate debt in the market and also offering such products to the Bank's corporate and institutional customers.

Commercial banking encompasses transaction banking services, catering to working capital requirement of corporate customers and custodial and wealth management services. Principal products offered include loans, deposits, custodial services, trade services, cash management services and wealth management services.

Retail banking activities encompasses raising of deposits from retail customers and catering to loan requirements of such customers. Principal products offered include personal loan, housing loan and business loan, deposits and advisory services.

Others in segment revenue mainly includes parabanking income and revenue earned on account of the notional capital charge and notional cost of fixed asset usage charged to other segments based on internal funds transfer pricing policy of the Bank. Others also include revenue from new Capital Release Unit (CRU) which is established along with other objectives to oversee a reduction in the size of lower yielding longer-dated fixed income assets and hence free up resources that can be allocated to the Banks core strengths.

Liquidity Pool Management activities are centrally managed by Treasury and are included in Others and subsequently allocated to business segments.

Segment result is net of expenses both directly attributed as well as allocated costs from internal service providers supporting the respective business groups.

Assets employed by a segment or assets that are directly attributable to that segment are included in segment assets.

Others in segment assets mainly includes fixed assets, security deposits and pre-paid expenses, the related charge of which are included in the respective segments either as directly attributable or allocated on a reasonable basis.

Liabilities that result from operations of a segment are included in segment liabilities.

Others in segment liabilities mainly include capital & reserves and surplus, the related notional charges of which are included under the respective segment.

The Bank renders its services within one geographical segment and has no offices or operations outside India.

iii AS 18 - Related party disclosures

Related party disclosures as required by AS 18 - 'Related Party Disclosures' and in accordance with the guidelines issued by the RBI are given below:-

Relationships during the year

i. Head office

Deutsche Bank AG and its branches

ii. Associate

Comfund Consulting Limited

iii. Other related parties of Deutsche Bank Group where common control exists at group level

DBOI Global Services Private Limited, Deutsche Investor Services Private Limited, Deutsche Equities India Private Limited, Deutsche Securities (India) Private Limited, Deutsche CIB Centre Private Limited, Deutsche Asset Management (India) Private Limited, Deutsche India Holdings Private Limited, Deutsche Investments India Private Limited, RREEF India Advisors Private Limited,
Deutsche Trustee Services (India) Private Limited, Deutsche Bank Trust Company Americas, OOO "Deutsche Bank", Deutsche Bank Società per Azioni, Deutsche Nederland N.V., DB International (Asia) Limited, Deutsche Securities Mauritius Limited, DWS Investment S.A., DBOI Global Services (UK) Limited, Joint Stock Company Deutsche Bank DBU, DB Global Technology, Inc., OOO "Deutsche Bank TechCentre", Deutsche Bank (Malaysia) Berhad, Deutsche Bank, Sociedad Anónima Española, Deutsche Bank Securities Inc., Deutsche Knowledge Services Pte. Ltd., Manila Branch, DB USA Core Corporation, Deutsche Bank National Trust Company, DB UK Bank Limited, Deutsche Bank Polska Spólka Akcyjna, DB Global Technology SRL, Deutsche Securities Inc., Deutsche Group Services Pty Limited, DEUTSCHE BANK A.S., DWS Group Services UK Limited, DB Privat- und Firmenkundenbank AG, Deutsche Bank (Suisse) SA, DWS Asset Management (Korea) Company Limited, Deutsche International Corporate Services (Ireland) Limited, Deutsche Bank Luxembourg S.A., DB Service Centre Limited, DWS Investment Management Americas, Inc., DWS Beteiligungs GmbH, Deutsche Bank Americas Holding Corp., Deutsche Securities (Proprietary) Limited, Deutsche Bank Trust Company, National Association, Deutsche Securities Korea Co., Deutsche Trust Company Limited Japan, German American Capital Corporation, DB Energy Trading LLC, DWS Distributors, Inc., Deutsche Alternative Asset Management (UK) Limited, DB Services Americas, Inc., DWS Investments Japan Limited, DWS Investments UK Limited, DWS International GmbH, MortgageIT, Inc., DB Investment Services GmbH, Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien, DB Operaciones y Servicios Interactivos Agrupación de Interés Económico, Deutsche Bank (Cayman) Limited, Deutsche Bank Trust Corporation, Deutsche Global Markets Limited, Deutsche Bank Trust Company Delaware, DB Investment Managers, Inc., Deutsche Securities Saudi Arabia (a closed joint stock company), Deutsche Asset & Wealth Management Investment GmbH, DBÖ Vermögensverwertung GmbH in Liqu., DWS Group GmbH & Co. KGaA, DB Group Services (EURO), Deutsche Bank S.A. - Banco Alemão, Deutsche Asia Pacific Holdings Pte Ltd, Deutsche Bank Europe GmbH, Filiale Belgien, Deutsche Bank Nederland N.V., Deutsche Bank (China) Co.- Ltd., Deutsche (Mauritius) Limited, Deutsche Trustees Malaysia Berhad, DWS Alternatives Global Limited, Deutsche Bank Europe GmbH, Filiale Portugal, norisbank GmbH, DWS Service Company, RREEF Management L.L.C., DWS Investments Hong Kong Limited, Deutsche Securities Asia Limited, Singapore Branch, Deutsche Bank México, S.A., Institución de Banca Múltiple, DB Alex. Brown LLC, DB Investment Partners, Inc., Deutsche Bank International Limited, Deutsche Bank (Portugal), S.A., Deutsche Bank Securities Limited, Deutsche Bank Zártkörüen Müködö Részvénytársaság, Deutsche Bank S.A, DB Consorzio S. Cons. a r. l., DB Servicios México, Sociedad Anónima de Capital Variable, DB HR Solutions GmbH, DB Capital Markets (Deutschland) GmbH, Hanoi Building Commercial Joint Stock Bank (merged per 28.08.2012), Scottish Widows Investment Solutions Funds ICVC - Fundamental Index Emerging Markets Equity Fund, Elmo Leasing Zwanzigste GmbH, EVAF B-Frost Finland Properties Oy, Hua Xia Bank Company Limited, Polski Kredyt Bank S.A. (sold per 26.11.2001), United Bank for Africa PLC, Gemini Technology Services Inc., PT Deutsche Sekuritas Indonesia, Deutsche Securities Asia Limited, Taipei Branch.

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Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*

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4. Notes to financial statements *(Continued)*

m. Disclosure requirements as per Accounting Standards *(Continued)*

iii AS 18 - Related party disclosures *(Continued)*

iv. Key management personnel

In accordance with the RBI circular DBR.BP.BC No.23/21.04.018/2015-16 dated 1 July 2015, only the Chief Executive Officer (CEO) of the Bank, falls under the category of key management personnel, hence no disclosures pertaining to the CEO are provided.

CEO of the Bank:

Mr. Ravneet Singh Gill – up to 28 February 2019
Mr. Khurshed Dordi – from 1 March 2019 to 27 May 2019
Mr. Kaushik Shaparia – from 28 May 2019

v. Transactions with the related parties in the ordinary course of business (Current year figures are shown in bold. Previous year's figures are shown in italics):

(In Rs.'000)

Items / Related Party	Head Office (as per ownership or control)	Subsidiaries / Associates / Joint Venture	Other related parties in Deutsche Bank Group	Key Management Personnel	Relatives of Key Management Personnel	Total
Sale of fixed assets	**–**	**–**	**–**	**–**	**–**	**–**
	–	*–*	*3,404*	*–*	*–*	*3,404*
Purchase of fixed assets	**–**	**–**	**2,910**	**–**	**–**	**2,910**
	–	*–*	*3,725*	*–*	*–*	*3,725*
Interest paid	**–**	**–**	**622,030**	**–**	**–**	**622,030**
	–	*–*	*474,883*	*–*	*–*	*474,883*
Interest received	**–**	**–**	**286,962**	**–**	**–**	**286,962**
	–	*–*	*331,507*	*–*	*–*	*331,507*
Rendering of services - receipt	**–**	**–**	**126,514**	**–**	**–**	**126,514**
	–	*–*	*213,777*	*–*	*–*	*213,777*
Receiving of services - payment	**–**	**–**	**1,010,919**	**–**	**–**	**1,010,919**
	–	*–*	*1,140,223*	*–*	*–*	*1,140,223*
Management contracts	**–**	**–**	**123,696**	**–**	**–**	**123,696**
	–	*–*	*(227,776)*	*–*	*–*	*(227,776)*
Purchase of securities	**–**	**–**	**183,750,377**	**–**	**–**	**183,750,377**
	–	*–*	*85,908,566*	*–*	*–*	*85,908,566*
Sale of securities	**–**	**–**	**168,304,736**	**–**	**–**	**168,304,736**
	–	*–*	*107,038,620*	*–*	*–*	*107,038,620*
Purchase/sale of foreign exchange contracts	**–**	**–**	**757,219,283**	**–**	**–**	**757,219,283**
	–	*–*	*1,149,705,433*	*–*	*–*	*1,149,705,433*

Note: As per the guidance on compliance with the accounting standards by banks issued by the RBI on 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 parties.

vi. Balances with related parties are as follows (Current year figures are shown in bold. Previous year's figures are shown in italics):

(In Rs.'000)

Items / Related Party	Head Office (as per ownership or control)	Subsidiaries / Associates / Joint Venture	Other related parties in Deutsche Bank Group	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	**–**	**–**	**–**	**–**	**–**	**–**
	–	*–*	*–*	*–*	*–*	*–*
Deposits	**–**	**–**	**18,891,643**	**–**	**–**	**18,891,643**
	–	*–*	*17,066,222*	*–*	*–*	*17,066,222*
Advances	**–**	**–**	**827,700**	**–**	**–**	**827,700**
	–	*–*	*–*	*–*	*–*	*–*
Balances with Banks	**–**	**–**	**6,438,111**	**–**	**–**	**6,438,111**
	–	*–*	*2,443,659*	*–*	*–*	*2,443,659*
Non-funded commitments	**–**	**–**	**485.359,896**	**–**	**–**	**485.359,896**
	–	*–*	*41,216,651*	*–*	*–*	*41,216,651*
Other Assets	**–**	**–**	**1,191,201**	**–**	**–**	**1,191,201**
	–	*–*	*2,165,284*	*–*	*–*	*2,165,284*
Other Liabilities	**–**	**–**	**9,662,503**	**–**	**–**	**9,662,503**
	–	*–*	*1,114,900*	*–*	*–*	*1,114,900*

Note: As per the guidance on compliance with the accounting standards by banks issued by the RBI on 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 parties.

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Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
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4. **Notes to financial statements *(Continued)***

m. **Disclosure requirements as per Accounting Standards *(Continued)***

iii AS 18 - Related party disclosures *(Continued)*

vii. Details of maximum balances outstanding with related parties during financial year ended 31 March 2020. (Current year figures are shown in bold. Previous year's figures are shown in italics):

(In Rs.'000)

Items / Related Party	Head Office (as per ownership or control)	Subsidiaries / Associates / Joint Venture	Other related parties in Deutsche Bank Group	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	**–**	**–**	**13,538,631**	**–**	**–**	**13,538,631**
	–	–	*32,657,311*	–	–	*32,657,311*
Deposits	**–**	**–**	**42,054,635**	**–**	**–**	**42,054,635**
	–	–	*33,540,471*	–	–	*33,540,471*
Advances	**–**	**–**	**2,168,391**	**–**	**–**	**2,168,391**
	–	–	*755,164*	–	–	*755,164*
Balances with Banks	**–**	**–**	**40,329,047**	**–**	**–**	**40,329,047**
	–	–	*21,969,544*	–	–	*21,969,544*
Non-funded commitments	**–**	**–**	**551,790,316**	**–**	**–**	**551,790,316**
	–	–	*88,688,744*	–	–	*88,688,744*
Other Assets	**–**	**–**	**2,470,514**	**–**	**–**	**2,470,514**
	–	–	*2,277,712*	–	–	*2,277,712*
Other Liabilities	**–**	**–**	**9,662,503**	**–**	**–**	**9,662,503**
	–	–	*1,997,305*	–	–	*1,997,305*

Maximum amounts outstanding for the current year have been computed based on daily balances outstanding.
Note: As per the guidance on compliance with the accounting standards by banks issued by the RBI on 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 parties.

viii. The following are the material transactions between the Bank and its related parties for the year ended 31 March 2020. A specific related party transaction is disclosed as material wherever it exceeds 10% of all related party transactions in the current year in that category and if it does not conflict with the Bank's duties of customer confidentiality.

Rendering of services – receipt

Income from DB International (Asia) Limited Rs. 26,671 thousand (Previous year: 45,217 thousand), Deutsche Bank Trust Company Americas Rs. 63,415 thousand (Previous year: Rs. 139,535 thousand), Deutsche Investments India Private Limited Rs. 16,985 thousand (Previous year: Rs. 13,279 thousand), DBOI Global Services Private Limited Rs. 15,121 thousand (Previous year: Rs. 6,563 thousand).

Receiving of services – payment

Expenses for receiving services from Deutsche Bank Trust Company Americas Rs. 87,817 thousand (Previous year: Rs 106,645 thousand), DBOI Global Services Private Limited Rs. 717,478 thousand (Previous year: Rs. 807,325 thousand), Deutsche Investor Services Private Limited Rs. 109,899 thousand (Previous year: Rs. 158,244 thousand).

Management contracts

Receipt from Deutsche Equities India Private Limited Rs 74,393 thousand (Previous Year: Rs. 62,568 thousand), DBOI Global Services Private Limited Rs. 258,275 thousand (Previous year: Rs. 196,506 thousand), Deutsche Investments India Private Limited Rs. 81,357 thousand (Previous year: Rs. 61,898 thousand), Deutsche CIB Centre Private Limited Rs. 83,178 thousand (Previous year: Rs. 19,540 thousand) Deutsche Bank Trust Company Americas Rs. 74,536 thousand (Previous year receipt of: Rs. 39,183 thousand).

Payment to DB USA Core Corporation Rs. 3,935 thousand (Previous year: Rs. 231,674 thousand), DB Group Services (EURO) Rs. 229,633 thousand (Previous year: Rs. 167,291 thousand), DB Global Technology, Inc. Rs. 25,835 thousand (Previous year: Rs. 50,925 thousand), Deutsche Group Services Pty Limited Rs. 52,271 thousand (Previous year: Rs. 1,564 thousand), DBOI Global Services (UK) Limited Rs. 31,481 thousand (Previous year: Rs. 4,919 thousand), OOO "Deutsche Bank TechCentre" Rs. 42,826 thousand (Previous year: Rs. 2,332 thousand), Deutsche Bank Securities Inc. Rs. 28,504 thousand (Previous year: Rs. 35,760 thousand), Deutsche Knowledge Services Pte. Ltd., Manila Branch Rs. 14,195 thousand (Previous year: Rs. 10,406 thousand), Deutsche Securities Inc. Rs. 16,679 thousand (Previous year: Rs. 1,944 thousand).

Balance with Bank

Balance with Deutsche Bank Trust Company Americas Rs. 6,430,389 thousand (Previous year: Rs. 2,443,499 thousand).

Other Assets

Deutsche Equities India Private Limited Rs. 78,850 thousand (Previous year: Rs. 227,001 thousand), Deutsche Bank Trust Company Americas Rs. 374,144 thousand (Previous year: Rs. 220,847 thousand), DB International (Asia) Limited Rs 500,415 thousand (Previous year: Rs. 1,522,669 thousand).

Other Liabilities

DBOI Global Services Private Limited Rs. 455,233 thousand (Previous year: Rs. 351,762 thousand), DB Group Services (EURO) Rs. 394,334 thousand (Previous year: Rs. 387,427 thousand), DB International (Asia) Limited Rs 7,986,328 thousand (Previous year: Rs.8 thousand).

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4. Notes to financial statements *(Continued)*

m. Disclosure requirements as per Accounting Standards *(Continued)*

iv AS 22 - Accounting for taxes on income

Amount of provision made for income-tax during the year

(In Rs.'000)

Provision for	31 March 2020	31 March 2019
Current tax*	**10,190,689**	11,169,254
Deferred tax	**(683,883)**	(508,150)

* Includes tax provision for earlier years of Rs. 71,995 thousand (Previous year Rs. 245,595 thousand).

Deferred tax is accounted for on the basis of AS 22 - 'Accounting for Taxes on Income'.

Component of deferred tax assets and deferred tax liabilities are as under:

(In Rs.'000)

Deferred tax asset / (Deferred tax liabilities)	31 March 2020	31 March 2019
Provision for bad and doubtful debts	**4,424,450**	3,839,118
Depreciation on fixed assets	**160,501**	30,046
Provision for staff compensation and benefits	**175,481**	237,770
Others	**532,083**	501,698
Net Deferred tax asset / (Deferred tax Liabilities)	**5,292,515**	4,608,632

v AS 19 – Leases - Operating leases

Disclosures as required by AS 19 - 'Leases' pertaining to leasing arrangement entered into by the Bank are given below:-

i. Cancellable leasing arrangement for premises: Total lease rental of Rs. 250,546 thousand (Previous year: Rs. 370,928 thousand) has been included under Schedule 16.2.

ii. Non-cancellable leasing arrangement for premises: Total lease rental of Rs. 424,614 thousand (Previous year: Rs. 281,618 thousand) has been included under Schedule 16.2.

iii. Non-cancellable leasing arrangement for vehicles: Total lease rental of Rs. 26,275 thousand (Previous year: Rs 26,332 thousand) has been included under Schedule 16.12.

The future minimum lease payments under non-cancellable operating lease are as follows:

(In Rs.'000)

	31 March 2020	31 March 2019
Not later than one year	**495,026**	470,260
Later than one year and not later than five years	**368,897**	724,950
Later than five years	**–**	–

vi Other accounting standards

i) AS 10 – Property, Plant and Equipment - Movement in carrying amount:

(In Rs'000)

	31 March 2020	31 March 2019
Premises		
Gross Carrying at Beginning of the year	**1,263,982**	1,260,762
Accumulated Depreciation at Beginning of the year	**904,319**	878,472
Opening Carrying Amount	**359,663**	382,290
Additions during the year	21,100	71,973
Deductions (net) during the year	(14)	(617)
Depreciation for the period	(95,631)	(93,983)
Closing Carrying amount	**285,118**	359,663
Gross Carrying at end of the year	**1,280,447**	1,263,982
Accumulated Depreciation at end of the year	**995,329**	904,319
Other Fixed Assets		
Gross Carrying at Beginning of the year	**2,269,670**	1,896,807
Accumulated Depreciation at Beginning of the year	**1,445,411**	1,291,399
Opening Carrying Amount	**824,259**	605,408
Additions during the year	227,941	477,030
Deductions (net) during the year	(120,223)	(9,797)
Depreciation for the period	(279,856)	(248,382)
Closing Carrying amount	**652,121**	824,259
Gross Carrying at end of the year	**2,318,664**	2,269,670
Accumulated Depreciation at end of the year	**1,666,543**	1,445,411

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4. **Notes to financial statements *(Continued)***

m. **Disclosure requirements as per Accounting Standards *(Continued)***

vi Other accounting standards *(Continued)*

ii) AS 26 – Intangible assets included under Other fixed assets (including furniture and fixtures). It includes amount capitalized as software.

(In Rs'000)

	31 March 2020	31 March 2019
Cost as at 31 March of the preceding year	**845,081**	544,736
Addition during the year	**310,327**	306,035
Deduction during the year	**(158,733)**	(5,690)
Accumulated depreciation to date	**(461,594)**	(340,296)
Net Value as at 31 March of the current year	**535,081**	504,785

iii) AS 28 – Impairment of Assets – During the year provision of Rs. Nil (Previous year Rs. Nil) with respect to impairment of Fixed Assets which has been included in Schedule 16.12.

iv) No disclosures are required under AS 24 on Discontinuing Operations.

v) Consolidated financial statements

The Bank has 30% of ownership interest in Comfund Consulting Limited (the Company). The Company's main objects include carrying on business as consultants and / or advisors to industries, companies and other business establishments. However, the Company surrendered the license to act as a non-banking finance company to Reserve Bank of India on March 26, 2004. The Company has no operations, and the financial statements of the Company are prepared based on liquidation basis of accounting.

Investments in the Company are not held so as to lead to any economic benefits to the Bank. Accordingly no consolidation is required under Accounting Standard 21, "Consolidated Financial Statements" (AS – 21). Further the Company is under long-term restrictions that significantly impair its ability to transfer funds to the Bank. Accordingly no consolidation is required under Accounting Standard 23, "Accounting for Investments in Associates in consolidated financial statements" (AS-23).

Hence the Bank does not consolidate the Company and has accounted for the investment in the Company in accordance with Accounting Standard 13, 'Accounting for Investments'. Such non-consolidation does not have material impact on the financial results of the Bank.

n. **Additional disclosures**

i Provisions and Contingencies shown under the head Expenditure in Profit and Loss Account: ***(In Rs.'000)***

	31 March 2020	31 March 2019
Provision for loan loss (net)	**1,121,733**	113,867
Provision / (write back) for contingent credit exposures	**(42,906)**	47,811
Provision made on sale of NPA	**37,500**	-
Provision / (write back) for standard assets	**47,936**	1,214,149
Provision / (write back) for country risk	**21,772**	(5,035)
Bad debts written off	**1,049,334**	1,688,550
Provision / (write back) for depreciation on investments	**2,696,443**	112,514
Other Provisions (net)	**392,522**	(956,886)
Provision for taxation:		
(a) Current tax	**10,190,689**	11,169,254
(b) Deferred tax	**(683,883)**	(508,150)
Total	**14,831,140**	12,876,074

Other Provisions (net) represent provisions made on prudential basis on specific advances or exposures which are not NPAs and general provision created for accounts where moratorium is granted in accordance with RBI guidelines relating to COVID-19 Regulatory Package.

The Bank has reviewed all its pending litigations and long term contracts, including derivative contracts, to assess material foreseeable losses. At the year-end adequate provision for material foreseeable losses on such long term contracts, including derivative contracts has been made in the books of accounts in accordance with its accounting policy on provisions and contingencies.

ii Floating provision ***(In Rs'000)***

	31 March 2020	31 March 2019
Opening balance	**712,260**	712,260
Add: Floating provisions made during the year	**–**	–
Less: Draw down made during the year	**–**	–
Closing balance	**712,260**	712,260

iii (a) Drawdown on reserves

The Bank has drawn down investment reserve of Rs. 145,699 thousand during the year ended 31 March 2020 (Previous year: Rs. 47,526 thousand) as required by RBI circular DBR No BP.BC.6/21.04.141/2015-16 dated 1 July 2015.

iii (b) Investment Fluctuation Reserve

The Bank has created Investment Fluctuation Reserve of Rs 2,400,000 thousand during the year ended 31 March 2020 (Previous year: Rs. 804,519 thousand) as required by RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated 2 April 2018.

iv Customer complaints

		31 March 2020	31 March 2019
A	**Customer complaints**		
	(a) No. of complaints pending at the beginning of the year	**15**	184
	(b) No. of complaints received during the year	**2,306**	2,348
	(c) No. of complaints redressed during the year	**2,295**	2,517
	(d) No. of complaints pending at the end of the year	**26**	15
B	**Awards passed by the Banking Ombudsman**		
	(a) No. of unimplemented awards at the beginning of the year	**–**	–
	(b) No. of Awards passed by the Banking Ombudsman during the year	**–**	–
	(c) No. of Awards implemented during the year	**–**	–
	(d) No. of unimplemented Awards at the end of the Year	**–**	–

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4. Notes to financial statements *(Continued)*

n. Additional disclosures *(Continued)*

v Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2020 and March 31, 2019.

vi Provisioning Coverage Ratio as at 31 March 2020 is 55.75% (Previous year 51.23%)

vii Bancassurance business

Fees / remuneration received in respect of bancassurance business during the year is as follows:

(In Rs. '000)

	31 March 2020	31 March 2019
For selling life insurance products	**62,826**	62,416
For selling non life insurance products	**26,202**	24,541
For selling Mutual fund products	**335,468**	439,994
For selling PMS products	**100,655**	89,334
Others	**–**	–
Total	**525,151**	616,285

viii Concentration of Deposits, Advances, Exposures and NPAs

i Concentration of Deposits ***(In Rs. '000)***

	31 March 2020	31 March 2019
Total Deposits of twenty largest depositors	**141,029,483**	151,375,746
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	**23.54%**	26.95%

ii Concentration of Advances* ***(In Rs. '000)***

	31 March 2020	31 March 2019
Total Advances to twenty largest borrowers	**640,005,973**	540,923,534
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	**41.05%**	37.99%

*Advances are computed as per definition of Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

iii Concentration of Exposures** ***(In Rs. '000)***

	31 March 2020	31 March 2019
Total Exposure to twenty largest borrowers/customers	**670,116,705**	542,456,563
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	**41.05%**	37.35%

**Exposures are computed based on credit and investment exposure as prescribed in RBI's Master Circular on Exposure Norms.

iv Concentration of NPAs

(In Rs. '000)

	31 March 2020	31 March 2019
Total Exposure to top four NPA accounts	**8,977,246**	8,207,246

ix Sector-wise Advances and NPAs ***(In Rs. '000)***

		31 March 2020			31 March 2019		
	Sector / Sub-Sector *	**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 and allied activities**	**–**	**–**	**–**	–	–	–
2	**Advances to industries sector eligible as priority sector lending, of which :**	**101,453,968**	**1,484,667**	**1.46%**	95,367,705	863,712	0.91%
	Chemicals and Chemical Products	*23,075,849*	*9,769*	*0.04%*	*16,670,381*	*17,353*	*0.10%*
	Basic Metal and Metal Products	–	–	–	*11,185,313*	*69,617*	*0.62%*
	All Engineering	*20,649,541*	*620,987*	*3.01%*	*20,422,606*	*321,439*	*1.57%*
	Gems and Jewellery	–	–	–	*12,246,679*	–	–
3	**Services, of which :**	**61,386,120**	**812,913**	**1.32%**	49,197,146	558,949	1.14%
	Computer Software	*21,890,102*	*44,108*	*0.20%*	*19,914,744*	*17,155*	*0.09%*
	Other Services	*13,552,087*	*330,966*	*2.44%*	*9,981,196*	*193,781*	*1.94%*
	Banking and finance other than NBFC and MFs	*7,843,107*	–	–	*10,348,930*	–	*0.00%*
	Non-Banking Financial Companies	*8,100,000*	–	–			
4	**Personal loans, of which :**	**131,560**	**3,290**	**2.50%**	165,473	2,729	1.65%
	Housing Loans	*131,560*	*3,290*	*2.50%*	*165,473*	*2,729*	*1.65%*
	Total PRIORITY SECTOR (A)	**162,971,648**	**2,300,870**	**1.41%**	144,730,324	1,425,390	0.98%

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Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
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4. Notes to financial statements *(Continued)*

n. Additional disclosures *(Continued)*

ix Sector-wise Advances and NPAs *(Continued)* ***(In Rs. '000)***

	Sector / Sub-Sector *	31 March 2020 Outstanding Total Advances	31 March 2020 Gross NPAs	31 March 2020 % of Gross NPAs to Total Advances in that sector	31 March 2019 Outstanding Total Advances	31 March 2019 Gross NPAs	31 March 2019 % of Gross NPAs to Total Advances in that sector
B	**NON PRIORITY SECTOR**						
1	**Agriculture and allied activities**	**–**	**–**	**–**	–	–	–
2	**Industry, of which :**	**128,917,155**	**5,173,915**	**4.01%**	84,956,930	7,351,400	8.65%
	Basic Metal and Metal Products	–	–	–	*9,293,289*	*23,736*	*0.26%*
	All Engineering	*21,360,000*	*499,325*	*2.34%*	*21,849,650*	–	–
	Vehicles, Vehicle Parts and Transport Equipments	*14,908,597*	*3,491,044*	*23.42%*	*10,495,568*	*3,491,044*	*33.26%*
	Infrastructure	*43,719,249*	–	–	*11,385,557*	*2,600,000*	*22.84%*
3	**Services, of which :**	**168,829,097**	**2,609,470**	**1.55%**	187,044,752	889,350	0.48%
	Trade	*41,670,089*	*1,384,433*	*3.32%*	*33,916,845*	*255,011*	*0.75%*
	Commercial real Estate	*29,280,713*	*2,338*	*0.01%*	*40,576,314*	–	–
	Non-Banking Financial Companies	*52,825,217*	–	–	*54,430,614*	–	–
	Banking and finance other than NBFC and MFs	–	–	–	*36,069,773*	*248,345*	*0.69%*
4	**Personal loans, of which :**	**58,379,294**	**5,018,498**	**8.60%**	73,261,575	4,578,233	6.25%
	Housing Loans	*6,907,214*	*298,696*	*4.32%*	*9,111,706*	*268,366*	*2.95%*
	Other Personal Loans	*50,962,457*	*4,719,801*	*9.26%*	*63,745,720*	*4,309,867*	*6.76%*
	Total NON PRIORITY SECTOR (B)	**356,125,546**	**12,801,883**	**3.59%**	345,263,257	12,818,983	3.71%
	Total (A) + (B)	**519,097,194**	**15,102,753**	**2.91%**	489,993,581	14,244,373	2.91%

* Sub-sector wise Advances are shown where the outstanding advances exceed 10% of the outstanding advances of that sector.

x Movement of NPAs ***(In Rs. '000)***

		31 March 2020	31 March 2019
Gross NPAs as on 1 April (Opening Balance)		**14,244,373**	10,233,160
Additions (Fresh NPAs) during the year		**8,156,514**	8,216,081
Sub-total (A)		**22,400,887**	18,449,241
Less:-			
(i)	Up gradations	**1,843,732**	1,152,541
(ii)	Recoveries (excluding recoveries made from upgraded accounts)	**4,405,068**	1,363,777
(iii)	Technical/Prudential write-offs	**–**	–
(iv)	Write-offs other than those under (iii) above	**1,049,334**	1,688,550
Sub-total (B)		**7,298,134**	4,204,868
Gross NPAs as on 31 March (closing balance) (A-B)		**15,102,753**	14,244,373

The Bank does not have any advances which are outstanding in the books of the branches, but have been written-off (fully or partially) at the Bank level.

xi Overseas Assets, NPAs and Revenue

(In Rs. '000)

	31 March 2020	31 March 2019
Total Assets	**63,607,814**	45,380,678
Total NPAs	**–**	–
Total Revenue	**447,075**	739,743

xii There are no off-balance sheet SPVs sponsored by the Bank.

xiii Disclosure requirements for remuneration

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

Schedule 18: Notes forming part of the financial statements of the India Branches *(Continued)*
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4. Notes to financial statements *(Continued)*

n. Additional disclosures *(Continued)*

xiv Disclosures relating to Securitisation

During the year, the Bank has not entered into any securitisation transactions (Previous year Rs Nil).

xv Credit Default Swaps

During the year, the Bank has not entered into credit default swaps (Previous year Rs Nil).

xvi Intra-Group Exposures

The details of Intra-Group transaction are as follows:

(In Rs. '000)

	31 March 2020	31 March 2019
Total amount of Intra-group exposures	**16,065,737**	18,801,424
Total amount of top 20 intra group exposures	**16,065,737**	18,801,424
% of intra-group exposure to total exposure of the bank on borrowers / customers	**0.98%**	1.29%
Breach of limits on intra group exposures	**No**	No

xvii Transfers to Depositor Education and Awareness Fund (DEAF)

(In Rs. '000)

	31 March 2020	31 March 2019
Opening balance of amounts transferred to DEAF	**394,960**	285,407
Add : Amounts transferred to DEAF during the year	**63,038**	111,120
Less : Amounts reimbursed by DEAF towards claims	**(2,340)**	(1,567)
Closing balance of amounts transferred to DEAF	**455,658**	394,960

xviii Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of Unhedged Foreign Currency Exposures of its borrowers. In order to minimize risk arising out of exposure to corporates, all foreign currency loans granted by the Bank in excess of USD 10 million are subject to it being mandatorily hedged for foreign currency risk by the corporate, except in the following cases:

- Foreign currency loans extended to finance exports provided customers have uncovered receivables to cover the loan amount.
- Foreign currency loans extended for meeting foreign currency expenditure.

In addition to the above, foreign exchange (FX) risk on unhedged exposures is a crucial part of the risk assessment of the Bank as under:

- FX risk on account of unhedged exposures is factored in during the initial and annual rating exercise based on its impact on the credit profile of the counterparty. The counterparty rating is a critical determinant of all credit reviews and credit decisions.
- FX Hedging policy of clients is discussed in detail during periodic client meetings and information is obtained about existing hedged and unhedged positions of the client and policy on hedging.
- The FX risk of unhedged positions is also qualitatively assessed based on natural hedge available to the counterparty, under business economics/type of exposure to be hedged.
- Rapid portfolio reviews are also conducted during periods of relative currency volatility and appropriate action is taken at a counterparty level to manage credit risks.

The Bank has maintained incremental standard asset provision of Rs. 942,748 thousand (Previous year Rs. 1,572,286 thousand) and incremental capital of Rs. 4,775,703 thousand (Previous year Rs. 8,198,531 thousand) on account of Unhedged Foreign Currency Exposure of its borrowers.

xix The Bank has outstanding factoring exposure of Rs. 38,516,980 thousand (Previous year: Rs. 26,427,474 thousand). The same has been included under the head 'Bills purchased and discounted' in Schedule 9.1.

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4. Notes to financial statements *(Continued)*

o. Liquidity Coverage Ratio

(In Rs. '000)

	Daily average for Quarter ended 30 June, 2019		Daily average for Quarter ended 30 September, 2019		Daily average for Quarter ended 31 December, 2019		Daily average for Quarter ended 31 March, 2020	
	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)		**241,070,159**		**261,860,933**		**274,053,012**		**276,011,729**
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	80,709,254	7,965,307	83,560,739	8,252,500	84,596,010	8,355,803	84,792,572	8,375,041
(i) Stable deposits	2,112,378	105,619	2,071,493	103,575	2,075,964	103,798	2,084,324	104,216
(ii) Less stable deposits	78,596,876	7,859,688	81,489,246	8,148,925	82,520,046	8,252,005	82,708,248	8,270,825
3 Unsecured wholesale funding, of which:	347,924,575	136,880,960	368,069,675	145,708,164	373,912,995	145,878,325	390,749,408	158,795,752
(i) Operational deposits (all counterparties) and deposits in networks of cooperative banks	183,323,428	45,797,856	184,610,515	46,119,788	208,245,627	52,028,337	211,272,375	52,783,663
(ii) Non-operational deposits (all counterparties)	164,601,147	91,083,104	183,459,160	99,588,376	165,667,368	93,849,988	179,477,033	106,012,089
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding				-		-		-
5 Additional requirements, of which:	323,476,291	29,310,242	314,712,874	26,407,352	328,893,642	22,187,941	324,226,128	23,993,857
(i) Outflows related to derivative exposures and other collateral requirements	-	10,273,946	-	8,378,129	-	4,143,220	-	6,361,266
(ii) Outflows related to loss of funding on debt products								
(iii) Credit and liquidity facilities	32,34,76,291	1,90,36,296	31,47,12,874	1,80,29,223	32,88,93,642	1,80,44,721	32,42,26,128	1,76,32,591
6 Other contractual funding obligations	10,35,570	10,35,570	11,87,113	11,87,113	10,10,722	10,10,722	9,38,387	9,38,387
7 Other contingent funding obligations	20,55,21,652	61,65,650	20,99,79,669	62,99,390	21,07,07,953	63,21,239	19,91,75,620	59,75,269
8 Total Cash Outflows		**181,357,729**		**187,854,519**		**183,754,030**		**198,078,306**
Cash inflows								
9 Secured lending (eg reverse repos)	51,431,440	-	57,653,569	-	90,970,290	-	85,653,794	-
10 Inflows from fully performing exposures	193,367,099	125,913,764	193,935,876	128,094,564	201,139,715	144,796,364	193,792,080	133,064,713
11 Other cash inflows	6,342,430	5,321,687	3,940,347	3,793,539	2,921,121	2,729,605	7,269,479	6,802,733
12 Total Cash Inflows	251,140,969	**131,235,451**	255,529,792	**131,888,103**	295,031,126	**147,525,969**	286,715,353	**139,867,446**
		TOTAL ADJUSTED VALUE		**TOTAL ADJUSTED VALUE**		**TOTAL ADJUSTED VALUE**		**TOTAL ADJUSTED VALUE**
13 Total HQLA		**241,070,159**		**261,860,933**		**274,053,012**		**276,011,729**
14 Total Net Cash Outflows*		**50,122,278**		**55,966,416**		**45,938,507**		**58,210,860**
15 Liquidity Coverage Ratio (%)		**480.96%**		**467.89%**		**596.56%**		**474.16%**

* Total Net Cash Outflows is capped to 25% of Cash outflows

(In Rs. '000)

	Daily average for Quarter ended 30 June, 2018		Daily average for Quarter ended 30 September, 2018		Daily average for Quarter ended 31 December, 2018		Daily average for Quarter ended 31 March, 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)		164,554,496		196,298,567		177,670,710		178,457,300
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	57,871,348	5,682,253	62,092,651	6,106,903	68,808,242	6,778,229	73,859,793	7,285,028
(i) Stable deposits	2,097,625	104,881	2,047,253	102,363	2,051,905	102,595	2,019,032	100,952
(ii) Less stable deposits	55,773,723	5,577,372	60,045,398	6,004,540	66,756,337	6,675,634	71,840,761	7,184,076
3 Unsecured wholesale funding, of which:	286,267,323	112,633,814	319,303,180	132,356,954	324,387,782	127,596,717	322,375,038	132,705,527
(i) Operational deposits (all counterparties) and deposits in networks of cooperative banks	168,689,191	42,139,201	178,536,831	44,599,702	176,229,730	44,023,849	170,785,620	42,663,029
(ii) Non-operational deposits (all counterparties)	117,578,132	70,494,613	140,766,349	87,757,252	148,158,052	83,572,868	151,589,418	90,042,498
(iii) Unsecured debt	–	–	–	–	–	–	–	–
4 Secured wholesale funding				–		–		–
5 Additional requirements, of which:	404,476,849	26,118,143	385,370,088	26,159,257	343,640,541	23,758,355	325,539,762	22,426,374
(i) Outflows related to derivative exposures and other collateral requirements	–	2,086,609	–	3,055,100	–	3,390,386	–	3,179,704
(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
(iii) Credit and liquidity facilities	404,476,849	24,031,534	385,370,088	23,104,157	343,640,541	20,367,969	325,539,762	19,246,670
6 Other contractual funding obligations	709,522	709,522	786,667	786,667	882,731	882,731	927,772	927,772
7 Other contingent funding obligations	176,331,123	5,289,934	183,936,805	5,518,104	204,554,496	6,136,635	196,849,935	5,905,498
8 Total Cash Outflows		150,433,666		170,927,885		165,152,667		169,250,199
Cash inflows								
9 Secured lending (eg reverse repos)	38,651,503	–	72,624,745	–	28,769,290	–	33,265,830	–
10 Inflows from fully performing exposures	171,392,969	110,961,425	198,017,417	130,661,378	209,263,179	136,775,354	198,024,849	132,176,312
11 Other cash inflows	8,069,397	5,467,521	4,353,665	4,091,814	9,358,536	6,914,376	16,984,017	11,545,322
12 Total Cash Inflows	218,113,869	**116,428,946**	274,995,827	**134,753,192**	247,391,005	**143,689,730**	**248,274,696**	**143,721,634**
		TOTAL ADJUSTED VALUE		**TOTAL ADJUSTED VALUE**		**TOTAL ADJUSTED VALUE**		**TOTAL ADJUSTED VALUE**
13 Total HQLA		**164,554,496**		**196,298,567**		**177,670,710**		**178,457,300**
14 Total Net Cash Outflows*		**37,608,417**		**42,731,971**		**41,288,166**		**42,312,550**
15 Liquidity Coverage Ratio (%)		**437.55%**		**459.37%**		**430.32%**		**421.76%**

* Total Net Cash Outflows is capped to 25% of Cash outflows

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4. Notes to financial statements *(Continued)*

o. Liquidity Coverage Ratio *(Continued)*

Qualitative Disclosure around LCR

The Bank measures and monitors the Liquidity Coverage Ratio (LCR) in line with the extant RBI guidelines. The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day stress scenario. The ratio is defined as the amount of High Quality Liquid Assets ("HQLA") that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario. The minimum LCR requirement from 1st January 2019 till 27th March 2020 was 100%, it reduced to 80% from 28 March 2020 till 30 September 2020. As per the RBI circular minimum LCR should be 90% from 1 October 2020 till 31 March 2021, from April 1 2021 onwards minimum LCR will be 100%.

The Bank's average LCR for the quarter ended March 2020 stood at 474.16% as against 421.76% for the quarter ended March 2019. In accordance with RBI guidelines dated 31st March 2015, the LCR ratio for the quarter ended March 2020 is computed on daily LCR observations.

The banks maintain HQLA primarily in the form of cash including excess CRR with the RBI, unencumbered SLR holdings over and above the mandatory SLR requirement and the portion of mandatory SLR holdings that are allowed by the RBI to be counted towards HQLA through the Marginal Standing Facility (MSF) and the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

The Bank has maintained an average HQLA of Rs. 276,011,729 thousand for quarter ended March 2020 as against Rs. 178,457,300 thousand for quarter ended March 2019.

The Bank's average net cash outflows stood at Rs. 58,210,860 thousand for quarter ended March 2020 as against Rs. 42,312,550 thousand for quarter ended March 2019. The main drivers for cash outflows are operational and non-operational deposits from corporate and retail customers, short-term borrowings and contingent outflows from credit and liquidity facilities, letter of credit, guarantees and trade finance facilities granted to corporate customers. The main LCR inflow driver is inflows from fully performing exposures, representing inflows from loans extended to retail and corporate customers.

The Bank's Asset Liability Committee (ALCO) manages and defines its funding strategy to maintain a stress-compliant and diversified funding profile based on LCR requirements, the Bank's liquidity risk appetite and the Bank's internal liquidity risk management framework. The ALCO manages the liquidity requirements of all of the Bank's Indian branches and business centrally and holistically, meetings are chaired by the Bank's Treasurer and attended by the CEO, CFO, COO, the Bank's business heads and infrastructure function heads.

p. Corporate Social Responsibility ('CSR')

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:

i. **Education -** Enabling underprivileged children and youth overcome poverty through education and to reach their full potential, by boosting their aspirations, improving their skill set and by making vocational training and job placements available to them. The Bank will work across the education continuum – primary, secondary and tertiary levels leading up to employability.

ii. **Healthcare -** Providing end-to-end access to affordable and quality healthcare to children, youth and adults from socially and economically backward background. This includes preventive & early screening of diseases, curative & operative healthcare for fatal diseases as well as capacity building for hospitals & institutions.

iii. **Social & Environment Sustainability -** Developing sustainable ideas that drive social and environmental change for increasing the country's forest and water reserves and usage of renewable energy.

iv. **Disaster Relief -** Enabling funds directly or through implementing partners to support natural disaster relief efforts as may be required in the country from time to time.

v. CSR activities falling within the scope of Schedule VII of Section 135 of the Companies Act, 2013.

Based on the above, the Bank has identified and executed on CSR activities.

a. Gross amount required to be spent by the Bank is Rs. 390,711 thousand (Previous year Rs. 387,926 thousand)

b. Amount spent during the year is Rs. 394,192 thousand (Previous year Rs. 389,851 thousand), in accordance with the Companies Act, 2013, expenditure towards corporate social responsibility is recognized in the Profit and Loss account.

The details of amount spent during the respective year towards CSR are as under ***(In Rs. '000)***

		31 March 2020			31 March 2019		
		Amount spent	**Amount Unpaid/ provision**	**Total**	Amount spent	Amount Unpaid/ provision	Total
1	**Construction / acquisition of any asset**	**–**	**–**	**–**	–	–	–
2	**On purpose other than (i) above**	**394,192**	**–**	**394,192**	389,851	–	389,851

q. Disclosure on provisioning pertaining to fraud accounts ***(In Rs. '000)***

	31 March 2020	**31 March 2019**
Number of frauds reported during the year	**46**	52
Amounts involved	**152,492**	1,931
Provisions made during the year	**134,219**	121
Unamortised provision debited from 'other reserves' as at the end of the year	**–**	–

r. Priority Sector Lending Certificates (PSLCs) purchased / sold ***(In Rs. '000)***

	31 March 2020		31 March 2019	
Type of PSLCs	**Purchased**	**Sold**	Purchased	Sold
PSLC - Agriculture	**–**	**–**	–	–
PSLC - SF / MF	**–**	**–**	–	–
PSLC - Micro Enterprises	**–**	**–**	–	–
PSLC - General	**49,000,000**	**–**	15,927,500	–
Total	**49,000,000**	**–**	15,927,500	–

s. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED), certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the Management and confirmation sought from suppliers by the Bank on registration with specified authority under MSMED, principal amount unpaid to such enterprises as at end of the year is Rs. 1,288 thousand

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(Previous year Rs. 502 thousand) and interest thereon is Rs Nil (Previous year Rs. Nil), principal amount paid after the due date to such enterprises is Rs. 881 thousand (Previous year Rs. 140 thousand) and the interest payable as at 31 March 2020 to such enterprises is Rs. 1 thousand (Previous year Rs. 2 thousand).

t. Implementation of Indian Accounting Standards (Ind AS)

The Ministry of Corporate Affairs (MCA), on 18 January 2016 issued a press release setting out the dates of Indian Accounting Standards (Ind AS) applicability for banks from the accounting period beginning 1 April 2019. The RBI had also advised that the Banks in India are required to implement Ind AS from 1 April 2019. Subsequently implementation of Ind AS was deferred by one year by RBI as the necessary legislative amendments to make the formats of financial statements compatible with Ind AS were under consideration of the Government. Further, RBI vide its notification dated 22 March 2019 has deferred the implementation of Ind AS till further notice.

Based on RBI directions, the Bank continues to submit proforma Ind AS financials to RBI on a quarterly basis. The Ind AS guidelines converge substantially with International Financial Reporting Standards (IFRS) and the Bank already prepares its financial statements for Head Office Reporting based on IFRS. Hence, the Bank has approached Ind AS implementation primarily as a review and analysis of existing IFRS reporting practices vis-à-vis Ind AS.

u. Movement in provision for debit card reward points

(In Rs. '000)

	31 March 2020	31 March 2019
Opening provision	**7,484**	8,031
Provision made during the year	**5,919**	4,573
Utilization of provision during the year	**(5,950)**	(5,120)
Closing provision	**7,453**	7,484

v. Provisions, Contingent liabilities and contingent asset

Sr. No	**Contingent Liabilities**	**Brief**
1)	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal proceedings in the normal course of business. The Bank's pending claims and litigations comprise of claims & litigations against the Bank by clients and proceedings pending with Income tax authorities, which are disputed by the bank and possible to be held against the bank.
2)	Liability on account of foreign exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps, exchange traded derivatives and interest rate swaps with interbank participants/ customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Exchange traded derivatives are standardized future dated derivative contracts traded in a recognized stock exchange. 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 benchmark for the calculation of the interest component of the contracts.
3)	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
4)	Other items for which the Bank is contingently liable- Others	These include undrawn commitments, capital commitments, amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF), forward asset purchases and value of investments traded on or before the Balance Sheet date with a settlement post the Balance Sheet date.

Provident fund liability

On 28 February 2019, the Hon'ble Supreme Court of India in its judgment clarified that certain special allowances would be part of the wages for the purpose of considering the contribution under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (the PF Act). The Bank has accordingly implemented the judgement with effect from March 1, 2019 for the impacted categories of employees (a) Employees with Basic Salary lower than Rs. 15,000 per month, for whom the PF computation is now based on Basic salary plus allowances, and (b) International workers for whom PF would be on their Basic salary plus allowances, except certain foreign nationals who would be considered Indian nationals for the purpose of PF computation.

w. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Signatures to Schedule 1 to 18 form part of the Financial Statements and to the above notes.

The schedules referred to above and the attached notes form an integral part of the Financial Statements.

As per our Report of even date.

For **MSKC & Associates (Formerly known as R.K. Kumar & Co.)**
Chartered Accountants
Firm Registration No: 001595S

Sd/-
Tushar Kurani
Partner
Membership No: 118580

Place : Mumbai
Date : 22 June, 2020

For **Deutsche Bank AG - India Branches**

Sd/-
Kaushik Shaparia
Chief Executive Officer – India

Place : Mumbai
Date : 22 June, 2020

Sd/-
Avinash Prabhu
Chief Financial Officer – India

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Management disclosures under Pillar 3 – Year ended March 31, 2020

1. Scope of application

The BASEL III - Pillar 3 disclosures contained herein relate to Deutsche Bank AG - India Branches (herein also referred to as the 'Bank') for the period ended March 31, 2020. 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.

As at March 31, 2020, the Bank is required to maintain minimum Common Equity Tier1 (CET1) capital ratio of 5.50%, Capital conservation buffer (CCB) of 1.875%, Global Systemically Important Banks buffer (GSIB) of 2%, minimum Tier-1 capital ratio of 7% and minimum total capital ratio including CCB and GSIB is 12.875%.

The following table lists Bank's associates and their treatment in consolidated capital adequacy computations.

Name of the entity	Included under accounting scope of consolidation	Method of accounting consolidation	Included under regulatory scope of consolidation	Method of regulatory consolidation	Reasons for difference in the method of consolidation	Reasons for consolidation under one of the scope of consolidation
Comfund Consulting Limited	No Refer Schedule 18 Note 4 m vi v of financial statement of Bank as at 31 March 2020	Not Applicable	No	Not Applicable	Not Applicable	Not Applicable - Risk weighted for capital adequacy purposes

List of Group entities operating in India and considered for regulatory scope of consolidation is as under. The Bank does not hold any investment in these group entities.

(In Rs. '000)

Sr. No.	Name of entity	Principal activity of the entity	Total balance sheet equity *	Total balance sheet assets *
1	Deutsche India Holdings Private Limited (DIHPL)	NBFC & Holding company	6,935,950	7,076,710
2	Deutsche Investments India Private Limited (DIIPL)	NBFC Business / Non-discretionary Portfolio management Services	9,007,290	19,253,300

* Figures as per audited accounts of March 31, 2019

List of Group entities operating in India and not considered for consolidation both under accounting and regulatory scope of consolidation is as under. The Bank does not hold any investment in these group entities.

(In Rs. '000)

Sr. No.	Name of entity	Principal activity of the entity	Total balance sheet equity*	Total balance sheet assets*
1	Deutsche Asset Management (India) Private Limited	Not Applicable$	889,330	974,970
2	Deutsche Securities (India) Private Limited	Not Applicable#	854,999	857,817
3	Deutsche Equities India Private Limited	Stock broker / Merchant banking and advisory services	3,730,730	47,081,270
4	Deutsche Investor Services Private Limited	Fund accounting	365,190	572,360
5	RREEF India Advisors Private Limited	Not Applicable#	237,060	238,143
6	Deutsche Trustee Services (India) Private Limited	Not Applicable#	68,163	69,021
7	Deutsche CIB Centre Private Limited	Global processing centre for Back office processing / support services for business lines.	3,423,640	5,392,240
8	DBOI Global Services Private Limited	Global processing centre for back office / IT enabled services	11,696,780	16,406,840

* Figures as per audited accounts of March 31, 2019

The members have passed a resolution for voluntary winding up

$ The company does not carry on any operations

2. Capital Structure

a. Summary information on the terms and conditions of the main features of all capital instruments

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, Floating Provision and excess provision on sale of Non Performing Assets (NPA) which are created in accordance with the extant RBI guidelines.

Management disclosures under Pillar 3 – Year ended March 31, 2020

b. Details of Capital Funds of the Bank

(In Rs.'000)

Particulars	31 Mar 2020	31 Mar 2019
Capital - Head Office Account	**75,881,087**	75,881,087
Statutory Reserve	**32,265,930**	29,688,575
Capital Reserve	**360,607**	360,607
Remittable Surplus Retained for CRAR requirement	**43,468,052**	43,468,052
Less: Earmark for Electronic Trading Platform (ETP)	**(50,000)**	-
Less: Intangible assets	**(535,081)**	(504,785)
CET1 Capital / Tier I Capital	**151,390,595**	148,893,536
Investment Reserve	**-**	145,699
Investment fluctuation reserve	**3,204,519**	804,519
Provision on Standard Assets	**4,183,256**	4,135,320
Provision on Country Risk	**86,920**	65,148
Floating Provision	**712,260**	712,260
Provision made on Sale of NPA	**465,000**	427,500
Countercyclical provisioning buffer	**150,000**	150,000
Tier II Capital	**8,801,955**	6,440,446
Total Capital	**160,192,550**	155,333,982

3. Capital adequacy

a. Approach to assessing capital adequacy for current and future activities

The Bank is committed to maintaining sound capitalisation. Therefore, overall capital demand and supply are constantly monitored and adjusted as necessary in line with the strategic, business and capital plans drawn up annually by the Bank. It should be noted that Deutsche Bank operates as an integrated Group through its business divisions and infrastructure functions. The local Asset and Liability Committee (ALCO) for the Bank is the primary platform for providing strategic direction and follow through action relating to the management of the entity's financial resources. Specifically, the ALCO ensures adequate capitalisation to meet current and future business and regulatory requirements and sets limits for capital usage by business.

Stress testing and sensitivity analysis are used to assess the Bank's ability to sustain operations during periods of stress. They provide an insight into the potential impact of significant adverse events on the Bank's earnings, risk profile and capital position.

b. Capital requirements for credit risk, market risk, operational risk, and Capital ratios per New Capital Adequacy framework

The Bank is subject to the Basel III capital adequacy guidelines stipulated by RBI with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till September 30, 2020.

Standalone capital ratio as per Basel III is 14.93% **(In Rs.'000)**

Particulars	31 March 2020	31 March 2019
Capital requirement for credit risk# -		
(Standardised Approach)		
– Portfolios subject to Standardised Approach	**112,554,468**	99,432,951
– Portfolios subject to securitisation exposures	**221,945**	-
The Bank invests in Pass Through Certificates (PTCs)		
Capital requirement for market risk#		
(Standardised Duration Approach)		
– Interest rate risk	**12,381,735**	12,756,023
– Foreign exchange risk (including gold)	**3,374,859**	3,374,859
– Equity risk	**206,562**	202,310
Capital requirement for operational risk#	**9,426,474**	8,969,037
(Basic Indicator approach)		
Total	**138,166,043**	124,735,180
Deutsche Bank AG, India Branches		
CET1 Capital / Tier I Capital adequacy ratio	**14.11%**	15.37%
Total Capital adequacy ratio	**14.93%**	16.03%
Consolidated Bank*		
CET1 Capital / Tier I Capital adequacy ratio	**14.80%**	16.04%
Total Capital adequacy ratio	**15.61%**	16.70%

Capital requirement is arrived at after multiplying the risk weighted assets by 12.875%

* Based on unaudited accounts of DIHPL and DIIPL.

4. Risk Exposure & Assessment

Risk Governance

Three Lines of Defence (3LoD)

The Bank follows DB Group's three lines of defence (LoD) organisation structure in order to protect the Bank, its customers and shareholders against risk losses and resulting reputational damages. This structure ensures that all risks are taken on, and managed, in the best and long term interest of the Bank.

As per the three LoD structure, risks are fully owned by those creating or taking on the risks (1st LoD), while the setting of risk appetite, monitoring of Bank-wide risk levels against the Bank's risk appetite and provision of challenge to risk management decisions is performed by independent control functions (2nd LoD). Independent assurance over the design and operation of controls, in turn, is provided by the 3rd LoD. This set-up ensures that all risks are identified and managed, and that risk management accountabilities are clearly assigned. A role's designation to a line of defence depends on its mandate and activities, not its organisational affiliation, e.g. an infrastructure function such as Risk or Finance may be seen as primarily a 2nd LoD control function, however will also carry responsibility for managing its own risk portfolio, thereby also having 1st LoD accountability.

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Risk accountability – 1st LoD

The 1st LoD refers to roles in the Bank whose activities generate risks, whether financial or non-financial. The 1st LoD, or risk owners are accountable for:

1. All financial and non-financial risks that are generated in their respective organisations
2. Managing these risks within the defined risk appetite at the appropriate granularity. This includes the timely identification and escalation of risk appetite breaches
3. Ensuring that the appropriate organisation, governance and structures are in place in order to identify, monitor, assess and accept or mitigate the risks they generate or are exposed to

The 1st LoD cannot delegate its accountability for the management of its own risks, and must adhere to the standards laid out in this policy as well as additional standards set by the 2nd LoD, and any applicable regulatory requirements. A Business / Infrastructure Function Head may delegate the execution of risk management activities into his / her organisation; however, he / she retains the accountability for the execution of the risk owner mandate. Performing activities outside the risk owner's own organisation requires a formal documented agreement between the Heads of the affected units.

Independent risk control and challenge – 2nd LoD

The 2nd LoD refers to Risk type controller (RTC) roles in the Bank who, as experts for a particular risk type, define the risk appetite and risk management and control standards for that risk type, and facilitate the implementation of these standards in the 1st LoD. RTCs independently oversee and challenge the risk taking and management activities of the 1st LoD. RTCs' mandate includes:

As the 2nd LOD, as experts for their risk type –

1. Define and regularly update the risk management framework for their risk type. This includes the setting of minimum risk management and control standards, as well as facilitating, and independently reviewing and assessing the implementation of these standards. The framework must be compliant with all applicable rules and regulations.
2. Act as an advisor to the 1st LoD on how to identify, assess and manage risks.
3. Regularly update and report their risk type's profile at Group and other aggregation levels. This includes the identification of emerging risks.

As the 2nd LoD control function for their risk type-

1. Define their risk type's risk appetite, both qualitatively and quantitatively.
2. Monitor the adherence to the defined risk appetite levels, veto decisions that would exceed the Bank's risk appetite, escalate confirmed breaches of risk appetite2, and enable the application of adequate consequences where risk appetite is breached.
3. Independently assess and challenge the 1st LoD risk profiles and risk management activities to ensure the Bank adheres to the risk management standards set by the 2nd LoD.

Independent assurance – 3rd LoD

As the 3rd LoD, Group Audit provides independent and objective assurance on the effectiveness of 1st and 2nd LoD interaction, risk management, internal controls and governance processes. Further information on Group.

The Supervisory Board exercises strategic control and supervision of DB Group. It monitors DB's risk and capital profile regularly via its designated subcommittee, the Risk Committee. The chair of the Risk Committee reports on items discussed during the Risk Committee's meetings to the Supervisory Board.

The Management Board (MB) provides overall risk & capital management supervision for the Group and is responsible for day to day management of the company with the objective of creating sustainable value in the interest of its shareholders, employees, regulators and other stakeholders. The MB is responsible for defining and implementing comprehensive and aligned business and risk strategies, as well as ensuring well-defined risk management functions and operating processes are in place to ensure that DB's overall performance is aligned to its business and risk strategy. The MB is collectively accountable for DB's risk exposure.

The Group Risk Committee (GRC) established by the MB is the central forum for review and decision on all material risk topics. Sub-committees are established to cover the different risk types. The GRC is chaired by the Chief Risk Officer (CRO) and covers the following tasks and duties:

- Review inventory of risks and decide on materiality classification
- Review and recommend DB Group Risk Management Principles to the MB for approval
- Support the MB during group-wide Risk & Capital Planning process and recommend risk appetite parameters to the MB, review risk appetite per material risk type, set risk appetite targets and establish a sanctioning system for excesses
- Review Group-wide Stress Testing results and discuss/recommend actions as required
- Advise the MB on recovery measures in times of crisis and oversee their execution as decided by the MB and decide upon mitigating actions to be taken during periods of anticipated or actual stress. Recommend the Group Risk Appetite Statement to the MB
- Recommend the Group Recovery Plan and the Contingency Funding Plan to the MB for approval and support the authorities in executing the Group resolution plan and coordinate internally
- Review high-level risk portfolios & risk exposure developments as well as overall risk level vs. recovery triggers
- Monitor the development of Risk Culture across DB Group

Country Chief Risk Officer

The roles and responsibilities of DB India, CRO are as follows:-

- Overall responsibility of the risk functions (responsibilities for review and control of all credit, market and operational risks)
- CRO is responsible for supporting the India Branch Management Board (BMB) in its engagement with and oversight of the development of the Bank's risk appetite and for translating the risk appetite into a risk limits structure, extending risk principles into wider business strategy
- Monitoring performance relating to risk taking / risk limits adherence in RMC
- Monitoring and identifying emerging risks and alerting the Board on key risks /regularly engaging with the Board on key risk issues
- Highlight to senior management and the board risk management concerns, such as risk concentrations and violations of risk appetite limits.
- Identifying relationship between risks in separate business units, linkages across business and thus to manage them more effectively-integrated risk approach.
- CRO's responsibilities also include managing and participating in key decision making processes (e.g. strategic planning, capital & liquidity planning, etc.)
- Responsibility for compliance at a strategic level along with appropriate risk functions.
- CRO oversees the development and execution of local objectives, plans and policies, etc.
- CRO is a key personnel in the Bank and will represent risk in the various management committees such as BMB, ALCO, Risk Management Council (RMC), India Credit Risk Council (ICRC), etc.
- CRO is also the CRM head, will be the vice chair of the RMC and ICRC to avoid any conflict of interest (RBI approval in place)

The Bank has aligned its management structure in line with the global management structure of Deutsche Bank AG. The Management of the overall affairs of the Bank is vested with the BMB. The Bank has various committees to monitor its functioning and provide necessary direction in view of external / internal developments, including changes in the regulatory environment. An overlap in membership between these committees facilitates a constant and comprehensive information flow.

The ICRC is established by the BMB ("Delegating Person") in 2018. Its mandate is to approve significant credit risk and underwriting proposals for booking in DB India, Corporate & Investment Bank (CIB) in line with local regulatory requirements. The Chief Country Officer (the Chairperson) is empowered by the Delegating Person to set up the structure of the Council, including membership, taking into account its aim and its tasks.

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Specific Banking Risks:

Credit risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuer (which we refer to collectively as "counterparties") exist, including those claims that we plan to distribute. It captures the risk of loss because of a deterioration of a counterparty's creditworthiness or the failure of a counterparty to meet the terms of any contract with the Bank or otherwise perform as agreed. Credit risk contains five material categories (Level 2) in DB Group's risk taxonomy:

- Default / migration risk is the risk that a counterparty defaults on its payment obligations or experiences material credit quality deterioration increasing the likelihood of a default.
- Country risk is the risk that otherwise solvent and willing counterparties are unable to meet their obligations due to direct sovereign intervention or policies.
- Transactional/settlement risk (exposure risk) is the risk that arises from any existing, contingent or potential future positive exposure
- Mitigation risk is the risk of higher losses due to risk mitigation measures not performing as anticipated.
- Concentration risk is the risk of an adverse development in a specific single counterparty, country, industry or product leading to a disproportionate deterioration in the risk profile of DB's credit exposures to that counterparty, country, industry or product.

Market risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational Risk excludes business and reputational risk.

Liquidity risk

Liquidity risk is the risk arising from the potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Other risks

Other risks such as Reputational Risk, Business Risk including Strategic Risk are also considered at Local/Group Level.

Risk Management Tools

The Bank uses a comprehensive range of quantitative and qualitative methodologies for assessing and managing risks. As a matter of policy, the Group continually assesses the appropriateness and the reliability of its quantitative tools and metrics in light of the Group's changing risk environment. Some of these tools may be common to a number of risk categories, while others are tailored to the particular features of specific risk categories.

4.1 Credit risk

a. Credit Risk Management Organisation and structure

The Bank has established a RMC by the BMB. The Risk Management Council is mandated to oversee credit risk, market risk and operational risk related matters. The committee comprise of Chief Operating Officer, Head- Credit Risk Management (CRM) Corporate & Investment Bank (CIB), Head- Market Risk Management (MRM), Head-CRM Wealth Management (WM), Head-CRM Private and Commercial Bank (PCB), , Head-Compliance, Chief Financial Officer (CFO), India Internal Capital Adequacy Assessment Process (ICAAP) coordinator, Treasurer, Head-Legal and Head-Non Financial Risk (NFR) .

b. CRM CIB

(i) Credit Risk policies and procedures

All business requests that involve credit risk need to be presented to CRM for its approval. Loan policy is updated annually and is also approved by the Risk Management Council. CRM uses its global ratings model for all risks and every counterpart is internally rated. CRM CIB has a policy of annual reviews of all risk limits. This policy is strictly followed and any overdue reviews are regularly monitored and explained. The annual review is a comprehensive exercise which covers the Industry scenario, key business drivers, key risk factors, business and financial risk (including forex risk), management quality and transparency and a peer analysis along with downside scenarios in projections.

CRM CIB in India has significant delegation of approval authority, to enable timely credit decisions, based on an understanding of local market conditions. In line with the global policy, CRM takes decisions in India on the 4 eyes principle.

In the event the credit authority of the local CRM team is not equipped to take a decision on complex / structured products, large ticket transactions, etc, the local CRM team forwards its recommendation on the request to senior CRM officers in Asia Pacific (APAC) or globally, for the final decision, depending on the defined delegated authority.

Bank has established an ICRC to approve significant credit risk and underwriting proposal in line with the regulatory requirements. ICRC has a Terms of Reference (ToR) approved by the BMB highlighting roles and responsibilities, membership, etc.

CRM globally operates on the "Batch Strategy' concept, where each Industry / sector is reviewed globally in detail for risk drivers, along with an analysis of DB's exposures in that sector globally – exposure amounts, counterparty ratings, products, risk profile, etc. This system enables DB to quantitatively focus on its global exposures in different Industries / sectors, as well as the credit ratings / facility ratings of the exposures within those sectors.

The Bank globally subjects all risk types covered under its Economic Capital (EC) concept and liquidity risk to regular stress tests. The Bank's stress tests consider macroeconomic, business related and quantitative aspects to derive implications for its risk profile.

Risk limits and exposures on lower rated counterparties are intensively monitored. There is a quarterly CRM exercise to discuss all watch-list names. Deutsche Bank in India follows all the exposure norms and provisioning requirements as laid down by the RBI in its master circulars.

Within the CRM CIB portfolio, concentration risk monitoring and mitigation plays an important role. CRM has guidelines in terms of maximum exposures on counterparties at different rating levels, with different levels of market access and in different categories of country risk.

The credit risk assessment of exposures that are off-balance sheet are subject to the same vigorous scrutiny and approval process, as is followed for the balance sheet exposures. There is no differentiation between balance sheet and off-balance sheet exposures in the Bank's risk assessment and monitoring standards.

CRM is globally organized and carries out risk identification, assessments, management, monitoring and reporting of credit risks. The CRM department is independent from the business. Accordingly, the credit policies of DB Group are adopted and the Head of CRM is responsible for establishing local policies and procedures to ensure compliance with DB Group principles.

All new credit risks incurred within the DB Group (including DB India) have to be approved by individuals with appropriate credit authority (sufficient to cover the entire DB Group exposure according to a "one obligor" principle). All credit risk decisions relevant to DB India are subject to the approval of Deutsche Bank's CRM.

Credit Risk is managed for DB Group on the basis of a "one obligor principle"; new credit exposures as well as reviews of credit exposures require approval by the appropriate authority holder covering the entire DB Group exposure. All credit risk decisions relevant to DB India are subject to the approval of DB Group's CRM.

The management of credit risk follows a clearly defined credit process. Key processes are:

– deriving a credit rating for the counterparties
– approving credit limits with the required Credit Authority
– setting credit limits for a certain counterparty or portfolio
– deciding on the requirement for credit risk mitigants and risk transfers
– monitoring of the credit exposures on a counterparty as well as on a portfolio level. This includes stress testing.
– managing higher risk counterparties via watchlist process and transfer to workout unit.
– proactively managing concentration risks and identifying quality trends.

Adequate documentation and storage for future reference are ensured along the complete credit process.

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(ii) Credit risk on trading instruments

CRM CIB has global systems in place to monitor the Mark to Market risk on all foreign currency and rates derivative transactions undertaken by the clients. DB uses the Potential Future Exposure at 95% confidence levels as the basis to determine the limit requirements for such products.

Internally, the Bank manages credit risk on all trading instruments by reference to three measures:

- o Current Credit Exposure (“CCE”), which is the current value of any contract, at current market rates, as shown in the Bank’s records. CCE will be reported net of enforceable collateral, and may be aggregated to reflect enforceable netting arrangements
- o Potential Future Exposure (“PFE”), which is an estimate of the Current Credit Exposure that trading instruments could potentially assume in the future
- o Stress Testing, which reflects the short term sensitivity of the portfolio CCE to market parameters.

To reduce derivatives-related credit risk, the Bank regularly seeks the execution of master agreements (such as the “International Swap and Derivatives Association” - ISDA contract) with clients. A master agreement allows the offsetting of the obligations arising under all of the derivatives contracts that the agreement covers upon the counterparty’s default, resulting in one single net claim against the counterparty (called “close-out netting”).

The Bank also enters into credit support annexes (CSA) to master agreements in order to further reduce the derivatives related credit risk. These annexes generally provide risk mitigation through periodic, usually daily, margining of the covered exposure. The CSAs also provide for the right to terminate the related derivative transactions upon the counterparty’s failure to honour a margin call. As with netting, when the Bank believes the annex is enforceable, it reflects this in the exposure measurement.

Certain CSAs to master agreements provide for rating dependent triggers, where additional collateral must be pledged if a party’s rating is downgraded. We also enter into master agreements that provide for an additional termination event upon a party’s rating downgrade. These downgrading provisions in CSAs and master agreements usually apply to both parties but may also apply to us only. The Bank analyses and monitors it’s potential contingent payment obligations resulting from a rating downgrade in it’s stress testing approach for liquidity risk on an ongoing basis.

For credit exposure measurement purposes, as the replacement values of the portfolios fluctuate with movements in market rates and with changes in the transactions in the portfolios, the Bank also estimates the potential future replacement costs of the portfolios over their lifetimes. This is based on the Current Exposure method as per RBI master circular on Exposure norms.

(iii) Credit rating policy

DB Group’s risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures DB Group applies to the ongoing exposure.

DB Group has its own in-house assessment methodologies, scorecards and rating scale for evaluating the creditworthiness of its counterparties. Its granular 21-grade rating scale, which is in compliance with the Internal Ratings Based approach in Basel III and is calibrated on a probability of default measure based upon a statistical analysis of historical defaults in its portfolio, enables the comparison of its internal ratings with common market practice and ensures comparability between different sub-portfolios of its institution. Several default ratings therein enable the incorporation of the potential recovery rate of defaulted exposure. DB Group generally rates all its credit exposures individually. When DB Group assigns its internal risk ratings, DB Group compares them with external risk ratings assigned to counterparties by the major international rating agencies, where possible.

The credit ratings are the core element of the Bank’s risk management framework and determine the –

- o Level of authority required for approval
- o The SEC classification (performing / non performing) and FED classification (Special Mention, Sub standard, Doubtful, Loss)

The accuracy and consistency of ratings are ensured through Front End Management, Portfolio Reviews including independent Asset Quality Reviews and validation by Risk Analytics and Instruments.

Each and every facility in the banking book is rated based on the internal rating model of DB. For each counterparty, the Credit Risk management assigns a Counterparty Probability of Default (‘CPD’) and for each facility, a Facility Probability of Default (‘FPD’) is assigned, along with the Loss Given Default (‘LGD’) and Country of Risk.

The Bank’s ratings scale closely mirrors the scales used by key global rating agencies such as S & P and Moody’s.

(iv) Definition and classification of past due and impaired

Loans and Advances are classified into performing and non-performing loans in accordance with the extant RBI guidelines.

Past due advances understood to mean Non Performing Advances are identified by periodic appraisals of the portfolio by the management and appropriate provisions are made which meets the prudential accounting norms prescribed by the RBI for asset classification, income recognition and provisioning after considering subsequent recoveries.

c. CRM PCB - Credit risk policies and procedures

CRM PCB India manages the credit risk of Retail Banking portfolio in India. All lending product launched within PCB are approved by CRM PCB before the launch. Credit Risk policies are clearly documented through Product Program for each product.

The scope of India Credit Policy covers the credit process for the PCB unit in India and details the following.

- o Credit principles
- o Generic credit process
- o Credit authority guidelines
- o Loan Loss Allowance / Write off guidelines

The precise nature of the credit assessment, decision and monitoring process depends primarily on the type of product, exposure and the existence and quality of collateral.

The credit decision on a loan request involves rule based risk assessment which takes into account the following:

- o Customer information given in the application form (general customer data / financial information)
- o Information on the borrower’s behavior (external data/account movements, where available)
- o Specific information of the application itself (credit volume / collateral)

When deciding on a loan request, all required information and documents are considered. The credit officer assesses the profile of the applicant and ability to repay the loan based on various reports available, viz. verification, bureau and policy results etc. as part of the loan file. The portfolio is reviewed at periodic intervals and analysis is made to understand the behaviour of the portfolio in terms of repayment, delinquency, transactions etc.

d. CRM WM

Credit in WM is governed by the Business – aligned Risk Management (BRM) WM – Credit Policy and Process Guide. Other related policies governing the credit linked business in WM are the Principles for Managing Credit Risk–DB Group, the India Credit policy and local regulations.

The above credit policy framework details the following:

- o Credit principles
- o Credit Risk Management process (including initial due diligence, credit reports, rating models used, annual rating review process, credit approval process, credit review process)
- o Credit Rating and Credit Limit guidelines (including the relevant rating model to be applied, one-obligor principle)
- o Credit Authority guidelines (including delegation of credit authority, approvals under ‘4-eye’)
- o Credit Risk Mitigation and Monitoring of risk positions (including collateral monitoring and credit limit excess monitoring)
- o Management of distressed exposures (covering watch-list and workout accounts)
- o Risk Tools (including credit systems, stress testing)

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e. Total Gross Credit exposures **(In Rs. '000)**

Category	**31 March 2020**	31 March 2019
Bills purchased and discounted	**68,098,425**	73,043,286
Cash credits, overdrafts and loans repayable on demand	**232,937,416**	198,164,760
Term loans	**215,059,341**	218,737,552
Inter Bank	**29,397,232**	48,516,818
Others	**601,831**	691,249
Total Fund-based Exposures	**546,094,245**	539,153,665
Guarantees given on behalf of customers	**180,475,301**	200,409,576
Acceptances, endorsements and other obligations	**20,404,174**	47,833,994
Derivative exposures	**495,108,937**	324,404,173
Undrawn Commitment	**25,850,883**	49,231,563
Total Non-fund based Exposures	**721,839,295**	621,879,306

Exposure for the purposes of tables in this section reflect actual notional, except for derivative exposures which is based on the current exposure method prescribed by RBI vide its master circular on Exposure norms.

Note: Investment in Non-SLR instruments not included here, covered under market risk.

The Bank renders its services within one geographical segment and has no offices outside India.

f. Industry Type distribution of exposures (period ended 31 March 2020) **(In Rs.'000)**

Sector ID	**Sector Name**	**Funded**	**Non Funded**	**Total**	**Percentage of Total**
1	Mining & Quarrying	**250,587**	**818,738**	**1,069,325**	**0.08%**
2	Food Processing	**6,705,242**	**668,761**	**7,374,003**	**0.58%**
3	Beverages	**7,343,604**	**1,447,766**	**8,791,370**	**0.69%**
4	Textile	**12,622,256**	**289,228**	**12,911,484**	**1.02%**
5	Leather & Leather Products	**904,047**	**1,146**	**905,193**	**0.07%**
6	Wood and Wood products	**1,231,037**	**102,196**	**1,333,233**	**0.11%**
7	Paper and paper Products	**3,131,242**	**26,643**	**3,157,885**	**0.25%**
8	Petroleum, Coal Products and Nuclear Fuels	**1,315,849**	**10,246,427**	**11,562,276**	**0.91%**
9	Chemical and chemical products	**33,595,155**	**10,467,826**	**44,062,981**	**3.48%**
10	Rubber Plastic and their products	**5,945,610**	**613,175**	**6,558,785**	**0.52%**
11	Glass & Glassware	**901,220**	**311,116**	**1,212,336**	**0.10%**
12	Cement and Cement Products	**302,438**	**0**	**302,438**	**0.02%**
13	Basic Metal and Metal Products	**23,270,368**	**8,889,331**	**32,159,699**	**2.54%**
14	All Engineering	**42,008,206**	**51,069,479**	**93,077,685**	**7.34%**
15	Vehicles, Vehicle Parts and Transport Equipments	**20,560,626**	**12,459,649**	**33,020,275**	**2.60%**
16	Gems and Jewellery	**7,018,107**	**45,000**	**7,063,107**	**0.56%**
17	Construction	**1,222,954**	**302,759**	**1,525,713**	**0.12%**
18	Infrastructure	**51,822,993**	**30,736,771**	**82,559,764**	**6.51%**
19	Other Industries	**36,615,519**	**6,914,737**	**43,530,256**	**3.43%**
20	Residuary Other	**289,327,185**	**586,428,547**	**875,755,732**	**69.07%**
	Total	**546,094,245**	**721,839,295**	**1,267,933,541**	**100.00%**

Industry Type distribution of exposures (year ended 31 March 2019)

(In Rs.'000)

Sector ID	Sector Name	Funded	Non Funded	Total	Percentage of Total
1	Mining & Quarrying	82,962	1,039,350	1,122,312	0.10%
2	Food Processing	4,830,889	5,790,801	10,621,690	0.91%
3	Beverages	5,518,113	912,897	6,431,010	0.55%
4	Textile	9,254,121	1,546,750	10,800,871	0.93%
5	Leather & Leather Products	862,978	555,633	1,418,611	0.12%
6	Wood and Wood products	1,114,683	25,796	1,140,479	0.10%
7	Paper and paper Products	2,481,943	18,416	2,500,359	0.22%
8	Petroleum, Coal Products and Nuclear Fuels	229,349	6,951,124	7,180,473	0.62%
9	Chemical and chemical products	25,069,741	12,283,150	37,352,891	3.22%
10	Rubber Plastic and their products	5,709,785	673,699	6,383,484	0.55%
11	Glass & Glassware	771,112	285,348	1,056,460	0.09%
12	Cement and Cement Products	996,376	0	996,376	0.09%
13	Basic Metal and Metal Products	20,478,602	14,477,503	34,956,105	3.01%
14	All Engineering	42,272,256	53,707,116	95,979,372	8.27%
15	Vehicles, Vehicle Parts and Transport Equipments	19,678,513	15,365,006	35,043,519	3.02%
16	Gems and Jewellery	12,259,671	45,000	12,304,671	1.06%
17	Construction	1,013,795	561,651	1,575,446	0.14%
18	Infrastructure	17,294,250	40,684,672	57,978,922	4.99%
19	Other Industries	58,922,313	8,178,783	67,101,096	5.78%
20	Residuary Other Advances	310,312,213	458,776,611	769,088,824	66.23%
	Total	539,153,665	621,879,306	1,161,032,971	100.00%

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g. Residual contractual maturity break down of Total Assets

(In Rs. '000)

Maturity buckets	**31 March 2020**
Day - 1	**–**
2-7 Days	**328,588,569**
8-14 Days	**57,771,982**
15-30 Days	**74,920,539**
31 Days to 2 months	**26,825,465**
Over 2 Months to 3 months	**31,254,009**
Over 3 Months to 6 months	**30,953,024**
Over 6 Months to 12 months	**52,267,313**
Over 1 Year to 3 years	**161,692,225**
Over 3 Years to 5 years	**43,773,309**
Over 5 years	**404,393,984**
Total	**1,212,440,419**

(In Rs. '000)

Maturity buckets	31 March 19
Day - 1	–
2-7 Days	310,926,164
8-14 Days	57,071,051
15-30 Days	41,973,284
31 Days to 2 months	13,883,795
Over 2 Months to 3 months	29,714,621
Over 3 Months to 6 months	59,909,371
Over 6 Months to 12 months	28,656,670
Over 1 Year to 3 years	182,542,792
Over 3 Years to 5 years	35,663,018
Over 5 years	302,545,273
Total	1,062,886,039

h. Amount of NPA

(In Rs. '000)

NPA Classification (31 March 2020)	**Gross NPAs**	**Net NPAs**
Substandard	**5,900,018**	**4,104,018**
Doubtful		
– Doubtful 1	**2,697,862**	**1,808,545**
– Doubtful 2	**2,661,270**	**770,592**
– Doubtful 3	**3,843,603**	**–**
Loss	**–**	**–**
Total	**15,102,753**	**6,683,155**
NPA Ratio	**2.91%**	**1.31%**

(In Rs. '000)

NPA Classification (31March 2019)	Gross NPAs	Net NPAs
Substandard	6,551,575	5,509,481
Doubtful		
– Doubtful 1	1,623,669	1,035,873
– Doubtful 2	5,468,039	401,153
– Doubtful 3	259,601	–
Loss	341,489	–
Total	14,244,373	6,946,507
NPA Ratio	2.91%	1.44%

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i. Movement in NPAs **(In Rs. '000)**

			31 March 2020	31 March 2019
Movement in NPAs (funded)				
(i)	Net NPAs to Net Advance (%)		**1.31%**	1.44%
(ii)	Movement of Gross NPAs			
	a)	Opening balance	**14,244,373**	10,233,160
	b)	Additions during the year	**8,140,215**	8,216,081
	c)	Reductions during the year	**(7,281,835)**	(4,204,868)
	d)	Closing Balance	**15,102,753**	14,244,373
(iii)	Movement of Net NPAs			
	a)	Opening balance	**6,946,507**	3,049,161
	b)	Additions during the year	**5,125,562**	6,097,367
	c)	Reductions during the year	**(5,388,914)**	(2,200,021)
	d)	Closing Balance	**6,683,155**	6,946,507
(iv)	Movement of Provisions for NPAs			
	a)	Opening balance	**7,297,866**	7,183,999
	b)	Provisions made during the year	**3,014,653**	2,118,714
	c)	Write off/write back of excess provisions during the year	**(1,892,921)**	(2,004,847)
	d)	Closing Balance	**8,419,598**	7,297,866

j. Amount of 'Non Performing Investment'(NPIs)

(In Rs. '000)

Particulars	**31 March 2020**	31 March 2019
Closing balance for the period	**3,795,841**	425,804
Total provisions held	**3,125,548**	425,804
Net book Value	**670,293**	–

k. Movement in Provision for Depreciation on Investments

(In Rs. '000)

Provisions for depreciation on investments*	**31 March 2020**	31 March 2019
Opening balance	**765,318**	652,804
Add: Provisions made during the period / year	**2,696,443**	112,514
Less: Write-off/write back of excess provisions during the period	**–**	–
Closing balance	**3,461,761**	765,318

*Includes provision on NPIs.

4.2 Credit risk – Portfolios subject to Local Standardised Approach

a. Credit rating agencies

The Bank uses short-term and long-term instrument/bank facilities ratings from CARE, CRISIL, ICRA and India Ratings and Research Private Limited (Fitch) to assign risk weights in terms of RBI guidelines.

In respect of claims on non-resident corporate and foreign banks, ratings assigned by international rating agencies such as Standard & Poor's, Moody's and Fitch are used. The Bank uses credit ratings that are publicly available for assigning risk weights.

In accordance with the guidelines of RBI, the Bank classifies all cash credit exposures and assets which have a contractual maturity of more than one year as long term exposures and accordingly the solicited long term ratings accorded by the chosen credit rating agencies are assigned.

The Bank uses issuer and issue ratings for both fund as well as non fund based exposures. 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. The Bank does not have an assigned ratings agency for a given type of claim.

b. Outstanding amounts

Bucket wise break up of exposure amounts subject to the standardised approach is as under

(In Rs. '000)

Exposure Category	**31 March 2020**	31 March 2019
Under 100% risk weight	**194,664,351**	174,706,282
100% risk weight	**255,669,660**	311,986,312
Above 100% risk weight	**95,760,234**	52,461,071
Total Fund-based Exposures	**546,094,245**	539,153,665
Under 100% risk weight	**508,866,975**	370,638,958
100% risk weight	**99,271,949**	191,360,747
Above 100% risk weight	**113,700,371**	59,879,601
Total Non Fund-based Exposures	**721,839,295**	621,879,306

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4.3 Credit risk mitigation policy

Credit risk is generally mitigated at DB Group level. The Bank employs the different techniques available for the management of credit risk in line with the strategy established at DB Group level. The Bank takes into account the local laws / local market practice for the use of credit risk mitigants. The Bank may also apply guarantees or other instruments to transfer credit risk to DB AG or other legal entities within DB Group.

Mitigation of credit risk on counterparty level

In addition to determining counterparty credit quality and the risk appetite, the Bank actively uses various credit risk mitigation techniques to optimize the Bank`s credit exposure and reduce potential credit losses. While those techniques might ensure or can be an alternative source of repayment, they do not substitute for high quality underwriting standards and thorough due diligence. Key credit risk mitigation techniques comprise:

- Comprehensive and enforceable credit documentation with adequate terms and conditions (including covenants where deemed adequate)
- Collateral in its various forms. Key principles for collateral management include assigning realistic collateral valuations, risk and regulatory capital reduction effectiveness and cost efficiency.
- Risk transfers shifting the probability of default risk of an obligor to a third party including hedging executed by the Credit Portfolio Strategies Group (CPSG). Other de-risking tools such as securitizations etc. may also be employed.
- Netting and collateral arrangements which reduce the credit exposure from derivatives as well as repo- and repo-style transactions.

Collateral

The Bank regularly agrees on collateral to be received from or to be provided to customers in contracts that are subject to credit risk. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it generally does not replace the necessity of high quality underwriting standards and a thorough assessment of the debt service ability of the counterparty.

The Bank segregates collateral received into the following two types:

- Financial and other collateral, which enables us to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfil its primary obligations. Cash collateral, securities (equity, bonds), collateral assignments of other claims or inventory, equipment (i.e., plant, machinery and aircraft) and real estate typically fall into this category.
- Guarantee collateral, which complements the borrower’s ability to fulfil its obligation under the legal contract and as such is provided by third parties. Letters of credit, insurance contracts, export credit insurance, guarantees, credit derivatives and risk participations typically fall into this category.

The Bank’s processes seek to ensure that the collateral we accept for risk mitigation purposes is of high quality. This includes seeking to have in place legally effective and enforceable documentation for realizable and measureable collateral assets which are evaluated regularly by dedicated teams. The assessment of the suitability of collateral for a specific transaction is part of the credit decision and must be undertaken in a conservative way, including collateral haircuts that are applied. We have collateral type specific haircuts in place which are regularly reviewed and approved. In this regard, we strive to avoid “wrong-way” risk characteristics where the borrower’s counterparty risk is positively correlated with the risk of deterioration in the collateral value. For guarantee collateral, the process for the analysis of the guarantor’s creditworthiness is aligned to the credit assessment process for counterparties.

Netting and collateral arrangements for derivatives and securities financing transactions (SFT)

Netting is applicable to both exchange traded derivatives and over the counter (OTC) derivatives. Netting is also applied to SFT as far as documentation, structure and nature of the risk mitigation allow netting with the underlying Credit Risk.

All exchange traded derivatives are cleared through central counterparties (CCP), which interpose themselves between the trading entities by becoming the counterparty to each of the entities. The rules and regulations of CCPs usually provide for the bilateral set off of all amounts payable on the same day and in the same currency (“payment netting”) and thereby reducing the settlement risk. Depending on the business model applied by the CCP, this payment netting applies either to all of Bank’s derivatives cleared by the CCP or at least to those that form part of the same class of derivatives. Many CCP rules and regulations also provide for the termination, close-out and netting of all cleared transactions upon the CCP’s default (“close-out netting”), which reduced the bank’s Credit Risk. In it’s risk measurement and risk assessment processes the Bank applies close-out netting only to the extent that the Bank has satisfied itself of the legal validity and enforceability of the relevant CCP’s close-out netting provisions.

In order to reduce the Credit Risk resulting from OTC derivative transactions, where CCP clearing is not available, the Bank regularly seeks the execution of standard master agreements (such as master agreements for derivatives published by the International Swaps and Derivatives Association, Inc. (ISDA) or the German Master Agreement for Financial Derivative Transactions) with it’s counterparts. A master agreement allows for the close-out netting of rights and obligations arising under derivative transactions that have been entered into under such a master agreement upon the counterparty’s default, resulting in a single net claim owed by or to the counterparty. For parts of the derivatives business (i.e., foreign exchange transactions) the Bank also enters into master agreements under which payment netting applies in respect to transactions covered by such master agreements, reducing the settlement risk. In it’s risk measurement and risk assessment processes the Bank applies close-out netting only to the extent it has satisfied itself of the legal validity and enforceability of the master agreement in all relevant jurisdictions.

Also, the Bank enters into CSA to master agreements in order to further reduce it’s derivatives related Credit Risk. These annexes generally provide risk mitigation through periodic, usually daily margining of the covered exposure. The CSAs also provide for the right to terminate the related derivative transactions upon the counterparty’s failure to honour a margin call. As with netting, when the Bank believes the annex is enforceable, It gets reflected in it’s exposure measurement.

Certain CSAs to master agreements provide for rating dependent triggers, where additional collateral must be pledged if a party’s rating is downgraded. The Bank also enters into master agreements that provide for an additional termination event upon a party’s rating downgrade. These downgrading provisions in CSAs and master agreements usually apply to both parties but may also apply to us only. The Bank analyses and monitors the potential contingent payment obligations resulting from a rating downgrade in it’s stress testing approach for liquidity risk on an ongoing basis.

Concentrations within credit risk (CR) mitigation

Concentrations within Credit Risk mitigations taken may occur if a number of guarantors and credit derivative providers with similar economic characteristics are engaged in comparable activities with changes in economic or industry conditions affecting their ability to meet contractual obligations. The Bank uses a range of quantitative tools and metrics to monitor it’s Credit Risk mitigating activities. These also include monitoring of potential concentrations within collateral types supported by dedicated stress tests.

a. Collateral valuation and management

As stipulated by the RBI guidelines, the Bank uses the Comprehensive Approach for collateral valuation. 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 financial collateral.

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b. Types of collaterals taken by the Bank and main types of guarantor counterparties and Credit risk concentration within mitigation

Collateral Risk Management is undertaken through the mechanism of the Facility Probability of Default (FPD) assignment.

If there is no liquid collateral and no guarantor mitigating the credit risk, then the FPD will be the same as the Counterparty Probability of Default (CPD).

If the facility risk can be shifted to the guarantor, the guarantor CPD becomes the FPD. In cases of received guarantees from un-correlated third parties, covering a Separate primary DB exposure, where for the Bank to incur a loss there needs to be a default by both the primary obligor as well as the guarantor, the Joint Default Probability ('JDP') applies. The Bank has in place a matrix indicating this JDP for the entire scale of primary obligor and guarantor CPDs.

The Bank accepts security in the form of charge on receivables / inventories for working capital facilities, charge on fixed assets in certain cases, besides guarantees for various obligations by the primary obligor and property collateral for mortgage loans to retail banking clients. The guarantees could be received from the local holding company of the obligor, or a stronger company within the same group or from the MNC parent of the local subsidiary. In certain cases, facilities to obligors may be supported by partial / full insurance protection purchased. Hence, since there are varied sources of credit protection acquired through different guarantors, there is no concentration of guarantor risk.

The Bank records the Joint Obligor Risk Limit on the various guarantors, which ensures that the amounts of guarantees received from various sources are monitored for risk management purposes, e.g. the amount of insurance protection acquired from different insurance companies. The facility ratings for Joint Obligor Risk Limits are determined in accordance with the matrix in the Credit Ratings Policy of the Bank. This matrix captures the counterparty Probability of Default of the obligor as well as that of the guarantor, in determining the JPD.

c. Exposure covered by eligible financial collateral: **(In Rs. '000)**

Exposures covered by financial collateral	31 March 2020	31 March 2019
Exposures before Credit Risk Mitigation Technique	**119,977,811**	131,133,019
Exposures after Credit Risk Mitigation Technique (after application of haircut on collateral)	**6,674,558**	11,734,606

d. Securitisation Exposure

Primary recourse for securitization exposures lies with the underlying assets. The related risk is mitigated by credit enhancement typically in the form of overcollateralization, subordination, excess interest, cash collateral in form of first loss and second loss credit enhancement. The initial due diligence usually includes any or all of the following, depending on the specifics of the transaction: (a) the review of the relevant documents including term sheets, servicer reports or other historical performance data, third-party assessment reports such as rating agency analysis (if externally rated), etc., (b) modeling of base and downside scenarios through asset-class specific cash-flow models, (c) servicer reviews to assess the robustness of the servicer's processes and financial strength. The result of this due diligence is summarized in a credit and rating review which requires approval by an appropriate level of credit authority, depending on the size of exposure and internal rating assigned. Compliance with the regulatory requirements for risk retention, due diligence and monitoring according to the applicable regulatory requirements is part of our credit review process and the relevant data is gathered for reporting purposes. Ongoing regular performance reviews include checks of the periodic servicer reports as well as the overall performance trend in the context of economic, geographic, sector and servicer developments. For lending-related commitments an internal rating review is required at least annually. Significant negative or positive changes in asset performance can trigger an earlier review date. Full credit reviews are also required annually, or, for highly rated exposures, every other year. Furthermore, there is a separate, usually quarterly, watch list process for exposures identified to be at a higher risk of loss, which requires a separate assessment of asset and servicer performance. It includes a review of the exposure strategy and identifies next steps to be taken to mitigate loss potential. Evaluation of structural integrity is another important component of risk management for securitization, focusing on the structural protection of a securitization as defined in the legal documentation (i.e., perfection of security interest, segregation of payment flows, and rights to audit). These securitization positions are managed by a dedicated team that uses a combination of market standard systems and to monitor performance and manage market and credit risks. Market Risk Management aims to accurately measure all types of market risks by a comprehensive set of risk metrics reflecting economic and regulatory requirements.

The Bank invests in Pass Through Certificates (PTCs). We have exposure to third-party securitizations which are reported as investments.

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).

The Bank has made investments in Pass Through Certificates (PTCs) of Rs. 8,619,215 thousand as at 31 March 2020. These attract a risk weight of 20% since they are AAA rated instruments.

4.4 Market risk in trading book

a. Market risk management framework

The Bank uses a combination of risk sensitivities, Value-at-Risk and stress testing metrics to manage market risks and establish limits. Value-at-Risk is a common metric used in the management of trading market risks.

The MB and Group Risk Committee, supported by Group Market Risk Management, which is part of the independent risk management function, set a Group-wide Value-at-Risk limit for the market risks in the trading book. Group Market Risk Management sub-allocates this overall limit to the Group Divisions. Below that, limits are allocated to specific business lines and trading portfolio groups and geographical regions. In addition to the Bank's main market risk Value-at-Risk limits, also stress testing and sensitivity limits are also operated.

The Bank's Value-at-Risk for the trading businesses is based on internal model. In October 1998, the German Banking Supervisory Authority (now the BaFin) approved the internal Value-at-Risk model for calculating market risk capital for the Group for both general and specific market risks. Since then the model has been periodically refined and approval has been maintained.

b. Types of market risk

Substantially all of the Bank's businesses are subject to the risk that market prices and rates will move and result in profits or losses. The Bank distinguishes among four types of market risk:

- o Interest rate risk including credit spread
- o Equity price risk (where applicable)
- o Foreign exchange risk
- o Commodity price risk (where applicable)

The interest rate and equity price risks consist of two components each. The general risk describes value changes due to general market movements, while the specific risk has issuer-related causes.

c. Risk Management Tools

The following are the most important quantitative tools and metrics currently used to measure, manage and report market risk:

- o **Value-at-Risk.** The Bank uses the Value-at-Risk approach to derive quantitative measures for trading book market risks under normal market conditions. The Value-at-Risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, Value-at-Risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The Value-at-Risk for a total portfolio represents a measure of diversified market risk (aggregated using pre-determined correlations) in that portfolio.

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- o **Stress Testing.** While Value-at-Risk, calculated on a daily basis, supplies forecasts for potential large losses under normal market conditions, it is not adequate to measure the tail risks of the portfolios. The Bank therefore also performs regular stress tests in which it values the trading portfolios under severe market scenarios not covered by the confidence interval of the Value-at-Risk model.

d. Value-at-Risk Analysis

The Value-at-Risk approach derives a quantitative measure for the trading book market risks under normal market conditions, estimating the potential future loss (in terms of market value) that will not be exceeded in a defined period of time and with a defined confidence level. The Value-at-Risk measure enables to apply a constant and uniform measure across all of the trading businesses and products. It also facilitates comparisons of market risk estimates both over time and against the daily trading results.

The Bank calculates Value-at-Risk using a 99% confidence level and a holding period of one day.

The Bank's Value-at-Risk model is designed to take into account the following risk factors- interest rates, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities. The model incorporates both linear and, especially for derivatives, nonlinear effects of the risk factors on the portfolio value. The statistical parameters required for the Value-at-Risk calculation are based on a 261 trading day history (corresponding to at least one calendar year of trading days) with equal weighting being given to each observation. The Bank calculates Value-at-Risk using the Monte Carlo simulation technique and assuming that changes in risk factors follow a normal or logarithmic normal distribution.

To determine the aggregated Value-at-Risk, the Bank uses historically observed correlations between different general market risk classes. However, when aggregating general and specific market risks, it is assumed that there is zero correlation between them.

The Value-at-Risk analysis should also be viewed in the context of the limitations of the methodology the Bank uses and are therefore not maximum amounts that can be lost on the market risk positions. The limitations of the Value-at-Risk methodology include the following:

- o The use of historical data as a proxy for estimating future events may not capture all potential events, particularly those that are extreme in nature.
- o The assumption that changes in risk factors follow a normal or logarithmic normal distribution. This may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
- o The correlation assumptions used may not hold true, particularly during market events that are extreme in nature.
- o The use of a holding period of one day assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible.
- o The use of a 99 % confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence.
- o The Bank calculates Value-at-Risk at the close of business on each trading day. The Bank does not subject intraday exposures to intraday Value-at-Risk calculations.
- o Value-at-Risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses.

The Group acknowledges the limitations in the Value-at-Risk methodology by supplementing the Value-at-Risk limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis.

The calculated Value-at-Risk numbers for India are used for internal control purposes only, the calculation of regulatory capital being based on the Standardised Approach specified by the RBI. At the Group level, however, Value-at-Risk numbers are used for both internal control and Regulatory Capital calculation for market risk.

e. Back-Testing

The Bank uses back-testing in the trading units to verify the predictive power of the Value-at-Risk calculations. In back-testing, the hypothetical daily profits and losses are compared under the buy-and-hold assumption with the estimates from the Value-at-Risk model. The Bank analyzes performance fluctuations and assesses the predictive power of the Value-at-Risk model, which in turn allows improvement of the risk estimation process.

f. Hedging

The Bank manages its risk from derivatives activity on a portfolio basis. Specific hedges undertaken, if any are ring fenced from the transactions undertaken for trading/market making purposes and held in separate designated portfolio for easy identification and control.

g. Capital requirements for market risk

(In Rs. '000)

Particulars	**31 March 2020**	31 March 2019
Capital requirement for market risk#		
– Interest rate risk	**12,381,735**	12,756,023
– Foreign exchange risk (including gold)	**3,374,859**	3,374,859
– Equity risk	**206,562**	202,310
Total	**15,963,156**	**16,333,192**

Capital requirement is arrived at after multiplying the risk weighted assets by 12.875%

4.5 Operational risk

a. Definition of Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational Risk (OR) excludes Business and Reputational Risk.

b. Operational Risk Management Framework:

The Bank has established the Operational Risk Management Framework (ORMF) to identify and manage its operational risks. Building on the ORMF, Risk Type Controllers (RTCs) establish risk type specific frameworks for the OR type they control. The ORMF is designed to support three key objectives:

- Proactive identification and mitigation of operational risks where they originate
- Acceptance and understanding of risk ownership by the 1st LoD and strong challenge, engagement and facilitation by the 2nd LoD control functions

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- Standardisation and aggregation to allow reporting of the OR profile on bank / unit / risk type levels and the quantification of OR (OR capital calculation).

It comprises of several interconnected components, following the cycle of risk identification, assessment, mitigation, and monitoring.

Organisational and Governance structure for India:

The roles and responsibilities of the NFRM function with respect to Country Coverage are defined as part of the Operational Risk Country Coverage Key Operating Document (KOD).

o The Country Head of NFRM is responsible for overseeing the adequate implementation of the local NFRM governance process in India.

o The Country Head of NFRM is a permanent member of the Operating Committee (OpCo) and RMC of DB AG India the Bank and updates the Committee/Councils about the Operational Risk profile of the country through the Country Flash Card (CFC) that includes, but is not limited to:

- The aggregated operational OR loss reporting and the outline of material events
- Specific insights on divisional relevant risks
- Operational Risk capital developments
- Overview of the management of issues and findings
- Relevant Key Risk Indicators

c. Operational Risk identification:

The Bank identifies, captures and analyses its materialized and emerging operational risks that originate in its own organizations (internal events), in order to enable proactive risk management decisions as well as create transparency on its OR profile.

The Bank's OR Profile is a reflection of OR events that have already occurred, both internally and externally, and identified gaps in – and deficiencies of – the control environment. It is also shaped by emerging risks which have the potential to materialize.

The Bank uses an industry-wide OR event definition which comprises both, events with an impact on the Bank's P&L (e.g. losses), and those with no P&L impact (e.g. near misses). For DB AG India, the OR events are captured according to defined thresholds as mentioned below:

- Private and Commercial Clients Business and Operations: All losses (i.e. zero threshold)
- Wealth Management Business & Operations: €1,000
- CIB Business & Operations: €10,000
- Global Markets Business: €10,000
- Global Markets Operations: €2,500

For emerging risks that have not yet materialized, the Bank reviews a selection of external events and external / internal scenarios. All material identified emerging risks are reflected in the set of internal and external scenarios.

To facilitate more detailed analysis of material events, additional data is captured. Lessons Learnt and Read Across processes identify the root causes of incidents above a defined threshold and document mitigation decisions.

d. Operational Risk assessment:

The Bank performs OR assessments, including standardised assessments of its OR, the adequacy of the control environment and the resulting residual risks. These assessments are informed, challenged and utilised by its independent risk control functions, to gain a holistic view across operational risk types.

The Bank's central risk assessment process is the *Risk Control Assessment (RCA)*. The RCA allows to capture its inherent risks, assesses its control environment and, ultimately, determine the residual risks. It allows the Bank's risk control functions to obtain insight into the risk assessment across units and OR types, to facilitate the oversight and an independent challenge of the risk assessments.

The *Control Assessment Framework* ensures that the Bank's key controls are captured in a Control Inventory and provides support for the ORMF by highlighting key control themes, reassurance to management on the firm's control environment and enhances the execution of the RCA by supporting the generation of risk profiles for internal risk management and Regulatory Capital calculation purposes.

To manage the Operational Risks associated with material change initiatives incl. Core Change Initiatives (CCIs), the Group performs *Transformation Risk Assessments (TRA)*.

Cross-risk processes capture and aggregate the assessments of various risk control functions, e.g. of new transactions, new products or vendors.

Further risk assessments are performed by risk control functions, e.g. Legal, Compliance and AFC.

e. Operational Risk mitigation:

The Bank mitigates the assessed risks to a level where the residual risk fits into the defined risk appetite. Issues are identified, mitigating actions clearly tracked and are sufficient to reduce the residual risk to within risk appetite. Where within appetite, further mitigation can be temporarily delayed following a defined risk acceptance process including the review and challenge by the risk control functions who have a veto authority.

Identified and assessed operational risks can be further reduced by performing *mitigation activities*, e.g. by improving the control environment, by transferring risks (i.e. insurance), or by ultimately reducing / ceasing the business activity. The transferring of risks using insurance activities is managed and governed by Corporate Insurance Deukona (CID).

Mitigation activities which are not already monitored by another resolution monitoring process, such as findings management are captured, recorded and governed within the issue management process. These self-identified issues address control gaps and deficiencies which have not already been addressed elsewhere (e.g. audit and regulatory findings or actions) and could result in an OR event.

The Group proactively identifies and addresses control deficiencies and gaps through the issue management process. For critical issues (and significant optionally), the risk control functions mandatorily review and challenge the mitigation plan and may exercise a veto where the planned mitigation is insufficient to bring the residual risk back within risk appetite.

If the residual risk (including after the completion of mitigation activities) is within risk appetite – qualitatively and quantitatively - a related issue can be *risk accepted* for a certain time frame and not mitigated further during this time. If residual risks remain Significant but is considered applicable for

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OR acceptance, the *risk acceptance process* as defined in the ORMF is followed. Findings with "Critical" residual risk ratings are not eligible for Risk Acceptance. Risk acceptances will undergo independent challenge and risk control functions have a veto authority.

f. Operational Risk monitoring

To enable a pro-active management of OR, the Bank constantly monitors its business and control environment, and the risk level for each OR type against the defined OR appetite. Early warning signals ensure that trends in the development of the risk profiles are identified before they materialize, including the major known but also emerging risks.

In line with DB Group *NFR Appetite Framework*, the Bank identifies risk sensitive *Key Risk Indicators (KRIs)* to constantly monitor risk levels and the utilisation of risk appetite. These metrics act as a warning signal, indicating a potential shift in the business environment. When breaches of appetite occur, the Bank manages the breaches in-line with the Group Risk Appetite Policy and Non-Financial Risk Appetite minimum standards. This ensures that risks are identified and addressed early, before they lead to losses from OR.

The Bank's report regularly (*risk reporting*) and ad-hoc (*escalations*) on its OR profile, top risks, utilisation of risk appetite and events, following DB global reporting standards.

For more detailed and comprehensive description of ORM framework please refer to 'Operational Risk Management Policy – Deutsche Bank Group' and respective related references.

4.6 Liquidity Risk

Treasury is mandated to manage the overall liquidity and funding position of the Group, with Liquidity Risk Management (LRM) acting as an independent control function, responsible for the oversight of liquidity and funding risk management strategy and the validation of Liquidity Risk models which are developed by Treasury, to measure and manage the Group's liquidity risk profile.

Treasury manages liquidity and funding, in accordance with the Group MB approved risk across a range of relevant metrics, and implements a number of tools to monitor these and ensure compliance. In addition, Treasury works closely with LRM and the business, to analyze and understand the underlying liquidity characteristics of the business portfolios. They are engaged in regular and frequent dialogue to understand changes in the Group's position arising from business activities and market circumstances. At the global level, dedicated business targets are allocated, to ensure the Group meets its overall liquidity and funding risk appetite.

At the country level, local Treasury is responsible for the overall liquidity management of the Bank. This includes proposing changes to liquidity risk limits and thresholds where necessary – in line with the risk appetite applied by LRM – for approval by the APAC Liquidity Risk Council ("LRC") and notifying the local Asset ALCO. Day-to-day funding and cash management of the branch are undertaken by Treasury Pool ("Pool") acting within the parameters set by ALCO.

Ongoing liquidity management is discussed as a regular item at the local ALCO meeting, which takes place as stated in the ALCO Terms of Reference ("ToR"). At each ALCO meeting, the liquidity position, the limit utilization, changes in exposure and liquidity policy compliance are presented to the committee. Other topics of discussion include changes to the asset/liability profile if warranted by stress testing results, review and estimation of additional funding capabilities and other possible sources of liquidity.

5. Interest rate risk in the banking book

The vast majority of the interest rate risk and foreign exchange risk arising from the non-trading assets and liability positions in the Banking book are transferred through internal hedges to the trading desks in Global Markets (w.e.f. May 2016 the position has been transferred is to Treasury) and is managed on the basis of Value-at-Risk as reflected in the trading Value-at-Risk numbers. The treatment of interest rate risk in the Group's trading portfolios and the application of the Value-at-Risk model is discussed above. The Bank considers this risk to be a part of the overall market risk framework.

6. Counterparty Credit Risk

Credit Limits and Collaterals

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.

The credit risk arising from all financial derivatives is managed as part of the overall credit limits to both financial institutions and other clients and customers. Exposure values for regulatory capital purposes on over the counter traded products are calculated according to the Current Exposure Method as defined by RBI. This is calculated as the sum of the current replacement cost and the PFE. The current replacement cost is the amount owed by the counterparty to the Bank for various financial derivative transactions. The PFE is an add-on based on a percentage of the notional principal of each transaction. These percentages are prescribed by the RBI in the guidelines and vary according to the underlying asset class and tenor of each trade.

The Bank seeks to negotiate Credit Support Annexes (CSA) to International Swaps and Derivatives Association master agreements with counterparties on a case-by-case basis, where collateral is deemed a necessary or desirable mitigant to the exposure. The credit terms of the CSA are specific to each legal document and determined by the credit risk approval unit responsible for the counterparty. The nature of the collateral will be specified in the legal document and will typically be cash or highly liquid securities. A daily operational process takes place to calculate the MTM on all trades captured under the CSA. Additional collateral will be called from the counterparty if total uncollateralised MTM exposure exceeds the threshold and minimum transfer amount specified in the CSA. Additional collateral may be required from the counterparty to provide an extra buffer to the daily variation margin process.

The Bank further reduces its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty through netting the sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the Bank) MTM values of these transactions.

In India, the Bank follows the Standardised Approach (SA) for credit risk and hence no credit reserve is set aside. However, provisioning for the exposures on derivative contracts is made as per extant RBI guidelines.

Wrong Way Risk

Wrong way risk occurs when an exposure increase is coupled with a decrease in the credit quality of the obligor. The Group/Bank employs various policies and procedures to ensure that risk exposures are monitored. For example, as the MTM on a derivative contract increases in favour of the Bank, the counterparty may increasingly be unable to meet its payment, margin call or collateral posting requirements.

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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. CRM monitors credit ratings of all counterparties on an on-going basis and initiates rating actions throughout the year based on changes in business conditions / specific credit events /changes in sector outlooks / views of external rating agencies.

In case of a rating downgrade, CRM reviews the credit strategy and gets it approved by the respective authority holder. CRM follows the Global Credit Approval Authority Scheme which defines the authority delegation level per type of counterpart (corporate / bank / financial institution etc), size of facility, credit rating of counterpart and type of approval- limit approval / temporary excess approval.

Also in line with market convention, the Bank negotiates CSA terms for certain counterparties where the thresholds related to each party are dependent on their External Credit Assessment Institution (ECAI) long term rating. Such clauses are typically mutual in nature. It is therefore recognised that a downgrade in the Group's rating could result in counterparties seeking additional collateral calls to cover negative MTM portfolios where thresholds are lowered.

Quantitative Disclosures

(in Rs '000)

Particulars*	**31 March 2020**	31 March 2019
Gross positive fair value of contracts	**233,151,636**	121,342,164
Netting benefits	**–**	–
Netted current credit exposure	**233,151,636**	121,342,164
Collateral held (including type, e.g. cash, government securities, etc.)	**–**	–
Net derivatives credit exposure	**233,151,636**	121,342,164
Potential future exposure	**261,957,302**	203,062,009
Measures for exposure at default or exposure amount under CEM	**495,108,938**	324,404,173
The notional value of credit derivative hedges	**–**	–
Distribution of current credit exposure by types of credit exposure:	**–**	–
– Interest Rates	**176,016,206**	82,285,152
– Fx	**319,092,732**	242,119,021

* Based on current exposure method

7. **Leverage Ratio**

The leverage ratio act as a credible supplementary measure to the risk based capital requirement.

W.e.f October 1, 2019 The Bank is required to maintain a minimum Leverage Ratio at 4% for Domestic Systemically Important Banks (DSIBs) and 3.5% for other banks as per notification dated June 28, 2019.

The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

Comparison of accounting assets and leverage ratio exposure

(in Rs '000)

S. No.	Leverage ratio framework	Solo	Regulatory scope of consolidation*
1	Total consolidated assets	1,212,440,419	1,236,879,149
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	261,058,196	261,058,196
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	589,332	589,332
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	199,741,100	201,737,738
7	Other adjustments	(535,081)	(5,774,618)
8	**Leverage ratio exposure**	**1,673,293,966**	**1,694,489,797**

* Based on un-audited accounts for banks & unaudited accounts for subsidiary

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Leverage ratio common disclosure

(In Rs '000)

S. No.	Leverage ratio framework	Solo	Regulatory scope of consolidation*
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	937,933,243	962,371,973
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(535,081)	(5,774,618)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**937,398,162**	**956,597,355**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	233,151,636	233,151,636
5	Add-on amounts for PFE associated with all derivatives transactions	261,957,301	261,957,301
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)**	**495,108,937**	**495,108,937**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	40,456,435	40,456,435
13	(Netted amounts of cash payables and cash receivables of gross SFT ASSETS)	–	–
14	CCR exposure for SFT assets	589,332	589,332
15	Agent transaction exposures	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**41,045,767**	**41,045,767**
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	510,676,271	530,642,646
18	(Adjustments for conversion to credit equivalent amounts)	(310,935,171)	(328,904,908)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**199,741,100**	**201,737,738**
	Capital and total exposures		
20	**Tier 1 capital**	**151,390,595**	**160,919,770**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1,673,293,966**	**1,694,489,797**
	Leverage ratio		
22	**Basel III leverage ratio**	**9.05%**	**9.50%**

* Based on un-audited accounts for banks & unaudited accounts for subsidiary

Reconciliation of total published balance sheet size and on balance sheet exposure under common disclosure

(In Rs '000)

S. No.	Leverage ratio framework	Solo	Regulatory scope of consolidation*
1	Total consolidated assets	1,212,440,419	1,236,879,149
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	(234,050,741)	(234,050,741)
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(40,456,435)	(40,456,435)
4	Adjustment for entitles outside the scope of regulatory consolidation	0	0
5	**On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)**	**937,933,243**	**962,371,973**

* Based on un-audited accounts for banks & unaudited accounts for subsidiary

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8. Composition of Capital Disclosure Template

(In Rs.'000)

Sr. No.	Basel III common disclosure template to be used during the transition of regulatory adjustments	Solo	Regulatory scope of consolidation*	Ref No.
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	75,881,087	76,909,937	A
2	Retained earnings	76,094,589	89,834,451	B+C+D+E+F+G
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	151,975,676	166,744,388	
	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)	535,081	535,081	H
10	Deferred tax assets	5,292,515	5,385,635	I
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 rights4(amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences5 (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 adjustments7(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 consolidated 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**	5,827,596	5,920,716	
Add :	Deferred Tax Asset which relate to timing difference, up to 10% of CET 1 Capital	5,292,515	5,292,515	
Less :	Investment in group entities in excess of 10% of owned fund	–	5,146,417	
Less :	Other Deduction : Earmark for Electronic Trading Platform (ETP)	50,000	50,000	J.1
29	**Common Equity Tier 1 capital (CET1)**	**151,390,595**	**160,919,770**	

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(In Rs.'000)

Sr. No.	Basel III common disclosure template to be used during the transition of regulatory adjustments	Solo	Regulatory scope of consolidation*	Ref No.
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)**	–	–	
44a	**Additional Tier 1 capital reckoned for capital adequacy11**	–	–	
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	151,390,595	160,919,770	
	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	8,801,955	8,802,530	J+K+L+M+N
51	**Tier 2 capital before regulatory adjustments**	8,801,955	8,802,530	
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**	–		

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(In Rs.'000)

Sr. No.	Basel III common disclosure template to be used during the transition of regulatory adjustments	Solo	Regulatory scope of consolidation*	Ref No.
58	**Tier 2 capital (T2)**	8,801,955	8,802,530	
58a	**Tier 2 capital reckoned for capital adequacy**	8,801,955	8,802,530	
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	–		
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	8,801,955	8,802,530	
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	160,192,550	169,722,300	
60	**Total risk weighted assets (60a + 60b + 60c)**	1,073,134,308	1,087,451,518	
60a	of which : total credit risk weighted assets	875,933,302	890,250,512	
60b	of which : total market risk weighted assets	123,985,675	123,985,675	
60c	of which : total operational risk weighted assets	73,215,331	73,215,331	
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.11%	14.80%	
62	Tier 1 (as a percentage of risk weighted assets)	14.11%	14.80%	
63	Total capital (as a percentage of risk weighted assets)	14.93%	15.61%	
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)	9.375%	9.375%	
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	2.000%	2.000%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.61%	9.30%	
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	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)	8,801,955	8,802,530	
77	Cap on inclusion of provisions in Tier 2 under standardised approach (Excluding Investment Fluctuation Reserve as per RBI circular dated 17th March 2020)	10,949,166	11,128,131	
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			
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)			

* Based on unaudited accounts of DIHPL and audited accounts of DIIPL.

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Step 1: (Rs. in 000)

Particulars			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	75,881,087	76,909,937
		Reserves & Surplus	94,014,941	109,463,085
		Minority Interest	–	–
		Total Capital	**169,896,028**	**186,373,022**
	ii.	**Deposits**	**599,095,565**	**599,095,565**
		of which : Deposits from banks	14,199,869	14,199,869
		of which : Customer deposits	584,895,696	584,895,696
		of which : Other deposits (pl. specify)	–	–
	iii.	**Borrowings**	**139,736,932**	**146,629,678**
		of which : From RBI	1,120,000	1,120,000
		of which : From banks	13,955,127	13,955,127
		of which : From other institutions & agencies	124,661,805	124,661,805
		of which : Others (Including Commercial Papers)	–	7,334,667
		of which : Capital instruments	–	–
	iv.	**Other liabilities & provisions**	**303,711,894**	**304,338,963**
	Total		**1,212,440,419**	**1,236,879,149**
B	**Assets**			
	i.	**Cash and balances with Reserve Bank of India**	31,946,422	31,946,422
	ii.	**Balance with banks and money at call and short notice**	66,851,653	70,485,157
	iii.	**Investments (Net)**	331,799,673	337,895,130
		of which : Government securities in India	261,306,910	262,291,462
		of which : Government securities outside India	37,834,076	37,834,076
		of which : Other approved securities	–	–
		of which : Shares	222,994	3,989,899
		of which : Debentures & Bonds	32,435,693	33,779,693
		of which : Subsidiaries / Joint Ventures / Associates	–	–
		of which: Others (Commercial Papers, Mutual Funds etc.)	–	–
	iv.	**Loans and advances (Net)**	510,677,596	523,570,453
		of which : Loans and advances to banks	3,002,014	3,002,014
		of which : Loans and advances to customers	507,675,582	520,568,439
	v.	**Fixed assets**	1,138,329	1,138,989
	vi.	**Other assets**	270,026,746	271,842,998
		of which : Goodwill and intangible assets	–	–
		of which : Deferred tax assets	5,292,515	5,385,635
	vii.	**Goodwill on consolidation**	–	–
	viii.	**Debit balance in Profit & Loss account**		–
Total Assets			1,212,440,419	1,236,879,149

* Based on unaudited accounts of DIHPL and audited accounts of DIIPL.

Step 2: (Rs. in 000)

Particulars			Balance sheet as in financial statements	Balance sheet As in financial statements sheet under regulatory scope of consolidation*	Ref
			As on reporting date	As on reporting date	
A	**Capital & Liabilities**				
	i.	**Paid-up Capital**	**75,881,087**	**76,909,937**	
		of which : Amount eligible for CET1	75,881,087	76,909,937	A
		of which : Amount eligible for AT1	–	–	
		Reserves & Surplus	**94,014,941**	**109,463,085**	
		Of which: Capital Reserve	360,607	360,607	B
		Of which: Statutory Reserve / Reserves under Sec 45-IC of RBI Act 1934	32,265,930	36,394,758	C
		Of which: Remittable Surplus retained for CRAR requirements	43,468,052	43,468,052	D
		Of which: Securities Premium	–	8,936,170	E
		Of which: General reserve & Other reserve - eligibile for CET1	–	272,871	F
		of which: Balance in Profit and Loss Account - eligible for CET1	–	401,993	G
		of which: Investment Fluctuation Reserve	3,204,519	3,204,519	J
		Of which: Earmark for Electronic Trading Platform (ETP)	50,000	–	J.1
		Minority Interest	–	–	
		Total Capital	**169,896,028**	**186,373,022**	

Management disclosures under Pillar 3 – Year ended March 31, 2020

Particulars			Balance sheet as in financial statements	Balance sheet As in financial statements sheet under regulatory scope of consolidation*	Ref
			As on reporting date	As on reporting date	
	ii.	**Deposits**	**599,095,565**	**599,095,565**	
		of which : Deposits from banks	14,199,869	14,199,869	
		of which : Customer deposits	584,895,696	584,895,696	
		of which : Other deposits (pl. specify)	–	–	
	iii.	**Borrowings**	**139,736,932**	**146,629,678**	
		of which : From RBI	1,120,000	1,120,000	
		of which : From banks	13,955,127	13,955,127	
		of which : From other institutions & agencies	124,661,805	124,661,805	
		of which : Others (Including Commercial Papers)	–	7,334,667	
		of which : Capital instruments	–	–	
	iv.	**Other liabilities & provisions**	**303,711,894**	**304,338,963**	
		of which : DTLs related to goodwill		–	
		of which : DTLs related to intangible assets		–	
		of which : Investments Reserve		–	
		of which: Provision for accounts where moratorium is granted	265,569	265,569	
		of which: Provision on Standard Assets & Country Risk	4,270,176	4,270,751	K
		of which: General Loan Loss Provision	712,260	712,260	L
		of which: NPA Provision reversal on sale of NPA	465,000	465,000	M
		of which: Countercyclical provisioning buffer	150,000	150,000	N
	Total		**1,212,440,419**	**1,236,879,149**	
B	**Assets**				
	i.	**Cash and balances with Reserve Bank of India**	**31,946,422**	**31,946,422**	
	ii.	**Balance with banks and money at call and short notice**	**66,851,653**	**70,485,157**	
	iii.	**Investments (Net)**	**331,799,673**	**337,895,130**	
		of which : Government securities in India	261,306,910	262,291,462	
		of which : Government securities outside India	37,834,076	37,834,076	
		of which : Other approved securities	–	–	
		of which : Shares	222,994	3,989,899	
		of which : Debentures & Bonds	32,435,693	33,779,693	
		of which : Subsidiaries / Joint Ventures / Associates (net)	–	–	
		of which: Others (Commercial Papers, Mutual Funds etc.)	–	–	
	iv.	**Loans and advances (Net)**	**510,677,596**	**523,570,453**	
		of which : Loans and advances to banks	3,002,014	3,002,014	
		of which : Loans and advances to customers	507,675,582	520,568,439	
	v.	**Fixed assets**	**1,138,329**	**1,138,989**	
		of which : intangible assets	535,081	535,081	H
	vi.	**Other assets**	**270,026,746**	**271,842,998**	
		of which : Goodwill and intangible assets	–	–	
		of which : Deferred tax assets	5,292,515	5,385,635	I
	vii.	**Goodwill on consolidation**	–	–	
	viii.	**Debit balance in Profit & Loss account**	–	–	
Total Assets			**1,212,440,419**	**1,236,879,149**	

* Based on unaudited accounts of DIHPL and audited accounts of DIIPL.

9. 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 the Head Office, increase in statutory/ regulatory reserves and/or retention of Remittable Surplus for CRAR requirements.

10. Disclosure Requirements for Remuneration

In accordance with the requirements of the RBI Circular No. DBOD.NO.BC. 72/29.67/001/2011-12 dated 13 January 2012, the Global 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.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's preparation.

For **Deutsche Bank AG - India Branches**

Sd/-
Kaushik Shaparia
Chief Executive Officer – India

Sd/-
Avinash Prabhu
Chief Financial Officer – India

Place : Mumbai
Date : 22 June, 2020

AMERICAN EXPRESS BANKING CORP.

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(INCORPORATED IN THE UNITED STATES OF AMERICA)

Independent Auditor's Report

To
The Chief Executive Officer
American Express Banking Corp.- India Branch

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of American Express Banking Corp.- India Branch ('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. 20 of the financial statements, which fully describes that the Bank has recognised provision on credit card receivables to reflect the adverse business impact and uncertainties arising from the COVID-19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID-19 pandemic.

   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

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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.
   - 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.
   - 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. Since the bank is having only one branch, the question on reporting the number of branches audited by us and the manner of audit thereon does not arise.

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 not been maintained on servers physically located in India, Refer note I of Schedule 18 of the financial statements wherein it has been stated that the backup of the books of accounts and other paper maintained in electronic mode has been maintained on servers physically located outside India;

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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 American Express Banking Corp which is incorporated in United States of America 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 American Express Banking Corp which is incorporated in United States of America 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 IV. 11 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 IV. 1 (g) 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

Gautam V Shah
Partner (F-117348)
UDIN: 20117348AAAAAK6268

Mumbai
June 26, 2020

Annexure 1 to the Independent Auditors' Report

[referred to in paragraph 8(f) 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 over financial reporting of **American Express Banking Corp- India Branch** ("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

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that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that:

(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 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 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 not been maintained on servers physically located in India, Refer note I of Schedule 18 of the financial statements wherein it has been stated that the backup of the books of accounts and other paper maintained in electronic mode has been maintained on servers physically located outside India.

For **Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/ W100621

Gautam V Shah
Partner (F-117348)
UDIN: 20117348AAAAAK6268

Mumbai
June 26, 2020

AMERICAN EXPRESS BANKING CORP.

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(INCORPORATED IN THE UNITED STATES OF AMERICA)

BALANCE SHEET AS AT MARCH 31, 2020

(Amount in INR '000)

	Schedule	As at March 31, 2020	As at March 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	17,603,299	17,603,299
Reserves and Surplus	2	487,531	473,155
Deposits	3	21,289,851	21,355,294
Borrowings	4	20,596,093	12,534,290
Other Liabilities and Provisions	5	22,501,999	33,530,707
Total		**82,478,773**	**85,496,745**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,855,697	1,895,697
Balances with Banks and Money at Call and Short Notice	7	1,654,231	1,485,030
Investments	8	33,409,924	23,411,094
Advances	9	39,873,855	53,398,404
Fixed Assets	10	307,012	316,448
Other Assets	11	5,378,054	4,990,072
Total		**82,478,773**	**85,496,745**
Contingent Liabilities	12	1,719,272	1,219,506
Bills for Collection		–	–
Significant Accounting Policies and Notes to Financial Statements	18		

The schedules referred above form an integral part of the Balance Sheet.

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

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

(Amount in INR. '000)

	Schedule	Year ended March 31, 2020	Year ended March 31, 2019
INCOME			
Interest Earned	13	6,872,936	5,187,308
Other Income	14	14,636,807	14,216,713
Total		**21,509,743**	**19,404,021**
EXPENDITURE			
Interest Expended	15	1,501,487	1,461,081
Operating Expenses	16	17,917,836	15,125,894
Provisions and Contingencies	17	2,034,118	2,534,761
Total		**21,453,441**	**19,121,736**
PROFIT / (LOSS)			
Net Profit /(Loss) for the Year		56,302	282,285
Profit / (Loss) brought forward		(2,752,497)	(2,964,037)
Transfer from Investment Fluctuation Reserve			
		(2,696,195)	**(2,681,752)**
APPROPRIATIONS			
Transfer to Statutory Reserve		14,076	70,571
Transfer to Other Reserves		300	174
Transfer to Government / proposed dividend		–	–
Balance carried over to Balance Sheet		(2,710,571)	(2,752,497)
		(2,696,195)	**(2,681,752)**
Significant Accounting Policies and Notes to Financial Statements	18		

The schedules referred above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For **Khimji Kunverji & Co. LLP**
(formerly Khimji Kunverji & Co – FRN: 105146W/ W100621)
Chartered Accountants

Gautam V. Shah
Partner
Membership No. F-117348
UDIN: 20117348AAAAAK6268

Place: Mumbai
Date: June 26, 2020

For and on behalf of
American Express Banking Corp.- India Branch

Manoj Adlakha
Chief Executive Officer

Vivek Sehgal
Financial Controller

Place: Gurugram
Date: June 26, 2020

AMERICAN EXPRESS BANKING CORP.

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(Amount in INR. '000)

		Year ended March 31, 2020	Year ended March 31, 2019
	Cash Flow from Operating activities		
	Net profit/(loss) before taxes	77,409	282,285
	Adjustments for :		
	Net (write back)/depreciation on value of securities	–	–
	Provision for standard advances	465,534	42,411
	Provision for non-performing advances	(481,375)	450,790
	Depreciation on assets	117,283	111,661
	Net (profit)/loss on sale of land, building and other assets	4,149	(1,125)
	Operating profit before working capital changes	183,000	886,022
	(Increase)/decrease in investments	(9,998,830)	(4,772,943)
	(Increase)/decrease in advances	14,005,924	(2,868,149)
	Increase/(decrease) in deposits	(65,443)	5,249,656
	(Increase)/decrease in other assets	(248,138)	(682,313)
	Increase/(decrease) in other liabilities and provisions	(11,494,242)	4,022,461
	(Taxes paid)/(Taxes deducted at source)/Refund received [net]	(202,877)	(55,294)
A	Net Cash Flow (used in)/from operating activities	(7,820,606)	1,779,440
	Cash Flow from Investing activities		
	Fixed assets purchased	(119,415)	(154,853)
	Proceeds from sale of fixed assets	7,419	7,971
B	Net Cash Flow (used in)/from Investing activities	(111,996)	(146,882)
	Cash Flow from Financing activities		
	Infusion of capital	–	3,364,375
	Proceeds/(Repayment) from/of Borrowings	(2,269,497)	(9,455,511)
	Proceeds from Subordinate Debt	10,331,300	4,950,000
	Long term borrowing	–	–
C	Net Cash Flow from/(used in)Financing activities	8,061,803	(1,141,136)
	Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	129,201	491,422
	Cash and cash equivalents at beginning of year	3,380,727	2,889,305
	Cash and cash equivalents at end of year	3,509,928	3,380,727
	Increase/(decrease) in cash and cash equivalents	129,201	491,422

Notes to the Cash Flow Statement

1. Cash and cash equivalents represents cash and balances with banks, balance with RBI as disclosed in Schedules 6 and 7
2. The above Cash Flow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard (AS-3) on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our Report of even date.

For **Khimji Kunverji & Co. LLP**
(formerly Khimji Kunverji & Co – FRN: 105146W/ W100621)
Chartered Accountants

Gautam V. Shah
Partner
Membership No. F-117348
UDIN: 20117348AAAAAK6268

Place: Mumbai
Date: June 26, 2020

For and on behalf of
American Express Banking Corp.- India Branch

Manoj Adlakha
Chief Executive Officer

Vivek Sehgal
Financial Controller

Place: Gurugram
Date: June 26, 2020

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

(Amount in INR. '000)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 1 - CAPITAL		
Amount of deposit kept with RBI under section 11 (2) of the Banking Regulation Act, 1949 as per contra.	474,981	404,410
	474,981	404,410
HEAD OFFICE ACCOUNT		
Opening balance	17,603,299	14,238,924
Additions during the year	–	3,364,375
Closing balance	**17,603,299**	**17,603,299**
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVES		
Opening balance	472,981	402,410
Additions during the year	14,076	70,571
Closing balance	**487,057**	**472,981**
II. CAPITAL RESERVES		
Opening balance	–	–
Additions during the year	–	–
Closing balance	–	–
III. SHARE PREMIUM		
Opening balance	–	–
Additions during the year	–	–
Closing balance	–	–
IV. REVENUE AND OTHER RESERVES		
Opening balance	174	–
Additions during the year	300	174
Closing balance	474	174
V. Balance of Profit and Loss Account	–	–
	487,531	**473,155**
SCHEDULE 3 - DEPOSITS		
A. In India		
I. DEMAND DEPOSITS		
From banks	–	–
From others	–	–
II. SAVINGS BANK DEPOSITS	–	–
III. TERM DEPOSITS		
From banks	–	–
From others (Institutional)	21,289,851	21,355,294
	21,289,851	**21,355,294**
B. (i) Deposits of branches in India	21,289,851	21,355,294
(ii) Deposits of branches outside India	–	–
	21,289,851	**21,355,294**

(Amount in INR. '000)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 4 - BORROWINGS		
I. BORROWINGS IN INDIA		
Reserve Bank of India	–	–
Other banks	764,793	3,034,290
II. BORROWINGS OUTSIDE INDIA		
Tier 2 Debt Capital raised in the form of Head Office Borrowings in Foreign Currency [Refer Note IV. 1. b of Schedule 18]	19,831,300	9,500,000
	20,596,093	**12,534,290**
Secured borrowings included in I and II above	–	–
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	–	–
II. Inter-office adjustments (net)	–	–
III. Interest accrued	238,230	272,152
IV. Others (including provisions) *	22,263,769	33,258,555
	22,501,999	**33,530,707**
* Refer Note IV. 6 of Schedule 18		
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	1,855,697	1,895,697
ii) In Other Accounts	–	–
	1,855,697	**1,895,697**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
Balances with banks		
i) In Current Accounts	1,654,231	1,485,030
ii) In Other Deposit Accounts	–	–
Money at call and short notice		
i) With banks	–	–
ii) With other institutions	–	–
	1,654,231	**1,485,030**
II. Outside India		
i) In Current Accounts	–	–
ii) In Other Deposit Accounts	–	–
iii) Money at call and short notice	–	–
	–	–
	1,654,231	**1,485,030**

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

(Amount in INR. '000)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 8 - INVESTMENTS		
I. Investment in India in		
i) Government Securities (Treasury Bills)	33,409,924	23,411,094
ii) Other approved securities	–	–
iii) Shares	–	–
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures	–	–
vi) Others	–	–
	33,409,924	**23,411,094**
II. Investment outside India in		
i) Government Securities (including local authorities)	–	–
ii) Subsidiaries and/or joint ventures abroad	–	–
iii) Others	–	–
	–	–
	33,409,924	**23,411,094**
SCHEDULE 9 - ADVANCES		
A. i) Bills purchased and discounted	–	–
ii) Cash credits, overdraft and loan repayable on demand #	39,873,796	53,398,331
iii) Term loans - Staff	59	73
	39,873,855	**53,398,404**
B. i) Secured by tangible assets (Secured primarily by Fixed Deposits)	549,869	1,101,165
ii) Covered by bank/ governments guarantees	623,569	982,216
iii) Unsecured	38,700,417	51,315,023
	39,873,855	**53,398,404**
C. I. Advances in India		
i) Priority sector *	–	–
ii) Public sector	–	–
iii) Banks	49,603	–
iv) Others	39,824,252	53,398,404
	39,873,855	**53,398,404**
II. Advances Outside India		
i) Due from banks	–	–
ii) Due from others		
(a) Bills purchased and discounted	–	–
(b) Syndicated loans	–	–
(c) Others	–	–
	–	–
	39,873,855	**53,398,404**

* Not applicable to the Bank vide RBI letter no. RPCD.CO. Plan.11642/04.09.09/2008-09 dated 11/05/2009

(Amount in INR. '000)

	As at March 31, 2020	As at March 31, 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 Net Book Value I	–	–
II OTHER FIXED ASSETS (Including Furniture and Fixtures)*		
At cost as on March 31 of the preceding year	1,622,773	1,564,875
Additions during the year	119,415	154,853
Deductions during the year	(262,257)	(96,955)
	1,479,931	1,622,773
Depreciation to date	(1,172,919)	(1,306,325)
Total Net Book Value II	307,012	316,448
Net Book Value I and II	**307,012**	**316,448**
* Refer Note III. 7 of Schedule 18		
SCHEDULE 11 - OTHER ASSETS		
I. Inter-office adjustments (net)	–	–
II. Interest accrued	268,540	204,052
III. Tax paid in advance / tax deducted at source	361,938	180,168
IV. Stationery and Stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Deferred tax asset	–	–
VII. Others (Including Debit Balance in Profit and Loss Account Rs. 2,710,571 (000); Previous Year Rs. 2,752,497 (000))	4,747,576	4,605,852
	5,378,054	**4,990,072**
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	–	–
IV. Guarantees given on behalf of constituents		
a) In India	–	–
b) Outside India	–	–
V. Acceptances, endorsements and other obligations	–	–
VI. Other items for which the bank is contingently liable	1,719,272	1,219,506
	1,719,272	**1,219,506**

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

(Amount in INR. '000)

	Year ended March 31, 2020	Year ended March 31, 2019
SCHEDULE 13 - INTEREST EARNED		
Interest/discount on advances/bills	5,246,710	3,767,583
Income on investments	1,626,226	1,419,725
Interest on balances with the Reserve Bank of India and	–	–
other inter-bank funds	–	–
Others	–	–
	6,872,936	**5,187,308**
SCHEDULE 14 - OTHER INCOME		
Commission, exchange and brokerage (net) [Refer Note IV. 2 of Schedule 18]	13,650,245	13,380,503
Net Profit/(Loss) on sale of investments	300	174
Net Profit /(Loss) on revaluation of investments	–	–
Profit on sale of land, building and other assets	1,140	1,750
Less: Loss on sale of land, building and other assets	(5,289)	(625)
Net profit on exchange transactions	–	–
Income earned by way of dividends etc. from subsidiaries, companies and/ or joint ventures abroad/in India	–	–
Miscellaneous Income	990,411	834,911
	14,636,807	**14,216,713**
SCHEDULE 15 - INTEREST EXPENDED		
Interest on deposits	1,267,215	1,100,620
Interest on Reserve Bank of India/ interbank borrowings	234,272	360,461
Others	–	–
	1,501,487	**1,461,081**

(Amount in INR. '000)

	Year ended March 31, 2020	Year ended March 31, 2019
SCHEDULE 16 - OPERATING EXPENSES		
Payments to and provisions for employees	1,841,299	1,591,008
Rent, taxes and lighting	238,446	196,305
Printing and stationery	189,978	136,725
Advertisement and publicity	8,687,473	7,414,446
Depreciation on Bank's property	117,283	111,661
Director's fee, allowances and expenses	–	–
Auditors' fees and expenses [Refer Note IV. 17 of Schedule 18]	6,195	5,229
Law charges	8,651	2,999
Postage, telegram, telephones etc.	238,761	209,683
Repairs and maintenance	47,394	59,185
Insurance	22,780	18,793
Business Support Cost (net)	5,088,310	3,936,809
Other expenditure	1,431,266	1,443,051
	17,917,836	**15,125,894**
SCHEDULE 17 - PROVISIONS AND CONTINGENCIES *		
Depreciation in the value of securities	–	–
Provision for advances and receivables	2,013,011	2,534,761
Provision for income tax and wealth tax :		
Income tax	21,107	–
Fringe Benefit Tax	–	–
Deferred Income Tax	–	–
	2,034,118	**2,534,761**

*Refer Note IV.1.g) of Schedule 18 for details

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

SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

I. The financial statements for the year ended March 31, 2020 comprises the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Schedules of the India Branch of American Express Banking Corp. (the "Bank"), which is incorporated in the New York State Banking Law, United States of America. The Bank's ultimate holding company is American Express Company, which is incorporated in the United States of America. 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.

II. **Background:** American Express Banking Corp. - India Branch has been granted license by Reserve Bank of India ('RBI') to carry on banking business in India. The license authorises the Bank to conduct credit card business, distribute traveller cheques and accept institutional deposits. In line with the market practice and the RBI Guidelines, the bank issues credit cards and provides payment solutions to corporates and other entities for their purchases like inventory, fixed assets, payroll cost and other expenses like office supplies, utilities, advertising, couriers, etc.

III. **Significant Accounting Policies**

1. **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, statutory provisions prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time and Accounting Standards (AS) prescribed under Section 133 of the Companies Act, 2013

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

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

Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and conform to the statutory requirements prescribed by the RBI from time to time and current practices prevailing within the banking industry in India.

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

2. **Use of Estimates:** The preparation of financial statements, in conformity with the generally accepted accounting principles, requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates and these differences are recognized prospectively in the current and future periods.

3. **Revenue Recognition**

(i) Fees and commissions received, net of rebates/commissions paid, are recognized upon the occurrence of the transactions. Annual card fees, net of direct card acquisition costs are amortized over the period of one year. Joining fees on cards are recognised in the year of billing.

(ii) Interest income and other charges on card balances are recognized as it accrues, except in the case of non-performing assets, where it is recognised on realisation, as per the prudential norms prescribed by RBI.

(iii) Recovery from bad debts written off is recognized as income on the basis of actual realization from customers.

(iv) Interest income on discounted instruments is recognised over the tenure of the instruments.

4. **Foreign Currency transactions and balances**

Transactions denominated in foreign currencies are recorded on the date of transactions at the standard exchange rate determined by the Bank. Exchange differences arising on the foreign currency transactions settled during the year are recognized in the Profit and Loss Account of the same year.

Monetary Assets and Liabilities denominated in foreign currencies as at the Balance Sheet date are restated at the closing rates notified by Foreign Exchange Dealers' Association of India (FEDAI) and the resultant exchange differences are recognised in the Profit and Loss Account. Transactions wherein there is no foreign exchange risk, the amounts are carried at the settlement rates.

5. **Investments**

(i) Classification

In accordance with Reserve Bank of India ('RBI') guidelines, all investments are categorised as 'Held to Maturity', or 'Held for Trading' or 'Available for Sale'.

Investments that the Bank intends to hold to maturity are classified as 'Held to Maturity'. Investments that are held principally for resale within ninety days from the date of purchase are classified as 'Held for Trading'. All other investments are classified as 'Available for Sale'. An Investment is classified as 'Held to Maturity', 'Available for Sale' or 'Held for Trading' at the time of its purchase. Any subsequent change in classification is done as per RBI norms. As on date, all the investments are classified as 'Available for Sale'.

(ii) Valuation

Treasury Bills, being discounted instruments are valued at carrying cost as per RBI guidelines.

(iii) Acquisition Cost

Brokerage, commission, etc., paid at the time of acquisition of securities are charged to Profit and Loss Account.

(iv) Disposal of Investments

Profit or loss on sale of investments is recognised in the profit and loss account on trade/settlement date.

6. **Advances**

Loans and Advances comprise card outstanding and loans to staff. Loans and Advances are stated net of specific provision made towards Non-Performing Assets (NPAs). Advances under card receivables are maintained at the card member level.

Provision for NPAs on card balances outstanding is made at card member level as per Bank's credit loss provisioning policy in accordance with the prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances issued by the Reserve Bank of India and are monitored and tracked at a portfolio level. In the case of sub-standard assets, in addition to minimum provision requirement prescribed by RBI, the bank makes additional provision based on best estimate of probable losses. The interest and other income on non-performing assets is not recognised as income until realised.

Provision for Standard Assets and Unhedged Foreign Currency Exposure is made in compliance with the prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances issued by the Reserve Bank of India and disclosed under Other Liabilities and Provisions. Provision for Standard Assets are monitored for sufficiency using the write off rates basis historical trend at a portfolio level.

The Bank identifies all card accounts with delinquencies and generally writes off in the books of account, the outstanding card receivables which are 210 days past billing from bill generation date. Accounts classified as doubtful/loss are provided at 100%

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

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

Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

till written off. Accelerated write off is effected for card receivables which are due for less than 210 days from bill generation date, where it is evident that the outstanding amount is unlikely to be recovered.

Restructured assets are classified and provided for in accordance with the guidelines issued by RBI from time to time.

Net Receivables from/payables to overseas group entities on account of merchant payments made for spends made by overseas/ Indian card members in India/overseas, have been classified under Other Assets/Other Liabilities in the Financial Statements.

7. Fixed assets and depreciation

(i) Fixed assets are stated at cost less accumulated depreciation. The Bank capitalises all costs relating to acquisition and installation of fixed assets.

(ii) Carrying amounts of cash generating assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is recognised in the Profit and Loss Account whenever the carrying amount exceeds the recoverable amount.

(iii) Depreciation on fixed assets is provided on pro-rata basis over the period of the estimated useful life of the asset on Straight Line Method over the estimated useful life prescribed in Schedule II to the Companies Act, 2013.

(iv) Fixed assets are depreciated over the estimated useful life given in the table below:

Asset	Estimated Useful Life
Leasehold Improvements	Over the lease period
Data Processing Equipment	
Server and Networks	6 years
End User Devices such as laptop, desktop, etc.	3 years
Transport Equipment	8 years
Furniture and Fixtures	10 years
Machinery and Equipment	
Office Equipment	5 years
Headsets and Mobile Phones	3 years

8. Accounting for Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating lease. Lease payments for assets taken on operating leases are recognized as an expense in the Profit and Loss Account over the lease term on a straight line basis.

9. Employee Benefits

a) Provident Fund

The Bank contributes to mandatory government administered provident funds which are defined contribution schemes as the Bank does not carry any further obligation, apart from the contributions made on a monthly basis. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss Account.

b) Pension

(i) The Bank has a pension scheme which is a defined contribution plan. Employees of the Bank are entitled to receive retirement benefits under the Bank's Superannuation scheme under a defined contribution plan to the pension fund. Contributions under these schemes are recognised in the Profit and Loss Account in the period in which they accrue.

(ii) In addition to the above arrangement, there are deferred (exited) employees who had opted for the defined benefit scheme.

The Bank has set up a Pension Trust viz. American Express Banking Corp. India Staff Superannuation Fund to manage the contributions to the pension fund. The Bank provides for its pension liability based on actuarial valuation of the pension liability, based on Projected Unit Credit Method, as at the Balance Sheet date carried out by an independent actuary and contributes to the pension fund. The contributions made to the Trust are recognized as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognized in the Balance Sheet. Actuarial gains or losses are recognized in the Profit and Loss Account in the year in which they arise.

c) Gratuity

The Bank has set up a Gratuity Trust viz. American Express Banking Corp. India Employees Gratuity Fund to manage the contributions to the gratuity fund. The Bank provides for its gratuity liability based on actuarial valuation of the gratuity liability as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an independent actuary and contributes to the gratuity fund. The contributions made to the Trust are recognized as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognized in the Balance Sheet. Actuarial gains or losses are recognized in the Profit and Loss Account in the year in which they arise.

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

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

Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

d) Leave encashment/ Compensated Absences

The Bank provides for leave encashment/compensated absences liability, which is payable on separation or termination of service. The liability for leave encashment, which is a defined benefit scheme, is provided based on actuarial valuation as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an independent actuary.

10. Income Taxes

Income tax expense comprises of the current tax, the net change in the deferred tax asset and the deferred tax liability during the year. Current tax is determined as the amount of tax payable in respect of taxable income for the year on the basis of the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

In case there are carry forward tax losses, the Deferred Tax Asset is recognized only when there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

11. Membership Reward Points

The Membership Reward programme is a card-based rewards programme through which eligible card members can earn points for purchases charged on the Bank's card products. Membership Rewards points can be redeemed for a broad variety of rewards. The Bank establishes balance sheet provisions that represent the estimated cost of points earned to date that are ultimately expected to be redeemed based on the management's judgement and shown as a part of Other Liabilities and Provisions. The cost of Membership Reward Points is included as part of Advertisement and Publicity Expense.

12. Accounting for Provision, 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 of the amount of the obligation can be made.

A disclosure for 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.

The provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

Contingent assets are not recognized in the financial statements.

13. Segment Reporting

The Bank has recognised Banking Operations and Treasury operations, as the primary reporting Business Segments, in accordance with the RBI guidelines on compliance with Accounting Standard – 17 issued by Institute of Chartered Accountants of India as specified under Section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounting) Rules, 2014.

Banking Operations include card operations, travellers' cheque distribution and institutional deposits. Interest income and expense (other than those identified with the Treasury Operations), other identified income and operating expenses are reckoned in the operating results of this segment.

Treasury activities include the Investments and balance in bank account to meet the Statutory Liquidity Ratio (SLR), Liquidity Coverage Ratio (LCR) and maintenance of Cash Balances to meet the Cash Reserve Ratio (CRR) requirement and the corresponding funding to meet these requirements. The interest income and interest expenses related to these activities comprise the revenue and expense of this segment.

14. Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, balance with RBI, demand deposits with banks and other fixed deposits with bank with original maturities of three months or less.

15. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date to ascertain if there is any indication of impairment based on internal/external factors in accordance with Accounting Standard – 28, Impairment of Assets issued by Institute of Chartered Accountants of India as specified under Section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounting) Rules, 2014. The carrying amount is reduced to the recoverable amount and reduction is recognised as an impairment loss in the Profit and Loss Account.

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INDIA BRANCH

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

Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

IV. NOTES TO FINANCIAL STATEMENTS

1. Statutory Disclosures as per RBI norms:

a) Capital Adequacy Ratio

In terms of the extant RBI guidelines on Basel III Capital Regulations, as of March 31, 2020, the Bank is required to maintain a minimum Capital to Risk-weighted Asset Ratio (CRAR) (including capital conservation buffer of 1.875%) of 10.875%. Further, within this overall capital requirement, the Bank is also required to maintain a Minimum Common Equity Tier 1 (including capital conservation buffer of 1.875%) of 7.375% and Minimum Tier 1 Capital of 7%. The Bank's Capital Adequacy Ratio, calculated as per the Basel III Capital Regulations is provided here under.

Particulars	2019-20	2018-19
Common Equity Tier 1 capital ratio (%)	17.56%	14.92%
Tier I Capital Ratio (%)	17.56%	14.92%
Tier II Capital Ratio (%)	22.88%	9.44%
Total Capital ratio (CRAR) (%)	40.44%	24.36%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of equity capital raised		
– Head Office Funds (Amount Rs. in '000)	–	3,364,375
Amount of additional Tier 1 capital raised	–	–
Amount of additional Tier 2 capital raised of which -		
– Debt Capital instrument: (Amount in Rs. '000)	10,331,300	4,950,000
– Preference Share Capital Instruments	–	–

b) Subordinated Debt - Tier 2 Debt Capital Raised in the form of Head Office Borrowings in Foreign Currency:

Schedule 4 – Borrowings includes an amount of Rs.1,250,000 thousands, Rs.3,300,000 thousands ,Rs.4,950,000 thousands and 10,331,300 thousands pertaining to Tier 2 debt capital raised in the form of Head Office borrowings in foreign currency during 2013-14 , 2015-16 , 2018-19 and 2019-20 respectively from Head Office. Details of the Head Office borrowings are as under–

(Amount Rs. in '000)

Particulars	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Date of Borrowing	1-Nov-2013	27-Nov-2015	04-May-2018	11-Mar-2020	17-Mar-2020
Rate of Interest	Interest Free	Interest Free	Interest Free	Interest Free	Interest Free
Amount (Rs. '000)	1,250,000	3,300,000	4,950,000	5,150,600	5,180,700
Date of Repayment	1-Nov-2023	27-Nov-2025	04-May-2028	11-Mar-2026	17-Mar-2027
Call Option with the Bank	After completion of 5 years from the Issuance date (1-Nov-2018), with a prior notice of 120 days to the Lender. The bank has decided not to exercise the prepayment option.	After completion of 5 years from the Issuance date (27-Nov-2020), with a prior notice of 120 days to the Lender. The bank has decided not to exercise the prepayment option.	After completion of 5 years from the Issuance date (04-May-2023), with a prior notice of 90 days to the Lender. The bank has decided to exercise the prepayment option only after 01-May-2025.	After completion of 5 years from the Issuance date (11-Mar-2025), with a prior notice of 90 days to the Lender.	After completion of 5 years from the Issuance date (17-Mar-2025), with a prior notice of 90 days to the Lender.

c) Business / Information Ratios:

	Particulars	2019-20	2018-19
a.	Interest income as a percentage to working funds (%)	7.97	6.53
b.	Non-interest income as a percentage to working funds (%)	16.97	17.88
c.	Operating profit as a percentage to working funds (%)	2.43	3.54
d.	Return on assets (%)	0.07	0.36
e.	Business (deposits plus advances) per employee (Amount in Rs. '000)	101,508	104,166
f.	Profit/(loss) per employee (Amount in Rs. '000)	78	420

Definitions:

a) Working funds is the average of total assets as reported in return Form X under Section 27 of Banking Regulation Act, 1949 (excluding accumulated losses) during the year

b) Operating profit = (Interest income + other income – interest expenses – operating expenses – amortization of premium on investments – profit / (loss) on sale of fixed assets).

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c) "Business" is the average of the total of advances and deposits (net of inter-bank deposits).

d) Productivity ratios are based on number of employees at year end.

d) Asset Liability Management - Maturity Pattern of Certain Assets and Liabilities

Classification of assets and liabilities under the different maturity buckets are based on the estimates and assumptions used by the Bank. These estimates and assumptions are based on the guidelines on Asset Liability Management issued by Reserve Bank of India.

(Amount Rs. in '000)

Particulars	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & upto 2 months	Over 2 Months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Year and upto 5 years	Over 5 years	Total
Deposits -												
Current Year	10,000	1,191,410	952,112	2,463,635	2,810,304	2,397,723	4,581,600	1,878,067	5,005,000	–	–	21,289,851
Previous Year	–	1,403,214	3,085,662	2,782,906	1,686,113	2,374,751	5,630,934	4,391,714	–	–	–	21,355,294
Advances -												
Current Year	828,006	4,968,037	5,796,043	13,248,098	2,451,853	1,221,518	3,036,805	2,257,291	5,539,629	368,642	157,933	39,873,855
Previous Year	1,205,086	7,230,516	8,435,601	19,281,375	4,540,296	1,361,937	2,983,318	2,168,235	4,970,685	10,821,46	139,209	53,398,404
Investments -												
Current Year	26,737,370	389,318	382,740	659,644	411,853	411,830	681,151	1,060,685	489,021	180,762	2,005,550	33,409,924
Previous Year	16,242,806	882,156	437,292	990,368	466,574	525,293	889,199	1,206,121	238,416	198,472	1,334,397	23,411,094
Borrowings -												
Current Year	264,793	–	–	–	500,000	–	–	–	–	1,250,000	18,581,300	20,596,093
Previous Year	–	–	–	–	–	1,000,000	–	2,023,786	10,504	1,250,000	8,250,000	12,534,290
Foreign Currency Assets –												
Current Year	–	–	–	8,822	–	360	–	–	–	–	–	9,182
Previous Year	–	–	–	37	–	–	–	–	–	–	–	37
Foreign Currency Liabilities –												
Current Year	17,608	1,379,026	1,692,617	4,243,049	2,872,751	–	–	800,497	–	1,250,000	18,581,300	30,836,848
Previous Year	266,456	584,491	1,766,279	4,090,191	7,780,583	2,324,836	–	622,784	–	1,250,000	8,250,000	26,935,620

e) Exposure to real estate

(Amount Rs. in '000)

Particulars	**2019-20**	**2018-19**
a) Direct exposure	94,354	82,727
(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 –	94,354	82,727
Lending secured by mortgages on commercial real estate	–	–
Others	94,354	82,727
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures–	–	–
a. Residential	–	–
b. Commercial Real Estate	–	–
b) Indirect Exposure	–	–
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	–	–
Total Exposure to Real Estate Sector	**94,354**	**82,727**

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f) Exposure to Capital Market

(Amount Rs. in '000)

Particulars	2019-20	2018-19
(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;	41,646	227,857
(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	**41,646**	**227,857**

g) Provisions and Contingencies:

(Amount Rs. in '000)

Particulars	2019-20	2018-19
Provision for depreciation on Investment	-	-
Provision towards Non Performing Assets	(481,375)	450,790
Provision towards Standard Assets	465,533	42,412
Write-offs	1,999,764	1,943,654
Others	29,088	97,905
Provision made towards Income tax & Wealth Tax	21,107	-
TOTAL	**2,034,118**	**2,534,761**

h) Investments

(Amount Rs. in '000)

Particulars	2019-20	2018-19
Gross value of Investments		
In India	33,409,924	23,411,094
Outside India	–	–
Provision for depreciation		
In India	–	–
Outside India	–	–
Net value of investments		
In India	33,409,924	23,411,094
Outside India	–	–

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i) Asset Quality - Non-performing assets ('NPAs')

(Amount Rs. in '000)

Particulars	2019-20	2018-19
(i) Net NPAs to Net Advances (%)	0.92%	2.03%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	1,995,881	848,490
(b) Additions during the year	12,524,459	7,073,750
(c) Reductions during the year	13,719,171	5,926,359
(d) Closing balance	801,169	1,995,881
(iii) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	913,808	463,018
(b) Provisions made during the year	7,415,214	3,992,048
(c) Write off / write back of excess provision	7,896,589	3,541,258
(d) Closing balance	432,433	913,808
(iv) Movement of Net NPAs		
(a) Opening balance	1,082,073	385,472
(b) Additions during the year	5,109,245	3,081,702
(c) Reductions during the year	5,822,582	2,385,101
(d) Closing balance	368,736	1,082,073

j) Category-wise NPAs (funded)

(Amount Rs. in '000)

Non-performing asset category	2019-20		2018-19	
	Gross NPAs	Provisions	Gross NPAs	Provisions
Sub standard	729,012	360,276	1,752,587	670,514
Doubtful	71,666	71,666	243,223	243,223
Loss	491	491	71	71
Total	**801,169**	**432,433**	**1,995,881**	**913,808**

k) Single Borrower Limit (SBL) and Group Borrower Limits (GBL) :

During the year, the Bank's credit exposure to single borrowers and group borrowers were within the limits prescribed by Reserve Bank of India.

l) Disclosure of complaints:

Customer Complaints

	Particulars	2019-20	2018-19
1	No. of complaints pending at the beginning of the year	397	415
2	No. of complaints received during the year	23,005	22,836
3	No. of complaints redressed during the year	23,034	22,854
4	No. of complaints pending at the end of the year	368	397

m) Concentration of Deposits, Advances, Exposures and NPAs :

Concentration of Deposits

(Amount Rs. in '000)

S. No.	Particulars	2019-20	2018-19
1	Total Deposits of twenty largest depositors	20,851,605	20,924,346
2	Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	97.94%	97.98%

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Concentration of Advances

(Amount Rs. in '000)

S. No.	Particulars	2019-20	2018-19
1	Total Advances to twenty largest borrowers	4,472,996	7,939,976
2	Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	11.10%	14.62%

Concentration of Exposures

(Amount Rs. in '000)

S. No.	Particulars	2019-20	2018-19
1	Total Exposure to twenty largest borrowers / customers	8,296,735	13,484,816
2	Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/ customers	3.26%	5.90%

Concentration of NPAs

(Amount Rs. in '000)

S. No.	Particulars	2019-20	2018-19
1	Total Exposure to top four NPA accounts	33,530	844,482

n) Sector-wise Advances

(Amount Rs. in '000)

S. No.	Sector	2019-20			2018-19		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPA to Total Advances	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPA to Total Advances
A	**Priority Sector***						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry (Micro & small, Medium and Large)	–	–	–	–	–	–
3	Services	–	–	–	–	–	–
4	Personal Loans	–	–	–	–	–	–
	Sub Total (A)	–	–	–	–	–	–
B	**Non Priority Sector**						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry (Micro & small, Medium and Large)	2,769,184	46,804	1.69%	7,025,265	908,784	12.94%
	– Food Processing	*478,088*	*6,838*	*1.43%*	*994,524*	*81,975*	*8.24%*
	– Chemicals and Chemical Products (Dyes, Paints, etc.)	*603,621*	*5,254*	*0.87%*	*994,555*	*10,052*	*1.01%*
	– All Engineering (Electronics & Others)	*655,211*	*11,598*	*1.77%*	*1,998,087*	*65,074*	*3.26%*
	– Infrastructure	*10,404*	*–*	*0.00%*	*773,130*	*737,599*	*95.40%*
	– Others	*1,021,859*	*23,114*	*2.26%*	*2,264,970*	*14,084*	*0.62%*
3	Services	8,131,758	51,542	0.63%	16,480,250	187,177	1.14%
	– Computer Software	*1,349,789*	*17,421*	*1.29%*	*3,688,863*	*34,629*	*0.94%*
	– Tourism, Hotel and Restaurants	*1,453,210*	*7,306*	*0.50%*	*3,972,972*	*64,071*	*1.61%*
	– Professional Services	*1,249,382*	*11,132*	*0.89%*	*2,590,066*	*31,153*	*1.20%*
	– Retail Trade	*2,380,491*	*4,008*	*0.17%*	*2,714,683*	*35,438*	*1.31%*
	– Others	*1,698,887*	*11,675*	*0.69%*	*3,513,666*	*21,886*	*0.62%*
4	Personal Loans	29,405,497	702,822	2.39%	30,806,697	899,920	2.92%
	Sub Total (B)	40,306,439	801,169	1.99%	54,312,212	1,995,881	3.67%
	Totals (A+B)	40,306,439	801,169	1.99%	54,312,212	1,995,881	3.67%

* Not applicable to the Bank vide RBI letter no. RPCD.CO.Plan.11642/04.09.09/2008-09 dated 11/05/2009

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o) Movement of NPAs

(Amount Rs. in '000)

Particulars	2019-20	2018-19
Gross NPAs – Opening Balance	1,995,881	848,490
Additions – Fresh NPAs during the year*	12,524,459	7,073,751
Sub-Total [A] (1 + 2)	14,520,340	7,922,240
Less :		
(i) Upgradations	–	–
(ii) Recoveries	11,544,789	4,261,694
(iii) Write-offs	1,802,033	1,664,665
(iv) Change in classification due to process enhancement	372,349	–
Sub-Total [B]	13,719,171	5,926,359
Gross NPAs – Closing Balance	801,169	1,995,881

*Net of Advances amounting INR 372,349 ('000) tagged as Standard on account of process enhancement during the year

p) Provisioning Coverage Ratio (PCR)

In terms of the RBI guidelines, the Bank's Provisioning Coverage Ratio as of September 30, 2010 was 82.88%. The provisioning coverage ratio of the Bank with regard to the NPAs as on March 31, 2020 computed as per the RBI guidelines is 65.02% [2018-19: 50.22%].

q) Intra-Group Exposure

As a prudential measure aimed at better risk management and avoiding concentration and contagion of credit and liquidity risk that may arise from Intra Group Exposures, the Reserve Bank of India (RBI) has issued Guidelines on Management of Intra Group Transactions and Exposures (ITEs) vide its Circular No. RBI/2013-14/487 DBOD.No.BP.BC.96/21.06.102/2013-14 dated February 11, 2014. Quantitative disclosures under the above guidelines are provided here.

(Amount Rs. in '000)

S. No.	Particulars	March 31, 2020	March 31, 2019
1	Total amount of intra-group exposures	309,786	598,814
2	Total amount of top-20 intra-group exposures	309,786	598,814
3	Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	0.12%	0.26%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	None	None

r) Transfers to Depositor Education and Awareness Fund (DEAF)

As per guidelines issued by RBI in relation to Depositor Education and Awareness Fund Scheme, 2014, banks are required to transfer to a designated fund, the amounts becoming due in each calendar month i.e. proceeds of the inoperative accounts and balances remaining unclaimed for ten years or more as specified in the Scheme and the interest accrued thereon on the last working day of the subsequent month.

Below are the details of amount transferred to Depositor Education and Awareness Fund as of March 2020.

(Amount Rs. in '000)

Particulars	2019-20	2018-19
Opening balance of amounts transferred to DEAF	19,576	15,161
Add : Amounts transferred to DEAF during the year	35,454	7,682
Less : Amounts reimbursed by DEAF towards claims	1	3,267
Closing balance of amounts transferred to DEAF	55,029	19,576

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s) **Liquidity Coverage Ratio**

As per 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards' dated June 9, 2014 (Circular Ref No. RBI/2012-13/635/DBOD.BP.BC.No.120/21.04.098 /2013-14) and subsequent amendments, banks are required to monitor their resilience to potential liquidity disruptions under stress scenarios by ensuring that they have sufficient high quality liquid assets to survive an acute stress scenario lasting for 30 days and fund their activities with more stable sources of funding on an ongoing basis.

Banks are required to maintain High Quality Liquid Assets of a minimum of 100% of its Net Cash Outflows by January 1, 2019. However, with a view to provide transition time, the guidelines mandate a minimum requirement of 60% w.e.f. January 1, 2015 and a step up of 10% every year to reach the minimum requirement of 100% by January 1, 2019.

Qualitative Disclosures

Liquidity Risk is defined as the inability of the Bank to meet its ongoing financial and business obligations as they become due, at a reasonable cost. The Bank manages its liquidity risk by maintaining access to a diverse set of readily marketable securities, and contingent sources of liquidity to ensure that it can continuously meet its business requirements and financial obligations. The India Country ALCO chaired by the CEO oversees the Bank's liquidity and funding risk program including adherence to internal funding/liquidity limits as well as regulatory limits and ratios such as CRR, SLR and LCR.

General principles and the overall framework for managing liquidity and funding risk are defined in the Liquidity and Funding Policy of the Bank duly approved by the Country Executive Committee (CEC).

The Bank incurs and accepts liquidity risk through its established business model and through the normal course of offering its products and services. The liquidity risk the Bank is willing to accept is controlled through a liquidity risk tolerance limit which provides for the maintenance of a cushion of high quality, unencumbered liquid assets to be held against identified funding requirements under stress for defined liquidity risk survival horizon. In addition, the Bank maintains a contingency funding plan which provides a framework for analyzing and responding to liquidity events that are both market-driven as well as institution-specific. Further, the CFP describes the governance and protocol to be put into effect upon the occurrence of a liquidity event and details the roles and responsibilities of Senior Management.

The Bank also seeks to diversify its funding sources across capital, institutional deposits, subordinated debt from head office and lines of credit from local banks. Funding from significant counterparties and instruments is monitored regularly as part of its ongoing liquidity management.

The Bank has institutionalized a process of measuring, monitoring and reporting of the LCR in line with the Reserve Bank of India's guidelines on LCR.

The Bank has been in compliance with the minimum standard of 70% from 1st January 2016 to 31st December 2016, 80% from 1st January 2017, 90% from 1st January 2018 and 100% from 1st January 2019 onwards.

The LCR is calculated by dividing the amount of high-quality liquid unencumbered assets (HQLA) by the estimated net cash outflows over a stressed 30 calendar day period.

Detailed compositions of elements of the LCR are listed below –

High Quality liquid assets (HQLA)

Assets are HQLA if they can be converted into cash at little or no loss of value. The Bank holds stock of Level 1 HQLA in the form of excess CRR balances with RBI and excess Government securities over and above the SLR requirements. Additionally, the Bank also reckons government securities within the mandatory SLR requirement, to the extent allowed by the Reserve Bank under Marginal Standing Facility and Facility to avail Liquidity for LCR as Level 1 HQLA.

Net Cash Outflows

The total net cash outflows are defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows, are calculated by multiplying the outstanding balances of various categories or types of liabilities by the rates at which they are expected to run off or be drawn down and total expected cash inflows are calculated by multiplying the outstanding balances of various categories of receivables by the rates at which they are expected to flow in, up to an aggregate cap of 75% of total expected cash outflows, in line with RBI guidelines.

The major components of cash outflow for the Bank are unsecured wholesale funding (lines of credit from Banks and Institutional Deposits), uncommitted, revocable credit facilities extended to customers and other contractual payouts such as merchant payables, membership rewards etc. The key constituents of cash inflow for the Bank are remittances from card members, balances with banks etc.

The daily average LCR for the Bank for the quarter ending March 31, 2020 stood at 128.32 %

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Quantitative Disclosures

(Amount Rs. in '000)

		Qtr ended 31st March 2020		Qtr ended 31st December 2019		Qtr ended 30th September 2019		Qtr ended 30th June 2019		Quarter ended 31st March 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)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)		27,486,344		26,760,089		25,756,506		24,157,148		21,074,942
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:	6,686,073	3,345,376	8,204,761	4,066,369	7,643,937	3,499,159	9,093,912	4,384,803	6,659,196	3,038,739
(i)	Operational deposits (all counterparties)	–	–	–	–	–	–	–	–	–	–
(ii)	Non-operational deposits (all counterparties)	5,567,828	2,227,131	6,896,613	2,761,238	6,754,141	2,656,222	7,848,516	3,139,406	6,034,095	2,413,638
(iii)	Unsecured debt	1,118,245	1,118,245	1,308,148	1,305,131	889,796	842,937	1,245,397	1,245,397	625,101	625,101
4	Secured wholesale funding		–		–		–		–		–
5	Additional requirements, of which	789,763	789,763	769,946	770,254	815,400	821,718	839,891	839,891	920,972	920,972
(i)	Outflows related to derivative exposures and other collateral requirements	789,763	789,763	769,946	770,254	815,400	821,718	839,891	839,891	920,972	920,972
(ii)	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–	–	–
(iii)	Credit and liquidity facilities	–	–	–	–	–	–	–	–	–	–
6	Other contractual funding obligations	18,304,221	18,304,221	20,713,961	20,676,719	20,306,998	20,428,811	20,086,562	20,086,565	18,396,489	18,396,489
7	Other contingent funding obligations	205,008,211	10,250,410	195,716,671	9,781,528	186,743,567	9,301,052	177,729,501	8,886,475	167,779,992	8,389,000
8	**Total Cash Outflows**		32,689,770		35,294,870		34,050,740		34,197,733		30,745,200
Cash Inflows					–		–		–		
9	Secured lending (e.g. reverse repos)	–	–	–	–	–	–	–	–	–	–
10	Inflows from fully performing exposures	19,392,169	9,696,085	21,932,643	10,968,451	22,122,181	11,114,437	24,058,459	12,029,229	23,471,932	11,735,966
11	Other cash inflows	15,033,045	1,573,889	14,599,162	1,963,506	14,664,735	1,499,586	14,974,605	1,656,026	13,325,328	1,427,479
12	**Total Cash Inflows**	34,425,215	11,269,973	36,531,805	12,931,958	36,786,916	12,614,024	39,033,064	13,685,255	36,797,260	13,163,444
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
21	**TOTAL HQLA**		27,486,344		26,760,089		25,756,506		24,157,148		21,074,942
22	**Total Net Cash Outflows**		21,419,797		22,362,912		21,436,716		20,512,478		17,581,755
23	**Liquidity Coverage Ratio (%)**		128.32%		119.66%		120.15%		117.77%		119.87%

* Higher of [25% of Total Cash Outflows] or [Total Cash Outflows less Total Cash Inflows]

t) 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:

(Amount Rs. in '000)

Risk Category	Exposure (Net) as at March 31, 2020	Provision as at March 31, 2020	Exposure (Net) as at March 31, 2019	Provision as at March 31, 2019
Insignificant	9,174	-	37	-
Low	-	-	-	-
Moderate	12	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**9,186**	**-**	**37**	**-**

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u) Disclosure on Frauds

(Amount Rs. in '000)

Particulars	2019-20	2018-19
Number of frauds reported (in numbers)	3,928	7,534
Amount Involved	123,102	164,403
Amount Written-Off	83,621	115,824
Amount Recovered	39,481	48,579
Quantum of unamortized provision debited from other reserves	–	–

v) Unhedged Foreign Currency Exposure:

Provision towards unhedged foreign currency exposures as on 31 March 2020 is Rs. 72,466 ('000) [2018-19: Rs. 147,467 ('000)] and the capital held by the Bank towards this risk is Rs. 229,758 ('000) [2018-19: Rs. 469,182 ('000)] as per RBI master circular DBR.No.BP.BC.2/21.04.048/2015-16 dated 01 July 2015 on prudential norms on income recognition, asset classification and provisioning pertaining to advances.

w) Divergence in the asset classification and provisioning

RBI vide its circular RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and subsequently vide its circular RBI/2018-19/157 DBR.BP.BC.No.32/21.04.018/2018-19 dated April 01, 2019, has directed that banks shall make suitable disclosures, wherever either (a) the additional provisioning for NPAs assessed by RBI exceeds 10 percent of the reported profit before provisions and contingencies 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. For financial year 2017-18, RBI has not assessed any additional provisioning requirement or Gross NPAs for the Bank.

x) Particulars of Accounts Restructured

Under CDR Mechanism: NIL

Under SME Debt Restructuring Mechanism: NIL

Others:

(Amount Rs. in '000)

Particulars	2019-20					2018-19				
	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
Restructured Accounts – Opening Balance										
No. of Borrowers	–	1	–	–	1	–	–	–	–	–
Amount Outstanding	–	737,599	–	–	737,599	–	–	–	–	–
Provision Thereon	–	184,400	–	–	184,400	–	–	–	–	–
Fresh restructuring during the year										
No. of Borrowers	–	17	–	–	17	–	1	–	–	1
Amount Outstanding	–	42,825	–	–	42,825	–	737,599	–	–	737,599
Provision Thereon	–	25,379	–	–	25,379	–	184,400	–	–	184,400
Upgrade to Restructured Standard Category										
No. of Borrowers	–	–	–	–	–	–	–	–	–	–
Amount Outstanding	–	–	–	–	–	–	–	–	–	–
Provision Thereon	–	–	–	–	–	–	–	–	–	–
Restructured Standard Advances cease to attract higher provision / risk weight and need to be shown as restructured standard advance										
No. of Borrowers	–	–	–	–	–	–	–	–	–	–
Amount Outstanding	–	–	–	–	–	–	–	–	–	–
Provision Thereon	–	–	–	–	–	–	–	–	–	–
Downgrade of restructured accounts										
No. of Borrowers	–	–	–	–	–	–	–	–	–	–
Amount Outstanding	–	–	–	–	–	–	–	–	–	–
Provision Thereon	–	–	–	–	–	–	–	–	–	–
Write offs/recoveries of restructured accounts										
No. of Borrowers	–	2	–	–	2	–	–	–	–	–
Amount Outstanding- Write offs	–	16,795	–	–	16,795	–	–	–	–	–
Amount Outstanding- Recoveries		760,599			760,599					
Provision Thereon	–	208,146	–	–	208,146	–	–	–	–	–
Restructured Accounts–Closing Balance										
No. of Borrowers	–	16	–	–	16	–	1	–	–	1
Amount Outstanding	–	3,030	–	–	3,030	–	737,599	–	–	737,599
Provision Thereon	–	1,633	–	–	1,633	–	184,400	–	–	184,400

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y) The Bank has no disclosure to make in respect of the following items as the relevant items are Nil

(i)	**Investments :**	Repo Transactions Non-SLR Investment Portfolio Non performing Non-SLR Investments Movement of provisions held towards depreciation in Investments Sale and transfers to/from HTM category
(ii)	**Asset Quality :**	Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction Details of non-performing financial assets purchased/sold Unsecured Advances: Assets for which intangible securities have been taken as collateral Investment in Securities Receipts
(iii)	Awards passed by the Banking Ombudsman	
(iv)	Disclosure relating to securitisation	
(v)	Draw down from Reserves	
(vi)	Penalties imposed by Reserve Bank of India	
(vii)	Discontinuing Operations	
(viii)	Unamortised Pension and Gratuity Liabilities	
(ix)	Resolution of Stressed Assets – Extension of Resolution Timelines	

z) The Bank has no disclosure to make in respect of the following items as the relevant items are Not Applicable

(i)	**Investments :**	Investments in Associates
(ii)	**Derivatives :**	Forward Rate Agreements/ Interest Rate Swaps Exchange Traded Interest Rate Derivatives Disclosure on risk exposure in derivatives Credit Default Swaps
(iii)	Letter of Comforts issued by the Bank	
(iv)	Earnings per share	
(v)	Consolidated Financial Statements	
(vi)	Interim Financial Reporting	
(vii)	Overseas Assets, NPAs and Revenue	
(viii)	Off-Balance Sheet SPVs sponsored	

2. Commission, exchange and brokerage (net)

Commission, exchange and brokerage is netted off with the amount shared with affiliates on overseas Card Member spend on the Bank's merchant and volume rebates amounting to Rs. 3,193,279 ('000) [2018-19: Rs. 3,204,800 ('000)].

3. Deferred Taxes

In accordance with AS-22 on 'Accounting for Taxes on Income' issued by Institute of Chartered Accountants of India (ICAI), the Bank recognizes Deferred Tax Assets on timing differences to the extent that there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. As of March 31, 2020, in view of lack of virtual certainty supported by convincing evidence that sufficient taxable income would accrue in the immediate future, as a matter of prudence, the Bank has decided not to recognise Net Deferred Tax Assets as on March 31, 2020.

The major composition of Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) is as under:

(Amount in Rs. '000)

Particulars	**As at March 31, 2020**	**As at March 31, 2019**
Deferred tax assets:		
Provision for Bad & Doubtful Debts	665,398	645,612
Provision for Employee Benefits	190,284	153,860
Accumulated Taxable Losses	-	53,428
Depreciation on fixed assets	68,774	62,019
Deferred Rent & Other reserves	16,314	17,731
Deferred tax liabilities	NIL	NIL

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4. Segment Reporting

The summary of the segmental information of the Bank for the Year ended 31st March, 2020 are given below-

(Amount in Rs. '000)

Segmentation	Banking operations		Treasury		Total	
Particulars	**2019-20**	**2018-19**	**2019-20**	**2018-19**	**2019-20**	**2018-19**
Segment revenue	19,883,517	17,984,296	1,626,226	1,419,725	21,509,743	19,404,021
Unallocated Expenses					-	-
Segment result	**(257,841)**	**(15,003)**	**335,250**	**297,288**	**77,409**	**282,285**
Operating Profits /(Loss)					**77,409**	**282,285**
Income taxes					**21,107**	**-**
Extraordinary profit / (loss)					-	-
Net profit (loss)					**56,302**	**282,285**
Other information :						
Segment assets	44,035,923	56,560,266	35,370,341	26,003,814	79,406,264	82,564,080
Unallocated assets (Taxes and accumulated losses)					3,072,509	2,932,665
Total assets	**44,035,923**	**56,560,266**	**35,370,341**	**26,003,814**	**82,478,773**	**85,496,745**
Segment liabilities	29,017,602	41,416,477	35,370,341	26,003,814	64,387,943	67,420,291
Unallocated liabilities (Taxes, Capital and Reserve and Surplus)					18,090,830	18,076,454
Total liability	**29,017,602**	**41,416,477**	**35,370,341**	**26,003,814**	**82,478,773**	**85,496,745**
Cost to acquire fixed assets	**119,415**	**154,853**			**119,415**	**154,853**
Depreciation	***117,283***	***111,661***			***117,283***	***111,661***

The Bank does not have any overseas operations and hence there is no geographical segment reporting.

5. Related Party Disclosures

In the terms of the Accounting Standard 18 on 'Related Party Disclosures' issued by Institute of Chartered Accountants of India as specified under Section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounting) Rules, 2014 and the related guideline issued by the RBI, the details pertaining to related parties are as under:

Related Party Relationship:

Sr. No.	Relationship	Party Name
1.	Parent - Head Office	American Express Banking Corp., New York.
2.	Ultimate Holding Company	American Express Company
3.	Subsidiaries of Ultimate Holding Company	American Express (Malaysia) Sdn. Bhd. American Express (Thai) Co., Ltd. American Express Australia Ltd American Express Business Solutions (India) Private Limited American Express Company (Mexico) Sa De CV American Express Europe Limited American Express Global Business Travel American Express India Pvt Ltd. American Express International (NZ), Inc. American Express International (Taiwan), Inc. American Express International, Inc. American Express Limited American Express Services Europe Limited American Express Services India Pvt Ltd American Express Travel Related Services Company, Inc. Amex Canada Inc. Loyalty Solutions and Research Pvt Ltd
4.	Subsidiaries/ Associates/ Joint Ventures	-
5.	Key Management Personnel **	Manoj Adlakha as Chief Executive Officer

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The related party balances and transactions for the year ended March 31, 2020 are summarized as follows :

(Amount in Rs. '000)

Particulars	Year	Parent - Head Office American Express Banking Corp, New York	Total
Borrowings	2019-20	19,831,300	**19,831,300**
	2018-19	9,500,000	**9,500,000**
Maximum Outstanding	2019-20	19,831,300	
	2018-19	9,500,000	

(Amount in Rs. '000)

Particulars	Year	Subsidiaries of Ultimate Holding Company							
		American Express India Pvt Ltd.	American Express Australia Limited	American Express Services India Pvt Ltd	American Express Travel Related Services Company, Inc.	American Express Europe Limited	American Express International, Inc. - Branch - Singapore	Others	Total
Deposits	2019-20	18,836,000	–	630,000	–	–	–	810,000	20,276,000
	2018-19	19,390,000	–	430,000	–	–	–	360,000	20,180,000
Maximum Outstanding	2019-20	*21,400,000*	–	*685,000*			–	*840,000*	
	2018-19	*21,535,000*	–	*485,000*			–	*396,000*	
Advances	2019-20	190,122	–	6,805	–	–	–	1,407	198,334
	2018-19	291,104	–	7,150	–	–	–	10,859	309,113
Maximum Outstanding	2019-20	*714,383*	–	*30,399*	–	–		*56,155*	
	2018-19	*475,170*	–	*22,719*	–	–		*48,087*	
Receivables	2019-20	–	8,798	–	13	–	–	11	8,822
	2018-19	–	–	–	12	(–)	–	25	37
Payables	2019-20	382,098	–	161,114	769,092	213,260	9,920,345	30,379	11,476,288
	2018-19	556,499	15,854	143,726	471,311	157,508	16,663,814	243,846	18,252,558
Sale / (Purchase) of assets	2019-20	13,873	–	–	–	–	–	801	14,674
	2018-19	–	–	–	–	–	–	–	–
Interest Expense	2019-20	1,140,590	–	24,746	–	–	–	26,987	1,192,323
	2018-19	978,583	–	22,099	–	–	–	9,997	1,010,679
Payments by Related Party on Bank's Behalf or Payment/Receipt by Bank on behalf of Related Party	2019-20	314,713	–	2,338	–	–		2,964	320,015
	2018-19	235,475	–	3,168	–	–		2,329	240,972
Revenue from Services Rendered									
Commission, exchange and brokerage (gross)	2019-20	2,428	–	60	2,677,200	–	58	23	2,679,769
	2018-19	1,764	–	45	2,617,793	–	40	222	2,619,864
Less: Volume Rebate and Issuer Rate Payable	2019-20	–	(2,823)	–	(1,903,992)	(163,997)	(4,821)	(276)	(2,075,909)
	2018-19	–	(2,210)	–	(1,736,761)	(128,269)	(6,877)	(598)	(1,874,715)
Miscellaneous Income	2019-20	–	(2)	–	3,096	–	(5)	(9)	3,080
	2018-19	–	3	–	4,466	–	7	14	4,490
Revenue from Services Rendered Total	2019-20	2,428	(2,825)	60	776,304	(163,997)	(4,768)	(262)	606,940
	2018-19	1,764	(2,207)	45	885,498	(128,269)	(6,830)	(362)	749,639
Cost of Services Received									
Business Support Cost	2019-20	1,962,558	71,354	1,515,829	1,525,903	–	17,732	350,402	5,443,778
	2018-19	1,553,100	49,999	1,381,749	1,008,747	–	35,988	302,474	4,332,057
Other expenditure	2019-20	–	–	–	–	–	–	32,071	32,071
	2018-19	–	–	–	–	–	–	35,747	35,747
Rent, taxes and lighting	2019-20	122,883	–	1,518	–	–	–	–	124,401
	2018-19	82,071	–	1,518	–	–	–	–	83,589
Advertisement and Publicity	2019-20	–	–	–	–	–	–	8,095	8,095
	2018-19	–	–	–	–	–	–	16,803	16,803
Re-imbursements of cost to/from Related Party	2019-20	29,533	–	–	(355,467)	–	–	–	(325,934)
	2018-19	39,631	–	–	(395,249)	–	–	–	(355,618)
Cost of Services Received Total	2019-20	2,114,974	71,354	1,517,347	1,170,436	–	17,732	390,568	5,282,411
	2018-19	1,674,802	49,999	1,383,268	613,498	–	35,988	355,024	4,112,579

No disclosure has been made in respect of Key Management Personnel, keeping in view the secrecy clauses and the provisions of the RBI guidelines.

Payables include amount with respect to settlements with overseas group entities on account of spends made by overseas/Indian card members in India/outside India. However, volume of such transactions is not considered for disclosure.

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6. Other Liabilities include:

(Amount in Rs. '000)

Particulars	2019-20	2018-19
Provisions towards Standard Assets#	826,112	360,578
Counter Cyclical Provisioning Buffer	88,500	88,500

#Includes Unhedged Foreign Currency Provision of Rs. 72,466 ('000) [2018-19: Rs. 147,467 ('000)]

7. Floating Provisions: The Bank has no policy of making floating provision.

8. Leases

The Bank's significant leasing arrangements are in respect of operating leases for commercial and residential premises. Lease expenditure for operating leases is recognized on a straight-line basis over the primary period of lease.

(Amount in Rs. '000)

Particulars	2019-20	2018-19
Future minimum lease payments under non-cancellable Operating leases		
Not later than 1 year	213,890	175,893
Later than 1 year and not later than 5 years	355,176	394,963
Later than 5 years	15,298	-
Lease payments recognized in the Profit and Loss Account in respect of operating leases	189,664	147,090

9. Provision, Contingent Liabilities and Contingent Assets

Movement in provision for membership reward points:

(Amount in Rs. '000)

Particulars	2019-20	2018-19
Opening	2,719,284	2,113,141
Additions	5,050,375	3,975,080
Utilisations/Write backs	4,305,935	3,368,937
Closing Balance	**3,463,724**	**2,719,284**

The bank estimates provision for card reward points by applying historic redemption rates on points eligible for redemption by a card member.

10. Taxes

The income tax expenses comprise the following:

(Amount in Rs. '000)

Particulars	2019-20	2018-19
Wealth Tax	–	–
Deferred Income tax (benefit)/expense	–	–
Total	**–**	**–**

11. Description of contingent liabilities

Contingent Liabilities	Brief Description
Other items for which the bank is contingently liable*	The Bank is a party to various legal proceedings and direct/indirect tax assessments in the normal course of business. The Bank does not expect the outcome of any of legal proceedings to have a material adverse effect on the Bank's financial condition, result of operations and cash flows. Income tax matters for which appeal is pending having tax impact of Rs. 1,661,464 ('000) [2018-19: Rs. 1,197,150 ('000)] has been disputed by bank and hence disclosed as contingent liability.
	The Bank as part of certain service contracts has provided guarantees which amount to Rs. 2,780 ('000) [2018-19: Rs. 2,780 ('000)].
	The amount deposited in Depositor Education and Awareness Fund amounting to Rs. 55,029 ('000) [2018-19: Rs. 19,576 ('000)].

* Also refer Schedule 12 – Contingent Liabilities

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12. Employee Benefits

The disclosures required as per the revised AS 15 are as under:

Brief description of the Plans

The Bank has various schemes for long-term benefits such as provident fund, pension, and gratuity and leave encashment. The Bank's defined contribution plans are provident fund and employees' pension scheme (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952), and the Bank has no further obligation beyond making the contributions. The Bank's defined benefit plans includes pension for deferred/vested pensioner (left employees), gratuity and leave encashment.

(Amount in Rs. '000)

A	**Charge to the Profit and Loss Account based on contributions:**		
		2019-20	**2018-19**
	Provident fund	57,485	49,748
	Superannuation	845	867
	TOTAL	**58,330**	**50,615**

The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, in the case of Surya Roshani Limited & others v/s EPFO, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. In light of the same, with effect from 1st March 2019, the PF contribution by the Bank has been changed to a flat amount of Rs. 1800/- per month for all colleagues whose monthly basic wage is less than Rs. 15,000/-.

Subsequently, a review petition against this decision has been filed and is pending before the SC for disposal. Pending decision on the subject review petition and directions from the EPFO, further impact, if any, is not ascertainable and consequently no effect have been given in the accounts.

(Amount in Rs. '000)

B	**Contribution towards Pension for deferred / vested pensioners (left employees) :** The above employee benefit is covered under Pension Trust and as detailed under Paragraph III 9 (b) of Schedule 18 above.		
Pension: The components of net benefit expenses recognized in the Profit and Loss Account and Balance Sheet and the funded status for the pension benefit plan are summarised below :			
		As at March 31, 2020	**As at March 31, 2019**
I	**Assumptions**		
	Mortality Rate (in deferment)	LIC (1996-98) Ultimate	LIC (1996-98) Ultimate
	Mortality Rate (Post retirement)	LIC (1996-98) Ultimate	LIC (1996-98) Ultimate
	Discount Rate	6.50%	7.30%
	Rate of increase in compensation	Not Applicable	Not Applicable
	Rate of return(expected) on plan assets	7.50%	7.50%
		As at March 31, 2020	**As at March 31, 2019**
II	**Changes in present value of obligations**		
	Defined Benefit Obligation at beginning of the Year	37,957	37,026
	Interest Cost	2,593	2,699
	Current Service Cost	-	-
	Actuarial Losses/(Gains)	3,731	320
	Benefit Payments	(4,884)	(2,088)
	Defined Benefit Obligation at end of the Year	39,397	37,957
III	**Changes in fair value of plan assets**		
	Fair Value of Plan Assets at beginning of the Year	62,798	63,027
	Expected return on plan assets	4,544	4,650
	Actuarial Gain / (Loss)	(2,295)	(2,838)
	Benefit Payments	(4,415)	(2,041)
	Fair Value of Plan Assets at end of the Year	60,632	62,798
IV	**Amounts to be recognised in the Balance Sheet**		
	Defined Benefit Obligation at the end of the Year	39,397	37,957
	Fair Value of Plan Assets at the end of the Year	60,632	62,798
	Amount not recognised as an Asset	-	-
	Surplus Assets	21,235	24,841
V	**Expense Recognised**	-	-

The Pension Fund assets are invested in government securities, corporate bonds and other eligible investments.

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	As at March 31, 2020	As at March 31, 2019
	Percentage	
Government of India securities (Central and State)	51.13	49.46
High quality corporate Bonds (Including Public Sector Bonds)	–	–
Equity shares	–	–
Cash (Including Special Deposits)	47.92	49.88
Others	0.95	0.66
Total	**100**	**100**

(Amount in Rs. '000)

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 at end of the period	(39,397)	(37,957)	(37,026)	(41,096)	(35,522)
Plan Asset as at the end of the period	60,632	62,798	63,027	68,346	72,666
Funded Status	21,235	24,841	26,001	27,250	37,144
Experience Gain/(Loss) adjustments on plan liabilities	(71)	(104)	(2,854)	(7,433)	(584)
Experience Gain/(Loss) adjustments on plan assets	(2,295)	(2,838)	(1,407)	(2,053)	(2,150)
Actuarial Gain/(Loss) due to change on assumptions	(3,660)	(216)	748	(3,098)	–

(Amount in Rs. '000)

C	**Contribution towards Gratuity:** The above employee benefit is covered under a Gratuity Trust and as detailed under Paragraph III 9 (c) of Schedule 18 above.		
Gratuity : The components of net benefit expenses recognized in the Profit and Loss Account and Balance Sheet and the funded status for gratuity benefit plan are summarised below:			
		As at March 31, 2020	As at March 31, 2019
I	**Assumptions**		
	Mortality	Indian Assured Lives Mortality (2006-08) (modified) Ult.	Indian Assured Lives Mortality (2006-08) (modified) Ult.
	Discount Rate	6.50%	7.30%
	Rate of increase in compensation	9.00%	9.00%
	Rate of return (expected) on plan assets	7.50%	7.50%
	Withdrawal rates	Up to age 30 - 27% age 31-40 - 18% age 41-50 - 7% age 51 and above - 8%	Up to age 30 - 27% age 31-40 - 18% age 41-50 - 7% age 51 and above - 8%
II	**Changes in present value of obligations**		
	DBO at beginning of the Year	174,029	146,177
	Interest Cost	12,170	10,612
	Current Service Cost	18,531	16,138
	Benefits Paid	(14,623)	(15,421)
	Actuarial Losses/(Gains) on obligation	14,379	10,472
	Liabilities extinguished on settlements	-	-
	Liability released due to employee transfer	-	-
	Plan Amendment Cost	1,754	-
	Acquisitions Cost	2,521	6,051
	DBO at end of the Year	208,761	174,029

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III	**Changes in fair value of plan assets**		
	Fair Value of Plan Assets at beginning of the Year	23,263	37,711
	Expected Return of Plan Assets	1,196	2,250
	Contributions	-	-
	Benefits paid	(14,623)	(15,421)
	Assets distributed in settlements	-	-
	Actuarial gain / (loss) on plan assets	(618)	(1,277)
	Fair Value of Plan Assets at end of the Year	9,218	23,263
IV	**Amounts to be recognised in the Balance Sheet**		
	Present Value of DBO at the end of the Year	208,761	174,029
	Fair Value of Plan Assets at end of the Year	9,218	23,263
	Funded/(Unfunded) Status	(199,543)	(150,766)
	Unrecognised Past Service Costs	-	-
	Net Asset /(Liability) recognised in the Balance Sheet	(199,543)	(150,766)
V	**Expense Recognised**		
	Current Service Cost	18,531	16,138
	Interest Cost	12,170	10,612
	Expected Return on Plan Assets	(1,196)	(2,250)
	Net Actuarial (Gain) /Loss recognised for the Year	14,997	11,749
	Past Service Cost	1,754	-
	Expense recognised in the P&L A/c	46,256	36,249

The estimate of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in employee market.

The Gratuity Fund assets are invested in government securities, corporate bonds and other eligible investments.

Major categories of Plan assets as a percentage of total plan assets.

	As at March 31, 2020	As at March 31, 2019
	Percentage	
Government of India securities (Central and State)	–	–
High quality corporate Bonds (Including Public Sector Bonds)	–	–
Equity shares	–	–
Cash (Including Special Deposits)	100.00	100.00
Others	–	–
Total	**100.00**	**100.00**

(Amount in Rs. '000)

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 at end of the period	(208,761)	(174,029)	(146,177)	(148,301)	(125,572)
Plan Asset as at the end of the period	9,218	23,263	37,711	46,870	53,878
Funded Status	(199,543)	(150,766)	(108,466)	(101,431)	(71,694)
Experience Gain/(Loss) adjustments on plan liabilities	(1,719)	(7,998)	(844)	267	(2,601)
Experience Gain/(Loss) adjustments on plan assets	(618)	(1,277)	(1,097)	(1,673)	(464)
Actuarial Gain/(Loss) due to change on assumptions	(12,660)	(2,474)	18,429	(7,891)	–

D	**Leave Encashment/Compensated Absences**
	The amount charged/(released) to Profit and Loss Account during the year towards Leave Encashment and compensated absences Rs.45,708 ('000) (Previous year Rs. (4,504) ('000))
	The liability for leave encashment and compensated absences as on March 31, 2020 is Rs. 135,221 ('000) (Previous Year Rs. 104,122 ('000)).

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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

13. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

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.

(Amount in Rs. '000)

	Particulars	2019-20	2018-19
1	Principal amount due remaining unpaid	–	–
2	Interest amount due thereon and remaining unpaid	–	–
3	Amount of interest paid in terms of Section 18 of the MSMED Act 2006	405	421
4	Interest due and payable (under the MSMED Act 2006) which have not been paid (covering all payments)	811	405
5	The amount of interest accrued and remaining unpaid at the end of the accounting year (i.e. including amount brought forward from previous year)	811	405
6	Details on payments made in respect of outstanding as at Sl. No. 1 above.	–	–

14. Details of fees / remuneration received in respect of Bancassurance business:

(Amount in Rs. '000)

Particulars	2019-20	2018-19
Others - Income from Insurance Corporate Agency Business		
– For selling life insurance products	14,727	1,941
– For selling non-life insurance products	122,122	103,346

15. Disclosures on Remuneration :

Qualitative Disclosures

Being a Branch of a Foreign Bank, the Bank does not have any Remuneration Committee for approval of the Managerial Remuneration. The Bank's compensation structure is in conformity with the principles and practices set out by the Financial Stability Board (FSB). Further, the Bank's has obtained the RBI's approval for the Chief Executive Officer's (CEO) remuneration.

Quantitative Disclosures

The quantitative disclosures cover the Bank's CEO and Key Risk Takers. The Bank's Key Risk Takers include the CEO, Head of Business Units and select roles in Treasury and Risk.

(Amount in Rs. '000)

No.	Particulars	2019-20	2018-19
1	(i) Number of employees having received a variable remuneration award during the financial year.	5	4
	(ii) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	–	–
	(iii) Total amount of deferred remuneration paid out in the financial year	–	–
2	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.		
	Fixed	50,282	49,589
	Variable	41,555	39,815
	Deferred	–	–
	Non-deferred	41,555	39,815
3	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	–	–
	(ii) Total amount of reductions during the financial year due to ex- post explicit adjustments.	–	–
	(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	–	–
4	Retirals (PF, Gratuity, SA)	3,356	3,282

Variable pay included above is on cash basis i.e. the year in which the same is paid out.

Compensation for CEO is as approved by the RBI and paid by the Bank to the CEO. Compensation for other risk takers is as approved by the Bank.

Charges for ESOPs, issued by the ultimate parent company to the key risk takers, has not been considered for the disclosure purpose as there is no charge to Profit and Loss Account of the Bank.

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Schedule 18 – Significant Accounting Policies and Notes to Financial Statements (Contd.)

16. Disclosure on Corporate Social Responsibility (CSR)

The Bank believes that serving our communities is not only integral to running a business successfully; it is part of our individual responsibilities as corporate citizen.

The CSR committee was formed in accordance with the Bank's CSR policy to comply with the provisions of the Section 135 of the Companies Act, 2013. During the year, the Bank has contributed an amount of Rs. 18,633 ('000).

(Amount in Rs. '000)

S.no.	Particulars	2019-20			2018-19		
A.	Gross amount required to be spent by the Bank during the year	18,633			13,105		
B.	Amount spent during the year:	In Cash	Yet to Paid in Cash	Total	In Cash	Yet to Paid in Cash	Total
(i)	*Construction/acquisition of any asset*	-	-	-	-	-	-
(ii)	*On purposes other than (i) above*	*18,633*	-	*18,633*	*13,105*	-	*13,105*

17. Auditors' Remuneration [excluding goods & service tax]

(Amount in Rs. '000)

Particulars	2019-20	2018-19
As Auditors:		
– Statutory Audit	3,850	3,500
– Tax Audit	425	390
– Certificates	925	400
– Out of Pocket Expenses	995	939
Total	**6,195**	**5,229**

18. 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. 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.

19. Implementation of Indian Accounting Standards (IND AS)

In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (IND AS) for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). The RBI has also issued a circular DBR.BP.BC.No.76/21.07.001/2015-16 dated February 11th, 2016 advising that the Banks in India are required to implement IND AS from April 1, 2018. Subsequently, RBI in its press release issued on 5th April 2018 and vide notification RBI/2018-2019/146 DBR.BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019 has deferred the applicability of IND AS for Scheduled Commercial Banks.

Based on RBI directions, the Bank has formed a Steering Committee to oversee IND AS implementation. The bank submitted proforma IND AS financial statements to the RBI for the half-year ended September 30, 2016 and quarter ended June 30, 2017. Further, as per email notification dated July 20th, 2018, the Bank is also submitting proforma IND AS financials to RBI on quarterly basis effective quarter ended June 2018.

20. Impact of novel Coronavirus (COVID-19) Pandemic

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. COVID-19 has taken its toll on not

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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. The extent to which COVID-19 pandemic will impact the Bank's operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Bank. The Bank holds provisions amounting INR 583,036 ('000) as at March 31, 2020 against the potential impact of COVID-19 based on the information available at this point in time. The provisions held by the bank are in excess of the RBI prescribed norms.

In reference to RBI circular RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 and RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 on 'COVID-19 Regulatory Package', the Bank has granted moratorium for credit card dues falling due between March 01, 2020 and May 31, 2020. 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. '000)

Days Past Overdue	Amount Outstanding as at March 31, 2020	Provision as at March 31, 2020	Provision Adjusted against Slippages
01 - 30 Days	53,181	2,659	-
31 - 60 Days	22,365	1,118	-
61 - 90 Days	-	-	-

21. Comparative figures

Previous year figures have been reclassified and regrouped wherever considered necessary to conform to current year's presentation.

Signature to Schedules 1 to 18

For **Khimji Kunverji & Co. LLP**
(formerly Khimji Kunverji & Co – FRN: 105146W/ W100621)
Chartered Accountants

Gautam V. Shah
Partner
Membership No. F-117348
UDIN: 20117348AAAAAK6268

Place: Mumbai
Date: June 26, 2020

For and on behalf of
American Express Banking Corp.- India Branch

Manoj Adlakha
Chief Executive Officer

Vivek Sehgal
Financial Controller

Place: Gurugram
Date: June 26, 2020

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It is the policy of the Bank to:

- Extend Credit only on a safe, sound and collectible basis.
- Extend Credit in an economically sound fashion.
- Extend Credit only in compliance with applicable law and regulations and the policies of the Bank and in full consideration of applicable regulatory guidance.
- Document credit decisions.
- Adopt and use best-in-class risk management tools and practices.
- Require its vendors, including its affiliates, to act in accordance with the policies of the Bank when conducting business on the Bank's behalf.

The Bank has established policies and procedures to control and manage the credit risk. These policies and procedures, in particular:

- Establish the governance structure through which credit risk will be identified, assessed, controlled, monitored and reported.
- Details the credit products and services that the Bank may offer.
- Specifies certain key metrics to be used in managing credit risk.
- Establishes the conditions under which exceptions to credit policy may occur.

Management can never eliminate the Bank's credit risk. However, consistent application of the above practices will result in the credit risk being controlled to an acceptable level. Therefore, Management and the Board of Directors continuously monitor credit risk to ensure that prudent lending criterion are established and complied with so as to minimize the Bank's exposure to credit risk.

The Bank follows the RBI guidelines for asset classification. Accordingly, card receivables are treated as non-performing, if any amount is overdue for a period of more than 90 days.

The Bank also identifies all card accounts with delinquencies and writes off in the books of accounts, the outstanding card receivables which are 210 days past billing. In addition, accelerated write off is effected where it is evident that the outstanding is unlikely to be recovered.

Provision for Non-Performing Assets, Standard Assets and Unhedged Foreign Currency Exposure are made in compliance with the prudential norms prescribed by Reserve Bank of India. In the case of sub-standard assets, in addition to minimum provision requirement prescribed by RBI, the bank makes additional provision based on best estimate of probable losses. Accounts classified as doubtful/loss are provided at 100% till written off. Restructured assets are classified and provided for in accordance with the guidelines issued by RBI from time to time. The Bank holds provisions as at 31st March 2020 against the potential impact of COVID-19 based on the information available at this point in time. The provisions held by the Bank are in excess of the RBI prescribed norms.

Quantitative Disclosure:

(a) Total credit exposure by industry and geographic distribution of exposure **(Amount Rs.'000)**

	As at March 31, 2020		
	Fund Based	**Non-fund Based**	**Total**
Domestic			
Investments	-	-	-
Advances:	-	-	-
Mining and Quarrying	**256,085**	-	**256,085**
Coal	17,417	-	17,417
Others	238,668	-	238,668
Food Processing	**648,912**	-	**648,912**
Sugar	4,696	-	4,696
Edible Oils and Vanaspati	17,043	-	17,043
Tea	12,458	-	12,458
Coffee	20,000	-	20,000
Others	594,715	-	594,715
Beverages (excluding Tea & Coffee) and Tobacco	**172,108**	-	**172,108**
Tobacco and tobacco products	16,890	-	16,890
Others	155,218	-	155,218
Textiles	**638,788**	-	**638,788**
Cotton	187,043	-	187,043
Jute	7,418	-	7,418
Man-made	3,300	-	3,300
Others	441,027	-	441,027
Leather and Leather products	**124,239**	-	**124,239**
Leather and Leather products	124,239	-	124,239
Wood and Wood Products	**39,709**	-	**39,709**
Wood and Wood Products	39,709	-	39,709
Paper and Paper Products	**69,520**	-	**69,520**
Paper and Paper Products	69,520	-	69,520
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**49,764**	-	**49,764**
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	49,764	-	49,764

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	As at March 31, 2020		
	Fund Based	Non-fund Based	Total
Chemicals and Chemical Products (Dyes, Paints, etc.)	**2,625,692**	-	**2,625,692**
Fertilizers	132,500	-	132,500
Drugs and Pharmaceuticals	1,225,758	-	1,225,758
Petro-chemicals (excluding under Infrastructure)	2,024	-	2,024
Others	1,265,410	-	1,265,410
Rubber, Plastic and their Products	**288,991**	-	**288,991**
Rubber, Plastic and their Products	288,991	-	288,991
Glass & Glassware	**86,253**	-	**86,253**
Glass & Glassware	86,253	-	86,253
Cement and Cement Products	**125,331**	-	**125,331**
Cement and Cement Products	125,331	-	125,331
Basic Metal and Metal Products	**438,304**	-	**438,304**
Iron and Steel	227,464	-	227,464
Other Metal and Metal Products	210,840	-	210,840
All Engineering	**2,590,585**	-	**2,590,585**
Electronics	1,042,535	-	1,042,535
Others	1,548,050	-	1,548,050
Vehicles, Vehicle Parts and Transport Equipments	**778,721**	-	**778,721**
Vehicles, Vehicle Parts and Transport Equipments	778,721	-	778,721
Gems and Jewellery	**21,403**	-	**21,403**
Gems and Jewellery	21,403	-	21,403
Construction	**578,137**	-	**578,137**
Construction	578,137	-	578,137
Infrastructure	**47,961**	-	**47,961**
Energy	42,750	-	42,750
Water supply pipelines	5,211	-	5,211
Other Industries	**2,746,246**	-	**2,746,246**
Other Industries	2,746,246	-	2,746,246
Service	**19,694,826**	-	**19,694,826**
Transport Operators	216,790	-	216,790
Computer Software	5,293,382	-	5,293,382
Tourism, Hotel and Restaurants	3,132,472	-	3,132,472
Professional Services	4,041,766	-	4,041,766
Commercial Real Estate	94,354	-	94,354
NBFCs	229,465	-	229,465
Banks	1,782,004	-	1,782,004
Other Services	4,904,593	-	4,904,593
Trade	**4,412,390**	-	**4,412,390**
Wholesale Trade (other than Food Procurement)	641,462	-	641,462
Retail Trade	3,770,928	-	3,770,928
Personal Loans	**218,179,950**	-	**218,179,950**
Credit Card and Staff Loan	218,179,950	-	218,179,950
Total	**254,613,915**	-	**254,613,915**

(b) Maturity pattern of total assets:

As at March 31, 2020 **(Amount Rs.'000)**

	Cash and Balances with RBI	Balances with Banks	Investments	Advances (Net)	Fixed Assets	Other Assets	Total
1 – 14 days	689,452	1,566,944	27,509,428	11,592,086	-	799,931	42,157,841
15 – 30 days	140,038	9,758	659,644	13,248,098	-	312,336	14,369,874
31 days – 2 months	72,211	6,093	411,853	2,451,853	-	930	2,942,940
2 months – 3 months	84,448	6,092	411,830	1,221,518	-	690,179	2,414,067
3 months – 6 months	135,758	10,076	681,151	3,036,805	-	-	3,863,790
6 months – 1 year	183,306	15,691	1,060,685	2,257,291	-	-	3,516,973
1 year – 3 years	101,294	7,234	489,021	5,539,629	-	478,407	6,615,585
3 years – 5 years	37,731	2,674	180,762	368,642	-	-	589,809
Over 5 years	411,459	29,669	2,005,550	157,933	307,012	385,700	3,297,323
TOTAL	**1,855,697**	**1,654,231**	**33,409,924**	**39,873,855**	**307,012**	**2,667,483**	**79,768,202**

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(c) Amount of NPAs (Gross) - Total **(Amount in Rs. '000)**

Non-performing asset category	**As at March 31, 2020**
Sub standard	729,012
Doubtful	71,666
Loss	491
Total	**801,169**

(d) Net NPAs **(Amount in Rs. '000)**

Net Non-performing asset category	**As at March 31, 2020**
Sub-Standard	368,736
Doubtful	-
Loss	-
Total	**368,736**

(e) NPA Ratios **(Amount in Rs. '000)**

Particulars	**As at March 31, 2020**
Gross NPA as a ratio to gross advances	1.99%
Net NPAs to net advances	0.92%

(f) Movement of NPAs Gross **(Amount Rs. '000)**

Particulars	**For the year ended March 31, 2020**
Opening Balance (As at April 1, 2019)	1,995,881
Additions during the period	12,524,459
Reductions during the period	13,719,171
Closing Balance (As at March 31, 2020)	801,169

(g) Movement of Provisions for NPAs **(Amount Rs. '000)**

Particulars	**For the year ended March 31, 2020**
Opening balance (As at April 1, 2019)	913,808
Provisions made during the period	7,415,214
Reductions made during the period due to write-off, upgradation and recoveries	7,896,589
Any other Adjustments, including transfer between provisions	-
Write-back of excess provisions	-
Closing balance (As at March 31, 2020)	432,433

(h) Details of write offs and recoveries booked directly to the Income Statement **(Amount Rs. '000)**

Particulars	**For the year ended March 31, 2020**
Write offs	1,999,764
Recoveries	877,704

(i) Movement of Provisions for Standard Assets* **(Amount Rs. '000)**

Particulars	**For the year ended March 31, 2020**
Opening balance (As at April 1, 2019)	360,578
Provisions made during the period	465,534
Write-back of excess provisions	-
Closing balance (As at March 31, 2020)	826,112

* includes provision created for Unhedged Foreign Currency Exposure and Willful Defaulters

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(j) Amount of Non-Performing Investments: NIL

(k) Amount of Provision held for Non-Performing Investments: NIL

(l) Movement of Provision held for depreciation on Investments: NIL

(m) Geographic and industry wise distribution of Gross NPA, Provision for NPA, NPA Write-offs and Provision for Standard Assets

As at March 31, 2020 **(Amount Rs. '000)**

Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for Standard Assets*
Mining and Quarrying	**82**	**42**	**25**	**1,490**
Coal	-	-	-	209
Others	82	42	25	1,280
Food Processing	**6,837**	**3,473**	**82,577**	**5,710**
Sugar	-	-	-	4
Edible Oils and Vanaspati	-	-	-	15
Tea	6,825	3,467	-	82
Coffee	-	-	-	1
Others	12	6	82,577	5,608
Beverages (excluding Tea & Coffee) and Tobacco	**163**	**83**	**237**	**957**
Tobacco and tobacco products	-	-	-	-
Others	163	83	237	957
Textiles	**534**	**271**	**3,439**	**1,427**
Cotton	35	18	-	391
Jute	335	170	-	37
Man-made	-	-	-	-
Others	164	83	3,439	1,000
Leather and Leather products	**21**	**11**	**1,500**	**280**
Leather and Leather products	21	11	1,500	280
Wood and Wood Products	**-**	**-**	**18**	**132**
Wood and Wood Products	-	-	18	132
Paper and Paper Products	**7**	**7**	**2,246**	**142**
Paper and Paper Products	7	7	2,246	142
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**5**	**3**	**-**	**57**
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	5	3	-	57
Chemicals and Chemical Products (Dyes, Paints, etc.)	**5,254**	**2,890**	**6,248**	**7,100**
Fertilizers	-	-	-	382
Drugs and Pharmaceuticals	5,025	2,772	3,476	2,404
Petro-chemicals (excluding under Infrastructure)	-	-	-	11
Others	229	118	2,772	4,303
Rubber, Plastic and their Products	**490**	**249**	**7**	**475**
Rubber, Plastic and their Products	490	249	7	475
Glass & Glassware	**7,944**	**7,812**	**15,400**	**293**
Glass & Glassware	7,944	7,812	15,400	293
Cement and Cement Products	**2**	**1**	**-**	**9**
Cement and Cement Products	2	1	-	9
BasicMetal and Metal Products	**-**	**-**	**9,117**	**1,155**
Iron and Steel	-	-	9,086	575
Other Metal and Metal Products	-	-	31	579
All Engineering	**11,599**	**6,443**	**317,927**	**14,387**
Electronics	5,550	3,114	10,610	9,976
Others	6,049	3,329	307,317	4,411
Vehicles, Vehicle Parts and Transport Equipments	**828**	**429**	**162**	**1,793**
Vehicles, Vehicle Parts and Transport Equipments	828	429	162	1,793
Gems and Jewellery	**-**	**-**	**-**	**32**
Gems and Jewellery	-	-	-	32
Construction	**12,407**	**6,302**	**692**	**2,590**
Construction	12,407	6,302	692	2,590
Infrastructure	**-**	**-**	**18,450**	**125**
Energy	-	-	18,450	90
Water supply pipelines	-	-	-	35
Other Industries	**632**	**319**	**157**	**1,967**
Other Industries	632	319	157	1,967

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Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for Standard Assets*
Services	**46,450**	**25,311**	**173,150**	**68,786**
Transport Operators	142	72	482	864
Computer Software	17,421	9,557	18,383	16,158
Tourism, Hotel and Restaurants	7,305	4,006	115,921	17,367
Professional Services	11,132	6,065	12,886	14,965
Commercial Real Estate	-	-	1	1,199
NBFCs	-	-	4	1,327
Banks	2,012	1,022	-	587
Other Services	8,438	4,589	25,473	16,319
Trade	**5,092**	**2,587**	**61,691**	**16,749**
Wholesale Trade(other than Food procurement)	1,084	551	58,332	2,633
Retail Trade	4,008	2,036	3,359	14,117
Personal Loans	**702,822**	**376,200**	**1,108,990**	**117,418**
Personal Loans	702,822	376,200	1,108,990	117,418
Total	**801,169**	**432,433**	**1,802,033**	**243,076**

* includes provision created for Unhedged Foreign Currency Exposure and Willful Defaulters

4. Credit Risk: Disclosures for Portfolios Subject to Standardised Approach.

The Bank lending business is confined to card lending through its card issuance business and loans to staff. In view of this limited lending activity, the Bank does not use any rating assigned by the eligible external credit rating agencies for measuring credit risk. The card receivables under consumer portfolio are covered under the Specified Category attracting risk weight of 125%, card receivables under corporate portfolio are covered under the Claims on Corporates, AFCs and NBFC-IFCs Category attracting risk weight of 150% and loans to staff attract risk weight of 20% as per the RBI guidelines. All interbank balances with scheduled banks have been reckoned at 20% as per the RBI guidelines, as the counterparty banks have capital adequacy ratio of 9% and above.

Quantitative Disclosure:

Amount of bank's outstanding, by risk weight are as follows:

(Amount in Rs. '000)

Risk Weight Applied*	As at March 31, 2020
Below 100 % risk weight	37,316,820
100 % risk weight	2,946,170
More than 100 % risk weight	38,955,343
Deducted (in computation of Net Owned Funds)	-

* Net of provisions and collaterals

5. Credit Risk Mitigation: Disclosures for Standardised Approach

The Bank's advances arise from its card operations and there are normally no collaterals for these lending. However, in few cases, to mitigate credit risk, the Bank uses Bank Guarantees and Institutional deposits from customers as collaterals.

Quantitative Disclosure:

(Amount in Rs. '000)

Particulars	As at March 31, 2020
Exposure covered by Bank Guarantees	944,641
Exposure covered primarily by Institutional Deposits	2,252,690

6. Securitization : Disclosure for Standardized Approach

The Bank does not have any securitization exposure.

7. Market Risk in Trading Book

Market Risk is defined as the risk to earnings or risk to the value of assets or liabilities resulting from changes in market risk factors such as interest and foreign exchange rates.

The Bank does not engage in any trading but maintains a portfolio of high quality liquid assets in the form of investments which are limited to GOI Treasury Bills to meet the Statutory Liquidity Ratio (SLR) and Liquidity Coverage Ratio (LCR) requirements. These investments are held under the Available for Sale (AFS) category and do not carry any credit risk. Foreign exchange risk in the banking book is limited and is generated on account of foreign currency denominated exposures in the balance sheet.

The general market risk capital charge towards interest rate risk and foreign exchange risk is provided as per the extant RBI guidelines, using the Standardized Duration Approach. The market risk management architecture is similar to interest rate risk and has been outlined in subsequent sections.

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Capital Requirements **(Amount Rs.'000)**

	As at March 31, 2020
Interest rate Risk	160,154
Equity position risk	-
Foreign exchange risk	183,516

8. Operational Risk

Operational Risk is defined as the risk of not achieving business objective due to inadequate or failed processes, people or information systems, or to the external environment, including failures to comply with laws and regulations. It includes legal risk, but does not include strategic and reputation risks.

The Bank has in place an Operational Risk Management Policy framework that defines the key elements of Operational Risk Management. The Operational Risk Management framework defines governance principles, globally accepted risk assessment methodologies and processes for capturing and analyzing Operational Risk events and exposures. Internal and external drivers shape the framework, including regulatory requirements and market pressures. The framework and its supporting programs are designed to be adaptable to address emerging risks and external influences as they develop.

The Bank has adopted the Basic Indicator Approach (BIA) for measuring the capital requirements for

9. Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk in the banking book is defined as the risk to earnings or risk to the value of assets or liabilities resulting from changes in interest rates. Interest rate risk is primarily generated by funding card member receivables and investments with different tenure of borrowings and deposits. These assets and liabilities generally do not create naturally off-setting positions with respect to re-pricing or maturity characteristics which may lead to changes in the Bank's earnings, net interest income and economic value. The Bank incurs and accepts Interest rate risk exposure as a necessary accompaniment to its business model, in the regular course of offering its products and services. It does not actively seek to create Interest rate risk exposure in excess of that is incurred through its business model. The Bank's objective is to identify and manage interest rate risk exposures in the context of its overall business model.

The Bank's objective is to identify and manage interest rate risk exposures in the context of its overall business model while supporting sustainable earnings growth. This is accomplished by identifying, measuring and reporting such exposures on a monthly basis and managing the same within predefined Board limits. The Bank measures IRRBB from two separate, but complimentary perspectives i.e. earnings at Risk (EaR) and economic value of equity (EVE). EaR measures the level of the Bank's exposure to interest rate risk in terms of sensitivity of its Net Interest Income (NII) to interest rate movements over a time horizon of 1 year. EVE measures the level of the Bank's exposure to interest rate risk in terms of sensitivity of its market value of equity to interest rate movements using the Duration gap approach. Ear is monitored assuming a 100 bps parallel shift in yield curve, while EVE is measured for a 200 bps parallel shift in yield curve. The Bank also undertakes periodic stress testing to keep the management informed of the potential impacts of extremely adverse interest rate movements.

Liquidity and Funding Risk

The Bank incurs and accepts liquidity and funding risk through its established business model and through the normal course of offering its products and services. The Bank has established clear objectives for its funding and liquidity management activities and maintains processes to ensure that its liquidity profile continuously remains consistent and compliant with those objectives. The objectives include, but are not limited to:

- The maintenance of a diversified set of on and off-balance sheet funding sources that utilizes a prudent amount of short-term funding liabilities.
- The maintenance of a cushion of high quality, unencumbered liquid assets to be held against identified funding requirements under stress (as prescribed by the regulator) for a liquidity risk survival horizon of 30 Days.
- The projection of cash inflows and outflows from a variety of sources under various stress scenarios.
- The capacity to conduct a range of hypothetical analyses of changes to funding requirements under stress scenarios.
- A framework for the ongoing identification, measurement, management and monitoring of liquidity requirements

Liquidity Risk at the Bank is measured using the flow and stock approach. Flow approach involves comprehensive tracking of cash flow mismatches, while stock approach involves measurement of critical ratios in respect of liquidity risk. Additionally, the Bank has a Board approved liquidity stress test framework and maintains a Contingency Funding Plan in the event a material funding or liquidity crisis occurs. The Bank also has a mechanism in place to monitor Intraday liquidity risk.

General principles and the overall framework for managing market risk, interest rate risk, liquidity and funding risk are defined in the Bank's Policies.

Interest Rate Risk, liquidity and funding risk is managed and monitored by the India Country Asset Liability Management Committee (ALCO) of the Bank which is responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives. The India Risk Management Committee (India RMC) also oversees and monitors interest rate risk, liquidity and funding risk as part of its enterprise wide risk related responsibilities and reports into the Board of the Bank.

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Quantitative Disclosure

Impact on earnings and economic value of capital:

As at March 31, 2020 **(Amount Rs.'000)**

	Impact of increase in interest rates by 100 bps	Impact of decrease in interest rates by 100 bps
Earnings perspective	79,951	(79,951)
	Impact of increase in interest rates by 200 bps	**Impact of decrease in interest rates by 200 bps**
Economic value perspective	(486,746)	486,746

10. General Disclosure for Exposures Related to Counterparty Credit Risk:

Not Applicable

11. Composition of Capital **(Amount Rs.'000)**

Composition of Capital		As at March 31, 2020	Ref No.
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)/ Head office funds	17,603,299	a
2	Retained earnings / Reserves & Surplus	487,057	b
3	Accumulated other comprehensive income (and other reserves)	(2,710,571)	e
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**	15,379,785	
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	–	
11	Cash-flow hedge reserve	–	
12	Shortfall of provisions to expected losses	–	
13	Securitisation gain on sale	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined-benefit pension fund net assets	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in common equity	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	
22	Amount exceeding the 15% threshold	–	
23	of which: significant investments in the common stock of financial entities	–	
24	of which: mortgage servicing rights	–	
25	of which: deferred tax assets arising from temporary differences	–	

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Composition of Capital		As at March 31, 2020	Ref No.
26	National specific regulatory adjustments (26a+26b+26c+26d)	–	
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	–	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	–	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	–	
26d	of which: Unamortized 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 unrealized losses on AFS debt securities (not relevant in Indian context)	–	
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 Tier1**	–	
29	**Common Equity Tier 1 capital (CET1)**	15,379,785	
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	–	
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 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 + AT1) (29 + 44a)	15,379,785	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus – Sub-ordinated debt	19,331,300	c
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:	708,563	

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Composition of Capital		As at March 31, 2020	Ref No.
	General Provisions	708,089	d
	Investment Fluctuation Reserve	474	b
51	Tier 2 capital before regulatory adjustments	20,039,863	
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 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	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	
58	**Tier 2 capital (T2)**	20,039,863	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	35,419,648	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment		
60	Total risk weighted assets (60a + 60b + 60c)	**87,580,021**	
60a	of which: total credit risk weighted assets	56,647,108	
60b	of which: total market risk weighted assets	3,160,177	
60c	of which: total operational risk weighted assets	27,772,736	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.56%	
62	Tier 1 (as a percentage of risk weighted assets)	17.56%	
63	Total capital (as a percentage of risk weighted assets)	40.44%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	7.38%	
65	of which: capital conservation buffer requirement	1.88%	
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)	12.06%	
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 standardized approach (prior to application of cap)	914,612	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	708,089	

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Composition of Capital		**As at March 31, 2020**	**Ref No.**
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, 2018 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 Template

(Amount Rs.'000)

Row No. of the template	**Particular**	**As at March 31, 2020**
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	708,089
	Eligible Investment Fluctuation Reserves included in Tier 2 capital	474
	Eligible Revaluation Reserves included in Tier 2 capital	–
	Total of row 50	708,563

12. Composition of Capital – Reconciliation requirements:

Step - I

(Amount in '000)

		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	17,603,299	17,603,299
	Reserves & Surplus	487,531	487,531
	Minority Interest	–	–
	Total Capital & Reserves	18,090,830	18,090,830

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(Amount in Rs. '000)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on March 31, 2020	**As on March 31, 2020**
II	Deposits	21,289,851	21,289,851
	of which: Deposits from banks	–	–
	of which: Customer deposits	21,289,851	21,289,851
	of which: Other deposits (pl. specify)	–	–
III	Borrowings	20,596,093	20,596,093
	of which: From RBI	–	–
	of which: From banks	764,793	764,793
	of which: From other institutions & agencies	–	–
	of which: Others (pl. specify)	–	–
	of which: Capital instruments	19,831,300	19,831,300
IV	Other liabilities & provisions	22,501,999	22,501,999
	Total	**82,478,773**	**82,478,773**
B	**Assets**		
I	Cash and balances with Reserve Bank of India	1,855,697	1,855,697
	Balance with banks and money at call and short notice	1,654,231	1,654,231
II	Investments:	33,409,924	33,409,924
	of which: Government securities	33,409,924	33,409,924
	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	39,873,855	39,873,855
	of which: Loans and advances to banks	49,603	49,603
	of which: Loans and advances to customers	39,824,252	39,824,252
IV	Fixed assets	307,012	307,012
V	Other assets	2,667,483	2,667,483
	of which: Goodwill and intangible assets	–	–
	of which: Deferred tax assets	–	–
VI	Goodwill on consolidation	–	–
VII	Debit balance in Profit & Loss account	2,710,571	2,710,571
	Total Assets	**82,478,773**	**82,478,773**

Step - II **(Amount in '000)**

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref
		As on March 31, 2020	**As on March 31, 2020**	
A	**Capital & Liabilities**			
I	Paid-up Capital	17,603,299	17,603,299	a
	of which: Amount eligible for CET1	17,603,299	17,603,299	
	of which: Amount eligible for AT1	–	–	
	Reserves & Surplus	487,531	487,531	b
	of which: Statutory Reserve	487,057	487,057	
	of which: Investment Fluctuation Reserve	474	474	
	Minority Interest	–	–	
	Total Capital	**18,090,830**	**18,090,830**	

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Basel – Pillar III disclosures March 2020

(Amount in Rs. '000)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref
		As on March 31, 2020	As on March 31, 2020	
II	Deposits	21,289,851	21,289,851	
	of which: Deposits from banks	–	–	
	of which: Customer deposits	21,289,851	21,289,851	
	of which: Other deposits (pl. specify)	–	–	
III	Borrowings	20,596,093	20,596,093	
	of which: From RBI	–	–	
	of which: From banks	764,793	764,793	
	of which: From other institutions & agencies	–	–	
	of which: Others (pl. specify)	–	–	
	of which: Capital instruments	19,831,300	19,831,300	
	of which: admissible as Tier 2 capital	19,331,300	19,331,300	c
IV	Other liabilities & provisions	22,501,999	22,501,999	
	of which: general provisions included in Tier 2 Capital	708,089	708,089	d
	of which: other liabilities	21,793,910	21,793,910	
	Total	**82,478,773**	**82,478,773**	
B	**Assets**			
I	Cash and balances with Reserve Bank of India	1,855,697	1,855,697	
	Balance with banks and money at call and short notice	1,654,231	1,654,231	
II	Investments	33,409,924	33,409,924	
	of which: Government securities	33,409,924	33,409,924	
	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	39,873,855	39,873,855	
	of which: Loans and advances to banks	49,603	49,603	
	of which: Loans and advances to customers	39,824,252	39,824,252	
IV	Fixed assets	307,012	307,012	
V	Other assets	2,667,483	2,667,483	
	of which: Goodwill and intangible assets out of which:	–	–	
	Goodwill	–	–	
	Other intangibles (excluding MSRs)	–	–	
	Deferred tax assets	–	–	
VI	Goodwill on consolidation	–	–	
VII	Debit balance in Profit & Loss account	2,710,571	2,710,571	e
	of which: Accumulated Losses	2,752,497	2,752,497	
	of which: (Profit)/Loss during the year	(41,926)	(41,926)	
	Total Assets	**82,478,773**	**82,478,773**	

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Step – III **Amount in '000**

Extract of Basel III common disclosure template (with added column) – Table DF-11 (Part I / Part II whichever, applicable)				
Tier 1 & Tier 2 Capital				
		Component of regulatory capital reported by bank	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2**	**Ref**
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	17,603,299	17,603,299	a
2	Statutory Reserves	487,057	487,057	b
3	Accumulated Losses	(2,710,571)	(2,710,571)	e
	Tier 1 capital (1+2+3)	**15,379,785**	**15,379,785**	
4	Investment fluctuation	474	474	b
5	Provisions	708,089	708,089	d
6	Subordinate Debt	19,831,300	19,831,300	
6a	Of which: admissible as Tier 2 Capital	19,331,300	19,331,300	c
	Tier 2 capital (4+5+6a)	**20,039,863**	**20,039,863**	

13. Disclosures on Main Features of Regulatory Capital Instruments and Full Terms and Conditions

The capital of the bank comprises of interest free funds from Head Office, reserves & surplus, subordinated debt and general provisions on standard assets (including provision for unhedged foreign currency exposure).

Further, the bank has issued below capital instruments forming part of Tier 2 Debt Capital raised in the form of Head Office Borrowings in Foreign Currency:

		As at March 31, 2020				
S.No.	**Items**	**I**	**II**	**III**	**IV**	**V**
1	Issuer	American Express Banking Corp. - India Branch	American Express Banking Corp. - India Branch	American Express Banking Corp. - India Branch	American Express Banking Corp. - India Branch	American Express Banking Corp. - India Branch
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
3	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements
	Regulatory treatment					
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/ group & solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type	Tier 2 Debt instrument - Head Office Borrowings	Tier 2 Debt instrument - Head Office Borrowings	Tier 2 Debt instrument - Head Office Borrowings	Tier 2 Debt instrument - Head Office Borrowings	Tier 2 Debt instrument - Head Office Borrowings
8	Amount recognized in regulatory capital (Rs. in million, as of most recent reporting date)	INR 750 million.	INR 3300 million.	INR 4950 million.	INR 5150.60 million.	INR 5180.70 million.
9	Par value of instrument	INR 1250 million.	INR 3300 million.	INR 4950 million.	INR 5150.60 million.	INR 5180.70 million.
10	Accounting classification	Liability - Borrowings Outside India - Tier 2 Debt Capital raised in the form of Head Office Borrowings in Foreign Currency	Liability - Borrowings Outside India - Tier 2 Debt Capital raised in the form of Head Office Borrowings in Foreign Currency	Liability - Borrowings Outside India - Tier 2 Debt Capital raised in the form of Head Office Borrowings in Foreign Currency	Liability - Borrowings Outside India - Tier 2 Debt Capital raised in the form of Head Office Borrowings in Foreign Currency	Liability - Borrowings Outside India - Tier 2 Debt Capital raised in the form of Head Office Borrowings in Foreign Currency

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		As at March 31, 2020				
S.No.	**Items**	**I**	**II**	**III**	**IV**	**V**
11	Original date of issuance	1-Nov-13	27-Nov-15	4-May-18	11-Mar-20	17-Mar-20
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	1-Nov-23	27-Nov-25	4-May-28	11-Mar-26	17-Mar-27
14	Issuer call subject to prior supervisory approval	Yes (as per current guidelines RBI approval is required)	Yes (as per current guidelines RBI approval is required)	Yes (as per current guidelines RBI approval is required)	Yes (as per current guidelines RBI approval is required)	Yes (as per current guidelines RBI approval is required)
15	Optional call date, contingent call dates and redemption amount	After completion of 5 years from the Issuance date (i.e 1-Nov-2018), with a prior notice of 120 days to the Lender. The Bank has decided not to exercise the prepayment option.	After completion of 5 years from the Issuance date (i.e. 27-Nov-2020), with a prior notice of 120 days to the Lender. The Bank has decided not to exercise the prepayment option.	After completion of 5 years from the Issuance date (i.e. 04-May-2023), with a prior notice of 90 days to the Lender. The Bank has decided to exercise the prepayment option only after 01-May-2025.	After completion of 5 years from the Issuance date (11-Mar-2025), with a prior notice of 90 days to the Lender.	After completion of 5 years from the Issuance date (17-Mar-2025), with a prior notice of 90 days to the Lender.
		Tax/Regulatory call event - Not applicable	Tax/Regulatory call event - Not applicable	Tax/Regulatory call event - Not applicable	Tax/Regulatory call event - Not applicable	Tax/Regulatory call event - Not applicable
		Redemption Price : At par	Redemption Price : At par	Redemption Price : At par	Redemption Price : At par	Redemption Price : At par
16	Subsequent call dates, if applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Coupons / dividends					
17	Fixed or floating dividend/coupon	Interest Free	Interest Free	Interest Free	Interest Free	Interest Free
18	Coupon rate and any related index	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
19	Existence of a dividend stopper	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
22	Noncumulative or cumulative	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
23	Convertible or non-convertible	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
24	If convertible, conversion trigger(s)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
25	If convertible, fully or partially	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
26	If convertible, conversion rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

AMERICAN EXPRESS BANKING CORP.

INDIA BRANCH

(INCORPORATED IN THE UNITED STATES OF AMERICA)

Basel – Pillar III disclosures March 2020

S No.	Particulars	Leverage ratio 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)	-
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	214,870,875
18	(Adjustments for conversion to credit equivalent amounts)	-193,383,788
19	Off-balance sheet items (sum of lines 17 and 18)	21,487,088
Capital and total exposures		
20	Tier 1 capital	15,379,785
21	Total exposures (sum of lines 3, 11, 16 and 19)	**101,255,290**
Leverage ratio		
22	**Basel III leverage ratio**	**15.19%**

18. Disclosures on Remuneration

Qualitative Disclosures

Being a Branch of a Foreign Bank, the Bank does not have any Remuneration Committee for approval of the Managerial Remuneration. The Bank's compensation structure is in conformity with the principles and practices set out by the Financial Stability Board (FSB). Further, the Bank has obtained the RBI's approval for the Chief Executive Officer's (CEO) remuneration.

Quantitative Disclosures

The quantitative disclosures cover the Bank's CEO and Key Risk Takers. The Bank's Key Risk Takers include the CEO, Head of Business Units and select roles in Treasury and Risk.

(Amount Rs.'000)

S No.	Particulars	2019-20
1	(i) Number of employees having received a variable remuneration award during the financial year.	5
	(ii) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	–
	(iii) Total amount of deferred remuneration paid out in the financial year	–
2	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	
	Fixed	50,282
	Variable	41,555
	Deferred	–
	Non-deferred	41,555
3	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	–
	(ii) Total amount of reductions during the financial year due to ex- post explicit adjustments.	–
	(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	–
4	Retrials' (PF, Gratuity, SA)	3,356

Variable pay included above is on cash basis i.e. the year in which the same is paid out.

Compensation for CEO is as approved by the RBI and paid by the Bank to the CEO. Compensation for other risk takers is as approved by the Bank.

Charges for ESOPs, issued by the ultimate parent company to the key risk takers, has not been considered for the disclosure purpose as there is no charge to Profit and Loss Account of the Bank.

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

INDEPENDENT AUDITOR'S REPORT

To the Country Management Team ("Management") of Standard Chartered Bank – India Branches

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Standard Chartered Bank – India Branches ("the Bank"), 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 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 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 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 18(E)(1)(xii)(b) to the financial statements, which describes that the extent to which the COVID-19 Pandemic will impact the Bank's 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 Financial Statements and Auditor's Report Thereon

The Management of Bank is responsible for the other information. The other information comprises the Basel III - Pillar 3 Disclosure but does not include the financial statements and our auditor's report thereon. The Basel III – Pillar 3 Disclosure 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 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.

When we read the Basel III – Pillar 3 Disclosure, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and Those charged with Governance for 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 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 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, 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 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 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.

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

- 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 financial statements of the Bank for the year ended March 31, 2019, were audited by another auditor whose report dated June 19, 2019 expressed an unmodified opinion on those financial statements.

Our opinion is not modified in respect of this matter.

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) 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 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 1 branch.
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 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 Standard Chartered Bank, UK, which is incorporated with limited liability in United Kingdom;
   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 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 financial statements – Refer Schedule 12 and 18(E)(1)(xxxv)(b) to the 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 Schedule 18(E)(1)(xxxi) & (xxxii) and 18(E)(1)(xxxv)(a) & (d) 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.

For MSKC & Associates (Formerly known as R. K. Kumar & Co)
Chartered Accountants
ICAI Firm Registration Number: 001595S

Sd/-
Tushar Kurani
Partner
Membership No. 118580

UDIN: 20118580AAAACB8458

Mumbai
June 18, 2020

Standard Chartered Bank – India 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 STANDARD CHARTERED BANK – 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 Standard Chartered Bank – 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 financial statements of Standard Chartered Bank – 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 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 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 financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls 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 (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 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, adequate internal financial controls 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 with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

For **MSKC & Associates (Formerly known as R. K. Kumar & Co)**
Chartered Accountants
ICAI Firm Registration Number: 001595S

Sd/-
Tushar Kurani
Partner
Membership No. 118580
UDIN: 20118580AAAACB8458

Mumbai
June 18, 2020

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Balance Sheet as at 31 March 2020

	Schedule	**As at 31 March 2020 (₹ in 000s)**	As at 31 March 2019 (₹ in 000s)
Capital and Liabilities			
Capital	1	74,400,742	74,400,742
Reserves and Surplus	2	214,125,403	197,783,434
Deposits	3	1,003,945,824	1,050,875,049
Borrowings	4	167,255,791	115,279,669
Other Liabilities and Provisions	5	385,267,475	274,154,523
Total Capital and Liabilities		**1,844,995,235**	**1,712,493,417**
Assets			
Cash and Balances with Reserve Bank of India	6	40,321,832	41,355,203
Balances with Banks and Money at Call and Short Notice	7	122,579,328	132,866,096
Investments	8	485,033,387	539,182,018
Advances	9	762,137,280	668,380,711
Fixed Assets	10	13,796,537	13,074,626
Other Assets	11	421,126,871	317,634,763
Total Assets		**1,844,995,235**	**1,712,493,417**
Contingent Liabilities	12	19,349,936,522	22,777,444,166
Bills for Collection		451,032,982	505,380,855
Significant accounting policies and notes to financial statements	18		

The accompanying schedules form an integral part of the Balance Sheet

Profit and Loss Account for the year ended 31 March 2020

	Schedule	**For the year ended 31 March 2020 (₹ in 000s)**	For the year ended 31 March 2019 (₹ in 000s)
Income			
Interest Earned	13	114,056,323	105,000,503
Other Income	14	30,561,193	18,414,506
Total Income		**144,617,516**	**123,415,009**
Expenditure			
Interest Expended	15	50,409,833	49,188,590
Operating Expenses	16	35,037,585	34,928,586
Provisions and Contingencies	17	30,823,324	17,612,328
Total Expenditure		**116,270,742**	**101,729,504**
Net Profit		**28,346,774**	**21,685,505**
Balance in Profit and Loss Account brought forward		**12,669,582**	**14,333,758**
Total		**41,016,356**	**36,019,263**
Appropriations			
Transfer to Statutory Reserves	2	7,086,694	5,421,376
Transfer to Capital Reserve– Surplus on sale of immovable properties	2	8,460	–
Transfer to Investment Fluctuation Reserves	2	2,872,565	3,594,547
Transfer to/(from) Investment Reserve	2	1,178,902	(139,846)
Remitted to Head Office	2	12,669,582	14,333,758
Remittable Surplus retained in India for CRAR	2	–	139,846
Balance carried over to Balance Sheet	2	17,200,153	12,669,582
Total		**41,016,356**	**36,019,263**
Significant accounting policies and notes to financial statements	18		

The accompanying schedules form an integral part of the Profit & Loss Account

As per our report of even date

For **MSKC & Associates**
(Formerly knows as R.K. Kumar & Co.)
Chartered Accountants
Firm's Registration No: 001595S

Sd/-
Tushar Kurani
Partner
Membership No: 118580

Mumbai
18 June 2020

For Standard Chartered Bank – India Branches

Sd/-
Zarin Daruwala
Chief Executive Officer – India

Sd/-
Subhradeep Mohanty
Chief Financial Officer – India

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Cash Flow Statement for the year ended 31 March 2020

Particulars		For the year ended 31 March 2020 (₹ in 000s)	For the year ended 31 March 2019 (₹ in 000s)
Cash flow from operating activities			
Profit Before Tax		43,214,603	34,467,034
Adjustments for:			
Depreciation on Bank's property (including amortisation)		585,704	711,840
Surplus on Revaluation of Premises		(630,770)	–
Specific provisions against advances (net)		10,707,114	2,140,451
General provision against standard assets		8,622,374	196,476
(Appreciation)/depreciation on investments		(3,433,710)	1,686,437
Other Provisions		(2,731,245)	2,548,769
Net (profit)/loss on sale of premises and other assets		(35,190)	(21,583)
Write off of fixed assets		–	110
		56,298,880	**41,729,534**
Adjustments for:			
(Increase)/decrease in investments		57,582,340	(148,325,432)
(Increase)/decrease in advances		(104,463,683)	(28,863,196)
(Increase)/decrease in other assets		(103,313,727)	(131,128,532)
Increase/(decrease) in deposits		(46,929,225)	214,800,839
Increase/(decrease) in other liabilities and provisions		105,221,823	121,776,865
		(35,603,592)	**69,990,078**
Direct taxes paid		(14,405,578)	(14,346,154)
Net Cash flow from operating activities	(A)	**(50,009,170)**	**55,643,924**
Cash flow from investing activities			
Purchase of fixed assets (including capital work in progress)		(773,443)	(600,566)
Proceeds from the sale of fixed assets		155,934	73,132
Net Cash flow from/(used in) investing activities	(B)	**(617,509)**	**(527,434)**
Cash flow from financing activities			
Remittance to Head Office		(12,669,582)	(14,333,758)
Increase/(decrease) in borrowings (net)		51,976,122	(26,825,546)
Net Cash flow from/(used in) financing activities	(C)	**39,306,540**	**(41,159,304)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(11,320,139)**	**13,957,186**
Cash and cash equivalents at the beginning of the year		174,221,299	160,264,113
Cash and cash equivalents at the end of the year		162,901,160	174,221,299
Net increase/(decrease) in cash and cash equivalents		**(11,320,139)**	**13,957,186**

Note : Cash and Cash Equivalents represent

	Schedule	As at 31 March 2020	As at 31 March 2019
Cash and Balances with Reserve Bank of India	6	40,321,832	41,355,203
Balances with Banks and Money at call and short notice	7	122,579,328	132,866,096
Total		**162,901,160**	**174,221,299**

As per our report of even date

For **MSKC & Associates**
(Formerly knows as R.K. Kumar & Co.)
Chartered Accountants
Firm's Registration No: 001595S

For Standard Chartered Bank – India Branches

Sd/-
Tushar Kurani
Partner
Membership No: 118580

Sd/-
Zarin Daruwala
Chief Executive Officer – India

Sd/-
Subhradeep Mohanty
Chief Financial Officer – India

Mumbai
18 June 2020

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements

		As at 31 March 2020 (₹ in 000s)	As at 31 March 2019 (₹ in 000s)
1.	**Capital**		
	Deposit kept with Reserve Bank of India under Section 11(2)(b) of the Banking Regulation Act, 1949 (face value)	79,200,000	74,350,000
a.	**Head office reserves**		
	Balance, beginning of the year	21,960	21,960
	Balance, end of the year	**21,960**	**21,960**
b.	**Head Office Capital**		
	Balance, beginning of the year	74,378,782	74,378,782
	Additions during the year	–	–
	Balance, end of the year	**74,378,782**	**74,378,782**
	Total Capital	**74,400,742**	**74,400,742**
2.	**Reserves and Surplus**		
a.	**Statutory Reserves**		
	Balance, beginning of the year	84,103,072	78,681,696
	Transfer from Profit and Loss Account	7,086,694	5,421,376
	Balance, end of the year	**91,189,766**	**84,103,072**
b.	**Property Revaluation Reserve**		
	Balance, beginning of the year	5,092,783	5,092,783
	Additions during the year	664,777	–
	Reduction during the year	–	–
	Balance, end of the year	**5,757,560**	**5,092,783**
c.	**Capital Reserves–Surplus on sale of Immovable Properties**		
	Balance, beginning of the year	10,451,371	10,451,371
	Additions during the year	8,460	–
	Balance, end of the year	**10,459,831**	**10,451,371**
d.	**Capital Reserves–Surplus on sale of Held To Maturity investments**		
	Balance, beginning of the year	984,772	984,772
	Balance, end of the year	**984,772**	**984,772**
e.	**Capital Reserve**		
	Balance, beginning of the year	302,387	302,387
	Balance, end of the year	**302,387**	**302,387**
f.	**Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR)**		
	Balance, beginning of the year	80,376,768	80,236,922
	Transfer from Profit and Loss Account	–	139,846
	Balance, end of the year	**80,376,768**	**80,376,768**
g.	**Balance in Profit and Loss Account**	**17,200,153**	**12,669,582**
h.	**Exchange Reserve**		
	Balance, beginning of the year	1,229	1,229
	Balance, end of the year	**1,229**	**1,229**
i.	**Property Investment Reserve**		
	Balance, beginning of the year	206,923	206,923
	Balance, end of the year	**206,923**	**206,923**
j.	**Investment Reserve**		
	Balance, beginning of the year	–	139,846
	Transfer to/(from) Profit and Loss Account	1,178,902	(139,846)
	Balance, end of the year	**1,178,902**	**–**
k.	**Investment Fluctuation Reserve**		
	Balance, beginning of the year	3,594,547	–
	Addition during the year	2,872,565	3,594,547
	Balance, end of the year	**6,467,112**	**3,594,547**
	Total Reserves and Surplus	**214,125,403**	**197,783,434**
3.	**Deposits**		
A	I Demand Deposits		
	from banks	19,546,612	15,543,939
	from others	282,583,981	212,345,048
	Total Demand Deposits	**302,130,593**	**227,888,987**
	II Savings Bank Deposits	179,633,103	150,014,088
	Total Savings Bank Deposits	**179,633,103**	**150,014,088**
	III Term Deposits		
	from banks	7,702,988	6,751,695
	from others	514,479,140	666,220,279
	Total Term Deposits	**522,182,128**	**672,971,974**
	Total Deposits	**1,003,945,824**	**1,050,875,049**
B	I Deposits of branches in India	**1,003,945,824**	**1,050,875,049**
	II Deposits of branches outside India	–	–
	Total Deposits	**1,003,945,824**	**1,050,875,049**
4.	**Borrowings**		
	I Borrowings in India from		
	(i) Reserve Bank of India	–	26,309,999
	(ii) Other banks	–	–
	(iii) Other institutions and agencies	94,896,700	61,300,000
	II Borrowings outside India	72,359,091	27,669,670
	Total Borrowings	**167,255,791**	**115,279,669**
	Secured Borrowings included in I and II above	**–**	**26,309,999**
5.	**Other Liabilities and Provisions**		
	Bills payable	4,933,696	9,842,333
	Inter Office Adjustments (net)	–	–
	Interest accrued	7,460,108	5,494,783
	Mark-to-market adjustments on Foreign Exchange and Derivative contracts	304,681,925	214,743,643
	Provision against Standard Assets	18,746,085	10,123,711
	Others (including provisions)	49,445,661	33,950,053
	Total other liabilities and provisions	**385,267,475**	**274,154,523**
6.	**Cash and Balances with the Reserve Bank of India**		
	(i) Cash in hand (including foreign currency notes)	3,439,151	1,526,014
	(ii) Balance with Reserve Bank of India		
	(a) In Current Accounts	36,882,681	39,829,189
	(b) In Other Accounts	–	–
	Total Cash and Balances with the Reserve Bank of India	**40,321,832**	**41,355,203**

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	As at 31 March 2020 (₹ in 000s)	As at 31 March 2019 (₹ in 000s)
7. Balances with Banks and Money at Call and Short notice		
In India		
(i) Balances with banks		
(a) In current accounts	1,225,563	1,585,231
(b) In other deposit accounts	552,500	300,000
(ii) Money at call and short notice		
(a) with banks	–	19,000,000
(b) with other institutions	96,810,356	63,346,525
Total (i and ii)	**98,588,419**	**84,231,756**
Outside India		
(i) In current accounts	3,183,034	3,683,590
(ii) In other deposit accounts	20,807,875	44,950,750
(iii) Money at call and short notice	–	–
Total (i, ii and iii)	**23,990,909**	**48,634,340**
Total Balances with Banks and Money at Call and Short Notice	**122,579,328**	**132,866,096**
8. Investments		
In India		
Government securities	406,684,314	425,534,664
Other approved securities	–	–
Shares	148,039	199,288
Debentures and bonds	46,952,504	55,739,688
Subsidiaries and/or Joint Ventures	–	–
Others (including Certificates of Deposits, Commercial Papers and Pass Through Certificates)	31,248,530	57,708,378
Total Investments	**485,033,387**	**539,182,018**
Outside India		
Government securities (including local authorities)	–	–
Subsidiaries and/or joint ventures abroad	–	–
Other Investments	–	–
Total Investments	**485,033,387**	**539,182,018**
9. Advances		
a. Bills purchased and discounted	69,923,929	52,727,009
Cash credits, overdrafts and loans repayable on demand	296,930,466	240,563,154
Term loans	395,282,885	375,090,548
Total	**762,137,280**	**668,380,711**
b. Secured by tangible assets (includes advances secured against book debts)	440,788,022	397,598,335
Covered by bank/ government guarantees	2,170,545	1,610,422
Unsecured	319,178,713	269,171,954
Total	**762,137,280**	**668,380,711**
c (i). Advances in India		
Priority sectors	253,929,505	226,933,362
Public sector	24	236,884
Banks	18,686,680	–
Others	489,521,071	441,210,465
Total	**762,137,280**	**668,380,711**

	As at 31 March 2020 (₹ in 000s)	As at 31 March 2019 (₹ in 000s)
c (ii). Advances Outside India		
Due from Banks	–	–
Due from Others	–	–
(a) Bills purchased and discounted	–	–
(b) Syndicated loans	–	–
(c) Others	–	–
Total	–	–
Total advances	**762,137,280**	**668,380,711**
10. Fixed Assets		
Premises		
Balance, beginning of the year	13,829,299	13,650,511
Additions during the year	–	204,163
Additions on account of revaluation during the year	630,770	–
Deduction on account of revaluation during the year	–	–
Deductions during the year	(108,973)	(25,375)
	14,351,096	13,829,299
Less : Depreciation to date	(1,796,601)	(1,619,995)
Net book value of Premises	**12,554,495**	**12,209,304**
Other fixed assets (including furniture and fixtures)		
Balance, beginning of the year	6,387,772	6,184,607
Additions during the year	550,696	425,169
Additions on account of revaluation during the year	–	–
Deduction on account of revaluation during the year	–	–
Deductions during the year (at cost)	(236,701)	(222,004)
	6,701,767	6,387,772
Less : Depreciation to date	(5,740,124)	(5,556,179)
Net book value of other fixed assets	**961,643**	**831,593**
Intangible (Capitalised Software)		
Balance, beginning of year	197,871	197,871
Additions during the year	13,900	–
Deductions during the year at cost	–	–
	211,771	197,871
Less: Amortisation to date	(198,096)	(197,871)
Net book value of Intangible (capitalised software)	**13,675**	**–**
Intangible assets/Goodwill		
Balance, beginning of the year	–	31,821
Additions during the year	55,255	–
Deductions during the year at cost	–	–
	55,255	31,821
Less: Amortisation to date	(15,554)	(31,821)
Net book value of intangible assets/Goodwill	**39,701**	**–**
Capital Work in Progress	**227,023**	**33,729**
Total net book value of fixed assets	**13,796,537**	**13,074,626**

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	As at 31 March 2020 (₹ in 000s)	As at 31 March 2019 (₹ in 000s)
11. Other Assets		
Inter-office adjustment (net)	–	–
Interest accrued	13,106,050	15,912,951
Tax paid in advance/TDS (net of provision for tax)	41,571,743	23,536,470
Deferred Tax asset [Refer Note 18 E (8)]	7,552,301	26,401,282
Stationery and stamps	10,653	5,790
Mark-to-market adjustments on Foreign exchange and Derivative contracts	281,061,914	190,695,422
Others*	77,824,210	61,082,848
Total Other Assets	**421,126,871**	**317,634,763**

* Pursuant to RBI circular DBR.BP.BC.No.31/21.04.018/2015-16 dated 16 July 2015, the Bank has included deposits placed with NABARD/NHB/SIDBI/MUDRA of ₹ 30,212,510 (in 000s) (2018-19 ₹ 37,648,881 (in 000s)).

	As at 31 March 2020 (₹ in 000s)	As at 31 March 2019 (₹ in 000s)
12. Contingent Liabilities		
Claims against the Bank not acknowledged as debts	32,771,664	19,805,400
Liability for partly paid investments	–	–
Liability on account of outstanding foreign exchange contracts	7,874,610,798	7,252,130,946
Liability on account of derivative contracts	10,836,348,408	14,991,228,163
Guarantees given on behalf of constituents	–	–
– in India	295,057,470	273,053,573
– outside India	116,357,298	88,783,543
Acceptances, endorsements and other obligations	125,288,590	120,746,718
Other items for which the Bank is contingently liable	69,502,294	31,695,823
Total Contingent Liabilities	**19,349,936,522**	**22,777,444,166**

	For the year ended 31 March 2020 (₹ in 000s)	For the year ended 31 March 2019 (₹ in 000s)
13. Interest Earned		
Interest/discount on advances/bills	70,501,064	66,524,466
Income on investments	38,512,782	32,884,246
Interest on balances with Reserve Bank of India and other inter-bank funds	3,277,876	4,131,852
Others	1,764,601	1,459,939
Total Interest Earned	**114,056,323**	**105,000,503**

	For the year ended March 2020 (₹ in 000s)	For the year ended March 2019 (₹ in 000s)
14. Other Income		
Commission, exchange and brokerage	15,954,100	14,212,642
Net profit/(loss) on sale of investments	1,656,400	(1,805,173)
Net profit/(loss) on revaluation of investments	2,790,962	(1,741,334)
Net profit/(loss) on sale of premises and other assets	35,499	21,583
Net profit/(loss) on exchange transactions (incl. derivatives and long term Fx contracts)	6,927,041	7,265,473
Income by way of dividends, etc from subsidiary companies	–	–
Miscellaneous income	3,197,191	461,315
Total Other Income	**30,561,193**	**18,414,506**
15. Interest Expended		
Interest on deposits	38,140,770	43,559,822
Interest on Reserve Bank of India and inter-bank borrowings	1,734,571	676,798
Others	10,534,492	4,951,970
Total Interest Expended	**50,409,833**	**49,188,590**
16. Operating Expenses		
Payments to and provisions for employees	15,571,886	15,708,682
Rent, taxes and lighting (net)	1,052,721	796,766
Printing and stationery	234,793	242,475
Advertisement and publicity	379,091	393,799
Depreciation on Bank's property	620,302	706,651
Auditors' fees and expense	12,765	10,603
Legal and professional charges	515,908	781,728
Postage, telegrams, telephones, etc.	401,747	544,913
Repairs and maintenance	856,645	782,905
Insurance	1,047,304	974,478
Travelling	425,829	474,679
Business support cost	6,095,608	6,804,289
Other expenditure [Refer Note 18 E (4)]	7,822,986	6,706,618
Total Operating Expenses	**35,037,585**	**34,928,586**
17. Provisions and Contingencies		
Specific provisions against advances (net)	10,707,114	2,140,451
General provision against standard assets	8,622,374	196,476
Provision for country risk exposure	–	–
Specific provisions against investments (net)	(642,748)	(54,897)
Provision on account of tax		
– Current tax expense [Refer note 18 E (9)]	(3,981,152)	6,658,330
– Deferred tax charge [Refer note 18 E (8)]	18,848,981	5,714,601
– MAT Credit Entitlement	–	408,598
Other Provisions	(2,731,245)	2,548,769
Total Provisions and Contingencies	**30,823,324**	**17,612,328**

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18. Significant accounting policies and notes to financial statements

A) Background

The accompanying financial statements for the year ended 31 March 2020 comprise the accounts of India branches of Standard Chartered Bank ('SCB' or 'the Bank'), which is incorporated with limited liability in the United Kingdom. The Bank's ultimate holding company is Standard Chartered PLC ('SCPLC'), which is incorporated in the United Kingdom.

B) Basis of preparation

The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated, and in accordance with Generally Accepted Accounting Principles ('GAAP') in India, statutory requirements of the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards ('AS') specified under section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules 2014 and Companies (Accounting Standards) Rules, 2006 (as amended) 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.

C) Use of estimates

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosures relating to the contingent liabilities as at the date of financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual result could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

D) Significant Accounting Policies

(1) Investments

Classification and valuation of the Bank's investments is carried out in accordance with the RBI guidelines.

<u>Classification</u>

Investments are classified as 'Held to Maturity' ('HTM') or 'Held for Trading' ('HFT') or 'Available for Sale' ('AFS') at the time of their purchase. 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.

The Bank follows settlement date accounting for its investments.

In the financial statements, investments in India are disclosed under six categories in Schedule 8 – Investments as per the requirements of the RBI guidelines.

<u>Valuation</u>

Cost of investments is determined using the weighted average cost method.

Investments classified as HTM are carried at acquisition cost. Any premium on acquisition is amortized over the remaining period till maturity on the basis of a constant yield to maturity. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till maturity. Where in the opinion of management and in accordance with RBI guidelines, there is any diminution in the value of any HTM security, which is other than temporary, appropriate provisions are made.

Investments classified as AFS or HFT are marked to market as per frequency prescribed by RBI. Net depreciation for each classification in respect of any category mentioned in Schedule 8 – Investments, is recognized in the Profit and Loss Account. Net appreciation, if any, is ignored.

The mark to market value of investments in debt securities classified as HFT and AFS is determined using prices or on the basis of the base yield curve and the applicable spreads as notified by Fixed Income Money Market and Derivatives Association ('FIMMDA') jointly with Primary Dealers Association of India ('PDAI') and Financial Benchmarks India Private Limited ('FBIL').

In line with the RBI guidance, Treasury Bills are marked to market using the Yield to Maturity (YTM) rate as published by FIMMDA/FBIL.

Certificate of Deposits and Commercial Paper are valued at carrying cost including the pro rata discount accreted for the holding period.

Brokerage and commission on debt instruments paid at the time of acquisition are charged to the Profit and Loss Account. Valuations are adjusted for illiquidity; the illiquidity adjustments are based on management estimates.

Non-performing investments are identified and valued based on the RBI guidelines.

<u>Transfer between categories</u>

Transfer of investments between categories is accounted in accordance with provisions of the RBI guidelines:

a) Securities transferred from AFS/HFT category to HTM category are transferred at the lower of book value or market value.

b) Securities placed under the HTM category at a discount, are transferred to AFS/HFT category at the acquisition price/book value.

c) Securities placed under the HTM category at a premium, are transferred to the AFS/HFT category at the amortized cost.

d) Securities transferred from AFS to HFT category or vice-versa, are transferred at book value and provisions held for accumulated depreciation, if any, is transferred to provisions for depreciation against the HFT securities and vice-versa.

<u>Accounting for repurchase/reverse repurchase</u>

In accordance with the RBI Circular FMRD.DIRD.10/14.03.002/2015-16 dated 19 May 2016, repurchase (repos) and reverse repurchase (reverse repos) are accounted as collateralized borrowing and lending. The Bank also follows the aforesaid principle to account repo and reverse repo transactions undertaken under Liquidity Adjustment Facility ('LAF').

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D) Significant Accounting Policies ***(Continued)***

(1) Investments ***(Continued)***

Short sales

In accordance with the RBI guidelines, the bank undertakes short sale transactions in Central Government dated securities. Such short positions are categorized under HFT category. These positions are marked to market along with the other securities under HFT portfolio and the resultant marked to market losses/gains are accounted for as per the relevant RBI guidelines for valuation of investments.

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, advised all banks to create an 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.

(2) Advances

Classification and provisioning of advances of the Bank are carried out in accordance with the RBI guidelines 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. Further, NPAs are classified into substandard, doubtful and loss assets based on the criteria stipulated by RBI.

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 the 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.

Provisioning

Advances are stated net of specific provisions and interest in suspense. Specific provisions 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 NPAs, subject to minimum provisioning norms laid down by the RBI.

For restructured advances, provision is made in accordance with the RBI guidelines, which requires the diminution in the fair value of the advances to be provided at the time of restructuring.

The Bank maintains provision on standard advances as per the norms prescribed by RBI and based on management’s periodic assessment, considering the extant environment or information relating to specific borrowers, subject to minimum prescribed in the guidelines and discloses the same in Schedule 5 - Other Liabilities and Provisions.

(3) Securitization (including assignment)

The Bank securitizes advances to Special Purpose Vehicles (‘SPV’). Securitized assets are derecognized if they are transferred to the SPV in compliance with all the conditions of true sale as prescribed in ‘Guidelines on Securitization transactions’ issued by RBI. Securitization transactions which do not meet the criteria for derecognition are accounted for as secured borrowings.

In accordance with the guidelines, gain arising on securitization is amortized over the life of the securities issued/to be issued by the SPV. Loss, if any, is recognized immediately in the Profit and Loss Account.

The Bank also follows the aforesaid principles to ascertain de-recognition of standard loans and advances through direct assignment and the gain arising upon such direct assignment is amortized over the life of the loans and advances sold. Loss, if any, is recognized immediately in the Profit and Loss Account.

In respect of credit enhancements provided or recourse obligations accepted by the Bank at the time of securitization or direct assignment, appropriate provisions/disclosures are made in accordance with AS 29 – Provisions, Contingent Liabilities and Contingent Assets.

(4) Derivative transactions

Derivative transactions comprise forward exchange contracts, interest rate swaps, currency futures, cross currency swaps and options and are undertaken for either trading or hedging purposes.

Trading derivatives are marked to market and the resultant unrealized gain or loss is recognized in the Profit and Loss Account under Schedule 14 - Other Income. Options are marked to market and unrealized gain or loss on revaluation is recorded in the Profit and Loss Account. The premium received or paid is recognized in the Profit and Loss Account upon expiry or exercise of the options. Valuations are adjusted for illiquidity, Credit Valuations Adjustments based on management estimates.

Hedging transactions are undertaken by the Bank to protect the change in the fair value or the cash flow of the underlying assets or liabilities. The hedging instrument is accounted for on accrual basis except for an instrument designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In that case the hedging instrument is marked to market with the resulting gain or loss recorded as an adjustment to the market value of the designated asset.

(5) Income recognition

Revenue is recognised to the extent that it is possible, that the economic benefits will flow to the Bank and the revenue can be reliably measured, is so far as it is consistent with the statutory provisions and the guidelines issued by the RBI.

Interest income on advances is recognized on accrual basis, except in case of interest on NPAs, which is recognized as income on receipt, in accordance with RBI guidelines.

Interest income on discounted instruments is recognized over the tenor of the instrument on a constant effective yield basis. Commission on guarantees and letters of credit are recognized over the facility tenor. Fees on loans and credit cards are recognized at the inception of the transactions. Fee from management advisory services, structuring and such other services is recognized based on applicable service contracts and any substantial fee is amortised over the effective life of the facility.

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D) Significant Accounting Policies *(Continued)*

(5) Income recognition *(Continued)*

Realized gains on investments under the HTM category are recognized in the Profit and Loss Account and subsequently appropriated to Capital Reserve net of tax expense and transfer to Statutory Reserves. Losses are recognized in the Profit and Loss Account in accordance with RBI guidelines.

Recoveries from Bad Debt written off are recognized in the Profit & Loss Account.

Dividend on Equity shares are recognized as income when the right to receive dividend is established.

(6) Fixed assets (including goodwill/intangibles)

Fixed assets are accounted for as per AS 10 – Accounting for Property, Plant and Equipment.

Fixed assets are stated at acquisition cost less accumulated depreciation, with the exception of premises which are revalued periodically and are stated at revalued cost less accumulated depreciation.

Borrowing costs that are attributable to the acquisition of qualifying assets are capitalized as part of the cost of such assets in accordance with AS 16 – Borrowing Costs. A qualifying asset is one that necessarily takes a substantial period of time to get ready for intended use.

Depreciation is provided on a straight line basis over the useful life of the asset as per the management's internal assessment, subject to useful life prescribed under the Companies Act, 2013. In the case of premises, depreciation is provided on revalued cost. 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 recognized in the Profit and Loss Account and subsequently appropriated to Capital Reserve net of tax expense and transfer to statutory reserve. Losses are recognized in the Profit and Loss Account.

Fixed assets individually costing less than ₹250 (in 000s) are expensed in the year of purchase, except where individual assets are purchased and installed as part of the owned and leasehold improvement projects, in which case they are capitalized as improvements to property. DCR (Desktop Computer Renewal) assets, User assets (Note books, Desktops, Workstations) are capitalized with 3 years' useful life and other hardware (more than or equal to ₹250 (in 000s)) is capitalized with 5 years' useful life. Computer software less than ₹25,000 (in 000s) is expensed in the year of purchase.

Software costing more than equal to ₹25,000 (in 000s) but less than ₹50,000 (in 000s) are capitalized with useful life of 3 years and anything costing more than or equal ₹50,000 (in 000s) is considered as significant software asset and it is capitalized with useful life of 5 years.

Goodwill and other intangibles are recognized on business acquisition and represents the difference between the price paid and the assets and liabilities acquired, which would include any identifiable intangible assets (such as customer or core deposit relationships). These are amortized on a straight-line basis over the best estimate of their useful life as determined by the management.

The depreciation rates applied on other fixed assets are as follows:

Category	Depreciation rate per annum (%)
Computers	20/33.33
Plant	20
Furniture and Fixtures	20
Motor Vehicles	33
Electrical Installations	14
Improvements to property (1)	20
Computer Software (2)	20/33.33
Goodwill/Intangibles	20

(1) *Improvements to owned and leasehold property are depreciated over the remaining useful life/lease period subject to a maximum period of five years.*

(2) *Acquisition costs and development costs are amortized over the expected useful lives, subject to a maximum period of three to five years.*

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset or net realizable value, whichever is higher. If such assets are considered to be impaired, the impairment is recognized by charging the Profit and Loss Account and is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(7) Accounting for leases

Assets given/taken on lease are accounted for in accordance with provisions of AS 19 – Leases. Lease payments under operating leases are recognized as an expense on a straight line basis over the lease term.

(8) Foreign currency transactions and balances

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 recognized in the Profit and Loss Account.

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 recognized in the Profit and Loss Account.

Foreign currency contracts and forward rate agreements are revalued at the exchange rates notified by FEDAI and where exchange rates are not notified by FEDAI, are revalued at foreign exchange rates implied by swap curves. The profit or loss on revaluation is recognized 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.

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

D) Significant Accounting Policies *(Continued)*

(9) Retirement and other employee benefits

Retirement and other employees benefits are accounted for as per AS 15 (Revised 2005) – Employee Benefits as set out below:

a) Provident fund

The Bank contributes to a recognized provident fund, which is a defined contribution scheme, for all its eligible employees. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss Account.

b) Gratuity

The Bank has a gratuity scheme, which is a defined benefit plan. The Bank's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine the present value of the obligation under the benefit plan.

The present value of the obligation under such benefit plan is determined based on actuarial valuation carried out by an independent actuary as at the year end, using the Projected Unit Credit Method which recognizes each period of service that give rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at present value of estimated future cash flows. The discount rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

c) Superannuation

The Bank contributes to an approved superannuation fund, which is a defined contribution scheme, for all its eligible employees who have opted for the scheme. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss Account.

d) Pension

The Bank has a pension scheme for its award staff, which is a defined benefit plan. The Bank's net obligation in respect of the pension benefit is calculated by estimating the amount of future benefit that the award staff have earned in return for their service in the current and prior periods. This benefit is discounted to determine the present value of the obligation under the benefit plan.

The present value of the obligation under such benefit plan is determined based on actuarial valuation carried out by an independent actuary as at the year end, using the Projected Unit Credit Method which recognizes each period of service that give rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at present value of estimated future cash flows. The discount rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

e) Compensated absences

The Bank has a leave encashment scheme for its award staff, which is a defined benefit plan. The Bank's net obligation in respect of the leave benefit is calculated by estimating the amount of future benefit that the award staff have earned in return for their service in the current and prior periods.

This benefit is discounted to determine the present value of the obligation under the benefit plan.

The present value of the obligation under such benefit plan is determined based on actuarial valuation carried out by an independent actuary as at the year end, using the Projected Unit Credit Method which recognizes each period of service that give rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at present value of estimated future cash flows. The discount rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

(10) Taxation

Income tax comprises 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 charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

Current tax expense is recognized on an annual basis under the taxes payable method based on the estimated liability computed after taking credit for allowances and exemptions in accordance with the provisions of Income Tax Act, 1961.

The Bank accounts for deferred taxes in accordance with the provisions of AS 22 – Accounting for Taxes on Income. 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. In case 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.

Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/ virtually certain to be realized.

Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognized as current tax in the Profit and Loss Account. The credit available under the Act in respect of MAT paid is recognized as an asset only when and to the extent there is convincing evidence that the Bank will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognized as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

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D) Significant Accounting Policies *(Continued)*

(11) Provisions, contingent liabilities and contingent assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of such 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 an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are neither recognized nor disclosed in the financial statements. However, if it is virtually certain that an economic benefit will arise, the asset and related income are recognized in the period in which the change occurs.

(12) Provision for reward points awarded to customers

The Bank has a policy of awarding reward points to customers for credit/debit card spends and remote banking. Provision for such reward points is made on the basis of behavioral analysis of utilisation trends.

E) Notes to accounts

(1) Statutory Disclosures

(i) Capital Adequacy Ratio

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Capital Ratios		
Common Equity Tier I	13.91%	14.67%
Tier I Capital	13.91%	14.67%
Tier II Capital	0.98%	0.79%
Total Capital Ratio (CRAR)	**14.89%**	**15.46%**
Amount of equity capital raised	–	–
Amount of additional Tier I capital raised	–	–
Amount of Tier II capital raised	–	–
Total Capital	**274,258,561**	**259,440,499**
Total Risk weighted assets and contingents	**1,842,283,309**	**1,678,238,212**

Capital adequacy has been calculated based on RBI guidelines.

(ii) Business Ratios

Sr. No.		For the year ended 31-Mar-20	For the year ended 31-Mar-19
i.	Interest income as a % to working funds [1]	7.15%	6.70%
ii.	Non-interest income as a % to working funds [1]	1.92%	1.17%
iii.	Operating profit as a % to working funds [1]	3.71%	2.51%
iv.	Return on assets [1]	1.78%	1.38%
v.	Business (deposits + advances) per employee (₹ in 000s)[2 & 3]	271,311	259,633
vi.	Profit per employee (₹ in 000s)[3]	4,423	3,318

1 Computed based on average of total assets as per Form X submitted to RBI

2 Computed based on deposits plus advances (excluding inter-bank deposits) outstanding as at the year end

3 Computed based on number of employees as at the year end

(iii) Maturity Pattern of Assets and Liabilities

As at 31 March 2020

(₹ in 000s)

Maturity Bucket	Loans and Advances *	Investments	Deposits *	Borrowings *	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	10,199,367	219,066,599	20,758,279	6,152,214	34,759,394	17,905,632
2 – 7 days	32,422,376	20,796,223	177,365,153	3,500,000	142,854	13,162,101
8 – 14 days	54,752,776	22,532,050	160,355,234	419,700	893,009	18,007,792
15 – 30 days	31,216,474	9,107,146	45,939,717	394,800	6,934,836	1,233,009
31 days and upto 2 months	31,901,663	16,074,840	60,817,558	55,063,750	10,472,244	44,359,558
2 months and upto 3 months	68,161,844	21,233,510	72,830,159	39,514,050	11,298,542	29,803,285
Over 3 months – 6 months	60,917,322	37,449,972	55,123,392	2,693,400	14,968,817	7,986,115
Over 6 months – 1 year	72,853,431	19,016,400	32,782,460	37,556,600	14,655,910	12,772,177
Over 1 year – 3 years	197,645,789	89,318,651	377,886,478	21,961,277	30,339,661	42,756,467
Over 3 years – 5 years	70,384,834	20,207,278	87,394	–	19,785,641	14,354,620
Over 5 years	131,681,404	1,213,957	–	–	6,637,626	3,377,988
Total	**762,137,280**	**476,016,626**	**1,003,945,824**	**167,255,791**	**150,888,534**	**205,718,744**

* Including foreign currency balances

Note: Classification of assets and liabilities under the maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to RBI. Accordingly, investments are reported after applying haircut as per RBI guidelines, as per the Bank's internally approved policies.

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts ***(Continued)***

(1) Statutory Disclosures ***(Continued)***

(iii) Maturity Pattern of Assets and Liabilities ***(Continued)***

RBI vide its circular dated March 27, 2020 on 'COVID-19 Regulatory Package', the Bank has offered moratorium and accordingly impacted cash flow is presented in the respective maturity buckets.

As at 31 March 2019

(₹ in 000s)

Maturity Bucket	Loans and Advances *	Investments	Deposits *	Borrowings *	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	11,497,300	189,138,623	13,930,815	699,220	56,742,198	5,330,968
2 – 7 days	38,936,164	23,158,846	110,187,242	2,074,650	977,136	13,652,513
8 – 14 days	43,626,425	46,845,016	106,390,167	26,309,999	1,843,736	14,041,998
15 – 30 days	28,106,277	10,611,487	47,193,552	195,000	6,354,067	766,191
31 days and upto 2 months	28,262,880	34,934,011	132,742,932	12,828,100	11,469,802	2,704,563
2 months and upto 3 months	30,712,627	43,035,035	140,532,531	17,147,825	8,528,414	9,421,707
Over 3 months – 6 months	50,562,895	42,496,170	102,978,273	10,958,250	10,945,365	20,199,288
Over 6 months – 1 year	45,413,549	38,699,111	76,924,232	6,870,000	6,361,167	24,054,463
Over 1 year – 3 years	176,011,800	62,451,929	319,844,401	38,196,625	11,294,352	31,856,384
Over 3 years – 5 years	59,573,496	38,823,242	150,904	–	5,897,277	6,144,068
Over 5 years	155,677,298	1,206,044	–	–	2,644,362	2,784,510
Total	**668,380,711**	**531,399,514**	**1,050,875,049**	**115,279,669**	**123,057,876**	**130,956,653**

* Including foreign currency balances

Note: Classification of assets and liabilities under the maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to RBI. Accordingly, investments is reported after applying haircut as per RBI guidelines, as per the Bank's internally approved policies.

(iv) Investments

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Value of Investments		
(i) Gross Value of Investments	492,800,071	550,382,311
(a) In India	492,800,071	550,382,311
(b) Outside India	–	–
(ii) Provisions for Depreciation	7,766,684	11,200,293
(a) In India	7,766,684	11,200,293
(b) Outside India	–	–
(iii) Net Value of Investments	485,033,387	539,182,018
(a) In India	485,033,387	539,182,018
(b) Outside India	–	–

The Bank has no sale and transfers to/from HTM category during the year (2018-19: Nil).

(v) Movement of Provision held towards Depreciation on Investments

(₹ in 000s)

	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Balance, beginning of the year	11,200,293	9,786,863
Add: Provisions made during the year	–	2,243,411
Less: Write-off/write back of excess provisions during the year	(3,433,609)	(829,981)
Balance, end of the year	**7,766,684**	**11,200,293**

(vi) Repurchase and Reverse repurchase transactions including Liquidity Adjustment Facility (LAF) (face value)

For the year ended 31 March 2020

(₹ in 000s)

	Minimum outstanding during the year*	Maximum outstanding during the year	Daily average outstanding during the year*	Outstanding as at 31-Mar-20
Securities sold under repos (Government Securities)	50,000	182,656,348	45,920,397	–
Securities purchased under reverse repos:				
i. Government Securities	2,350,000	122,246,910	38,886,284	90,211,870
ii. Corporate Debt securities	918,000	6,232,000	480,780	–

* Minimum outstanding during the year excludes the days with nil outstanding and daily average is considered all days

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E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(vi) Repurchase and Reverse repurchase transactions including LAF (face value) *(Continued)*

For the year ended 31 March 2019

(₹ in 000s)

	Minimum outstanding during the year*	Maximum outstanding during the year	Daily average outstanding during the year*	Outstanding as at 31-Mar-19
Securities sold under repos (Government Securities)	50,000	68,967,800	11,716,088	25,825,390
Securities purchased under reverse repos (Government Securities)	10,480,000	119,173,820	47,466,268	61,785,210

* Minimum outstanding during the year excludes the days with nil outstanding and daily average is considering all days.

(vii) Issuer composition of non-SLR investments

As at 31 March 2020

(₹ in 000s)

Issuer	Total Amount	Extent of Private Placement (a)	Extent of 'Below Investment Grade' Securities (b)	Extent of Unrated Securities (c)	Extent of Unlisted Securities* (d)
PSU	9,700	9,700	–	9,700	9,700
Financial institutions	17,812,929	14,980,000	–	–	5,980,000
Banks	127	127	–	127	127
Private corporate	37,876,445	37,876,445	5,563,049	6,085,421	13,233,865
Subsidiaries/Joint Venture	–	–	–	–	–
Others	29,061,790	29,061,790	315,399	315,399	29,061,790
Provisions held towards depreciation	(6,411,918)	(6,403,985)	(5,875,263)	(6,262,481)	(3,296,740)
Total	**78,349,073**	**75,524,077**	**3,185**	**148,166**	**44,988,742**

* Excludes investments which are in process of listing

As at 31 March 2019

(₹ in 000s)

Issuer	Total Amount	Extent of Private Placement (a)	Extent of 'Below Investment Grade' Securities (b)	Extent of Unrated Securities (c)	Extent of Unlisted Securities* (d)
PSU	9,700	9,700	–	9,700	9,700
Financial institutions	25,446,079	18,161,810	–	–	3,411,810
Banks	127	127	–	127	127
Private corporate	58,175,685	58,175,685	6,594,417	6,779,418	21,729,800
Subsidiaries/Joint Venture	–	–	–	–	–
Others	37,903,323	37,903,323	315,399	315,399	37,903,323
Provisions held towards depreciation	(7,887,560)	(7,880,310)	(6,855,382)	(6,905,228)	(3,287,573)
Total	**113,647,354**	**106,370,335**	**54,434**	**199,416**	**59,767,187**

* Excludes shares which have been suspended for trading in the exchange

Note: Total investments include investments in Pass Through Certificates (PTCs) of ₹28,746 million (gross) (2018-19: ₹37,588 million)

Amounts reported under column (a), (b), (c) and (d) above are not mutually exclusive.

(viii) Movement in non-performing non-SLR investments

(₹ in 000s)

	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Balance, beginning of the year	6,909,816	6,990,714
Additions during the year	–	772,511
Reductions during the year	(1,031,368)	(853,409)
Balance, end of the year	**5,878,448**	**6,909,816**
Total Provisions held at the end of the year	**5,875,263**	**6,855,382**

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(ix) Disclosures relating to NPAs and related provisions

The percentage of net NPAs to net advances is 0.80% as at 31 March 2020 (previous year: 0.39%).

The Provision Coverage Ratio (PCR) is 92.73% as at 31 March 2020 (previous year: 96.78%).

(₹ in 000s)

Movement of Gross NPAs	**For the year ended 31-Mar-20**	**For the year ended 31-Mar-19**
Balance, beginning of the year	66,907,776	84,411,009
Additions during the year	24,852,072	14,196,060
Reductions during the year	(40,247,486)	(31,699,293)
Balance, end of the year	**51,512,362**	**66,907,776**

(₹ in 000s)

Movement of Net NPAs	**For the year ended 31-Mar-20**	**For the year ended 31-Mar-19**
Balance, beginning of the year	2,598,361	3,738,457
Additions during the year	7,191,260	735,096
Reductions during the year	(3,700,490)	(1,875,192)
Balance, end of the year	**6,089,131**	**2,598,361**

(₹ in 000s)

Movement in Provision for NPAs	**For the year ended 31-Mar-20**	**For the year ended 31-Mar-19**
Balance, beginning of the year	64,309,415	80,672,552
Additions during the year	17,660,812	13,460,964
Reductions during the year	(36,546,996)	(29,824,101)
Balance, end of the year	**45,423,231**	**64,309,415**

(₹ in 000s)

Concentration of NPAs	**As at 31-Mar-20**	**As at 31-Mar-19**
Total exposure to top four NPA accounts	17,272,405	27,077,117

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

Disclosure is in accordance with RBI guidelines:

Percentages of gross NPA to total advances (₹ in 000s)

Sector	**As at 31-Mar-20**			**As at 31-Mar-19**		
	Outstanding total advances	**Gross NPA's**	**% of Gross NPA to total advances in that sector**	**Outstanding total advances**	**Gross NPA's**	**% of Gross NPA to total advances in that sector**
(A) Priority Sector						
Agriculture & allied activities	**61,592,082**	**383,680**	**0.62%**	**29,821,025**	**98,691**	**0.33%**
Advances to industries sector eligible as priority sector lending	**57,680,589**	**3,063,920**	**5.31%**	**51,623,316**	**1,428,727**	**2.77%**
– Basic Metal and Metal Products	6,455,851	211,579	3.28%	6,551,096	131,429	2.01%
– Infrastructure	5,898,711	312,845	5.30%	4,372,373	-	0.00%
– Construction	3,891,206	6,665	0.17%	2,753,544	9,717	0.35%
Services	**132,036,914**	**4,361,651**	**3.30%**	**121,401,903**	**2,270,305**	**1.87%**
– Trade	80,744,077	2,882,922	3.57%	86,678,819	1,867,816	2.15%
– Commercial Real Estate	14,523,032	452,107	3.11%	7,704,768	-	0.00%
Personal Loans	**9,060,523**	**512,935**	**5.66%**	**27,870,141**	**576,669**	**2.07%**
Sub total (A)	**260,370,108**	**8,322,185**	**3.20%**	**230,716,385**	**4,374,392**	**1.90%**
(B) Non-priority sector						
Agriculture & allied activities	**440,706**	**401,033**	**91.00%**	**1,106,910**	**4,550**	**0.41%**
Industry	**209,620,351**	**23,525,575**	**11.22%**	**171,296,351**	**42,224,823**	**24.65%**
– Basic Metal and Metal Products	22,802,170	244,836	1.07%	20,476,311	376,326	1.84%
– Infrastructure	66,340,091	6,647,928	10.02%	54,362,702	17,997,914	33.11%
– Construction	25,532,668	628,151	2.46%	5,747,560	135,422	2.36%
Services	**233,237,575**	**15,280,189**	**6.55%**	**188,747,402**	**16,151,871**	**8.56%**
– Trade	25,371,497	3,828,985	15.09%	26,591,068	6,894,768	25.93%
– Commercial Real Estate	125,423,177	9,743,540	7.77%	111,996,475	5,683,152	5.07%
Personal Loans	**103,891,771**	**3,983,380**	**3.83%**	**140,823,079**	**4,152,140**	**2.95%**
Sub total (B)	**547,190,403**	**43,190,176**	**7.89%**	**501,973,742**	**62,533,384**	**12.46%**
Total (A+B)	**807,560,511**	**51,512,362**	**6.38%**	**732,690,127**	**66,907,776**	**9.13%**

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(ix) Disclosures relating to NPAs and related provisions *(Continued)*

(₹ in 000s)

Movement in Gross NPA	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Gross NPAs as on 01 April	**66,907,776**	**84,411,009**
Additions (fresh NPAs) during the year	24,852,072	14,196,060
Sub-total (A)	91,759,848	98,607,069
Less:-		
(i) Upgradations	(2,922,662)	(2,051,091)
(ii) Recoveries (excluding recoveries made from upgraded accounts)	(6,214,990)	(6,561,224)
(iii) Technical/Prudential Write-offs	(18,717,425)	(13,667,678)
(iv) Write-offs other than those under (iii) above	(12,392,409)	(9,419,300)
Sub-total (B)	(40,247,486)	(31,699,293)
Gross NPAs as on 31 March (A - B)	**51,512,362**	**66,907,776**

(₹ in 000s)

Movement in Technical/Prudential write-offs	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Opening balance of Technical/Prudential written-off accounts as on 01 April	13,667,678	–
Add: Technical/Prudential Write-offs during the year	18,717,425	13,667,678
Sub-total (A)	32,385,103	13,667,678
Less: Recoveries made from previously technical/prudential written-off accounts during the year (B)	(140,751)	–
Closing balance as on 31 March (A-B)	**32,244,352**	**13,667,678**

(x) Concentration of Advances*

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Total advances to twenty largest borrowers	570,375,641	505,684,275
Percentage of advances to twenty largest borrowers to total advances of the Bank	17.22%	16.12%

* Advances are computed as per definition of credit exposure (including derivatives) as per the RBI guidelines on exposure norms.

(xi) Concentration of Exposures*

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Total exposure to twenty largest borrowers/customers	578,260,421	510,234,275
Percentage of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	15.96%	15.01%

* Exposures are computed as per definition of credit and investment exposure as per the RBI guidelines on exposure norms.

(xii) Provision towards Standard Assets, Country Risk Exposure and Novel Coronavirus (COVID-19)

a) Provision towards Standard Assets and Country Risk Exposure

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Provisions towards Standard Assets *	18,746,085	10,123,711
Provisions towards Country Risk Exposure	63,558	63,558
Total	**18,809,643**	**10,187,269**

* includes provision towards unhedged foreign currency exposure of ₹1,051 million (2018-19: ₹849 million).

b) Novel Coronavirus (COVID-19)

The novel coronavirus (COVID-19) pandemic continues to spread across the globe including India. COVID-19 outbreak has been declared a global pandemic by the World Health Organization and it has taken its toll on not just human life, but business and financial markets too, the extent of which is currently unascertainable. The extent to which COVID-19 pandemic will impact the Bank's operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Bank.

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xii) Provision towards Standard Assets, Country Risk Exposure and Novel Coronavirus (COVID-19) *(Continued)*

b) Novel Coronavirus (COVID-19) *(Continued)*

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27 March, 2020 and 17 April, 2020, the Bank is granting moratorium on the payment of instalments and/or interest, as applicable, to eligible borrowers. 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 has made general provision of 5% in respect of accounts under moratorium requiring provisioning as per aforesaid RBI guidelines based on the information available up to a point in time. Following are the details of such accounts and provisions made by the Bank:

(₹ in 000s)

		As at 31-Mar-20
(i)	Respective amounts in SMA/overdue categories, where the moratorium/ deferment was extended	10,960,682
(ii)	Respective amount where asset classification benefits is extended.	1,380,337
(iii)	Provisions made during the Q4 FY2020	548,034
(iv)	Provisions adjusted during the periods against slippages	–
(v)	Residual provisions	548,034

(xiii) Details of non-performing financial assets purchased

The amount of non-performing financial assets purchased during the year is Nil. (2018–19: Nil).

(xiv) Details of non-performing financial assets sold (other than sold to Securitization Company/Reconstruction Company)

(₹ in 000s)

		For the year ended 31-Mar-20	For the year ended 31-Mar-19
(a)	Number of accounts sold during the year	–	–
(b)	Aggregate outstanding *	–	–
(c)	Aggregate consideration received	–	–

* Net book value on date of sale

(xv) Details of sale of financial assets to Securitization Company (SC)/Reconstruction Company (RC) for asset reconstruction

(₹ in 000s)

		For the year ended 31-Mar-20	For the year ended 31-Mar-19
(i)	No of accounts	42	3
(ii)	Aggregate value (net of provisions) of accounts sold to SC /RC *	–	76,103
(iii)	Aggregate consideration	714,200	1,200,500
(iv)	Additional consideration realised in respect of accounts transferred in earlier years	–	–
(v)	Aggregate gain over net book value	714,200	1,124,397

* Net book value on date of sale

(xvi) Spread Over of shortfall on Sale of NPAs to SC/RC

There is no spread over of Shortfall on Sale of NPAs to SC/RC (2018-19: Nil).

(xvii) Implementation of Resolution Plan

In terms of RBI Circular, June 7, 2019, the Bank has implemented Resolution Plan in one account during FY 2019-20. For four accounts Resolution Plan was not implemented and for which Bank has undertaken 20% additional Provision.

(xviii) Disclosures on change in ownership of projects under implementation (accounts which are currently under the stand-still period)

There were no project loan accounts during the year where bank has decided to effect the change in ownership. (2018-19: Nil).

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) **Notes to accounts *(Continued)***

(1) **Statutory Disclosures *(Continued)***

(xix) **Priority Sector Lending Certificates (PSLCs) Purchased/Sold**

For the year ended 31 March 2020

(₹ in 000s)

Sr. No	Type of PSLC	PSLC Purchased	PSLC Sold
1	PSLC - Agriculture	41,540,000	6,000,000
2	PSLC - Small and Marginal Farmers	72,150,000	–
3	PSLC - Micro Enterprises	–	3,500,000
4	PSLC - General	–	52,500,000
	Total	**113,690,000**	**62,000,000**

For the year ended 31 March 2019

(₹ in 000s)

Sr. No	Type of PSLC	PSLC Purchased	PSLC Sold
1	PSLC - Agriculture	49,610,000	–
2	PSLC - Small and Marginal Farmers	76,600,000	1,000,000
3	PSLC - Micro Enterprises	12,050,000	–
4	PSLC - General	–	68,660,000
	Total	**138,260,000**	**69,660,000**

The fee received for the sale of PSLCs is recorded as fee income and the fee paid for purchase of the PSLCs is recorded as fee expense in Profit and Loss Account.

(xx) **Disclosures on the Scheme of Sustainable Structuring of Stressed Assets (S4A)**

As of 31 March 2020

(₹ in 000s)

Asset Classsification	No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding in Part A	Amount outstanding in Part B	Provision held
Standard	1	387,472	50,100	337,372	(337,372)
NPA	4	2,379,614	1,398,986	980,628	(2,379,614)
Total	**5**	**2,767,086**	**1,449,086**	**1,318,000**	**(2,716,986)**

As of 31 March 2019

(₹ in 000s)

Asset Classsification	No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding in Part A	Amount outstanding in Part B	Provision held
Standard	–	–	–	–	–
NPA	5	2,902,451	1,411,410	1,491,041	2,902,451
Total	**5**	**2,902,451**	**1,411,410**	**1,491,041**	**2,902,451**

(xxi) **Investments in Security Receipts backed by NPA's**

(₹ in 000s)

	Book value of investments in security receipts	**As at 31-Mar-20**	**As at 31-Mar-19**
(i)	Backed by NPAs sold by the bank as underlying	–	–
(ii)	Backed by NPAs sold by other banks/financial institutions/ non-banking financial companies as underlying	315,384	315,384

(xxii) **Unsecured Advances**

The Bank has unsecured gross advances amounting to ₹451 million (2018-19: ₹536 million) which are fully provided and for which it holds intangible securities such as charge over the rights, licenses, authority, etc. The estimated value of such intangible collateral is Nil (2018-19: Nil).

(xxiii) **Overseas Assets, NPA and Revenue**

As the Bank is a branch of a foreign bank, this disclosure is considered as not applicable.

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxiv) Accounts Restructured

The disclosure of restructured advances vide RBI guidelines is as under:

For the year ended 31 March 2020 (₹ in 000s)

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	–	–	7	–	7	–	2	15	2	19	–	2	22	2	26
		Amount outstanding	–	–	819,342	–	819,342	–	6,130	3,465,674	2,457	3,474,261	–	6,130	4,285,016	2,457	4,293,604
		Provision thereon	–	–	819,342	–	819,342	–	3,667	3,465,674	2,457	3,471,798	–	3,667	4,285,016	2,457	4,291,140
2	Fresh restructuring during the year	No. of borrowers	–	–	–	–	–	–	4	–	–	4	–	4	–	–	4
		Amount outstanding	–	–	178,471	–	178,471	–	13,654	30,470	–	44,124	–	13,654	208,941	–	222,595
		Provision thereon	–	–	178,471	–	178,471	–	8,192	30,470	–	38,662	–	8,192	208,941	–	217,133
3	Upgradations to restructured standard category during the FY	No. of borrowers	–	–	–	–	–	1	–	(1)	–	–	1	–	(1)	–	–
		Amount outstanding	–	–	–	–	–	50,100	–	–	–	50,100	50,100	–	–	–	50,100
		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	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradations of restructured accounts during the FY	No. of borrowers	–	–	(1)	1	–	–	(1)	–	1	–	–	(1)	(1)	2	–
		Amount outstanding	–	–	(41,239)	41,239	–	–	(2,091)	(390,770)	392,861	–	–	(2,091)	(432,009)	434,100	–
		Provision thereon	–	–	(41,239)	41,239	–	–	(1,255)	(390,770)	392,861	836	–	(1,255)	(432,009)	434,100	836
6	Write-offs of restructured accounts during the FY	No. of borrowers	–	–	1	–	1	–	1	3	1	5	–	1	4	1	6
		Amount outstanding	–	–	242,648	3	242,651	–	4,040	866,191	392,861	1,263,092	–	4,040	1,108,839	392,864	1,505,743
7	Restructured Accounts as on March 31 of the FY (closing figures)*	No. of borrowers	–	–	5	1	6	1	4	11	2	18	1	4	16	3	24
		Amount outstanding	–	–	713,926	41,236	755,162	50,100	13,653	2,239,183	2,457	2,305,393	50,100	13,653	2,953,109	43,693	3,060,556
		Provision thereon	–	–	713,926	41,236	755,162	–	8,193	2,239,183	2,457	2,249,833	–	8,193	2,953,109	43,693	3,004,995

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).
Sr. No. 2- Amount outstanding includes addition to existing restructured accounts amounting to ₹ 2,08,940 (in 000s) (number of accounts 2) and provision theron includes additional provision amounting to ₹ 2,08,940 (in 000s) (number of accounts 2)
Sr. No. 6 - Amount outstanding includes amount recovered from restructured accounts amounting to ₹ 11,77,086 (in 000s) (number of accounts 9)
Sr. No. 7- Provision thereon is after adjusting the provision of ₹ 15,04,115 (in 000s) towards amount recovered / written off
There are no accounts restrcutured under SME debt restructuring mechenism

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxiv) Accounts Restructured

The disclosure of restructured advances vide RBI guidelines is as under:

For the year ended 31 March 2019

(₹ in 000s)

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	–	–	7	-	7	1	1	11	2	15	1	1	18	2	22
		Amount outstanding	–	–	2,496,107	-	2,496,107	496,680	334	3,574,630	2,457	4,074,101	496,680	334	6,070,737	2,457	6,570,208
		Provision thereon	–	–	2,496,107	-	2,496,107	219,562	299	3,574,630	2,457	3,796,948	219,562	299	6,070,737	2,457	6,293,055
2	Fresh restructuring during the year	No. of borrowers	–	–	–	–	–	–	2	5	–	7	–	2	5	–	7
		Amount outstanding	–	–	–	–	–	–	6,130	415,837	–	421,967	–	6,130	415,837	–	421,967
		Provision thereon	–	–	–	–	–	–	3,667	415,837	–	419,503	–	3,667	415,837	–	419,503
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	No. of borrowers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Amount outstanding	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
		Provision thereon	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Downgradations of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	(1)	–	1	–	–	(1)	–	1	–	–
		Amount outstanding	–	–	–	–	–	(496,680)	–	622,171	–	125,491	(496,680)	–	622,171	–	125,491
		Provision thereon	–	–	–	–	–	(219,562)	–	622,171	–	402,609	(219,562)	–	622,171	–	402,609
6	Write-offs of restructured accounts during the FY	No. of borrowers	–	–	–	–	–	–	1	2	–	3	–	1	2	–	3
		Amount outstanding	–	–	1,676,765	–	1,676,765	–	334	1,146,964	–	1,147,298	–	334	2,823,729	–	2,824,063
7	Restructured Accounts as on March 31 of the FY (closing figures)*	No. of borrowers	–	–	7	–	7	–	2	15	2	19	–	2	22	2	26
		Amount outstanding	–	–	819,342	–	819,342	–	6,130	3,465,674	2,457	3,474,261	–	6,130	4,285,016	2,457	4,293,604
		Provision thereon	–	–	819,342	–	819,342	–	3,667	3,465,674	2,457	3,471,798	–	3,667	4,285,016	2,457	4,291,140

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

Sr. No. 2- Amount outstanding includes addition to existing restructured accounts amounting to ₹ 41,726 (in 000s) (number of accounts 1) and provision theron includes additional provision amounting to ₹ 41,726 (in 000s) (number of accounts 1)

Sr. No. 6 - Amount outstanding includes amount recovered from restructured accounts amounting to ₹ 2,824,062 (in 000s) (number of accounts 13)

Sr. No. 7- Provision thereon is after adjusting the provision of ₹ 2,824,027 (in 000s) towards amount recovered / written off

There are no accounts restrcutured under SME debt restructuring mechanism

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxv) Lending to Sensitive Sectors

(₹ in 000s)

	Category	As at 31-Mar-20	As at 31-Mar-19
	Exposure to Real Estate Sector		
	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:	143,569,902	151,640,442
	Of which individual housing loans eligible for inclusion in priority sector advances	7,953,135	10,174,937
(ii)	Commercial Real Estate		
	Lending secured by mortgages on commercial real estates	189,240,979	206,558,006
(iii)	Other Direct Exposure (Loans backed by Commercial Property not falling under definition of Commercial Real Estate Exposure as per RBI circular No. DBOD.BP.BC.No. 42/08.12.015/2009-10 dated 09 September, 2009)	50,745,298	46,128,542
(iv)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures (includes Bonds & Debentures)		
	a. Residential	1,656,942	1,656,942
	b. Commercial Real Estate	26,018,069	17,115,384
	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	14,259,425	18,740,051
	Total Exposure to Real Estate Sector	**425,490,615**	**441,839,367**
	Exposure to Capital Market		
(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	93,909	93,930
(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	2,859	151,988
(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	19,897,508	1,012,036
(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	4,354,902	6,788,835
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	10,826,435	8,316,235
(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*	4,067,115	14,048,750
(vii)	Bridge loans to companies against expected equity flows /issues		2,510,000
(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 (Irrevocable Payment Commitments)	6,733,061	6,897,035
	Total Exposure to Capital Market	**45,975,789**	**39,818,809**

* Includes investment in Bonds. Current Year - Nil (2018-19: ₹13,950 million).

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxvi) Assets Securitization (including assignment)

(a) Securitization

The Bank has not entered into any securitization transactions during the year (2018-19: Nil).

(b) Assignment

In accordance with RBI guidelines, there are no assignments during the year (2018-19 : Nil)

(c) Form and quantum of outstanding value of services provided by way of:

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Credit Enhancement given in the form of Cash Collateral	328,434	328,434
Credit Enhancement given in the form of Guarantees	1,328,508	1,328,508
Liquidity Support	–	–
Post securitisation asset servicing	–	–

(xxvii) Intra-group Exposures

Disclosure is in accordance with the RBI guidelines:

(₹ in 000s)

		As at 31-Mar-20	As at 31-Mar-19
(a)	Total amount of intra group exposures	28,007,754	12,866,349
(b)	Total amount of top-20 intra-group exposures	27,996,534	12,851,060
(c)	Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	0.77%	0.38%
(d)	Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	Nil	Nil

(xxviii) Amounts transferred to Depositors Education and Awareness Fund (DEAF)

Disclosure in accordance with the RBI guidelines

(₹ in 000s)

Category	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Opening balance of amounts transferred to DEAF	2,598,999	2,163,185
Add : Amounts transferred to DEAF during the year	439,844	495,122
Less : Amounts reimbursed by DEAF towards claims	(80,213)	(59,308)
Closing balance of amounts transferred to DEAF	2,958,630	2,598,999

(xxix) Unhedged Foreign Currency Exposures

The Bank has provided for unhedged foreign currency exposures as per the RBI guidelines on prudential norms on income recognition, asset classification and provisioning pertaining to advances. The Bank considers all customers who have borrowed from the Bank and covers gross sum of all items on the customer's Balance sheet that has an impact on the Profit and Loss account due to movement in foreign exchange rates. While providing for unhedged foreign currency exposures, the Bank has considered both financial hedges and natural hedges. The Bank has robust processes to manage credit risk assessment including currency induced credit risk and review in stressed scenarios whereby the Bank initiates corrective actions where required.

Provision towards unhedged foreign currency exposures as on 31 March 2020 is ₹1,051 million (2018-19: ₹849 million) and the capital (including buffer) held by the Bank towards this risk is ₹7,005 million (2018-19: ₹4,691 million).

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxx) Liquidity Coverage Ratio (LCR)

(a) Quantitative Disclosures

Disclosure in accordance with RBI guidelines is as under:

(₹ in 000s)

	Q1 FY 2019-20		Q2 FY 2019-20		Q3 FY 2019-20		Q4 FY 2019-20	
Liquidity Coverage Ratio	**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)		345,029,680		324,600,141		330,051,231		374,398,479
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	334,960,311	31,795,159	356,170,545	33,921,536	347,391,426	33,039,615	334,759,675	31,539,209
(i) Stable deposits	34,017,441	1,700,872	33,910,376	1,695,519	33,990,547	1,699,527	38,735,173	1,936,759
(ii) Less stable deposits	300,942,870	30,094,287	322,260,169	32,226,017	313,400,879	31,340,088	296,024,502	29,602,450
3 Unsecured wholesale funding, of which :	634,703,562	296,718,987	534,470,626	256,093,362	510,958,544	251,391,288	559,982,517	269,979,967
(i) Operational deposits (all counterparties)	122,937,832	30,710,244	125,867,156	31,442,542	132,271,806	33,043,078	141,131,628	35,238,213
(ii) Non-operational deposits (all counterparties)	511,765,730	266,008,743	408,603,470	224,650,820	378,686,738	218,348,210	418,850,889	234,741,754
(iii) Unsecured debt	–	–	–	–	–	–	–	–
4 Secured wholesale funding		–		–		–		–
5 Additional requirements, of which:	123,139,295	57,316,110	124,028,155	52,962,443	138,826,631	51,297,322	147,270,311	53,908,851
(i) Outflows related to derivative exposures and other collateral requirements	44,330,256	44,330,256	39,063,236	39,063,236	34,500,846	34,500,846	36,953,760	36,953,760
(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
(iii) Credit and liquidity facilities	78,809,039	12,985,854	84,964,919	13,899,207	104,325,785	16,796,476	110,316,551	16,955,091
6 Other contractual funding obligations	32,926,694	32,926,694	31,591,762	31,591,762	28,987,357	28,987,357	28,323,414	28,323,414
7 Other contingent funding obligations	991,984,245	39,933,480	1,010,071,006	40,802,910	1,043,631,195	42,057,846	1,059,073,116	42,783,863
8 Total Cash Outflows		458,690,429		415,372,011		406,590,312		426,535,304
Cash Inflows								
9 Secured lending (e.g. reverse repos)	–	–	–	–	–	–	–	–
10 Inflows from fully performing exposures	190,198,410	156,960,048	150,158,585	138,885,700	164,072,648	124,664,339	161,583,747	122,298,618
11 Other cash inflows	1,661,013	830,506	1,326,517	796,001	1,556,441	778,221	1,397,365	698,683
12 Total Cash Inflows	191,859,423	157,790,554	151,485,102	139,681,701	165,629,089	125,442,560	162,981,112	122,997,301
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
21 TOTAL HQLA		345,029,680		324,600,141		330,051,231		374,398,479
22 Total Net Cash Outflows		300,899,875		275,690,310		281,330,868		303,538,003
23 Liquidity Coverage Ratio (%)		115%		118%		117%		123%

	Q1 FY 2018-19		Q2 FY 2018-19		Q3 FY 2018-19		Q4 FY 2018-19	
Liquidity Coverage Ratio	**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)		287,412,732		318,427,125		352,553,888		379,778,547
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	302,398,586	28,666,442	298,185,583	28,195,615	324,100,461	30,668,230	330,829,705	31,370,604
(i) Stable deposits	31,468,331	1,573,417	32,458,867	1,622,943	34,836,313	1,741,816	34,247,332	1,712,367
(ii) Less stable deposits	270,930,255	27,093,025	265,726,716	26,572,672	289,264,148	28,926,414	296,582,373	29,658,237
3 Unsecured wholesale funding, of which :	525,740,855	243,151,970	589,864,692	272,850,566	628,490,814	283,940,895	669,759,151	294,771,868
(i) Operational deposits (all counterparties)	102,499,112	25,601,955	108,209,640	27,029,176	112,649,488	28,139,036	110,076,292	27,495,640
(ii) Non-operational deposits (all counterparties)	423,241,743	217,550,015	481,655,052	245,821,390	515,841,326	255,801,859	559,682,859	267,276,228
(iii) Unsecured debt	–	–	–	–	–	–	–	–
4 Secured wholesale funding		–		–		–		–
5 Additional requirements, of which:	138,262,955	52,027,016	122,445,950	53,591,605	125,237,459	60,279,821	221,827,207	153,536,379
(i) Outflows related to derivative exposures and other collateral requirements	36,915,868	36,915,868	40,325,044	40,325,044	48,300,355	48,300,355	139,255,844	139,255,844
(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
(iii) Credit and liquidity facilities	101,347,087	15,111,148	82,120,906	13,266,561	76,937,104	11,979,466	82,571,363	14,280,535
6 Other contractual funding obligations	16,724,611	16,724,611	18,891,519	18,891,519	28,146,999	28,146,999	25,380,947	25,380,947
7 Other contingent funding obligations	901,698,831	37,071,185	908,063,458	37,173,974	950,313,150	38,589,396	974,924,796	39,466,746
8 Total Cash Outflows		377,641,225		410,703,279		441,625,341		544,526,544
Cash Inflows								
9 Secured lending (e.g. reverse repos)	–	–	–	–	–	–	–	–
10 Inflows from fully performing exposures	143,170,361	112,856,345	150,158,585	119,727,925	144,120,266	111,245,500	240,112,790	206,624,612
11 Other cash inflows	1,324,313	662,156	1,326,517	663,258	1,455,150	727,575	1,468,001	734,000
12 Total Cash Inflows	144,494,674	113,518,501	151,485,102	120,391,183	145,575,416	111,973,075	241,580,791	207,358,612
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
21 TOTAL HQLA		287,412,732		318,427,125		352,553,888		379,778,547
22 Total Net Cash Outflows		264,122,723		290,312,096		329,652,266		337,167,932
23 Liquidity Coverage Ratio (%)		109%		110%		107%		113%

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxx) Liquidity Coverage Ratio (LCR) *(Continued)*

(b) Qualitative Disclosures

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLA 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 specified by supervisors. 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 can be taken.

i. The main drivers of LCR results and the evolution of the contribution of inputs to the 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.

ii. Intra-period changes as well as changes over time;

The LCR requirement has been introduced by RBI for banks in India effective 1 January 2015 with a minimum 60% for the calendar year 2015, rising in equal steps each calendar year to reach the minimum 100% requirement by 1 January 2019.

iii. The composition of HQLA;

There are two categories of assets which can be included in the stock of HQLA's, viz. Level 1 and Level 2 assets, subject to prescribed operational requirements and other criteria:

- Level 1 assets comprise of the following and can be included without any limit as also without applying any haircut:
  a) Cash, including cash reserves in excess of required CRR;
  b) Government securities in excess of the minimum SLR requirement;
  c) Within the mandatory SLR requirement, Government securities to the extent allowed by RBI (currently 17.5% of NDTL), under Marginal Standing Facility and Facility to Avail Liquidity for Liquidity Coverage Ratio;
  d) Marketable securities issued or guaranteed by foreign sovereigns, subject to certain conditions.
- Level 2 assets (comprising Level 2A assets and Level 2B assets) can be included, subject to the requirement that they comprise no more than 40% of the overall stock of HQLAs after haircuts have been applied.

  HQLA for the Bank currently comprises of Level 1 assets only.

iv. Concentration of funding sources;

The Bank seeks to diversify its funding sources across retail, private, commercial, corporate and institutional client, as well as across products, tenors and currency. Funding from significant counterparties, products/instruments and currency is monitored regularly as part of its ongoing liquidity management. The Bank endeavours to fund its customers' loans from deposits and capital, thereby ensuring minimal/no reliance on interbank borrowings.

v. Derivative exposures and potential collateral calls;

Derivative exposures with outflows and inflows in the next 30 calendar days are included in the LCR calculations. Further, management assesses the potential need for higher liquidity on account of valuation, collateral or specific scenarios.

vi. Currency mismatch in the LCR; and

LCR computation is aggregated across currencies, with the predominant currency being INR. The Bank's foreign currency liabilities support its foreign currency exposures, however all HQLA is maintained in INR only.

vii. Description of the degree of centralisation of liquidity management and interaction between the group's units;

The Bank's ALCO is responsible for liquidity management on an overall basis, with ALM managing the day-to-day requirements within the Bank's liquidity risk framework, by interacting with all the business and product lines on an ongoing basis via the Liquidity Management Forum. Treasury Risk and Finance monitor adherence to various internal structural and short term liquidity limits, as well as regulatory limits and ratios such as CRR, SLR, LCR, call borrowings/lending, etc.

viii. RBI has issued guidelines regarding EMI moratorium under the COVID 19 Regulatory package vide circular reference RBI/2019-20/186, DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020.

In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks and NBFC's are permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020.

The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period.

Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Banks are required to create a board approved policy to implement the same.

Retail: Payment moratorium has been extended to all term loan products as a default option. Although there is an option given to the customer to opt out of the option, given large number of accounts & difficulty in tracking this at an account level – Bank has taken a conservative stance and not considered any inflows from Retail term loans and Credit Cards for LCR computation as of 31 March 2020.

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxx) Risk Exposure in Derivatives *(Continued)*

(b) Qualitative Disclosures *(Continued)*

CCIB: An option has been given to the customers to opt for payment moratorium (except SCF) and hence an adjustment needs to be done only for those customers who have opted in for the moratorium.

Inflows for LCR have been reduced in respect of clients who have opted in for the moratorium. Since no inflows are considered for OD and SCF, no separate adjustment has been done for these products.

(xxxi) Risk Exposure in Derivatives

(a) Exchange traded interest rate derivatives

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Notional principal amount of derivatives undertaken during the year	-	-
Notional principal amount of derivatives outstanding as at 31 March	–	–
Notional principal amount of derivatives outstanding and not 'highly effective'	NA	NA
Mark to market value of derivatives outstanding and not 'highly effective'	NA	NA

(b) Qualitative Disclosures

Structure and organisation of management of risk in derivatives trading

The derivatives business is managed by the front office with independent back office for confirmation and settlement of trades. A separate middle office team validates all the derivative transactions and the processing and settlement is done by the back office team. The market risk team is responsible for monitoring market risk limits for derivative instruments. VAR (Value at Risk) is the primary risk measure and supplemented by other limits like PV01 as required and appropriate. There is clear segregation of duties and different reporting lines to ensure independent monitoring and reporting.

Risk monitoring team

The Bank is exposed to market risk, liquidity risk, operational risk and credit risk on the derivatives portfolio. The Bank's risk management group, compliance group and internal audit group assist in identifying, assessing and monitoring of these principal risks in accordance with policies and procedures.

Provisioning, collateral and credit risk mitigation

Counterparties are reviewed by credit officers who set their credit limits. The Bank does a credit analysis which includes a review of facility detail, credit grade determination and financial spreading/ratio analysis. The Bank uses a numerical grading system, for quantifying the risk associated with counterparty.

The Bank applies the Current Exposure methodology to manage credit risk associated with derivative transactions. This is calculated by taking the cost of replacing the contract, where its mark-to-market value, is positive together with an estimate of the potential future change in the market value of the contract, reflecting the volatilities that affect it. The credit risk on contracts with a negative mark-to-market value is restricted to the potential future change in their market value.

Provisioning on the exposure taken on derivative contracts is made as prescribed by RBI guidelines.

(c) Quantitative Disclosures (₹ in 000s)

Sr. No.	Particulars	Currency Derivatives as at 31-03-2020	Interest rate Derivatives as at 31-03-2020	Currency Derivative as at 31-03-2019	Interest rate Derivatives as at 31-03-2019
1	Derivatives (Notional Principal Amount)				
	a) For hedging	5,674,875	97,450,000	5,186,625	130,800,000
	b) For trading	9,145,768,683	9,462,065,648	8,356,851,634	13,750,520,851
2	Marked to Market Positions				
	a) Asset (+)	165,462,582	115,599,332	122,207,900	68,487,522
	b) Liability (-)	(186,712,358)	(117,969,567)	(143,423,416)	(71,320,226)
3	Credit Exposure[1]	301,204,059	128,200,635	238,836,063	135,490,359
4	Likely impact of one percentage change in interest rate (100*PV01)[2]				
	a) on hedging derivatives	187,297	1,625,054	138,024	2,963,821
	b) on trading derivatives	2,116,980	4,625,943	2,159,713	1,976,728
5	Maximum of 100*PV01 observed during the year[2]				
	a) on hedging	587,484	2,960,963	138,459	3,000,689
	b) on trading	2,853,831	5,829,320	2,542,540	4,304,678
6	Minimum of 100*PV01 observed during the year[2]				
	a) on hedging	130,939	1,625,054	138,024	1,022,435
	b) on trading	1,560,717	1,274,886	1,385,439	1,119,360

[1] Computed as per the current exposure method as per RBI guidelines.

[2] Only for ₹ currency

Currency derivatives include Currency options, Currency swaps and Currency futures. Interest rate derivatives includes Forward rate agreement, Interest rate options and Interest rate swaps.

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts ***(Continued)***

(1) Statutory Disclosures ***(Continued)***

(xxxii) Interest Rate Swaps, Interest Rate Options and Forward Rate Agreements

The notional principal amount of Interest Rate Swaps ('IRS'), Interest Rate Options ('IRO'), Interest Rate Futures ('IRF') and Forward Rate Agreements ('FRA') are:

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
IRS	9,413,133,713	13,787,435,573
IRO	91,583,688	93,885,278
IRF	–	–
FRA	54,798,247	–
Total	**9,559,515,648**	**13,881,320,851**

The credit risk is the pre-settlement risk which is estimated in accordance with the Current Exposure Method. All IRS, IRO, IRF and FRA are monitored for price risks under the Value at Risk approach.

The Bank as at 31 March 2020 has taken ₹1,959 million as collateral from counterparties in respect of derivative contracts (2018-19: ₹647 million).

The gross positive mark to market on the IRS, IRO, IRF and FRA, which is the potential loss that the Bank would incur in case the counter parties fail to fulfill their obligations are:

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
IRS	115,013,183	68,190,618
IRO	392,873	296,904
IRF	–	–
FRA	193,276	–
Total	**115,599,332**	**68,487,522**

As at 31 March 2020, the exposure on IRS, IRO, IRF and FRA is spread over various industries. Based on the notional principal amount, the maximum single industry exposure lies with Financial Institutions at 51% (2018-19: Financial Institutions 65%).

Fair value (net MTM value) which the Bank would receive or (pay) to terminate the IRS, IRO, IRF and FRA is given below:

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
IRS	(2,304,600)	(2,832,704)
IRO	–	–
IRF	–	–
FRA	(65,635)	–
Total	**(2,370,235)**	**(2,832,704)**

The nature and terms of the IRS and IRO as on 31 March 2020 are set out below:

(₹ in 000s)

Nature	Number of Contracts	Notional Principal	Benchmark	Term
Trading	14	16,638,000	INBMK	Fixed Payable v/s Floating Receivable
Trading	3	2,500,000	INBMK	Fixed Receivable v/s Floating Payable
Trading	2	1,290,307	LIBOR	Fixed Payable v/s Fixed Receivable
Trading	304	776,187,891	LIBOR	Fixed Payable v/s Floating Receivable
Trading	19	42,454,425	LIBOR	Floating Payable v/s Fixed Receivable
Trading	5	15,845,885	LIBOR	Floating Payable v/s Floating Receivable
Trading	20	37,278,309	LIBOR	Fixed Receivable v/s Fixed Payable
Trading	283	715,444,029	LIBOR	Fixed Receivable v/s Floating Payable
Trading	17	35,568,910	LIBOR	Floating Receivable v/s Fixed Payable
Trading	12	17,534,161	LIBOR	Floating Receivable v/s Floating Payable
Trading	1,129	799,374,800	MIFOR	Fixed Payable v/s Floating Receivable
Trading	1,391	763,220,740	MIFOR	Fixed Receivable v/s Floating Payable
Trading	4,234	3,113,680,288	OIS	Fixed Payable v/s Floating Receivable
Trading	5,114	3,042,696,322	OIS	Fixed Receivable v/s Floating Payable
Trading	4	842,599	OTHER	Fixed Payable v/s Fixed Receivable
Trading	9	6,071,121	OTHER	Fixed Payable v/s Floating Receivable
Trading	6	6,780,176	OTHER	Floating Payable v/s Fixed Receivable
Trading	5	1,008,139	OTHER	Fixed Receivable v/s Fixed Payable
Trading	9	6,071,121	OTHER	Fixed Receivable v/s Floating Payable
Trading	6	6,780,176	OTHER	Floating Receivable v/s Fixed Payable
Hedging	208	97,450,000	OIS	Fixed Payable v/s Floating Receivable
	12,794	**9,504,717,399**		

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxxii) Interest Rate Swaps, Interest Rate Options and Forward Rate Agreements *(Continued)*

The nature and terms of the IRS and IRO as on 31 March 2019 are set out below:

(₹ in 000s)

Nature	Number of Contracts	Notional Principal	Benchmark	Term
Trading	18	19,210,000	INBMK	Fixed Payable v/s Floating Receivable
Trading	3	2,500,000	INBMK	Fixed Receivable v/s Floating Payable
Trading	2	1,485,569	LIBOR	Fixed Payable v/s Fixed Receivable
Trading	311	600,621,552	LIBOR	Fixed Payable v/s Floating Receivable
Trading	17	44,669,702	LIBOR	Floating Payable v/s Fixed Receivable
Trading	5	6,954,480	LIBOR	Floating Payable v/s Floating Receivable
Trading	19	34,419,115	LIBOR	Fixed Receivable v/s Fixed Payable
Trading	315	511,569,967	LIBOR	Fixed Receivable v/s Floating Payable
Trading	17	44,669,702	LIBOR	Floating Receivable v/s Fixed Payable
Trading	9	14,135,842	LIBOR	Floating Receivable v/s Floating Payable
Trading	1,025	716,897,700	MIFOR	Fixed Payable v/s Floating Receivable
Trading	1,448	698,010,450	MIFOR	Fixed Receivable v/s Floating Payable
Trading	6,415	5,558,584,654	OIS	Fixed Payable v/s Floating Receivable
Trading	6,337	5,463,822,901	OIS	Fixed Receivable v/s Floating Payable
Trading	6	691,363	OTHER	Fixed Payable v/s Fixed Receivable
Trading	11	13,520,309	OTHER	Fixed Payable v/s Floating Receivable
Trading	7	2,272,937	OTHER	Floating Payable v/s Fixed Receivable
Trading	6	691,363	OTHER	Fixed Receivable v/s Fixed Payable
Trading	11	13,520,309	OTHER	Fixed Receivable v/s Floating Payable
Trading	7	2,272,936	OTHER	Floating Receivable v/s Fixed Payable
Hedging	282	130,800,000	OIS	Fixed Payable v/s Floating Receivable
	16,271	**13,881,320,851**		

The nature and terms of the FRA as on 31 March 2020 are set out below (2018-19: Nil):

(₹ in 000s)

Nature	Number of Contracts	Notional Principal	Benchmark	Term
Trading	3	30,266,000	LIBOR	Fixed Payable v/s Floating Receivable
Trading	121	24,532,247	OTHER	Fixed Payable v/s Floating Receivable
	124	**54,798,247**		

The nature and terms of the IRF - Bank does not have holdings as on 31 March 2020 and 31 March 2019.

(xxxiii) Country Risk Exposure

₹ in 000s)

Risk Category	Funded Exposure (net) as at 31-Mar-20	Provision held as at 31-Mar-20	Funded Exposure (net) as at 31-Mar-19	Provision held as at 31-Mar-19
Insignificant	54,277,788	36,912	86,607,198	36,912
Low	23,910,464	26,646	13,483,536	26,646
Moderately Low	114,167	–	14,240	–
Moderate	905,190	–	364,234	–
Moderately High	66,040	–	149,360	–
High	76	–	277	–
Very High	151	–	69	–
Total	**79,273,876**	**63,558**	**100,618,914**	**63,558**

Disclosure for country risk exposure is in accordance with RBI guidelines.

The above provision has been included in Schedule 5 - Other Liabilities and Provisions.

(xxxiv) Prudential Credit Exposure Limits – Single and Group Borrower Exposure

The Bank's exposure to single and group borrowers has been within limits specified by RBI.

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxxv) Provisions and Contingencies

(a) As per AS 29 – Provisions, Contingent Liabilities and Contingent Assets, movement in provision for reward points awarded to customers and movement in other provisions are given below:

(₹ in 000s)

	For the year ended 31-Mar-20		For the year ended 31-Mar-19	
	Reward Points [1]	**Other Provisions[2]**	**Reward Points [1]**	**Other Provisions[2]**
Opening provision	704,655	2,959,918	628,208	430,229
Provision made during the year	135,388	277,319	534,275	2,744,682
Utilisation/write back of provision during the year	(105,346)	(2,993,972)	(457,828)	(214,993)
Closing provision	**734,697**	**243,265**	**704,655**	**2,959,918**

[1] Basis of calculation of provision for reward points is explained in Note 18 (D) (12). The provision is utilised when actual claims for redemption are made by customers.

[2] Includes provision for legal, contingent and operational losses.

(b) Description of Contingent Liabilities

(i) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank relating to certain legal and tax proceedings that are currently in progress.

(ii) Liability on account of outstanding foreign exchange contracts

The Bank enters into foreign exchange contracts 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. The Bank also undertakes currency futures transactions.

(iii) Liability on account of derivative contracts

These include notional principal on outstanding cross currency swaps, currency options, forward rate agreements, interest rate swaps, interest rate futures and interest rate options.

(iv) 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 credit such as letters of credit enhances 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. Irrevocable Payment Commitments are included under guarantees given on behalf of constituents in India.

(v) Other items for which the Bank is contingently liable

These include capital commitments, amounts deposited in the Depositor Education and Awareness Fund, underwriting commitments, recourse obligations representing credit enhancements in the form of cash collaterals in respect of securitised loans, bills re-discounted and amount payable on securities purchased.

(c) Inquiry Proceedings

The Bank has received certain show cause notices from the Enforcement Directorate alleging violation of certain provisions of Foreign Exchange Management Act. The Bank has responded to the same and hearing has been completed. No order has been issued by the Enforcement Directorate as on date. The Bank, based on legal advice, believes that it has an arguable case and the chances of success are more likely than not. Hence, no provision has been made in these financial statements.

(d) Breakup of Schedule 17 – Provisions and Contingencies

(₹ in 000s)

Particulars	**For the year ended 31-Mar-20**	**For the year ended 31-Mar-19**
Specific provisions against advances (net)	10,707,114	2,140,451
General provision against standard assets	8,622,374	196,476
Provision for Country Risk Exposure	–	–
Specific provisions against investments (net)	(642,748)	(54,897)
Provision on account of tax	–	–
– Current tax expense	(3,981,152)	6,658,330
– Deferred tax charge/credit	18,848,981	5,714,601
– MAT Credit Entitlement	–	408,598
Other provisions	(2,731,245)	2,548,769
Total provisions and contingencies	**30,823,324**	**17,612,328**

Provision for income tax for the year ended 31 March 2020 includes the reversal of tax provision of ₹19,267,252 (in 000s) and Deferred tax charge of ₹20,307,890 (in 000s) for prior years.

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Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(d) Breakup of Schedule 17 – Provisions and Contingencies *(Continued)*

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with the provisions of AS - 29, the Bank recognizes a provision for material foreseeable losses and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources, a disclosure to this effect is made as contingent liabilities. The Bank does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

(e) Floating Provisions

The Bank does not have any floating provision as at 31 March 2020 (2018-19: Nil).

(xxxvi) Draw down from Reserves

During the year ended 31 March 2020, there was no draw down from reserves (2018-19: ₹140 million from Investment reserves).

(xxxvii) Retirement Benefits

(a) Defined Benefit Plans

Reconciliation of opening and closing balance of the present value of the defined benefit obligations for retirement benefits which includes total of pension, gratuity and compensated absences is given below:

(₹ in 000s)

	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Changes in present value of defined benefit obligations		
Opening balance as at 01 April	3,189,838	3,152,293
Current service cost	114,493	119,488
Interest cost	216,666	219,908
Past service cost	12,042	35,437
Acquisition adjustment	(489)	(3,743)
Actuarial losses/(gains)	169,905	125,541
Benefits paid	(299,767)	(459,086)
Closing balance as at 31 March (A)	**3,402,688**	**3,189,838**
Changes in fair value of plan assets		
Opening balance as at 01 April	1,870,404	1,637,678
Expected return on plan assets	140,751	120,511
Contributions paid by the Bank	377,964	582,283
Acquisition adjustment	1,247	(3,743)
Benefits paid	(299,767)	(459,086)
Actuarial gains/(losses)	(42,379)	(7,239)
Closing balance as at 31 March (B)	**2,048,220**	**1,870,404**
Net liability (B - A)	**(1,354,468)**	**(1,319,434)**

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Present value of defined benefit obligations as at 31 March	3,402,688	3,189,838
Fair value of plan assets as at 31 March	2,048,220	1,870,404
Funded status – Deficit	(1,354,468)	(1,319,434)
Unrecognised assets as per paragraph 59(b) of AS 15	(8,921)	(4,258)
Net liability recognised in Balance Sheet	**(1,363,389)**	**(1,323,692)**

(₹ in 000s)

	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Components of employer's expense		
Current service cost	114,493	119,488
Interest cost	216,666	219,908
Expected return on assets	(140,751)	(120,511)
Past Service Cost	12,042	35,437
Net actuarial losses/(gains)	212,283	132,780
Effect of the limit in paragraph 59(b) of AS 15	4,662	4,139
Net cost recognised in the Profit and Loss Account	**419,395**	**391,241**

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxxvii) Retirement Benefits *(Continued)*

(a) Defined Benefit Plans *(Continued)*

Key Assumptions	**31-Mar-20**	**31-Mar-19**
Discount rate	6.60%	7.40%
Expected return on plan assets	7.00%	7.50%
Salary escalation rate		
• Management Staff	7.00%	7.00%
• Non Management Staff	7.00%	7.00%

Details of plan assets, defined benefit obligations and experience adjustments

(₹ in 000s)

	31-Mar-20	**31-Mar-19**	**31-Mar-18**	**31-Mar-17**	**31-Mar-16**
Plan assets	2,048,220	1,870,404	1,637,678	827,434	863,856
Defined benefit obligations	3,402,689	3,189,838	3,152,293	2,971,136	2,611,049
Amount not recognised as an asset (limit in para 59(b) of AS 15)	8,921	4,258	119	–	–
Deficit	(1,363,390)	(1,323,692)	(1,514,734)	(2,143,702)	(1,747,193)
Experience adjustment on plan assets	(42,379)	(7,239)	79,692	639	13,477
Experience adjustment on plan liabilities	(71,675)	63,379	59,335	88,162	14,488

The estimates of future salary increases in the actuarial valuation takes into consideration inflation, seniority, promotion and other relevant factors.

The major categories of plan assets as a percentage of total plan assets are as follows:

Category of Assets	**As at 31-Mar-20**	**As at 31-Mar-19**
Insurer managed funds	91%	88%
Government of India securities	4%	4%
Others (includes corporate bonds, special deposit scheme)	5%	8%
Total	**100%**	**100%**

(b) Defined Contribution Plans

The amount recognized as an expense for the Defined Contribution Plans is as under:

(₹ in 000s)

Particulars	**For the year ended 31-Mar-20**	**For the year ended 31-Mar-19**
Provident Fund	492,791	506,827
Superannuation Fund	30,907	33,105

(xxxviii) Primary dealership

In line with the RBI guidelines, the details pertaining to net borrowing in call money markets are as under:

For the year ended 31 March 2020

(₹ in 000s)

Particulars	**Average net call borrowing**	**Maximum net call borrowing**
Net Call Borrowing	–	–

For the year ended 31 March 2019

(₹ in 000s)

Particulars	**Average net call borrowing**	**Maximum net call borrowing**
Net Call Borrowing	–	–

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(1) Statutory Disclosures *(Continued)*

(xxxix) Customer complaints and awards of Banking Ombudsman

In accordance with RBI guidelines, details with respect to customer complaints and awards passed by the Banking Ombudsman are given below:

(₹ in 000s)

Particulars	For the year ended 31-Mar-20	For the year ended 31-Mar-19
(a) No. of complaints pending at the beginning of the year	354	323
(b) No. of complaints received during the year	21,229	25,999
(c) No. of complaints redressed during the year	21,415	25,968
(d) No. of complaints pending at the end of the year	168	354

Complaints received and resolved within 1 day are excluded in the numbers reported above.

Above include 10,698 complaints (2018-19: 16,368 complaints) pertaining to cases of failed ATM transactions at other Bank's ATM's.

(₹ in 000s)

Particulars	For the year ended 31-Mar-20	For the year ended 31-Mar-19
(a) No. of unimplemented awards at the beginning of the year	–	–
(b) No. of awards passed by the Banking Ombudsman during the year	–	–
(c) No. of awards implemented during the year	–	–
(d) No. of unimplemented awards at the end of the year	–	–

(xl) Letters of Comfort (LoC) issued

The Bank has not issued any LoC during the year (2018-19: Nil).

(xli) Fees earned in respect of bancassurance business

(₹ in 000s)

Nature of income	For the year ended 31-Mar-20	For the year ended 31-Mar-19
For selling life insurance policies (including ULIPs)	714,042	709,007
For selling non life insurance policies	86,700	92,274
Total	**800,742**	**801,281**

(xlii) Concentration of Deposits

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Total deposits of twenty largest depositors	174,180,031	250,071,429
Percentage of deposits of twenty largest depositors to total deposits of the Bank	17.35%	23.80%

(xliii) Off-Balance Sheet Special Purpose Vehicles sponsored

The Bank has not sponsored any Special Purpose Vehicle during the year (2018-19: Nil).

(xliv) Factoring Services

The bank has receivables acquired under factoring amounting to ₹27,924 million as on 31 March 2020 (2018-19: ₹26,250 million).

(xlv) Fraud

Disclosure is in accordance with RBI circular DBR.No.BP.BC.92/21.04.048/2015-16 dated 18 April 2016

(₹ in 000s)

	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Number of Frauds reported during the year	881	679
Amount involved in such frauds during the year (net of recoveries)	8,915,002	4,372,843
Quantum of provision made during the year (including w/off)[1]	8,928,822	4,328,400
Quantum of unamortised provision debited from 'other reserves' as at the end of the year	–	–

[1] Represents write off/provision made during FY 2019-20. Included in this figure is the provision Bank holds against specific non performing clients amounting to ₹6,254,040 (in 000s) (2018-19: ₹3,516,524 (in 000s)).

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(2) Segment reporting

(i) Segment Description

The Bank has disclosed its operations under the following segments:

Segment Definition	Activities
Treasury	Treasury activities include foreign exchange, fixed income, money market and derivative transactions.
Wholesale Banking	Local corporate financing, corporate advisory and all advances to trusts, partnership firms, companies and statutory bodies, which are not included under the "Retail Banking" segment, are reported under Wholesale Banking.
Retail Banking	Retail banking serves retail customers through the branch network and other delivery channels. This segment raises deposits from customers and makes loans and provides other services to such customers. This segment also includes activities relating to credit cards, debit cards, mortgage loans, third party product distribution and their associated costs. Exposures are classified under retail banking taking into account the orientation, product, granularity and individual exposure criteria.
Others	Others include Property and other items not allocable in the aforementioned segments.

The classification of exposures to the respective segments conform to the guidelines issued by RBI based on the information available for classification.

(ii) Segment Accounting Policy

Segment results are determined after considering the following inter-unit notional charges/recoveries:

a. Fund Transfer Pricing:

Treasury gives notional interest benefit to other divisions for the funds mobilized by the latter through deposits, and similarly charge notional interest to other divisions for the funds utilized 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.

b. Premises Rental Chargeback:

Individual business segments are charged rent based on notional market values and the same is credited to 'Others' (Property) in respect of the premises occupied by them.

c. Support costs (costs pertaining to Finance, HR, Property, Legal & Compliance, etc.) are allocated to Treasury, Wholesale & Retail banking segments based on managements' estimates of the benefits accruing to these segments for the costs incurred. This is similar to the basis used for the internal management reporting.

d. Capital & Reserves and attributable earnings thereon are allocated to individual business segments based on period end Risk Weighted Assets.

(iii) Geographic Segments

As the Bank does not have any earnings or assets originating outside India, the Bank is considered to operate only in the domestic segment.

(iv) Segment Reporting

For the year ended 31 March 2020

(₹ in 000s)

		Treasury	Wholesale Banking	Retail Banking	Others	Total
A.	Gross Segment Revenue	53,347,255	52,476,812	35,659,662	3,133,787	144,617,516
B.	Net Segment Revenue	36,299,651	36,378,651	24,172,643	(2,643,262)	94,207,683
C.	Net Segment Results	35,970,973	7,718,754	4,037,049	(4,512,172)	43,214,604
D.	Operating Profit	–	–	–	–	43,214,604
E.	Income Taxes	–	–	–	(14,867,830)	(14,867,830)
F.	Net Profit	–	–	–	–	28,346,774
G.	Segment Assets	943,731,155	529,931,697	263,735,172	107,597,210	1,844,995,234
H.	Segment Liabilities	557,244,681	840,466,131	421,626,589	25,657,833	1,844,995,234
I.	Capital Expenditure to acquire Fixed Assets	–	–	–	619,850	619,850
J.	Depreciation	–	–	–	620,302	620,302

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(2) Segment reporting

(iv) Segment Reporting *(Continued)*

For the year ended 31 March 2019

(₹ in 000s)

		Treasury	Wholesale Banking	Retail Banking	Others	Total
A.	Gross Segment Revenue	40,684,938	46,565,521	36,007,782	156,768	123,415,009
B.	Net Segment Revenue	29,390,724	25,504,715	23,327,420	(3,996,440)	74,226,419
C.	Net Segment Results	27,626,119	5,552,476	6,597,410	(5,308,971)	34,467,034
D.	Operating Profit					34,467,034
E.	Income Taxes				(12,781,529)	(12,781,529)
F.	Net Profit					21,685,505
G.	Segment Assets	918,372,049	430,914,438	282,975,681	80,231,249	1,712,493,417
H.	Segment Liabilities	404,409,032	879,621,096	416,203,283	12,260,006	1,712,493,417
I.	Capital Expenditure to acquire Fixed Assets				629,332	629,332
J.	Depreciation				706,651	706,651

(3) Penalties

a. During the year, no penalty was levied under Sec 46(4). (2018-19: ₹10,000 (in 000’s)).

b. RBI levied penalty of ₹3 (in 000s) (2018-19: ₹39 (in 000s)) for shortages/forged/soiled notes deposited by the Currency Chest branches.

(4) Other expenditure

During the financial year ended 31 March 2020, under Other Expenses in Schedule 16, expenses in excess of 1% of total income is ₹5,822,537 (in 000s) (2018-19: ₹6,262,305 (in 000s)) comprising of Direct sales commission, cost on Priority sector lending certificates and ineligible input credit of Goods and Service tax.

(5) Related Party Disclosures

(i) The list of related parties as defined in AS 18 – Related Party Disclosures and the nature of their relationship with Standard Chartered Bank - India Branches are given below:

(a) Ultimate Parent Company

Standard Chartered Plc

(b) Parent Company

Standard Chartered Holding Ltd

(c) Head Office

Standard Chartered Bank, UK

(d) Branches of Head Office

- Standard Chartered Bank, USA
- Standard Chartered Bank, UK
- Standard Chartered Bank, Sri Lanka
- Standard Chartered Bank, Bahrain
- Standard Chartered Bank, Qatar
- Standard Chartered Bank, United Arab Emirates
- Standard Chartered Bank, Dubai International Financial Centre
- Standard Chartered Bank, Oman
- Standard Chartered Bank, Singapore
- Standard Chartered Bank, Japan
- Standard Chartered Bank, South Africa
- Standard Chartered Bank, Philippines
- Standard Chartered Bank, Bangladesh
- Standard Chartered Bank, Jordan
- Standard Chartered Bank, Indonesia
- Standard Chartered Bank, Germany
- Standard Chartered Bank, Labuan
- Standard Chartered Bank, Jersey
- Standard Chartered Bank, Brunei
- Standard Chartered Bank, Paris
- Standard Chartered Bank, Sweden
- Standard Chartered Bank, Africa Regional Office - South Africa
- Standard Chartered Bank, MENA Private Bank
- Standard Chartered Bank, Taiwan Branch (DBU)
- Standard Chartered Bank, Australia

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(5) Related Party Disclosures *(Continued)*

(e) Subsidiaries of Head Office (Standard Chartered Bank, UK)

- St Helen's Nominees India Private Limited
- Standard Chartered Global Business Services Private Limited
- Standard Chartered (India) Modeling and Analytics Centre Private Limited
- Standard Chartered Finance Private Limited
- Standard Chartered Private Equity Advisory (India) Private Limited
- Standard Chartered Securities (India) Limited
- Standard Chartered Investments and Loans (India) Limited
- Standard Chartered Bank (Hong Kong) Limited
- Standard Chartered Bank Mauritius OBU
- Standard Chartered Private Equity (Mauritius) Limited
- Standard Chartered Private Equity (Mauritius) II Limited
- Standard Chartered Private Equity (Mauritius) lll Limited
- Standard Chartered Bank (Pakistan) Limited
- Standard Chartered Bank (Taiwan) Limited
- Standard Chartered Bank (Thai) Public Company Limited
- Standard Chartered Bank Nepal Limited
- Standard Chartered Bank Botswana Limited
- Standard Chartered Bank Ghana Limited
- Standard Chartered Bank Malaysia Berhad
- Standard Chartered Bank Korea Limited
- Standard Chartered Bank Sierra Leone Limited
- Standard Chartered Bank Nigeria Limited
- Standard Chartered Bank Cote D'lvoire
- Standard Chartered Bank Kenya Limited
- Standard Chartered Trust (Singapore) Limited
- Standard Chartered Bank (China) Limited
- Standard Chartered Bank (Vietnam) Limited
- Standard Chartered Bank (Singapore) Limited
- Standard Chartered Bank Cameroon S.A
- Standard Chartered Bank Gambia Limited
- Standard Chartered Bank Zimbabwe Limited
- Standard Chartered Bank Tanzania Limited
- Standard Chartered Bank Uganda Limited
- Standard Chartered Bank Zambia PLC
- Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited
- Standard Chartered Bank Angola S.A
- Pembroke Group Limited
- Standard Chartered Global Business Services, Malaysia
- Standard Chartered Global Business Services, China
- Standard Chartered Bank, Germany AG
- Standard Chartered Strategic Brand Management
- Merlion India Fund III Ltd
- Standard Chartered Bank, IL&FS Asia Infrastructure Growth Fund Company Pte Limited
- SCB Alternative Investment Group
- Standard Chartered AG
- Standard Chartered Bank, Malaysia

Note: Categories (d) and (e) above include only those related parties with whom transactions have occurred during the current/previous year.

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(5) Related Party Disclosures *(Continued)*

(f) Key Management Personnel

In accordance with the RBI circular DBR.BP.BC No.23/21.04.018/2015-16 dated 01 July 2015, only Ms. Zarin Daruwala, the Chief Executive Officer of the Bank falls under the category of key management personnel for the year 2019-20, hence, no disclosures are provided.

(ii) Transactions and balances

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 (i.e. key management personnel) and where the Bank has an obligation under law to maintain confidentiality in respect of their customer transactions.

(₹ in 000s)

	Parent Company		Head Office & Branches		Subsidiaries & Fellow Subsidiaries	
	For the year ended 31-Mar-20	For the year ended 31-Mar-19	For the year ended 31-Mar-20	For the year ended 31-Mar-19	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Leasing arrangements availed	–	–	–	–	19,659	19,675
Leasing arrangements provided	–	–	–	–	54,984	87,307
Purchase of Fixed assets	–	–	–	–	–	–
Sale of Fixed Assets	–	–	–	–	–	–
Employee Share Options	–	–	176,786	267,122	–	–
Rendering of services	–	–	670,820	1,794,187	600,855	816,774
Receiving of services	–	–	87,952	108,042	3,713,516	4,169,559
Interest Paid	–	–	1,511,809	338,817	200,233	247,754
Interest Received	–	–	330,016	588,669	8,570	1,347
Sale of foreign exchange	–	–	6,916,074,530	10,005,700,697	251,276,954	240,805,122
Purchase of foreign exchange	–	–	7,002,842,998	10,845,337,995	147,872,102	242,554,176
Fee and commission/other income (net)	–	–	1,240,559	1,554,856	64,178	(427,224)
Service Fees received on Guarantees/LCs	–	–	383,860	169,051	514,360	384,726
Purchase of DP business	–	–	–	–	97,500	–
Purchase of investments	–	–	108,331,368	46,570,323	768,325	3,149,182
Sale of investments	–	–	92,558,605	52,868,306	–	–

(₹ in 000s)

	Parent Company		Head Office & Branches		Subsidiaries & Fellow Subsidiaries	
	As at 31-Mar-20	Maximum Outstanding during the year	As at 31-Mar-20	Maximum Outstanding during the year	As at 31-Mar-20	Maximum Outstanding during the year
Lease Rentals Payable*	–	–	–	–	–	2,197
Lease Rentals Receivable*	–	–	–	–	20,744	38,898
Employee Share Options*	–	–	(266,708)	(1,042,106)	–	–
Borrowings	–	–	(72,352,764)	(158,431,043)	–	–
Subordinated Debts	–	–	–	–	–	–
Deposit/Vostros*	–	–	(2,373,458)	(6,828,621)	(5,374,801)	(6,369,900)
Investments	–	–	–	–	–	–
Placements	–	–	–	64,751,850	–	–
Advances	–	–	–	–	–	–
Nostro/Bank Balances	–	–	2,478,002	90,122,122	44,587	180,877
Derivative Notional & Trade Contingents*	–	–	2,211,178,967	2,212,200,803	23,415,049	102,035,544
Sundry Balances (Net)*	–	–	(2,974,332)	(2,974,332)	(1,239,369)	(1,239,380)
Positive MTM*	–	–	23,669,459	23,669,459	27,883	2,209,726
Negative MTM*	–	–	(27,087,019)	(27,087,019)	(641,935)	(1,445,786)

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(5) Related Party Disclosures *(Continued)*

(ii) Transactions and balances *(Continued)*

(₹ in 000s)

	Parent Company		Head Office & Branches		Subsidiaries & Fellow Subsidiaries	
	As at 31-Mar-19	Maximum Outstanding during the year	As at 31-Mar-19	Maximum Outstanding during the year	As at 31-Mar-19	Maximum Outstanding during the year
Lease Rentals Payable*	–	–	–	–	–	5,148
Lease Rentals Receivable*	–	–	–	–	–	126,172
Employee Share Options*	–	–	(825,198)	(834,093)	–	–
Borrowings	–	–	(26,970,450)	(89,769,259)	–	–
Deposit/Vostros*	–	–	(2,155,230)	(2,765,530)	(2,095,961)	(12,672,075)
Placements	–	–	8,644,375	75,567,131	–	–
Advances	–	–	–	–	–	–
Nostro/Bank Balances	–	–	9,863,784	20,029,165	(11,123)	543,521
Derivative Notional & Trade Contingents*	–	–	1,663,681,697	1,885,245,704	58,320,763	52,020,628
Sundry Balances (Net)*	–	–	1,341,848	2,122,317	(881,777)	(416,893)
Positive MTM*	–	–	15,304,849	22,716,387	1,049,058	1,049,058
Negative MTM*	–	–	(13,475,199)	(35,562,350)	(68,789)	(194,815)

Figures in bracket denotes payable

* Figures indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month-end.

(iii) Material related party transactions are given below:

The following were the material transactions between the Bank and its related parties for the year ended 31st March 2020. A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category.

Leasing Arrangements

For availing leasing service - payment of rent to Standard Chartered Global Business Services Private Limited ₹20 million (2018-19: ₹20 million).

For providing leasing services - receipt of rent from Standard Chartered Finance Private Limited ₹18 million (2018-19: ₹34 million), Standard Chartered Securities (India) Limited ₹24 million (2018-19: ₹33 million) and Standard Chartered Investments and Loans (India) Limited ₹8 million (2018-19: ₹8 million).

Rendering of Services

During the year the Bank provided secondment, amenities and other services to related parties. The material transactions were with Standard Chartered Private Equity Advisory (India) Private Limited, ₹103 million (2018-19: ₹487 million), Standard Chartered Bank, Singapore ₹429 million (2018-19: ₹924 Million), SCB US ₹167 million (2018-19: ₹385 million), SCB Mauritius ₹149 million (2018-19: ₹35 million) and Pembroke Group Limited ₹133 million (2018-19 : Nil).

Receiving of Services

During the year the Bank availed of back office support, brokerage, marketing and other services from related parties. The material transactions were back office support services from Standard Chartered Global Business Services Private Limited ₹3,408 million (2018-19: ₹3,871 million).

Interest Paid

Interest on money market borrowings to Head Office ₹1.4 billion (2018-19: ₹(1) million), Standard Chartered Bank, Japan ₹41 million (2018-19: ₹297 million), Standard Chartered Bank, Nepal ₹75 million (2018-19: ₹171 million) and Standard Chartered Bank, Vietnam ₹76 million (2018-19: ₹37 million).

Interest Received

Interest on money market lending to Head Office ₹264 million (2018-19: ₹507 million) and Interest on Nostro balances and lending to Standard Chartered Bank, USA ₹40 million (2018-19: ₹52 million).

Foreign Exchange Transactions

Sale of foreign currencies to Head Office ₹5,093,139 million (2018-19: ₹5,857,513 million) and Standard Chartered Bank, Singapore ₹796,830 million (2018-19: ₹3,343,397 million).

Purchase of foreign currencies from Head Office ₹5,239,472 million (2018-19: ₹6,831,477 million), Standard Chartered Bank, Singapore ₹768,105 million (2018-19: ₹3,002,653 million) and Standard Chartered Bank, Japan ₹709,997 million (2018-19: ₹208,331 million).

Fee and Commission Income/Other Income

Receipt of fees from Head Office ₹1,340 million (2018-19: ₹1,350 million) and Standard Chartered Bank, Singapore ₹310 million (2018-19: ₹496 million)

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(5) Related Party Disclosures *(Continued)*

(iii) Material related party transactions are given below: *(Continued)*

Service Fees on Guarantees & Letters of Credit

Receipt of trade fees from Standard Chartered Bank, Dubai ₹80 million (2018-19: ₹7 million), Standard Chartered Bank, Singapore ₹148 million (2018-19: ₹5.5 million), SCB Bangladesh ₹102 million (2018-19: ₹17 million) and SCB Nepal ₹260 million (2018-19: ₹86 million).

Purchase and Sale of Investments

Purchase of investments from Standard Chartered Bank (Mauritius) Limited ₹768 million (2018-19: ₹3,149 million) and Standard Chartered Bank, Singapore ₹108,331 million (2018 - 19: ₹46,570 million).

Sale of investments to Standard Chartered Bank, Singapore ₹92,559 million (2018-19: ₹52,868 million).

(6) Leases

Commercial and residential premises are taken on operating leases, which are cancellable in nature. Information provided herein pertains to premises taken/given on operating leases:

(₹ in 000s)

	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Lease payments recognised in the Profit and Loss Account in respect of operating leases	914,835	882,551

(₹ in 000s)

	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Assets given on lease – Premises		
Gross carrying amount	806,299	1,132,165
Accumulated depreciation	49,244	67,766
Depreciation charge for the year	5,397	8,462

- 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
- Initial direct costs for leases given are recognized as an expense in Profit and Loss Account

(7) Disclosure under Micro, Small & Medium Enterprises Development Act, 2006

The following disclosure is made as per the requirement under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED') on the basis of confirmation sought from suppliers on registration with specified authority under MSMED:

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Principal amount remaining unpaid to any supplier as at the year end	26,022	3,398
Interest due thereon	–	–
Amount of interest paid and payments made to the supplier beyond the appointed day during each accounting year	–	–
Amount of interest due and payable for 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	–	–
Amount of interest accrued and remaining unpaid at the year end	–	–

(8) Deferred Tax

The deferred tax charge of ₹18,849 million for the year ended 31 March 2020 (2018-19: ₹5,715 million) is included in provision on account of tax under Schedule 17- Provisions and Contingencies.

The primary components that gave rise to deferred tax assets and liabilities included in the balance sheet are as follows:

(₹ in 000s)

	As at 31-Mar-20	As at 31-Mar-19
Deferred tax assets		
Provision for Advances	8,679,733	25,978,675
Depreciation	419,479	521,714
Disallowances under section 43B of Income Tax Act 1961	733,826	714,704
Others	–	–
Deferred tax assets	**9,833,038**	**27,215,093**
Deferred tax liabilities	**(2,280,737)**	**(813,811)**
Net deferred tax assets	**7,552,301**	**26,401,282**
Charge for the year	**18,848,981**	**5,714,601**

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Schedules to the financial statements for the year ended 31 March 2020 *(Continued)*

E) Notes to accounts *(Continued)*

(9) Amount of Provisions made for Income Tax during the year

(₹ in 000s)

	For the year ended 31-Mar-20	For the year ended 31-Mar-19
Provision for Income Tax	(3,981,152)	6,658,330

(10) Portfolio Purchase

During the year, the Bank has purchased loans (retail loans) amounting to ₹8,491 million (2018-19: ₹13,070 million) from various NBFCs, banks and other institutions.

(11) Disclosure 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 Bank has submitted a declaration to RBI confirming the aforesaid matter.

(12) Employee Share Based Payment

The eligible employees of the Bank have been granted stock awards as equity shares of the ultimate holding company, SCPLC, under various share schemes such as Restricted Share Award (RSA), Deferred Restricted Share Award (DRSA), Performance Share Award (PSA), Sharesave Plan, etc.

During the year, the Bank has recognized an amount of ₹176,788 (in 000s) (2018-19: ₹267,120 (in 000s)) under the head 'Payments to and Provisions for Employees', as cost on account of share-based payments under Schedule 16 – Operating Expenses and the same is payable to Standard Chartered Bank, UK (Head office).

(13) Corporate Social Responsibility

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 has a local policy on CSR that support programs related to health (preventive blindness), water and sanitation, education, employability and entrepreneurship and any other duly authorized initiative by the Management Committee of the Bank. Details of CSR expenditure are set out below:

(₹ in 000s)

Gross amount required to be spent during the year ₹707,898 (2018-19: ₹525,373)				
Amount spent during the year ending on 31 March 2020:		**Incash**	**Yet to be paid in cash**	**Total**
1.	Construction/acquisition of any assets	–	–	–
2.	For purposes other than 1 above	634,743	–	634,743
Amount spent during the year ending on 31 March 2019:		**Incash**	**Yet to be paid in cash**	**Total**
1.	Construction/acquisition of any assets	–	–	–
2.	For purposes other than 1 above	357,558	–	357,558

(14) Prior Period Comparatives

Previous year figures have been reclassified or regrouped wherever necessary to conform to the current year's presentation.

For **MSKC & Associates**
(Formerly knows as R.K. Kumar & Co.)
Chartered Accountants
Firm's Registration No: 001595S

Sd/-
Tushar Kurani
Partner
Membership No: 118580

For Standard Chartered Bank – India Branches

Sd/-
Zarin Daruwala
Chief Executive Officer – India

Sd/-
Subhradeep Mohanty
Chief Financial Officer – India

Mumbai
18 June 2020

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020

1. Background

The Standard Chartered Group (SCB Group or the Group) is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. Standard Chartered Bank is regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom (UK).

SCB India (SCBI or the Bank) is a branch of Standard Chartered Bank UK, which is part of the SCB Group. The ultimate parent company of the Bank is Standard Chartered PLC, which is listed on the London Stock Exchange and the Stock Exchanges of Hong Kong and India. Indian branch operations are conducted in accordance with the banking license granted by the Reserve Bank of India (RBI) under the Banking Regulation Act 1949.

2. Overview

The Basel Committee on Banking Supervision published a framework for International Convergence of Capital Measurement and Capital Standards (commonly referred to as Basel II), which replaced the original 1988 Basel I Accord. The RBI adopted the same in Mar 2008. Subsequently, post introduction of Basel III, RBI adopted implementation of the same from 1 April 2013 and is phased in through to 31 Mar 2020. Accordingly, for 31 Mar 2019 reporting purposes, the Bank has calculated its Pillar 1 capital requirement based on Basel III norms.

Basel III is structured around three "pillars" which are outlined below:

- Pillar 1 sets out minimum regulatory capital requirements – the minimum amount of regulatory capital banks must hold against the risks they assume;
- Pillar 2 sets out the key principles for supervisory review of a bank's risk management framework and its capital adequacy. It sets out specific oversight responsibilities for the Board and senior management, thus reinforcing principles of internal control and other corporate governance practices; and
- Pillar 3 aims to bolster market discipline through enhanced disclosure by banks.

Basel III provides three approaches of increasing sophistication to the calculation of credit risk capital; the Standardised Approach (SA), the Foundation Internal Ratings Based Approach and the Advanced Internal Ratings Based Approach (IRB). Basel II also introduced capital requirements for operational risk (OR) for the first time.

3. DF 1 - Scope of Application

Name of the head of the banking group to which the framework applies: Standard Chartered Bank, India Branches

DF 1 - Qualitative Disclosures

3.1. Pillar 1

The SCB Group and local management of the Indian operations recognise that Basel III is a driver for continuous improvement of risk management practices and believe that adoption of leading risk management practices are essential for achieving its strategic intent. Accordingly, the Group has adopted the IRB model for the measurement of credit risk covering substantial majority of the portfolio. The Group applies Internal Models Approach for market risk capital and the Standardised Approach for determining its OR capital requirements.

SCBI has adopted RBI's prevailing Basel III regulations related to SA for credit and market risk and Basic Indicator Approach (BIA) for OR for computing local regulatory Pillar 1 capital.

3.2. Pillar 2

Pillar 2 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. This risk and capital assessment is commonly referred to as an Internal Capital Adequacy Assessment Process (ICAAP). The range of risks that need to be covered by the ICAAP is much broader than Pillar 1, which covers only credit risk, market risk and OR.

The Group has developed an ICAAP framework which closely integrates the risk management and capital assessment processes and ensures that adequate levels of capital are maintained to support the current and projected demand for capital under expected and stressed conditions. The ICAAP framework has been designed to be applied consistently across the organisation to meet the Pillar 2 requirements of local regulators. As a branch of a foreign bank in India, the India ICAAP is largely based on the Group ICAAP framework, so as to maintain consistency in reporting of the risk and capital management aspects. However, wherever necessary, local customisation has been incorporated to align with the RBI requirements.

3.3. Pillar 3

Pillar 3 aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk management practices. The Bank has implemented the requirements laid down by RBI for Pillar 3 disclosure, covering both the qualitative and quantitative items. These are also published in the Bank's annual report and hosted on the Bank's website.

The risk related disclosures and analysis provided herein below, are primarily in the context of the disclosures required under the RBI's Pillar 3 – Market Discipline of the Basel III Capital Regulations and are in respect of SCBI, except where required and specifically elaborated, to include other Group entities operating in India. The information provided has been reviewed by senior management and is in accordance with the guidelines prescribed by the RBI.

3.4. Accounting and Prudential Treatment/Consolidation Framework

The consolidation norms for accounting are determined by the prevailing Indian Generally Accepted Accounting Principles (GAAP). The regulatory requirements are governed by RBI guidelines. The differences between consolidation for accounting purposes and regulatory purposes are mainly on account of following reasons:

1) Control over other entities to govern the financial and operating policies of the subsidiaries or joint ventures

   As per Indian GAAP, existence of control/joint control to govern the financial and operating policies of the subsidiary or joint venture is necessary for accounting consolidation. However, certain entities such as Non Banking Finance Companies (NBFC) have to be consolidated for regulatory capital adequacy purposes even where the above requirement is not fulfilled. Such cases are where the ability to control financial and operating policies of the entities legally vests with the Parent or Group entities and not with the India branch operations.

Standard Chartered

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

2) Nature of business of the entities to be consolidated

As per Indian GAAP, subsidiaries are not excluded from consolidation because of dissimilar nature of business activities between subsidiary and other entities within the Group. However, RBI regulations do not require consolidation of entities engaged in insurance business and businesses not pertaining to financial services.

3) Method of consolidation

The accounting consolidation methodology requires 'line by line' consolidation and elimination of all inter-group balances. However, for the purpose of regulatory consolidation under the capital adequacy framework, the risk weighted assets (RWA) and capital requirements for each entity can be computed separately by applying the Basel III norms as applicable for a bank and simply added together with that of the lead bank in the consolidated group. The Bank has adopted the latter approach for consolidation of entities for limited purpose of capital adequacy framework, as the accounting consolidation method is not appropriate considering the legal ownership pattern of the consolidated entities.

List of group entities considered for consolidation for regulatory purposes is summarised below:

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
Standard Chartered Bank, India Branches	Yes	Full	Yes	For the purpose of regulatory consolidation under the capital adequacy framework, the RWA and capital requirements for each entity can be computed separately by applying the Basel III norms as applicable for a bank and simply added together with that of the lead bank in the consolidated group. The Bank has adopted the latter approach for consolidation of entities for limited purpose of capital adequacy framework, as the accounting consolidation method is not appropriate considering the legal ownership pattern of the consolidated entities.		
Standard Chartered Investments and Loans (India) Limited	No	Not Applicable	Yes			

List of group entities in India not considered for consolidation both under the accounting and regulatory scope of consolidation:

(₹ 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)	% of bank's holding in of the total equity	Regulatory treatment 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)
Standard Chartered Securities (India) Limited **	Category I merchant banker, rendering brokering services to retail clients and depository services	2,818,557	0%	Not Applicable	2,815,553
St. Helen's Nominees India Private Limited*	Nominee business - holding shares/ debentures in limited companies on behalf of SCBI and its clients. Security trusteeship business for SCBI.	100	0%	Not Applicable	35,174
Standard Chartered Global Business Services Private Limited*	The company renders the following services to related parties: a) Software development, maintenance & support b) Back office transaction processing and data processing of various banking transactions c) IT support d) Voice call centre services	83,116	100%	Not Applicable	22,133,400
Standard Chartered Finance Private Limited**	Marketing services of financial products of Standard Chartered Bank and its Home Assist division provides search and other property related services.	71,907	0%	Not Applicable	881,179
Standard Chartered (India) Modeling and Analytics Centre Private Limited*	The company is a captive knowledge process outsourcing company which provides robust and contemporary analytical solutions to the Bank's businesses across the globe for the purpose of risk management and capital management.	500,000	100%	Not Applicable	779,135
Standard Chartered Private Equity Advisory (India) Private Limited**	The company is a research unit for Merlion India Fund carrying on activities of industry research and advice by furnishing industry and market feedback.	24,000	0%	Not Applicable	199,781

Note: * Basis audited results as at 31 Mar 2020

** Basis unaudited results as at 31 Mar 2020

Standard Chartered Bank – India Branches

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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

DF1 - Quantitative Disclosures

List of group entities considered for regulatory consolidation:

(₹ 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)
Standard Chartered Bank, India Branches	Banking and Financial services	74,400,742	1,844,995,234
Standard Chartered Investments and Loans (India) Limited	Financial services acceptable for NBFC, other than accepting public deposits eg. lending, investments, etc.	4,543,900	25,056,528

Note: The above data is as per audited results as at 31 Mar 2020.

The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidatio, i.e., that are deducted and the name(s) of such subsidiaries.	NIL
The aggregate amounts (e.g., current book value) of the bank's total interests in insurance entities, which are risk-weighted, as well as, their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.	NIL
Any restrictions or impediments on transfer of funds or regulatory capital within the banking group	As per extant RBI guidelines

4. DF 2 - Capital Adequacy

DF 2 - Qualitative Disclosures

4.1. Objectives

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.

4.2. Approach

Strategic, business and capital plans are drawn up annually covering a one to five year horizon. The plans ensure that adequate levels of capital and an optimum mix are maintained by the Bank to support its strategy. This is integrated with the Bank's annual planning process which takes into consideration business growth assumptions across products and the related impact on capital resources.

The capital plan takes the following into account:

- Regulatory capital requirements and assessment of future standards;
- Demand for capital due to business growth, market stresses and potential risks; and
- Available supply of capital and capital raising options.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment at an overall Group level. The Bank also considers additional risk types other than those considered under Pillar 1 as part of its ICAAP. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined.

Stress testing and scenario/sensitivity analysis are used to assess the Bank's ability to sustain operations during periods of extreme but plausible events. They provide an insight into the potential impact of significant adverse events on the Bank's earnings, risk profile and capital position and how these could be mitigated.

The capital that the Bank is required to hold by the RBI is mainly determined by its balance sheet, off-balance sheet and market risk positions, after applying collateral and other risk mitigants.

4.3. Governance

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. At a country level, capital is maintained on the basis of the local regulator's requirements. It is overseen by the country Asset and Liability Committee (ALCO), which is responsible for managing the country balance sheet, capital and liquidity, with the active support and guidance from Group ALCO (GALCO), Operational Balance Sheet Committee (OBSC) and Group Treasury (GT). The responsibility of capital management has been assigned to a dedicated sub-group of ALCO, the Capital Management Forum (CMF). The capital management process is governed by the Capital Planning Framework.

Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all legal entities. These processes are designed to ensure that each entity and the consolidated Bank have sufficient capital available to meet local regulatory capital requirements at all times.

4.4. Mobility of Capital Resources

The Bank operates as a branch in India, hence under current RBI regulations it cannot raise capital externally. The Group's policy in respect of profit repatriation requires that each local entity should remit its profits that are considered surplus to local regulatory minimum requirements. The amount to be remitted/injected and the mix/mode of capital (CET 1 v/s Tier 2) is determined in conjunction with GT, after taking into account local capital adequacy regulations (inclusive of any regulatory buffers), anticipated changes to those regulations, forecast organic growth and Head Office (HO) return expectations.

Standard Chartered Bank – India Branches

(Incorporated in the United Kingdom with limited liability)

Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

4.5. Capital Structure

CET 1/Tier 1 capital mainly comprises of:

i) Capital funds injected by HO.
ii) Net profits of each year retained as per statutory norms (currently 25%).
iii) Remittable net profits retained in India for meeting regulatory capital requirements.
iv) Capital reserves created out of profits on account of sale of immovable properties and held to maturity investments, as per RBI regulations.

The above are not repatriable/distributable to HO as long as the Bank operates in India.

Tier 2 capital mainly comprises of:

i) 45% of reserve created on revaluation of immovable properties in accordance with the Indian GAAP.
ii) General provisions on standard (performing) assets created as per RBI regulations.
iii) Reserve created out of unrealised gain on revaluation of investments as per RBI regulations.
iv) Investment fluctuation reserve created as per RBI regulations.

DF 2 - Quantitative Disclosures

Capital and RWA

As at 31 Mar 2020 **(₹ in 000s)**

	Solo bank*	**Consolidated bank***
Tier 1 Capital :	**256,283,122**	**265,320,691**
Common Equity Tier I	**256,283,122**	**265,320,691**
Head Office Capital	74,400,742	74,400,742
Paid up capital	–	4,543,900
Eligible reserves	183,521,677	188,090,048
Benefit of DTA	–	–
Illiquid securities reserves	(860,289)	(860,289)
Intangible assets (excluding DTA)	(53,376)	(128,078)
Other regulatory adjustments	(725,631)	(725,631)
DTA deduction (Net of Benefit)	–	–
DTA Benefit	–	–
Total Tier 1 Capital	**256,283,122**	**265,320,691**
Additional Tier I	–	–
Tier 2 Capital :	**17,975,439**	**18,063,460**
Eligible revaluation reserves	2,590,903	2,590,903
General provision and other eligible reserves/provisions	15,384,536	15,472,557
Debt capital instruments eligible to be reckoned as capital funds and included in Lower Tier 2 (of which amount raised during the year Rs. Nil)		–
Less: Amortisation of qualifying subordinated debts	–	–
Other regulatory adjustments	–	–
Total capital base	**274,258,561**	**283,384,151**
Minimum regulatory capital requirements		
Credit risk	**134,421,393**	**136,718,625**
Standardised approach portfolios	112,826,964	115,105,364
Securitisation exposures	1,827,604	1,827,604
Counterparty/settlement risks	18,067,557	18,067,557
Benefit of DTA	1,699,268	1,718,100
Market risk - Standardised duration approach	**18,493,593**	**18,493,593**
Interest rate risk	17,447,368	17,447,368
Foreign exchange risk (including gold)	1,012,500	1,012,500
Equity risk	33,725	33,725
Counterparty/settlement risks	–	–
Operational risk - Basic indicator approach	**12,890,512**	**13,095,506**
Total minimum regulatory capital requirements	**165,805,498**	**168,307,724**
Risk weighted assets and contingents		
Credit risk	1,493,571,031	1,519,095,838
Market risk *(including counterparty/settlement risks)*	205,484,367	205,484,367
Operational risk - Basic indicator approach	143,227,911	145,505,626
Total Risk weighted assets and contingents	**1,842,283,309**	**1,870,085,831**
Capital ratios		
Common Equity Tier 1 capital	13.91%	14.19%
Tier 1 capital	13.91%	14.19%
Tier 2 capital	0.98%	0.97%
Total capital	**14.89%**	**15.15%**

Standard Chartered Bank – India Branches
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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

As at 31 Mar 2019 **(₹ in 000s)**

	Solo bank*	Consolidated bank*
Tier 1 Capital :	**246,216,480**	**254,628,124**
Common Equity Tier I	**246,216,480**	**254,628,124**
Head Office Capital	74,400,742	74,400,742
Paid up capital	–	4,543,900
Eligible reserves	176,426,524	179,603,623
Benefit of Deferred Tax Assets (DTA)	–	–
Illiquid securities reserves	(690,414)	(690,414)
Intangible assets (excluding DTA)	–	(36,779)
Other regulatory adjustments	(2,601,816)	(2,601,816)
DTA deduction (Net of Benefit)	(1,318,555)	(591,133)
DTA Benefit	–	–
Total Tier 1 Capital	**246,216,480**	**254,628,124**
Additional Tier I	**–**	**–**
Tier 2 Capital :	**13,224,019**	**13,302,319**
Eligible revaluation reserves	2,291,754	2,291,754
General provision and other eligible reserves/provisions	10,932,265	11,010,565
Debt capital instruments eligible to be reckoned as capital funds and included in Lower Tier 2 (of which amount raised during the year Rs. Nil)	–	–
Less: Amortisation of qualifying subordinated debts	–	–
Other regulatory adjustments	–	–
Total capital base	**259,440,499**	**267,930,443**
Minimum regulatory capital requirements		
Credit risk	**122,432,138**	**124,702,943**
Standardised approach portfolios	100,999,673	103,097,583
Securitisation exposures	1,835,342	1,835,342
Counterparty/settlement risks	13,953,510	13,953,510
Benefit of DTA	5,643,613	5,816,508
Market risk - Standardised duration approach	**15,545,816**	**15,545,816**
Interest rate risk	14,892,916	14,892,916
Foreign exchange risk (including gold)	607,500	607,500
Equity risk	45,400	45,400
Counterparty/settlement risks	–	–
Operational risk - Basic indicator approach	**13,063,485**	**13,228,765**
Total minimum regulatory capital requirements	**151,041,439**	**153,477,524**
Risk weighted assets and contingents		
Credit risk	**1,360,357,089**	**1,385,588,257**
Market risk *(including counterparty/settlement risks)*	172,731,287	172,731,292
Operational risk - Basic indicator approach	145,149,836	146,986,280
Total Risk weighted assets and contingents	**1,678,238,212**	**1,705,305,829**
Capital ratios		
Common Equity Tier 1 capital	14.67%	14.93%
Tier 1 capital	14.67%	14.93%
Tier 2 capital	0.79%	0.78%
Total capital	**15.46%**	**15.71%**

* Solo Bank represents the main licensed bank of the Group in India and consolidated bank includes Group controlled entities operating in India and consolidated for the limited purpose of capital adequacy framework.

5. Risk Management

The Bank has a strong governance culture and framework for risk management. The Bank's risk management principles align with those established at a Group level and are customized to meet the local regulatory requirements. One of the main risks incurred arises from extending credit to clients through trading and lending operations. Beyond credit risk, the Bank is also exposed to a range of other risk types such as market, operational, liquidity, pension, country cross border, reputational, strategic and other risks that are inherent to its strategy, product range and geographical coverage.

5.1. Risk Management Framework

The Bank adds value to clients and generates returns for shareholders by taking and managing risk in line with strategy and risk appetite. Risk management is the set of end-to-end activities through which the Bank makes risk-taking decisions and controls and optimises its risk-return profile. It is a Bank-wide activity and starts right at the front-line.

The management of risk lies at the heart of the Bank's business, as a central role of the Bank is to "warehouse" risk by extending credit to selected clients and to provide products which enable clients to lay off their price and liquidity risks to the Bank. Effective risk management is a central part of the financial and operational management of the Bank and fundamental to its ability to generate profits consistently and maximise the interest of its shareholders and other stakeholders.

Standard Chartered Bank – India Branches
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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 ***(Continued)***

The foundation of all risk assessment is aligned to the Group's Enterprise Risk Management Framework ("ERMF") and governance structure which has been adopted locally. The Group's ERMF establishes common principles and standards for the management of and control of all risks, and to inform behaviour across the organisation. The core components of the ERMF include risk culture, principle risk types, source of authorities, enterprise risk identification, assessment, mitigation & monitoring.

Under this framework, there are three lines of defence.

- The First Line of Defence is business and functions engaged in or supporting revenue generating activities that own and manage the risks.
- The Second Line of Defence comprises the Risk Framework Owners ("RFOs") supported by their respective control functions. The control functions independent of the First Line that provide oversight and challenge of risk management to provide confidence to the GCRO, the Senior Management and the Board.
- The Third Line of Defence is the Internal Audit function that provides independent assurance of the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line.

5.2. Risk Governance

The Group's committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the GALCO and Group Chief Risk Officer to the appropriate functional and divisional committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business and functional committees up to the Group-level committees, as appropriate.

The Country Management Team (CMT) drives and executes the business and governance agenda bringing alignment across the business and the functions so as to maximise and protect the value of the Group's operations in India. It is responsible for the overall strategic direction of the Bank. It is chaired by Country Chief Executive Officer (CEO) and comprises senior executive members of the Bank.

The following committees are the primary committees with oversight of risk and capital for the Bank:

1. ALCO – responsible for the management of capital and liquidity and the establishment of and compliance with policies relating to balance sheet management, including management of the Bank's liquidity and capital adequacy. It includes the CEO, Chief Financial Officer (CFO), Country Chief Risk Officer (CCRO) and members from the businesses and economist.
2. Country Risk Committee (CRC) – responsible for the effective management of risks in support of business strategy within the boundaries set by the CMT and business level risk committees. It is responsible for implementing the ERMF, including assignment of the roles and responsibilities of RFOs locally. It is also responsible for ensuring that the risk exposures for all types of risks, including liquidity risk, remain within the overall risk appetite and within any specific boundaries advised by CMT and business risk committees. It includes the CEO, CCRO, CFO and members from the businesses and compliance.

Key sub-committees/forums include:

A. The Liquidity Management Forum (LMF) is a sub-group of the ALCO which manages liquidity. It includes members from Finance, Asset Liability Management (ALM) (also referred to as Treasury Markets) and the businesses.

B. The CMF is a sub-group of the ALCO which manages capital. It includes members from Finance, Risk and the businesses.

C. The Stress Test Forum (STF) is a sub-committee of the CRC which is responsible for reviewing the results of ongoing stress testing including for ICAAP. It includes members from the Finance and Risk functions and the Country Economist.

D. The Country Non-Financial Risk Committee (CNFRC) is a sub-committee of the CRC which exercises oversight of the Bank's OR exposures to ensure that it is aligned with the Bank's ERMF. The CNFRC reviews the Bank's significant risk exposures and ensures appropriateness and adequacy of mitigating action plans.

E. The Credit Issues Committee (CIC) is a sub-committee of the CRC which is responsible for identifying and monitoring corporate clients which show potential signs of weakness and/or may be exposed to higher risks. The CIC reviews the existing Early Alert, Retail and Group Special Assets Management (GSAM) portfolio and new accounts presented to the committee.

5.3. The Risk function

The CCRO manages the Risk function which is independent of the businesses. The role of the Risk function is:

- To maintain the ERMF, ensuring it remains appropriate to the Bank's activities and is effectively communicated and implemented across the Bank and for administering related governance and reporting processes.
- To uphold the integrity of the Bank's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with its standards and risk appetite.
- To exercise direct risk control ownership for credit, market, country cross-border, liquidity and operational risk types.

The Risk function is independent of the origination, trading and sales functions to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This is particularly important given that most revenues are recognised immediately while losses arising from risk positions only manifest themselves over time.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the wider organisation.

5.4. Risk Appetite/Tolerance

The Group/Bank manages its risks to build a sustainable franchise in the interests of all stakeholders. The Group Risk Tolerance Statement is the Standard Chartered PLC's Board of Directors' articulation of the amount of risk that the Group is willing to take in the pursuit of its strategic goals. The Risk Tolerance benchmarks provide a lens to identify risks and concentrations that may cause the Group to exceed its risk appetite. Within the Bank, these risks and concentrations are addressed and governed by various policies and frameworks (eg. ERMF, Local Lending Policy, Liquidity Risk Framework, etc) which contain specific limits and parameters (i.e., risk thresholds) to manage them. A consolidation of the key thresholds is monitored on an on-going basis through SCB India ERMF.

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5.5. Stress Testing

Stress testing and scenario analysis are used to assess the Bank's ability to maintain operations during periods of severe but plausible stress conditions and to simulate the set of feasible management mitigating actions and their impact on the Bank's earnings, risk profile and capital position, should such conditions materialise. These conditions may arise from economic, liquidity, legal, political or physical events, or from materialisation of risks that are unique to the Bank.

The stress testing framework is designed to:

- Contribute to the setting and monitoring of the Bank's ability to take risk;
- Identify the key risks to strategy, financial position and reputation;
- Support the development of mitigating actions and contingency plans;
- Ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing;
- Inform senior management; and
- Ensure adherence to regulatory requirements.

A Group level equivalent of STF, led by the Risk function with participation from the businesses, Group Finance, Global Research and GT, aims to ensure that the earnings and capital implications of specific stress scenarios are fully understood allowing informed mitigation actions and construction of contingency plans. This group forum generates and considers pertinent and plausible scenarios that have the potential to adversely affect the Group/Bank's business.

The India STF leverages on work done by Group and, in addition, reviews scenarios specific to the local context, including for ICAAP. Stress tests/impact analysis done in India during 2018-19 included impact of trade wars, currency depreciation, oil price surge on the SCB India portfolio as well as RBI mandated bottom-up stress test, derivatives portfolio stress test, liquidity and price risk stress tests, etc.

6. DF 3 - Credit Risk: General disclosures

DF 3 - Qualitative Disclosures

Credit risk is the potential for loss due to the failure of counterparty to meet its agreed obligations to pay the group. Credit exposures may arise from both, the banking and trading books.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators who are in the business units and approvers in the risk function. All credit exposure limits are approved within a defined credit approval authority framework.

6.1. Credit Policies

Group-wide credit policies and standards are considered and approved by the Group Risk Committee (GRC), which also defines the overall risk management framework. Policies and procedures specific to each business are established and provide the outline for how credit risk should be monitored and managed in the Bank. These Group policies/procedures are customised locally to incorporate any local regulatory and governance needs.

6.2. Credit Assessment Process

For Commercial, Corporate and Institutional (C&I) Clients

A pre-sanction appraisal is carried out by the relationship manager team through a Business Credit Application (BCA). BCAs are reviewed and duly approved by the credit officer based on the authority delegation given to him. Every account is graded using an alphanumeric grading system for quantifying the risks associated with the counterparty. The grading is based on a Probability of Default (PD) measure, with clients analysed against a range of quantitative and qualitative measures. The numeric grades run from 1 to 14 and some of the grades are further sub-classified A, B or C. Lower credit grades are indicative of a lower likelihood of default. Credit grades 1A to 12C are assigned to performing clients or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted clients. The Bank's credit grades are not intended to replicate external credit grades, and ratings assigned by external ratings agencies are not used in determining the Bank's internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower's poor external rating is kept in mind while assessing his internal credit grade.

Nominal Limits, Loss Given Default (LGD), Expected Loss, Exposure At Default (EAD) and RWA (as per AIRB) are used in the assessment of individual exposures and portfolio analysis. LGD is the credit loss incurred if an obligor defaults. Nominal Limits are used in the delegation of credit approval authority and must be calculated for every transaction to determine the appropriate level of approval. In accordance with the credit authority delegation, significant exposures are reviewed and approved centrally under dual approval framework or by Group Chief Risk officer or delegate. All the credit facilities are subject to an annual credit review process.

The Bank's Credit Policy, including local/governance/regulatory needs, requires strict adherence to laid down credit procedures and deviations, if any, are approved and captured through the credit appraisal process. Deviation from pre defined policy and procedures/local regulations are flagged off and approved by the relevant authority, if allowed, to ensure that deviations are justified and appropriately approved to avoid any undue loss/risk to the Bank.

For Retail Clients

Standard application forms are used, which are processed in central units using largely automated processes. Where appropriate to the client, product or market, a manual approval process by SCB officers is in place. Origination and approval roles are segregated.

Distribution of credit products through the new business channel is governed by the New Business Management and Risk Policy and Procedures, which among other requirements, lays down policies governing recruitment, verification, training and monitoring of sales staff. Credit decisions are independent of the sales/marketing functions and there are clear and specific delegated authorities. Regular assurance reviews through Control Self Testing/Key Control Indicators and audits ensure compliance to policy and delegated authorities.

Credit scores, where used, are based on PD calculated using IRB score models. These models are based on application and behavioural scorecards which make use of external credit bureau information as well as the Bank's own data. In case of portfolios where such IRB models/credit grades have not yet been developed, the PD is calculated using portfolio delinquency flow rates and expert judgment, where applicable. An alphanumeric grading system identical to that for C&I clients is used as an index of portfolio quality.

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6.3. Credit Approval

All credit approval authorities are delegated to individuals based on their judgment and experience the delegation is guided by the matrix set out in the Credit Policy for CIB & CB based on a risk-adjusted scale which takes account of the estimated maximum potential loss from a given client or portfolio. Credit origination and approval roles are segregated in all exposures.

6.4. Credit Monitoring

The Bank monitors its credit exposures and assesses the impact of trends in the macroeconomic environment which may impact its portfolio performance.

For Commercial and C&I clients, clients or portfolios are placed on 'Early Alert' when they display signs of actual or potential weakness. For example, where there is a decline in the client's position within the industry, market perception, management, financial leverage or behavioural patterns. Such accounts are subjected to a dedicated process overseen by the CIC. Client account plans, documentation for existing facilities, and credit grades are re-evaluated. In addition, remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of GSAM, the specialist recovery unit, which is independent of the main businesses.

For Retail clients, portfolio delinquency trends are monitored and reviewed at pre determined frequency. Individual client behaviour is also tracked and is considered for lending decisions. Accounts which are past due are subject to a collections process, managed independently within the Risk function. Charged-off accounts are managed by a specialist recovery team. The micro and small-sized enterprise business is managed in small businesses segment. The credit processes are refined based on exposure at risk and are managed through Programmed Lending, in line with procedures for Retail clients. For BWC, some of the practices for portfolio monitoring are adapted from the CB segment portfolio management processes including accounts being managed by Relationship Managers and periodic Special Alert Reviews (SAR)

The CRC is responsible for the effective management of credit risk, among other risks.

6.5. Concentration Risk

Credit concentration risk is the risk of material losses arising from sub-optimally diversified exposures. This may be due to the portfolio's sizeable single name exposure or high correlation across geographies and sectors. The risk arises that, due to a change in circumstances, having a concentration may give rise to potential losses.

Credit concentration risk is governed by the risk appetite framework and Local Lending Policy (LLP)/Credit Approval Document (CAD); adherence to these policies is monitored by CMT. Credit concentration risk is managed via Country Risk Appetite Mandates and within concentration caps set for counterparties or groups of connected counterparties, and for industry sectors, credit grade bands, business segments and collateralisation for Commercial and C&I clients and by products for Retail clients.

Credit concentration risk is principally managed based on three components: single-name borrower exposure, industry concentrations and product concentration. For managing single-name concentrations, the Bank monitors compliance to the single and group borrower regulatory guidelines. The LLP

For Retail clients, product concentration risk is managed through portfolio management approach in order to limit concentration, reduce volatility and improve profitability. As part of this approach, the Bank monitors product concentration on a bi-monthly basis.

6.6. Risk Reporting and Measurement

Risk measurement plays a central role, along with judgment and experience, in informing risk-taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

Various risk measurement systems are available to risk officers to enable them to assess and manage the credit portfolio. As the Group has adopted IRB for credit risk under Basel III, these include systems to calculate nominal exposure, PD, LGD and EAD on a transaction, counterparty and portfolio basis. The Group has implemented a single risk reporting system to aggregate risk data. This is used to generate management information to assist business and Risk users with risk monitoring and management.

A number of internal risk management reports are produced on a regular basis, providing information on; individual counterparty, counterparty group, portfolio exposure, credit grade migration, the status of accounts or portfolios showing signs of weakness or financial deterioration, models performance and updates on credit markets. IRB portfolio metrics are widely used in these reports. Regular portfolio risk reports are made available at-risk committee meetings.

6.7. Problem Credit Management and Provisioning

Credit monitoring is a continuous process. The frequency for each type of monitoring processes is defined. For example, excesses and past dues are reviewed on daily basis by business and credit officers. Covenants and risk triggers are normally linked to an event e.g. quarter on quarter drop in sales, exchange rate, crude prices, etc. For corporate accounts identified in risk-based manner, a Quarterly Performance Review (QPR) is also carried out, if necessary. Account conduct is also tracked on a monthly basis in terms of unauthorized excesses, documentation, compliance with covenants and progress on exit accounts through the Account Subject to Additional Review Process (ASTAR) reporting process. Potential problem credits are identified through the credit monitoring process and reported to the CIC for additional review. In addition, portfolio level review for Commercial, C&I and Retail clients is undertaken to track portfolio performance against local underwriting standards/Group policy. Outcomes of such reviews are placed before the CRC/CMT.

Commercial and C&I Exposures

Loans are classified as impaired and considered non-performing where analysis and review indicates that full payment of either interest or principal becomes questionable, or as soon as payment of interest or principal is 90 days or more overdue. Impaired accounts are managed by GSAM.

Specific provisions are made in accordance with the Bank's internal policy, subject to minimum provisions required under the RBI guidelines. When all sources of recovery have been exhausted and no further source of recovery is apparent, then the debt is written off by applying the impairment provision held.

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Retail Exposures

An account is considered to be delinquent when payment is not received on the due date. For credit cards, an account is required to be considered delinquent on the payment due date upon non-receipt of payment till the payment due date (for NPA calculation) plus 3 grace days (for bureau reporting). For delinquency reporting purposes, the Bank follows industry standards measuring delinquency as of 1, 30, 60 and 90 days past due. Accounts that are overdue are closely monitored. Loans are classified as impaired and considered non-performing where analysis and review indicates that full payment of either interest or principal becomes questionable, or as soon as payment of interest or principal is 90 days or more overdue.

Process used for raising provisions adheres to minimum provisions required under the RBI guidelines. In case of unsecured products, outstanding balances are written off at 150 days past due. In case of secured products like Mortgages, provision is raised after considering the realisable value of the collateral. Charge off for secured products happens at 720 days past due. For all products there are certain accounts such as cases involving fraud and death, where the loss recognition process is accelerated.

The Bank also maintains general provision as a percentage of performing standard advances and on unhedged foreign currency exposures, as prescribed by the RBI, to cover the inherent risk of losses.

The credit portfolio is monitored and reported to appropriate authorities in accordance with extant Group Policies/Procedures including Credit Policy for CIB & CB and Risk Mitigation Policy, as well as extant local regulations/guidelines prescribed from time to time by RBI.

DF 3 - Quantitative Disclosures

a) Analysis of total gross credit risk exposures; fund based and non-fund based separately

(₹ in 000s)

Nature & category of exposures	Credit risk exposures 31.03.2020	Credit risk exposures 31.03.2019
Inter bank exposures	25,768,972	69,519,571
Investments (HTM)	–	–
Advances	807,560,512	732,690,126
Total gross fund based exposures	**833,329,484**	802,209,697
Specific provisions/Provisions for depreciation in the value of investment[1]	(45,423,232)	(64,309,415)
Total net fund based exposures	**787,906,252**	737,900,282
Fx and derivative contracts	604,043,826	496,845,473
Guarantees, acceptances, endorsements and other obligations	402,414,611	368,099,336
Other commitments and credit lines[2]	52,378,320	35,829,830
Total gross non-fund based exposures[3]	**1,058,836,757**	**900,774,639**
Specific provisions	–	(2,735,155)
Total net non fund based exposures	**1,058,836,757**	**898,039,484**

1 Excluding provision on standard assets

2 Excluding credit lines which are unconditionally cancellable at the Bank's sole discretion or, effectively provide for automatic cancellation of credit lines due to deterioration of borrower's creditworthiness.

3 For non-fund-based exposures, credit risk exposures or, equivalents are computed as under:
- In case of exposures other than FX and derivative contracts, credit equivalent is arrived at by multiplying the underlying contract or notional principal amounts with the credit conversion factors prescribed by the RBI under the Basel III capital framework.
- In case of FX and derivative contracts, credit equivalents are computed using the current exposure method which includes, two steps as under:
  - Computation of current credit exposure, which is sum of the positive Mark to Market (MTM) value of the outstanding contracts.
  - Potential future credit exposure (PFE), which is determined by multiplying the notional principal amounts by the relevant 'add-on' factor based on tenor and type of underlying contracts.

b) Analysis of geographic distribution of exposures; fund based and non-fund based separately

As all the exposures under Para (a) above are domestic, the analysis of geographic distribution of exposures into fund and non-fund based has not been disclosed separately.

c) Analysis of industry wise distribution of exposures; fund based and non-fund based separately

(₹ in 000s)

S No	Nature and category of industry	31.03.2020 Credit Risk Exposures			31.03.2019 Credit Risk Exposures		
		Fund based	Non-fund based	Total	Fund based	Non-fund based	Total
1.	Mining and Quarrying	900,976	1,092,371	1,993,347	529,368	451,974	981,342
	Of which:						
	– *Coal*	*136,994*	*89,436*	*226,430*	*12,945*	*74,908*	*87,853*
	– *Others*	*763,982*	*1,002,935*	*1,766,917*	*516,423*	*377,066*	*893,489*
2.	Food Processing	3,890,393	4,949,301	8,839,694	14,975,032	4,149,689	19,124,721
	Of which:						
	– *Sugar*	*25,994*	*(1)*	*25,993*	*367,551*	*15,186*	*382,737*
	– *Edible Oils and Vanaspati*	*1,590,203*	*4,420,916*	*6,011,119*	*4,472,962*	*3,937,627*	*8,410,589*
	– *Tea*	–	–	–	–	–	–
	– *Coffee*		–	–	–	–	–
	– *Others*	*2,274,196*	*528,385*	*2,802,581*	*10,134,519*	*196,876*	*10,331,395*

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c) Analysis of industry wise distribution of exposures; fund based and non-fund based separately *(Continued)*

(₹ in 000s)

S No	Nature and category of industry	31.03.2020 Credit Risk Exposures			31.03.2019 Credit Risk Exposures		
		Fund based	Non fund based	Total	Fund based	Non fund based	Total
3.	Beverages (excluding Tea & Coffee) and Tobacco	933,058	3,434,549	4,367,607	4,277,148	1,573,898	5,851,046
	Of which:						
	– *Tobacco and tobacco products*	*69,715*	*2,322,734*	*2,392,449*	*218,729*	*1,573,898*	*1,792,627*
	– *Others*	*863,343*	*1,111,814*	*1,975,157*	*4,058,418*	–	*4,058,418*
4.	Textiles	20,825,875	3,849,993	24,675,868	19,003,042	2,141,168	21,144,210
	Of which:						
	– *Cotton*	–	–	–	–	–	–
	– *Others*	*20,825,875*	*3,849,993*	*24,675,868*	*19,003,043*	*2,141,168*	*21,144,211*
	Out of Total Textiles to Spinning Mills	–	–	–	–	–	–
5.	Leather and Leather products	2,383,968	149,958	2,533,926	2,190,506	109,394	2,299,900
6.	Wood and Wood Products	947,455	247,901	1,195,356	824,538	85,163	909,701
7.	Paper and Paper Products	5,180,128	938,575	6,118,703	6,940,860	1,075,888	8,016,748
8.	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	846,422	11,774,310	12,620,732	376,342	8,619,884	8,996,226
9.	Chemicals and Chemical Products (Dyes, Paints, etc.)	17,807,181	10,058,989	27,866,170	19,076,867	12,117,656	31,194,523
	Of which:						
	– *Fertilisers*	*326,835*	*996,337*	*1,323,172*	*1,822,857*	*1,732,602*	*3,555,459*
	– *Drugs and Pharmaceuticals*	*7,362,695*	*3,049,594*	*10,412,289*	*7,334,475*	*2,698,988*	*10,033,463*
	– *Petro-chemicals (excluding under Infrastructure)*	*3,859,013*	*2,926,425*	*6,785,438*	*5,141,536*	*3,553,177*	*8,694,713*
	– *Others*	*6,258,638*	*3,086,632*	*9,345,270*	*4,777,999*	*4,132,886*	*8,910,885*
10.	Rubber, Plastic and their Products	11,451,113	3,519,237	14,970,350	10,616,976	3,663,648	14,280,624
11.	Glass & Glassware	1,010,841	1,476,933	2,487,774	1,846,540	3,440,600	5,287,140
12.	Cement and Cement Products	13,118,867	5,990,224	19,109,091	9,245,322	5,670,957	14,916,279
13.	Basic Metal and Metal Products	29,282,816	9,931,694	39,214,510	27,202,876	7,914,330	35,117,206
	Of which:						
	– *Iron and Steel*	*18,438,606*	*4,618,267*	*23,056,873*	*16,650,166*	*3,091,027*	*19,741,193*
	– *Other Metal and Metal Products*	*10,844,209*	*5,313,427*	*16,157,636*	*10,552,709*	*4,823,303*	*15,376,012*
14.	All Engineering	26,172,697	52,679,352	78,852,049	28,566,360	50,093,875	78,660,235
	Of which:						
	– *Electronics*	*12,167,539*	*31,958,533*	*44,126,072*	*9,594,147*	*16,097,038*	*25,691,185*
	– *Others*	*14,005,158*	*20,720,819*	*34,725,977*	*18,972,213*	*33,996,837*	*52,969,050*
15.	Vehicles, Vehicle Parts and Transport Equipments	15,533,696	11,223,969	26,757,665	15,924,522	9,473,304	25,397,826
16.	Gems & Jewellery	1,885,090	3,296,181	5,181,271	3,491,298	2,544,293	6,035,591
17.	Construction	29,408,301	19,233,221	48,641,522	7,169,399	23,252,837	30,422,236
18.	Aviation	392,777	65,386	458,163	1,139,851	211,280	1,351,131
19.	Infrastructure	68,818,664	41,175,824	109,994,488	57,713,223	41,963,202	99,676,425
	Of which:						
	– *Roads and Bridges*	*9,252,775*	*5,611,926*	*14,864,701*	*12,109,585*	*5,006,519*	*17,116,104*
	– *Ports*	–	–	–	–	–	–
	– *Inland Waterways*	*446,352*	*12,010*	*458,362*	*321,441*	*6,118,508*	*6,439,949*
	– *Airport*	–	–	–	–	–	–
	– *Railway Track, tunnels, viaducts, bridges*	–	–	–	–	–	–
	– *Electricity (Generation)*	*4,481,892*	*12,394,798*	*16,876,690*	*9,053,142*	*6,707,447*	*15,760,589*
	– *Oil/Gas/Liquefied Natural Gas (LNG) storage facility*	*1,505*	*380,178*	*381,683*	–	–	–
	– *Communication*	*51,033,029*	*22,776,914*	*73,809,943*	*33,701,444*	*21,788,911*	*55,490,355*
	– *Other Infrastructure*	*3,603,110*	–	*3,603,110*	*2,527,612*	*2,341,820*	*4,869,432*
20.	Trading & NBFC	95,712,075	5,533,893	101,245,968	84,434,068	9,916,366	94,350,434
21.	Mortgage	66,191,017	–	66,191,017	85,833,349	–	85,833,349
22.	Retail Others	49,710,151	1,328,508	51,038,659	52,496,777	1,328,508	53,825,285
23.	Real Estate	96,291,036	4,096,141	100,387,177	101,223,996	27,714	101,251,707
24.	Others	248,865,916	206,368,099	455,234,015	177,591,870	178,273,705	355,865,575
	Total Gross Advances	**807,560,512**	**402,414,611**	**1,209,975,125**	**732,690,127**	**368,099,336**	**1,100,789,463**
	Specific provisions	(45,423,232)	–	(45,423,232)	(64,309,415)	(2,735,155)	(67,044,570)
	Total Net Advances	**762,137,280**	**402,414,611**	**1,164,551,893**	**668,380,712**	**365,364,181**	**1,033,744,893**
	Total Inter-bank exposures	**25,768,972**	**–**	**25,768,972**	**69,519,571**	**–**	**69,519,571**
	Total Investments (HTM)	**–**	**–**	**–**	**–**	**–**	**–**

Fund based exposure comprises loans and advances, inter-bank exposures and HTM Investments. Non-fund based exposure comprises guarantees, acceptances, endorsements and letters of credit.

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d) Analysis of residual contractual maturity of assets

As at 31 Mar 2020 **(₹ in 000s)**

Maturity Bucket	**Cash and Bank balances with RBI**	**Balances with Banks and money at call and short notice**	**Investments**	**Advances**	**Fixed Assets**	**Other Assets**
1day (d)	10,956,607	106,891,341	219,066,599	10,218,416	–	59,377,193
2 – 7 days	3,412,393	–	20,796,223	32,453,281	–	10,121,008
8 – 14 days	3,703,899	52,500	22,532,050	54,758,656	–	1,478,519
15 – 30 days	1,497,065	15,633,000	9,107,146	31,268,664	–	36,758,566
31 days – 2 months	2,642,439	–	16,074,840	31,919,263	–	32,428,167
2 months – 3 months	2,387,144	–	21,233,510	68,160,907	–	39,765,284
Over 3 months – 6 months	2,841,738	–	37,449,972	60,831,726	–	28,289,350
Over 6 month – 1 year	1,118,334	–	19,016,400	72,853,431	–	43,028,770
Over 1 year – 3 years	11,572,077	2,487	89,318,651	197,636,962	–	99,565,090
Over 3 year – 5 years	2,608	–	20,207,278	70,369,047	–	57,982,402
Over 5 years	187,528	–	1,213,957	131,666,927	13,796,538	12,332,520
Total	**40,321,832**	**122,579,328**	**476,016,626**	**762,137,280**	**13,796,538**	**421,126,869**

As at 31 Mar 2019 (₹ in 000s)

Maturity Bucket	**Cash and Bank balances with RBI**	**Balances with Banks and money at call and short notice**	**Investments**	**Advances**	**Fixed Assets**	**Other Assets**
1day (d)	2,021,139	74,646,795	189,138,623	11,497,300	–	52,123,993
2 – 7 days	4,483,167	57,994,601	23,158,846	38,936,164	–	6,553,971
8 – 14 days	4,082,361	–	46,845,016	43,626,425	–	4,789,633
15 – 30 days	2,057,539	40,000	10,611,487	28,106,277	–	18,256,443
31 days – 2 months	4,274,499	115,000	34,934,011	28,262,884	–	16,859,092
2 months – 3 months	4,488,738	65,000	43,035,035	30,712,627	–	22,605,629
Over 3 months – 6 months	5,311,472	–	42,496,170	50,562,895	–	43,181,830
Over 6 month – 1 year	3,111,317	–	38,699,111	45,413,549	–	34,636,756
Over 1 year – 3 years	11,297,667	4,700	62,451,929	176,011,800	–	52,169,883
Over 3 year – 5 years	17,577	–	38,823,242	59,573,492	–	35,699,063
Over 5 years	209,727	–	1,206,044	155,677,298	13,074,626	30,758,470
Total	**41,355,203**	**132,866,096**	**531,399,514**	**668,380,711**	**13,074,626**	**317,634,763**

The above has been prepared on similar guidelines as used for the statement of structural liquidity.

e) Details of Non-Performing Advances (NPAs) - Gross and Net

(₹ in 000s)

Particulars	**31.03.2020**	**31.03.2019**
Sub Standard	**15,658,826**	7,560,207
Doubtful	**28,144,723**	54,019,695
– *Doubtful 1*	***4,364,468***	*20,781,549*
– *Doubtful 2*	***10,680,711***	*20,822,899*
– *Doubtful 3*	***13,099,544***	*12,415,247*
Loss	**7,708,813**	5,327,874
Gross NPAs	**51,512,362**	66,907,776
Provisions	**(45,423,232)**	(64,309,415)
Net NPAs	**6,089,131**	2,598,361
Cover ratio	**92.73%**	**96.78%**

f) NPA Ratios

Particulars	**31.03.2020**	**31.03.2019**
Gross NPAs to gross advances	**6.38%**	9.13%
Net NPAs to net advances	**0.80%**	0.39%

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g) Movement of NPAs (₹ in 000s)

Particulars	31.03.2020		31.03.2019	
	Gross	Net	Gross	Net
Balance, 1st April	66,907,776	2,598,361	84,411,009	3,738,457
Additions during the period	24,852,072	7,191,260	14,196,060	735,096
Reductions during the period	(40,247,486)	(3,700,490)	(31,699,293)	(1,875,192)
Balance, end of the period	**51,512,362**	**6,089,131**	**66,907,776**	**2,598,361**

h) Movement of Provisions for NPAs

Specific Provisions (₹ in 000s)

Particulars	31.03.2020	31.03.2019
Balance, 1st April	64,309,415	80,672,553
Provisions made during the period	17,660,813	13,460,964
Write-off	(30,131,636)	(23,086,978)
Write-back of excess provisions	(6,415,360)	(6,737,123)
Any other adjustments, including transfer between provisions	–	–
Balance, end of the period	**45,423,232**	**64,309,415**

General Provisions (₹ in 000s)

Particulars	31.03.2020	31.03.2019
Balance, 1st April	10,123,710	11,283,108
Provisions made during the period	9,527,341	2,618,716
Write-off	(904,967)	–
Write-back of excess provisions	–	(3,778,113)
Any other adjustments, including transfer between provisions	–	–
Balance, end of the period	**18,746,084**	**10,123,711**

(₹ in 000s)

Particulars	31.03.2020	31.03.2019
Write-off that have been booked directly to the income statement	1,376,081	5,173
Recoveries that have been booked directly to the income statement	(1,049,781)	(665,973)

i) Movement of Non-Performing Investments and amount of Provisions held for Non-Performing Investments (₹ in 000s)

Particulars	31.03.2020	31.03.2019
Balance, 1st April	6,909,816	6,990,714
Additions during the period	-	772,511
Reductions during the period	(1,031,368)	(853,409)
Balance, end of the period	**5,878,448**	**6,909,816**
Total provisions held at the end of the period	**5,875,262**	**6,855,382**

j) Movement of Provision for Depreciation on Investments (₹ in 000s)

Particulars	31.03.2020	31.03.2019
Balance, 1st April	11,200,293	9,786,863
Provisions made during the period	-	2,243,411
Write-off	-	(273,005)
Write-back of excess provisions	(2,790,862)	-
Any other adjustments, including transfer between provisions	(642,747)	(556,976)
Balance, end of the period	**7,766,684**	**11,200,293**

k) NPA by Major Industries (Top 5 Industries) (₹ in 000s)

As on	Gross NPA	Specific Provisions	General Provisions	Specific provision during the current period	Write-off during the current period
31-Mar-20	21,695,891	20,722,822	0	(16,240,048)	21,558,352
31-Mar-19	39,628,830	39,353,559	0	(3,505,022)	8,170,781

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7. **DF 4 - Credit Risk: Disclosures for portfolios subject to the standardised approach**

DF 4 - Qualitative Disclosures

As per the provisions of the Basel framework in India, SCBI has adopted the SA for measurement of credit risk. The risk weights applied under the SA are prescribed by the RBI and are based on the asset class to which the exposure is assigned. This approach permits use of external ratings for credit exposures to counterparties in the category of sovereigns, international banks, corporate and securitisation exposures. The specified credit rating agencies used for these types of exposures are as under:

Domestic Credit Rating Agencies	International Credit Rating Agencies
Credit Rating Information Services of India Limited	Standard and Poor's
ICRA Limited	Moody's
India Ratings and Research Private Limited (India Ratings)	
Credit Analysis and Research Limited	
Acuite Ratings and Research Limited	
Brickworks Ratings India Pvt. Limited	
Infomerics Valuation and Rating Pvt. Limited	

Rated facilities have generally been considered as those facilities where the Bank's exposure has been explicitly considered; else, the exposure has been treated by the Bank as unrated. The process used to transfer public issue ratings onto comparable assets in the banking book is in accordance with the requirements laid down by RBI.

DF 4 - Quantitative Disclosures

Analysis of outstanding credit exposures (after considering credit risk mitigation) and credit risk by regulatory risk weight

As at 31 Mar 2020

(₹ in 000s)

Nature & category of exposures	Total gross credit exposure	Credit risk mitigation	Net exposure (before provision)	Credit risk weight buckets summary < 100%	100%	>100%	Deduction from capital
Inter bank exposures	25,768,972	–	25,768,972	25,725,841	25,751	17,380	–
Investments (HTM)	–	–	–	–	–	–	–
Advances	807,560,512	(12,509,179)	795,051,333	227,722,932	420,382,361	146,946,040	–
Total fund based exposures	**833,329,484**	**(12,509,179)**	**820,820,305**	**253,448,773**	**420,408,112**	**146,963,420**	**–**
Fx and derivative contracts	604,043,826	–	604,043,826	561,780,976	27,964,312	14,298,538	–
Guarantees, Acceptances, endorsements and other obligations	402,414,611	(104,993)	402,309,618	205,343,351	44,647,455	152,318,812	–
Undrawn Commitments and others	52,378,320	–	52,378,320	–	45,829,588	6,548,732	–
Total non fund based exposures	**1,058,836,757**	**(104,993)**	**1,058,731,764**	**767,124,327**	**118,441,355**	**173,166,082**	**–**

As at 31 Mar 2019

(₹ in 000s)

Nature & category of exposures	Total gross credit exposure	Credit risk mitigation	Net exposure (before provision)	Credit risk weight buckets summary < 100%	100%	>100%	Deduction from capital
Inter bank exposures	69,519,571	–	69,519,571	69,483,122	8,170	28,279	–
Investments (HTM)	–	–	–	–	–	–	–
Advances	732,690,125	(14,332,296)	718,357,830	192,186,899	358,584,929	167,540,058	–
Total fund based exposures	**802,209,697**	**(14,332,296)**	**787,877,401**	**261,670,021**	**358,593,099**	**167,568,337**	**–**
Fx and derivative contracts	496,845,473	–	496,845,473	454,433,278	42,061,256	350,939	–
Guarantees, Acceptances, endorsements and other obligations	368,099,336	(39,695)	368,059,641	129,034,370	154,334,758	84,690,510	–
Undrawn Commitments and others	35,829,830	–	35,829,830	–	32,454,055	3,375,775	–
Total non fund based exposures	**900,774,639**	**(39,695)**	**900,734,944**	**583,467,648**	**228,850,069**	**88,417,224**	**–**

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8. DF 5 - Credit risk mitigation: Disclosures for standardised approaches

DF 5 - Qualitative Disclosures

Potential credit losses from any given account, client or portfolio are mitigated using a range of tools such as collateral, netting agreements, guarantees and restructuring. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Risk mitigation policies determine the eligibility of collateral types. Collateral types for credit risk mitigation include cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees and letters of credit.

The above collateral types are applicable to all client segments, including, corporates and financial institutions, though exposures to banks are generally non-collateralised. There are well laid down policies and processes for valuation/revaluation of collaterals, covering source of valuation, independent professional valuations, hair-cuts/margins on collateral market values, re-margining requirements and re-assessment of credit limits. However, from a local regulatory perspective, the main "eligible" collaterals under the SA are restricted to cash (including fixed deposits) and units of mutual funds.

Collateral is valued in accordance with the Bank's lending policies, which prescribe the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired loans is recorded at fair value, which is revalued at least annually as prescribed in risk mitigation policy and procedures. In case of stock and book debts, monthly statements are obtained from the clients. In case of marketable securities listed on recognised exchanges, the valuation frequency is daily.

Guarantees taken can be categorised as follows:

- Guarantee from a bank (including central banks), or surety bond which is repayable on demand.
- Guarantee from a related corporate (including government owned commercial enterprises).
- Guarantee from an unconnected corporate.
- Guarantee from a government department, or an entity classified as government risk (excluding those classified as banks or commercial enterprises).
- Guarantee or indemnity from a SCB Group entity (subsidiary/associate or branch).
- Guarantee from one or more individuals.

DF 5 - Quantitative Disclosures

(₹ in 000s)

Nature and category of exposures	31.03.2020	31.03.2019
Exposure covered by eligible financial collateral after application of haircuts	848,846	2,095,996
Exposure covered by guarantees	117,338	444,706

9. DF 6 – Securitisation exposures: Disclosure for standardised approach

DF 6 - Qualitative Disclosures

Securitisation transactions are generally undertaken with the objective of credit risk transfer, liquidity management, meeting regulatory requirements such as priority sector lending and asset portfolio management. The Bank participates in securitisations in the role of originator, as well as, investor. In general, it provides credit enhancement services (as originator or as a third party), liquidity facilities, interest rate derivative products and acts as a collection and service agent.

The key risks inherent in securitisation transactions include:

- Credit risk: risk arising on account of payment delinquencies from underlying obligors/borrowers in the assigned pool.
- Liquidity risk: risk arising on account of lack of secondary market to provide ready exit options to the investors/participants.
- Interest rate/currency risk: mark to market risks arising on account of interest rate/currency fluctuations.
- Prepayment risk: prepayments in the securitised pool results in early amortisation and loss of future interest to the investor on the prepaid amount.
- Co-mingling risk: risk arising on account of co-mingling of funds belonging to investor(s) with that of the originator and/or collection and service agent, when there exists a time lag between collecting amounts due from the obligors and payment made to the investors.

Monitoring credit risk

The risk assessment of the pools is done continuously by the rating agencies based on amortisation level, collection efficiency, credit enhancement utilisation levels and credit cover available for balance deal tenor. If bank is acting as an investor, appropriate risk triggers are agreed at the time of investment and the same is monitored at regular intervals.

Where the bank is acting as an originator and is required to have retained risks as per RBI guidelines, the Bank has not used any credit risk mitigants to mitigate such retained risks.

The Bank may provide credit enhancement in the form of cash deposits or guarantees in its securitisation transactions and also provides credit enhancement as a third party on behalf of our clients. The Bank makes appropriate provisions for any delinquency losses assessed at the time of sale as well as over the life of the securitisation transactions in accordance with the RBI guidelines.

Regulatory capital approach

As per the provisions of the Basel III framework, all banks have to mandatorily adopt SA for capital treatment of securitisation transactions. This approach requires use of external rating agencies for risk weighting securitisation exposures. The credit rating agencies used by the Bank for these types of exposures are those recognised by the RBI (refer section 7 – DF- 4 above).

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DF 6 - Quantitative Disclosures

1. **Banking Book**

a) The outstanding exposures securitised by the Bank (in ₹ 000's) as on 31 Mar 2020: ₹ 706,268 (Previous Year: ₹ 1,602,027).

b) Securitisation losses recognised by the Bank during period ending 31 Mar 2020: NIL (Previous Year: NIL)

c) Assets intended to be securitised within a year – NIL (Previous Year: NIL).
The securitisation transactions are undertaken on a need basis to meet the objectives as disclosed above.

d) The total amount of exposures securitised with unrecognised gain/(loss)

(₹ in 000s)

	31-Mar-20		**31-Mar-19**	
Exposure Type	**Outstanding**	**Unrecognised gain /(loss)**	Outstanding	Unrecognised gain /(loss)
Housing Loans	706,268	–	803,195	–
Corporate Loans	–	–	798,832	–

e) Securitisation exposures retained or purchased

(₹ in 000s)

	31-Mar-20		**31-Mar-19**	
Exposure Type	**On Balance Sheet**	**Off Balance Sheet**	On Balance Sheet	Off Balance Sheet)
Housing Loans	328,434	1,328,508	328,434	1,328,508

f) Aggregate amount of securitisation exposures retained or purchased and the associated capital charge

As at 31 Mar 2020 **(₹ in 000s)**

Exposure Type	**<100% risk weight**	**100% risk weight**	**>100% risk weight**	**Total**
Housing Loans	–	–	1,624,536	1,624,536
Capital Charge	–	–	1,827,604	1,827,604

As at 31 Mar 2019 **(₹ in 000s)**

Exposure Type	**<100% risk weight**	**100% risk weight**	**>100% risk weight**	**Total**
Housing Loans	–	–	1,656,942	1,656,942
Capital Charge	–	–	1,864,060	1,864,060

g) Securitisation exposures deducted from capital : NIL (Previous Year: NIL)

2. **Trading Book**

a) There are no outstanding exposures securitised for which the Bank has retained any exposure which is subject to Market Risk.

b) Securitisation exposures retained or purchased – On Balance Sheet and Off Balance Sheet.

As at 31 Mar 2020 **(₹ in 000s)**

Exposure Type	**On Balance Sheet**	**Off Balance Sheet**
Vehicle Loans	–	–
SME Loans	25,294,865	–
Direct & Indirect Agriculture Lending	3,451,527	–
Total	**28,746,392**	**–**

As at 31 Mar 2019 **(₹ in 000s)**

Exposure Type	**On Balance Sheet**	**Off Balance Sheet**
Vehicle Loans	–	–
SME Loans	32,630,396	
Direct & Indirect Agriculture Lending	4,957,529	–
Total	**37,587,925**	**–**

c) Securitisation exposures retained or purchased

(₹ in 000s)

Risk Weight Bands	**31-Mar-20**	**31-Mar-19**
Exposures subject to Comprehensive Risk Measure for specific risk	28,746,392	37,587,925
Exposures subject to the securitisation framework for specific risk		
<100% risk weight	28,746,392	37,587,925
100% risk weight	–	–
>100% risk weight	–	–
Total	**28,746,392**	**37,587,925**

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d) Aggregate amount of the capital requirements for the securitisation exposures

(₹ in 000s)

Risk Weight Bands	31-Mar-20	31-Mar-19
<100% risk weight	517,435	676,583
100% risk weight	–	–
>100% risk weight	–	–
Total	**517,435**	**676,583**

e) Securitisation exposures deducted from capital: NIL (Previous Year: NIL)

10. DF 7 - Market Risk in Trading Book

DF 7 - Qualitative Disclosures

The Bank recognises market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Bank is exposed to market risk arising principally from client-driven transactions. The objective of the Bank's market risk policies and processes is to obtain a balance of risk and return while meeting clients' requirements.

The primary categories of market risk for the Bank are interest rate risk and currency exchange rate risk.

10.1. Market Risk Governance

The Board Risk Committee (BRC) approves the Group's market risk appetite taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. The Traded Risk Management (TRM) operating under the current approved Traded Risk Framework in force, is responsible for setting the Value at Risk (VaR) and Stress Loss Trigger as the primary market risk measure within the Group's risk appetite.

The TRM is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books. At a country level, there is an independent market risk function to implement Group market risk policies/limits and to monitor the market risk exposures in accordance with Group and local governance/regulatory norms.

Traded Risk Management approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations, where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas, foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts and limits on volatility risk and other variables that determine the options' value.

The CRC, in conjunction with TRM, provides market risk oversight, reporting and management of the market risk profile.

Value at Risk

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome. VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

Back Testing

To assess their predictive power, Trading VaR models are back tested against actual results and presented to the local risk committee.

Stress Testing

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. TRM complements the VaR measurement by regularly stress testing market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both, historical market events and forward looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates and equity prices thereby covering asset classes in the Financial Markets (FM) non-trading and trading books. Ad hoc scenarios are also prepared, reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

10.2. Foreign Exchange Exposure

The foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange trading exposures are principally derived from client driven transactions.

10.3. Interest Rate Exposure

The interest rate exposures arise from trading and non-trading activities. Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities.

10.4. Derivatives

Structure and organisation of management of risk in derivatives trading

The derivatives business is managed by the front office with independent back office for confirmation and settlement of trades. A separate middle office team validates all the derivative transactions and the processing and settlement is done by the back office team. The TRM team is responsible for monitoring market risk limits for derivative instruments. VaR is the primary risk measure and supplemented by other limits like PV01 as required and appropriate. There is clear segregation of duties and different reporting lines to ensure independent monitoring and reporting.

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Risk monitoring team

The Bank is exposed to market risk, liquidity risk, operational risk and credit risk on the derivatives portfolio. The Bank's risk management group, compliance group and internal audit group assist in identifying, assessing and monitoring of these principal risks in accordance with policies and procedures.

For further details please refer to para 12 (DF 9) below.

DF 7 - Quantitative Disclosures

For details please refer to market risk section under para 4 (DF 2 - Quantitative Disclosures)

11. DF 8 - Operational Risk

DF 8 - Qualitative Disclosures

Operational Risk (OR) is the potential for loss arising from the failure of people, processes, technology or the impact of external events including legal risks. The Bank's Risk Appetite statement on OR reads as "The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise."

OR is managed by the CNFRC in the country, which exercises oversight of the Bank's OR exposures to ensure that it is aligned with the Bank's ERMF (Enterprise Risk Management Framework). Operational Risk is defined as a "Principle Risk Type" (PRT) and represents one of the ten PRTs defined within the Bank's ERMF. The framework to manage Operational Risk is captured under ORTF (Operational Risk Type Framework). The ORTF has defined a Group Risk Assessment Matrix (GRAM) that is used consistently across the Bank to measure the "Impact" and "Likelihood" of risk exposures across all the businesses and functions.

The responsibility for daily management of OR exposures rests with businesses and functions as an integral component of their first line risk management responsibilities. In addition, the ORTF has identified specialist operational RFOs to take responsibility for the management of OR for 16 NPRT (Non Principle Risk Types); these are "Transaction Processing", "Product Management", "Change Management", "Internal Fraud" and "External Fraud" (managed by Operational Risk directly), "People Management" (Human Resources), "Client Service Resilience" (Head Resilience), "System Availability" (CIO), "Data Quality" (Chief Data Officer), "Vendor" (Business Efficiency), "Corporate Governance & Authorities" and "Exchange Listing Rules" (Corporate Secretariat), "Financial Books and Records" (CFO), "Tax obligations" (Tax), "Safety & Security" (Property) and "Legal Enforceability" (Legal). In addition, even local regulations are categorized into various sub-types and Risk Ownership assigned to specified specialist owners in addition to Compliance. Each RFO is responsible for identifying risks that are material to the Group and for maintaining an effective control environment, which includes defining appropriate policies and procedures for approval by authorised risk committees.

The Bank uses the BIA consistent with the RBI's capital adequacy requirements to assess its regulatory capital requirements for OR. Under the BIA, a pre-determined beta co-efficient is applied to the average income for the previous three years, to determine the OR capital requirement.

12. DF 9 - Interest Rate Risk in the Banking Book (IRRBB)

DF 9 - Qualitative Disclosures

Interest rate risk from the non-trading book portfolios is transferred to and managed by Treasury Markets (TM) under the supervision of ALCO. This risk arises principally from the re-pricing mismatch between commercial assets and liabilities. TM also deals in approved financial instruments in the market to manage the net interest rate risk, subject to approved VaR, Stress Loss Trigger on fair value instruments and risk limits. VaR and stress tests are applied to non-trading book exposures in the same way as for the trading book and thus the primary risk measurement tool is VaR for the non-trading book. TM also manages a portfolio of marketable securities primarily for the purpose of meeting the reserve requirements Prepayment assumptions are applied to the retail fixed rate loan book . For non maturing products like current accounts, savings accounts, cards and overdrafts, behavioral calculation is done to segregate the portfolio according to the balances expected to remain with the bank under non stress conditions for a year or more (core) or less than a year (non-core).

DF 9 - Quantitative Disclosures

The impact on market value of equity for a 200 basis upward move (in ₹ 000's) as at 31 Mar 2020 is ₹17,349,025 (previous year: ₹20,448,985).

13. DF 10 - Exposure related to Counterparty Credit Risk

DF 10 - Qualitative Disclosures

13.1. Credit Limits and Collaterals

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. The Credit Initiation and Approval Policy governs CCR and is approved by CRC. The credit risk arising from all financial derivatives is managed as part of the overall credit limits to both financial institutions and corporate clients.

Exposure values for regulatory capital purposes on over the counter traded products are calculated according to the CCR Current Exposure Method (CEM). This is calculated as the sum of the current replacement cost and the PFE. The current replacement cost is the amount owed by the counterparty to the Bank for various financial derivative transactions. The PFE is an add-on based on a percentage of the notional principal of each transaction. These percentages are prescribed by the RBI in the guidelines and vary according to the underlying asset class and tenor of each trade.

The Group has a credit risk economic capital model which is managed centrally. The model uses obligor-level Monte Carlo simulation parameterized with internal data to capture various elements of credit risk including CCR.

The Bank seeks to negotiate Credit Support Annexes (CSA) to International Swaps and Derivatives Association master agreements with counterparties on a case-by-case basis, where collateral is deemed a necessary or desirable mitigant to the exposure. The credit terms of the CSA are specific to each legal document and determined by the credit risk approval unit responsible for the counterparty. The nature of the collateral will be specified in the legal document and will typically be cash or highly liquid securities.

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A daily operational process takes place to calculate the MTM on all trades captured under the CSA. Additional collateral will be called from the counterparty at agreed frequency if total uncollateralised MTM exposure exceeds the threshold and minimum transfer amount specified in the CSA. Additional collateral may be required from the counterparty to provide an extra buffer to the daily variation margin process.

The Bank further reduces its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty through netting the sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the Bank) MTM values of these transactions.

In India, the Bank follows SA for credit risk and hence no credit reserve is set aside. However, provisioning for the exposures on derivative contracts is made as prescribed by RBI Circular No.DBR.No.BP.BC.2/21.04.048/2015-16 dated 01 July 2015.

13.2. Wrong Way Risk

Wrong-way risk ("WWR") occurs when exposure to counterparty is positively correlated to deterioration in its creditworthiness. WWR falls into two categories: Specific Wrong Way Risk, which occurs when future exposure to a specific counterparty is adversely correlated with the counterparty's probability of default due to the nature of the transactions with the counterparty. General Wrong Way Risk, which occurs when the likelihood of default of counterparty is adversely correlated with general market risk factors. The Counterparty Credit Risk (CCR) Standards manages WWR through 'CCR Guidance-Stress Testing and WWR Management'.

13.3. Impact of Credit Rating Downgrade

In line with market convention, the Bank negotiates CSA terms for certain counterparties where the thresholds related to each party are dependent on their External Credit Assessment Institution (ECAI) long term rating. Such clauses are typically mutual in nature. In the event of downgrade of counterparty's credit rating, margin call may be initiated to ask for additional collateral to cover negative MTM portfolios where thresholds are lowered. It is recognised that a downgrade in the Group's rating could result in counterparties seeking additional collateral calls to cover negative MTM portfolios where thresholds are lowered.

DF 10 - Quantitative Disclosures

(₹ in 000s)

Particulars	**31.03.2020**	**31.03.2019**
Gross positive fair value of contracts	280,347,261	190,165,114
Less: Netting benefits	–	–
Netted current credit exposure	**280,347,261**	**190,165,114**
Less: Collateral held (including type, e.g. cash, government securities, etc.)	–	–
Net derivatives credit exposure	280,347,261	190,165,114
Potential future exposure	323,696,565	306,680,359
Measures for exposure at default or exposure amount under CEM	**604,043,826**	**496,845,473**
Notional value of credit derivative hedges	–	–
Distribution of current credit exposure by types of credit exposure		
– **Interest Rates**	**195,296,490**	**174,523,561**
– **Fx**	**408,747,336**	**322,321,912**
Credit Derivative Transactions that create exposures to CCR (Notional Value)	NIL	NIL

For capital requirement details, refer "Minimum Regulatory Capital Requirements" under para 4 (DF 2 – quantitative disclosure) of this disclosure.

14. Other Key Risks

14.1. Liquidity Risk

Liquidity risk is the potential that the Bank either does not have sufficient stable or diverse sources of funding or financial resources to meet our obligations as they fall due.

The Liquidity Risk Framework governs liquidity risk and is managed by ALCO. In accordance with that framework, the Bank maintains a liquid portfolio of marketable securities as reserve assets. The level of the Bank's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements, including the Liquidity Coverage Ratio norms.

14.2. Reputational Risk

Reputational risk is the potential for damage to the Group's franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the organisation or its actions.

Reputational risk is managed by the CMT/CRC, which is responsible for protecting the Group's reputation locally and has the responsibility to ensure that the Bank does not undertake any activities that may cause material damage to the Group's franchise.

Reputational risk is registered, recorded and reviewed by the CEO through the CRC. Whilst the CRC covers all forms of reputational risk in country, any significant business-related reputational risks identified is escalated to Business Responsibility and Reputational Risk Committee.

15. Monitoring

Monitoring of risk management is achieved through independent reviews by RFOs, GIA, Compliance, concurrent audits and spot checks by external specialists as required under regulations.

To ensure the effectiveness of risk management processes in maintaining the risk profile of the Bank within risk appetite, the Bank maintains a three 'lines of defence' framework - refer para 5.1 above for further details.

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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

16. DF 11 – Composition of Capital as at 31 Mar 2020

	Basel III common disclosure template	**Solo**		**Consolidated**		
	Common Equity Tier 1 capital: instruments and reserves	**Basel III Amounts**	**Amounts Subject to Pre-Basel III Treatment**	**Basel III Amounts**	**Amounts Subject to Pre-Basel III Treatment**	**Ref No. (Section 17/ DF 12)**
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	74,401	–	74,401	–	A1
2	Retained earnings	80,377	–	80,377	–	B6
3	Accumulated other comprehensive income (and other reserves)	103,145	–	107,713	–	B1+B3+B4+ B5+B7+B8+ C1+C3
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	–	–	–	
5	Common share capital (plus share premium) issued by other regulated entities and held by third parties (amount allowed in group CET1)	–	–	4,544	–	A2
6	**Common Equity Tier 1 capital before regulatory adjustments**	257,922	–	267,035	–	
	Common Equity Tier 1 capital: regulatory adjustments					
7	Prudential valuation adjustments	–	–	–	–	
8	Goodwill (net of related tax liability)	(0)	–	(0)	–	E1
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	53	–	128	–	E2
10	Deferred tax assets	–	–	84	–	
11	Cash-flow hedge reserve	–	–	–	–	
12	Shortfall of provisions to expected losses	–	–	–	–	
13	Securitisation gain on sale	–	–	–	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–	–	–	
15	Defined-benefit pension fund net assets	–	–	–	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–	–	–	–	
17	Reciprocal cross-holdings in common equity	–	–	–	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	–	–	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	–	–	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	–	–	
22	Amount exceeding the 15% threshold	–	–	–	–	
23	of which: significant investments in the common stock of financial entities	–	–	–	–	
24	of which: mortgage servicing rights	–	–	–	–	
25	of which: deferred tax assets arising from temporary differences	–	–	–	–	
26	National specific regulatory adjustments (26a+26b+26c+26d)	–	–	–	–	
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	–	–	–	–	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	–	–	–	–	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	–	–	–	–	

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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

Basel III common disclosure template		Solo		Consolidated		
Common Equity Tier 1 capital: instruments and reserves		**Basel III Amounts**	**Amounts Subject to Pre-Basel III Treatment**	**Basel III Amounts**	**Amounts Subject to Pre-Basel III Treatment**	**Ref No. (Section 17/ DF 12)**
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	1,586	–	1,586	–	
	of which: HO Debit Balance (20%)	726	–	726	–	F
	of which: Valuation adjustments	860	–	860	–	
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**	1,639	–	1,798	–	
29	**Common Equity Tier 1 capital (CET1)**	256,283	–	265,237	–	
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)	–	–	–	–	
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	–	–	–	–	
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	–	–	–	–	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	–	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	–	–	–	–	
44	**Additional Tier 1 capital (AT1)**	–	–	–	–	

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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

Basel III common disclosure template		Solo		Consolidated		
Common Equity Tier 1 capital: instruments and reserves		Basel III Amounts	Amounts Subject to Pre-Basel III Treatment	Basel III Amounts	Amounts Subject to Pre-Basel III Treatment	Ref No. (Section 17/ DF 12)
44a	**Additional Tier 1 capital reckoned for capital adequacy**	–	–	–	–	
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	256,283	–	265,237	–	
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	–	–	–	–	D (Discounted Value)
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	17,975	–	18,063	–	B2*45%+ C2+D1+D2+ D3+D4
51	**Tier 2 capital before regulatory adjustments**	17,975	–	18,063	–	
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 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)**	17,975	–	18,063	–	
58a	**Tier 2 capital reckoned for capital adequacy**	17,975	–	18,063	–	
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	–	–	–	–	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	17,975	–	18,063	–	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	274,259	–	283,300	–	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment of which:					
60	Total risk weighted assets (60a + 60b + 60c)	1,842,283	–	1,870,086	–	
60a	of which: total credit risk weighted assets	1,493,571	–	1,519,096	–	
60b	of which: total market risk weighted assets	205,484	–	205,484	–	
60c	of which: total operational risk weighted assets	143,228	–	145,506	–	

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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

	Basel III common disclosure template	**Solo**		**Consolidated**		
	Common Equity Tier 1 capital: instruments and reserves	**Basel III Amounts**	**Amounts Subject to Pre-Basel III Treatment**	**Basel III Amounts**	**Amounts Subject to Pre-Basel III Treatment**	**Ref No. (Section 17/ DF 12)**
	Capital Ratios					
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.91%		14.18%		
62	Tier 1 (as a percentage of risk weighted assets)	13.01%		14.18%		
63	Total capital (as a percentage of risk weighted assets)	14.89%		15.15%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	8.13%	–	8.13%	–	
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	0.75%	–	0.75%	–	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	13.91%	–	14.18%	–	
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						
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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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

Notes to the Template

(₹ in M)

Row	Particular	Solo	Consolidate
10	*Deferred tax assets associated with accumulated losses*	–	–
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	–	*84*
	Total as indicated in row 10	–	84
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*	15,385	15,473
	Eligible Revaluation Reserves included in Tier 2 capital	2,591	2,591
	Total of row 50	**17,975**	**18,063**

17. DF 12 - Composition of Capital Reconciliation

(₹ in M)

		Balance sheet as in financial statements As on 31 Mar 20	Balance sheet under regulatory scope of consolidation As on 31 Mar 20	Ref. No. (Section 16/ DF 11)
Capital & Liabilities				
i	**Paid-up Capital**	**74,401**	**78,945**	
	H.O. assigned Capital	74,401	74,401	A1
	Common share capital (plus share premium) issued by other regulated entities and held by third parties (amount allowed in group CET1)	–	4,544	A2
	of which: Amount eligible for CET1	74,401	78,945	
	of which: Amount eligible for AT1	–	–	
ii	**Reserves & Surplus**	**214,125**	**218,694**	
a	Statutory Reserves	91,190	92,409	B1
b	Property Revaluation Reserve	5,758	5,758	B2
c	Capital Reserves-Surplus on sale of immovable properties	10,460	10,460	B3
d	Capital Reserves-Surplus on sale of Held To Maturity investments	985	985	B4
e	Capital Reserve	302	302	B5
f	Remittable Surplus retained in India for CRAR	80,377	80,377	B6
g	Profit and Loss Account	17,200	20,549	
	a) Considered for Regulatory Consolidation	–	–	B7
	b) Not Considered for Regulatory Consolidation	17,200	20,549	
h	Exchange Reserve	1	1	B8
i	Property Investment Reserve	207	207	C1
j	Investment Reserve	7,646	7,646	C2
k	General Reserve	–	–	C3
	Total Capital	**288,526**	**297,638**	

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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

(₹ in M)

		Balance sheet as in financial statements As on 31 Mar 20	Balance sheet under regulatory scope of consolidation As on 31 Mar 20	Ref. No. (Section 16/ DF 11)
iii	**Deposits**	**1,003,946**	**1,004,436**	
	of which: Deposits from banks	27,250	27,250	
	of which: Customer deposits	976,696	976,696	
	of which: Other deposits (pl.specify)	–	490	
iv	**Borrowings**	**167,256**	**170,350**	
	of which: From RBI	–	–	
	of which: From banks	–	3,076	
	of which: From other institutions	94,897	94,897	
	of which: subordinated debt		–	D
	of which: outside India	72,359	72,377	
v	**Other liabilities & provisions**	**385,267**	**397,628**	
	of which: Provision for Countercyclical Buffer	2	2	D1
	of which: Provision Held for Sold NPA's	733	733	D2
	of which: Provision for Country Risk	64	64	D3
	of which: Provision for Standard assets	18,746	18,747	D4
	Total Capital & Liabilities	**1,844,995**	**1,870,052**	
Assets				
vi	**Cash and balances with Reserve Bank of India**	**40,322**	**40,322**	
vii	**Balance with banks and money at call and short notice**	**122,579**	**124,445**	
viii	**Investments**	**485,033**	**486,180**	
	of which: Government securities	406,684	406,684	
	of which: Other approved securities	–	–	
	of which: Shares	148	148	
	of which: Debentures & Bonds	46,953	48,099	
	of which: Subsidiaries/Joint Ventures/Associates	–	–	
	of which: Others (Pass-through certificates, Commercial Paper & Certificate of Deposits etc.)	31,249	31,249	
ix	**Loans and advances**	**762,137**	**782,713**	
	of which: Loans and advances to banks	–	–	
	of which: Loans and advances to customers	762,137	782,713	
x	**Fixed assets**	**13,797**	**13,877**	
	of which: Goodwill	(0)	(0)	E1
	of which: Intangible	53	53	E2
xi	**Other assets**	**421,127**	**422,515**	
	of which: Deferred tax assets	–	84	
	of which: Ho Debit Balance	726	726	F
	Total Assets	**1,844,995**	**1,870,052**	

18. DF 13 - Main Features of Regulatory Capital Instruments

There were no regulatory capital instruments issued by SCBI as of 31 Mar 2020.

19. DF 14 - Full Terms and Conditions of Regulatory Capital Instruments

There were no regulatory capital instruments issued by SCBI as of 31 Mar 2020.

20. DF 15 - Disclosure Requirements for Remuneration

The Bank's compensation policies including that of CEO's, is in conformity with the Financial Stability Board principles and standards. In accordance with the requirements of the RBI Circular No. DBOD No.BC.72/29.67/001/2011-12 dated 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.

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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

21. DF 16 - Equities – Disclosure for Banking Book Positions

Gross value of Investments in equities (in ₹ 000's) as at 31 Mar 2020 amounts to ₹ 4,212,814 and mainly include shares obtained from restructuring of debt in case of certain clients. As per the banks accounting policy they are classified as 'Available for Sale' (AFS). 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. The break-up of equities into quoted and unquoted is as under:

(₹ in 000s)

Particulars	31.03.2020	31.03.2019
Quoted	3,087,618	3,758,260
Unquoted	1,125,196	1,125,196
Total	**4,212,814**	**4,883,456**

22. Leverage Ratio

The bank is required to maintain a minimum leverage ratio of 4%. The bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is 8.49% as of 31 Mar 2020 (Previous Year: 8.83%).

DF 17 - Quantitative disclosures

Summary comparison of accounting assets vs. leverage ratio exposure measure

(₹ in M)

		31 Mar 2020		31 Mar 2019	
Sr. No.	Item	Solo	Consol	Solo	Consol
1	Total consolidated assets as per published financial statements	1,844,995	1,865,798	1,712,493	1,738,150
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	140,568	140,568	169,979	169,979
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	96,810	96,810	37,403	(25,943)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	540,279	540,667	468,165	468,190
7	Other adjustments	(98,450)	(98,524)	(67,957)	(67,994)
8	**Leverage ratio exposure**	**2,524,204**	**2,545,319**	**2,320,084**	**2,345,728**

DF 18 Quantitative disclosures

Leverage ratio common disclosure **(₹ in M)**

		31 Mar 2020		31 Mar 2019	
Sr. No.	Item	Solo	Consol	Solo	Consol
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,467,123	1,487,925	1,458,451	1,484,108
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1,639)	(1,714)	(4,611)	(4,648)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1,465,484**	**1,486,211**	**1,453,841**	**1,479,460**
	On-balance sheet exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	281,062	281,062	190,695	190,695
5	Add-on amounts for PFE associated with all derivatives transactions	323,697	323,697	306,680	306,680
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)	(183,128)	(183,128)	(136,702)	(136,702)
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)**	**421,630**	**421,630**	**360,674**	**360,674**

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Risk review and disclosures under Basel III Framework for the period ended 31 Mar 2020 *(Continued)*

(₹ in M)

Sr. No.	Item	31 Mar 2020 Solo	31 Mar 2020 Consol	31 Mar 2019 Solo	31 Mar 2019 Consol
	Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	96,810	96,810	63,347	63,347
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–	(26,310)	(26,310)
14	CCR exposure for SFT assets	–	–	367	367
15	Agent transaction exposures	–	–	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**96,810**	**96,810**	**37,403**	**37,403**
	Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	1,677,471	1,677,858	1,408,893	1,408,918
18	(Adjustments for conversion to credit equivalent amounts)	(1,137,191)	(1,137,191)	(940,727)	(940,727)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**540,279**	**540,667**	**468,165**	**468,190**
	Capital and total exposures				
20	Tier 1 capital	207,854	216,191	200,149	207,074
21	Total exposures (sum of lines 3, 11, 16 and 19)	2,524,204	2,545,319	2,320,084	2,345,728
	Leverage ratio				
22	Basel III leverage ratio	8.23%	8.49%	8.63%	8.83%

Reconciliation of total published balance sheet size and on balance sheet exposure

(₹ in M)

Sr. No.	Item	31 Mar 2020 Solo	31 Mar 2020 Consol	31 Mar 2019 Solo	31 Mar 2019 Consol
1	Total consolidated assets as per published financial statements	1,844,995	1,865,798	1,712,493	1,738,150
2	Replacement cost associated with all derivatives transactions i.e. net of eligible cash variation margin	(281,062)	(281,062)	(190,695)	(190,695)
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(96,810)	(96,810)	(63,347)	(63,347)
4	Adjustments for entities outside the scope of regulatory consolidation	–	–	–	–
	On-balance sheet exposures under leverage ratio (excluding derivatives and SFTs)	**1,467,123**	**1,487,925**	**1,458,451**	**1,484,108**

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(EPW, June 27, 2020, Supplement)

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