MANAGEMENT'S DISCUSSION & ANALYSIS

OPERATING ENVIRONMENT

Growth

India's Gross Domestic Product (GDP) grew by 4.2% during fiscal 2020, compared to growth of 6.1% during fiscal 2019. Investments as measured by gross fixed capital formation declined by 2.8% during fiscal 2020 compared to a growth of 9.8% during fiscal 2019 and private final consumption expenditure growth moderated to 5.3% in fiscal 2020 compared to a growth of 7.2% in fiscal 2019. On a gross value added basis, the agriculture sector grew by 4.0% in fiscal 2020 compared to 2.4% in fiscal 2019, industry by 0.9% in fiscal 2020 compared to 4.9% in fiscal 2019 and the services sector by 5.5% in fiscal 2020 compared to 7.7% in fiscal 2019. During the year, lead economic indicators like domestic sales of commercial vehicles and passenger cars, freight movement, credit flow and others remained subdued. The Government of India announced a number of measures during the year with a view to support growth in the economy. A key announcement was a reduction in the tax rate on corporates from 30% of profits to 22% (effective rate of 25.17% including cess and surcharges), for corporates not availing of any exemptions or incentives.

Since the first quarter of CY2020, the Covid-19 pandemic has impacted most of the countries, including India. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020. Several countries including India have taken unprecedented fiscal and monetary actions to help alleviate the impact of the crisis. The Reserve Bank of India (RBI) has announced several measures to ease the financial system stress, including enhancing system liquidity, reducing interest rates, moratorium on loan repayments for borrowers, asset classification standstill benefit to overdue accounts where a moratorium has been granted and relaxation in liquidity coverage requirement, among others. The government announced an economic package which included direct benefit transfers to individuals in low-income groups, free food-grain distribution, access to credit for small businesses with government guarantee and policy reforms.

Economic growth and investor and consumer confidence have been impacted significantly since March 2020. According to the International Monetary Fund (IMF), the global economy is expected to contract by 3.0% during calendar year 2020, and growth could improve in 2021 assuming the pandemic fades away in the second half of 2020 and containment efforts can be unwound.

Inflation

Inflation as measured by the Consumer Price Index (CPI) increased from 2.9% in March 2019 to 4.0% in September 2019, remaining within the policy target range. However, inflation increased during the latter part of the year to a high of 7.4% in December 2019 and subsequently eased to 5.9% in March 2020 largely driven by movement in food prices. Core inflation (inflation excluding food and fuel) broadly remained moderate during the year and reduced from 5.0% in March 2019 to 4.1% in March 2020.

Interest rates

Considering inflation was within the comfort levels of RBI in the first half of fiscal 2020, the RBI reduced the repo rate by 110 basis points during April-October 2019 from 6.25% at end-March 2019 to 5.15% at October 2019. The policy stance was changed from neutral to accommodative in June 2019. However, the policy rate was maintained subsequently till March 2020 when a sharp reduction of 75 basis point to 4.40% was announced as a measure to combat the impact of the Covid-19 pandemic.

Financial markets

During fiscal 2020, the Rupee depreciated by 8.9% from ₹ 69.16 per US dollar at end-March 2019 to ₹ 75.33 per US dollar at end-March 2020, with a sharp depreciation of 3.9% in March 2020. Yields on the benchmark 10-year government securities eased by 121 basis points from 7.35% at end-March 2019 to 6.14% at end-March 2020. This easing of government bond yields was partly due to the comfortable systemic liquidity maintained by RBI for most part of the year as a measure to support growth and improve flow of funds to the economy.

Current account and fiscal position

Following moderate global crude oil prices for most part of fiscal 2020, India's current account deficit came down from 2.1% of GDP in fiscal 2019 to 1.0% during 9M-2020. During the year, merchandise exports declined by 4.8%, while merchandise imports contracted by 9.1%. Government spending was a key driver of GDP growth during 9M-2020 and the revised estimate of fiscal deficit as a proportion of GDP for fiscal 2020 was 3.8% as compared

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to the budgeted 3.3%. The government's fiscal position is likely to be further impacted by the Covid-19 pandemic, reflecting in both revenues and expenditure.

Banking sector trends

During fiscal 2020, non-food credit growth remained muted with a sharp moderation towards the end of the year due to the lockdown. Banking system non-food credit growth moderated from 13.4% at March 29, 2019 to 8.6% at end-September 2019 and consistently eased further to end the fiscal at 6.1% at March 27, 2020. As per data on sector-wise deployment of credit released by RBI for March 27, 2020, retail loans grew by 15.7%, credit to services sector by 8.5%, credit to industry grew by 1.4% and credit to agriculture sector by 5.2%.

Deposit growth was higher compared to credit growth during fiscal 2020, though there was a drop in growth at end-March 2020. Growth in total deposits remained above 9.0% through the year in fiscal 2020, but dropped to 7.9% at March 27, 2020. Demand deposits grew by 7.0% and time deposits grew by 8.1% at March 27, 2020 compared to growth of 10.3% in demand deposits and 10.0% in time deposits at March 29, 2019.

According to RBI's Financial Stability Report of December 2019, gross non-performing assets (GNPA) of scheduled commercial banks was at 9.3% at September 30, 2019, similar to the levels in March 2019, and net NPA ratio was at 3.7%. The process of resolution of large stressed accounts continued during the year. Further, additions to the non-performing pool of banks declined during the year. However, challenges continued for the non-banking financial companies (NBFCs) and housing finance companies during fiscal 2020, with subdued growth and moderation in available market funding. Several measures were announced by the government and the RBI to enhance availability of funds to the sector in terms of additional liquidity support and partial credit enhancement. However, a large housing finance company defaulted on its repayments during the year. In March 2020, RBI imposed a moratorium restricting deposit withdrawals from a private sector bank, followed by implementation of a scheme of reconstruction involving change in management and equity capital infusion by several Indian banks, including us. A private sector bank also wrote down additional tier-1 bonds.

The government announced the amalgamation of 10 public sector banks into four big banks. This merger was effective from April 1, 2020. Including the past mergers, the total count of public sector banks has come down from 27 banks (including SBI and its associates) to 12 banks.

Regulatory measures

Key regulatory measures announced during the year prior to the onset of the Covid-19 pandemic were as follows:

- In April 2019, the Supreme Court declared the RBI circular on revised framework for resolution of stressed assets dated February 12, 2018 as unconstitutional. In June 2019, the RBI issued revised guidelines, the Prudential Framework for Resolution of Stressed Assets by Banks, which allowed lenders to decide on referring an account for resolution under the Insolvency and Bankruptcy Code as against the earlier requirement of referring in the event a resolution plan is not implemented within stipulated timelines. It also requires banks to make higher provisioning in case the resolution plan is not implemented within stipulated timelines. The additional provisions are not required to be made if insolvency proceedings are initiated within 210 days of default.
- In July 2019, the government of India amended the Insolvency and Bankruptcy Code. The revised Code provides an order of priority for the distribution of assets in case of a liquidation, and gives priority to financial creditors ahead of operational creditors. The Code also provides a time-bound process for resolving insolvency.
- In June 2019, the RBI mandated maintenance of a minimum leverage ratio of 4.0% for domestic systemically important banks and 3.5% for other banks. This was effective from October 1, 2019.
- The RBI increased the risk weights on unrated exposures to corporates and infrastructure financing non-banking finance companies from 100.0% to 150.0%, where the aggregate exposure of the banking system exceeded ₹ 2.0 billion. This was effective from April 1, 2019.
- In June 2019, the Reserve Bank of India announced the introduction of an electronic trading platform for buying/selling foreign exchange by retail customers of banks. The platform can be accessed by any customer of a bank who has a need to purchase or sell US dollar

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against the rupee for delivery on cash basis, tom basis or spot basis subject to certain conditions.

- In September 2019, RBI issued guidelines to link all new floating rate personal or retail loans and floating rate loans to micro and small enterprises to an external benchmark from October 1, 2019. The benchmarks include the RBI repo rate, three-month and six-month treasury bill yield published by the Financial Benchmarks India Private Limited (FBIL) and any other benchmark market interest rate published by FBIL. The interest rate under external benchmark shall be reset at least once in three months. Subsequently, all incremental floating rate loans to medium enterprises were also required to be linked to an external benchmark from April 1, 2020.
- In September 2019, RBI reduced the risk weight for consumer credit, including personal loans, but excluding credit card receivables, from 125.0% to 100.0%.
- Banks were permitted to deduct the amount equivalent of incremental credit disbursed as retail loans for automobiles, residential housing and loans to MSMEs, over and above the outstanding level of credit to these segments at January 31, 2020 from their net demand and time liabilities for maintenance of the cash reserve ratio. This exemption was to be available for incremental credit extended up to the fortnight ending July 31, 2020.
- RBI extended the window for one-time restructuring of standard accounts of GST registered MSMEs without an asset classification downgrade that were in default as on January 1, 2020. The restructuring under the scheme had to be implemented latest by December 31, 2020 (extended from the earlier deadline of March 31, 2020).

Since March 27, 2020, RBI has announced a series of monetary measures aimed at combating the impact of the Covid-19 pandemic. The measures announced were:

- The repo rate was reduced by 75 basis points (bps) from 5.15% to 4.40% from March 27, 2020. The repo rate was further reduced by 40 bps to 4.0% from May 22, 2020
- The Liquidity Adjustment Facility (LAF) corridor was widened asymmetrically to 65 basis points (bps) from earlier 50 bps. Accordingly, the reverse repo rate was reduced by 90 bps from 4.90% to 4.00% from March 27, 2020. The reverse repo rate was thus 40 bps lower than the repo rate, while the marginal standing facility (MSF) rate continued to be higher by 25 bps than the repo rate. On April 17, 2020, RBI reduced the reverse repo rate by a further 25 basis points to 3.75% and further to 3.35% on May 22, 2020.
- RBI announced Targeted Long Term Repo Operations (TLTRO) which were auction of targeted long term repos of up to three-years tenor at a floating rate linked to the repo rate. Liquidity availed by banks under the TLTRO had to be deployed in investment grade corporate bonds, commercial paper and non-convertible debentures, over and above the outstanding level of investments in these bonds at March 27, 2020. Investments made by banks under this facility can be classified as held-to-maturity (HTM) even in excess of the 25.0% of total investment permitted to be included as part of the HTM portfolio. RBI subsequently also announced a second phase of TLTRO on April 17, 2020, wherein 50.0% of funds had to be deployed to microfinance institutions (MFIs) and NBFCs. The distribution of funds would be at least 10.0% in securities issued by MFIs, 15.0% to NBFCs of asset size below ₹ 5.00 billion and 25.0% to NBFCs with asset size between ₹ 5.00 billion and ₹ 50.00 billion.
- The cash reserve ratio (CRR) requirement of banks was reduced by 100 basis points from 4.0% of net demand and time liabilities (NDTL) to 3.0% of NDTL. This was effective from March 28, 2020 for a period of one year up to March 26, 2021.
- The minimum daily CRR balance requirement was reduced from 90.0% to 80.0% effective from the fortnight beginning March 28, 2020 up to June 26, 2020.
- The limit for borrowing overnight under the MSF by dipping into the Statutory Liquidity Ratio (SLR) was raised to 3.0% of NDTL from the earlier 2.0%, up to June 30, 2020.

As part of measures to combat the impact of the health crisis created by Covid-19, RBI announced certain regulatory measures in three parts on March 27, 2020 and on April 17, 2020 and May 22, 2020. The measures were as follows:

- Banks and other lending institutions were allowed to provide a moratorium on all term loans (including agriculture term loans, retail and crop loans). Initially the moratorium was permitted for three months on payment of instalments falling due between March 1, 2020 to May 31, 2020, which was subsequently extended by another three months to August 31, 2020. Interest would continue to accrue on the outstanding portion of the term loan during the moratorium period. Instalments include principal and/or interest component, bullet repayments, equated monthly instalments and credit card dues.

- Banks and other lending institutions were allowed to defer the recovery of interest on working capital facilities during the period March 1, 2020 to August 31, 2020.
- Banks were permitted to convert the accumulated interest for the deferment period, from March 1, 2020 to August 31, 2020, on working capital facilities into a funded interest term loan which would be repayable by March 31, 2021.
- A stand-still in asset classification for accounts availing the moratorium was provided from March 1, 2020 to August 31, 2020. For all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, was to be excluded by the lending institutions from the number of days past-due for the purpose of asset classification. Similarly, in respect of working capital loans, wherever deferment was granted, in respect of all facilities classified as standard, including Special Mention Accounts, as on February 29, 2020, were to be excluded for the determination of out of order status. Banks were required to make general provisions of not less than 10.0% of the total outstanding of such accounts, to be phased over two quarters starting from the quarter ended March 31, 2020. This provision could be made over two quarters, at March 31, 2020 and June 30, 2020, at minimum 5.0% per quarter. This provision could not be reckoned for calculating the net NPA.
- Banks are required to disclose details pertaining to SMA/overdue accounts where moratorium/ deferment has been granted, amount where asset classification benefits were extended and provisions in the financial statements for fiscal 2020, six months ending September 30, 2020 and fiscal 2021.
- For stressed assets, where a resolution plan is underway and these are within the Review Period as on March 1, 2020, the period from March 1, 2020 to August 31, 2020 could be excluded from the calculation of the 180 day review period for resolution.
- As a one-time measure to facilitate flow of resources to corporates, exposure of banks to a group of connected counterparties was increased from 25.0% to 30.0% of the capital base of a bank. This is applicable till June 30, 2021.
- Banks were restricted from making dividend payouts from the profits pertaining to fiscal 2020. This restriction would be reassessed by RBI after the results for the three months ended September 30, 2020.
- The liquidity coverage ratio to be maintained by banks was lowered from 100% to 80.0% till September 30, 2020, and to be subsequently increased to 90.0% starting from October 1, 2020 and further to 100.0% from April 21, 2021.
- The implementation of the net stable funding ratio was deferred by six months from April 1, 2020 to October 1, 2020.
- The last tranche of 0.625% of the Capital Conservation Buffer, which was to be applicable from March 31, 2020 was deferred to September 30, 2020. Accordingly, the pre-specified trigger for loss absorption through conversion/write-down of additional tier 1 instruments would remain at 5.5% of risk-weighted assets (RWAs) and would rise to 6.125% of RWAs on September 30, 2020.

The government announced several measures to mitigate the impact of the Covid-19 crisis which included a guarantee programme for collateral-free loans aggregating up to ₹ 3.00 trillion to MSMEs. A special liquidity facility of up to ₹ 300.00 billion was provided for NBFCs, HFCs and microfinance companies and liquidity infusion of ₹ 900.00 billion was announced for power distribution companies through a central public sector enterprise. The initiation of fresh insolvency proceedings was suspended for up to one year depending upon pandemic situation. Covid-19 related debt would be excluded from the definition of default for the purpose of triggering insolvency proceedings. Several policy reforms were announced including introduction of commercial mining in the coal sector, increasing private investments and reforms in the mineral sector, enhancing foreign direct investment limit

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in the defence sector from 49.0% to 74.0%, privatisation of airports, encouraging private participation in the space sector, enhancing viability gap funding for social sector projects and measures for infrastructure and capacity building in the agriculture sector. The government also announced a new public sector enterprise policy to limit presence of public enterprises in only strategic sectors.

Outlook

Economic conditions remain challenging going forward considering the uncertainties with regard to the impact of the global health crisis and the stand-still in economic activity. There has been a significant rise in risks in the operating environment along with lack of clarity on the timeline for conditions to normalise and economic activity to revive. The Indian economy would be impacted by this pandemic with contraction in industrial and services output across small and large businesses. Current estimates of India's GDP for fiscal 2021 by various agencies and analysts indicate a contraction in GDP growth. While systemic liquidity is abundant, the economic weakness caused by the pandemic and uncertainty regarding normalisation will impact banking sector loan growth, revenues, margins, asset quality and credit costs.

STRATEGY

During fiscal 2020, the Bank was focused on its strategic objective of risk calibrated profitable growth. Core operating profit of the Bank grew by 21.5% during fiscal 2020. The profit after tax increased from ₹ 33.63 billion in fiscal 2019 to ₹ 79.31 billion in fiscal 2020. The profit after tax in fiscal 2020 includes the impact of Covid-19 related provision amounting to ₹ 27.25 billion and the impact of change in tax rate, including both, the one-time additional charge due to re-measurement of accumulated deferred tax asset at March 31, 2019, and the tax expense at lower rate for fiscal 2020, of ₹ 13.91 billion.

The Bank made progress on increasing the granularity of its portfolio and enhancing the customer franchise during the year. Retail loans as a proportion of total loans increased from 60.1% at March 31, 2019 to 63.2% at March 31, 2020. Including non-fund based outstanding, the proportion of retail portfolio increased from 46.9% at March 31, 2019 to 53.3% at March 31, 2020. The Bank continued to improve the portfolio mix by lending to higher rated well-established corporates and reduce concentration risk. The additions to non-performing loans remained stable during the year, while provisions for fiscal 2020 were lower as compared to fiscal 2019. The Bank maintained a healthy provisioning coverage ratio as well as a strong capital position with capital adequacy ratios significantly above regulatory requirements.

The Bank's long-term strategic focus of growing its core operating profits in a risk calibrated and granular manner would continue. The Bank seeks to build scalable and resilient businesses while operating within the guardrails of risk management. The Bank would seek to contain its long-term loan-loss provisions within the levels set by its enterprise risk management framework. The Bank would aim to further strengthen its liabilities franchise. The Bank would leverage its extensive network with wide geographical reach, a comprehensive range of products and services and state-of-the-art technology for providing superior customer experience. The Bank leverages technology and analytics for deeper insights into customer needs and behaviour and making customer onboarding and transacting smooth and frictionless. The Bank would continue to invest in technologies to provide an edge in its offerings to customers.

The Bank has repositioned its international franchise to focus on non-resident Indians for deposits, wealth and remittances businesses, with digital and process decongestion as a key enabler. The Bank is also focused on deepening its relationships with well-rated Indian corporates in international markets and multinational companies present in international as well as domestic market, for maximising the India-linked trade, transaction banking and lending opportunities with strict limits on exposures including reduction in current exposure where required. The Bank is also actively engaging with sovereign wealth funds, global pension funds and asset managers to facilitate fund flows into India. The Bank aims to progressively exit exposures that are not linked to India in a planned manner.

The Bank aims to be the trusted financial services provider of choice for its customers and deliver products and services that create value. The twin principles of "One Bank, One RoE" emphasising the need to maximise the Bank's share of the target opportunity across all products and services, and "Fair to Bank, Fair to Customer" emphasising the need to deliver fair value to customers while creating value for shareholders, would guide the Bank's operations.

In view of the Covid-19 pandemic, there will be an impact on revenues and an increase in rating downgrades in the portfolio and NPA formation at a systemic level and for

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the Bank. The Bank's immediate focus in fiscal 2021 would be towards maintaining adequate liquidity, conservation of capital and robust credit monitoring. Given the Bank's core operating profitability, liquidity and capital adequacy, the Bank believes it is well-placed to absorb the impact of the challenges in the environment. The Bank would look at further strengthening the balance sheet as opportunities arise. The Bank will closely monitor the evolving scenario and calibrate its business based on the assessment of risk and profitability. The Bank would continue its focus on re-engineering business processes and enhancing customer convenience leveraging technology, with digital banking having received further impetus amid the constraints on traditional ways of working imposed by the pandemic-related lockdowns.

STANDALONE FINANCIALS AS PER INDIAN GAAP

Summary

Core operating profit increased by 21.5% from ₹ 220.72 billion in fiscal 2019 to ₹ 268.08 billion in fiscal 2020 primarily due to an increase in net interest income by 23.1% and an increase in fee income by 14.4%, offset, in part, by an increase in operating expenses by 19.5%. Income from treasury-related activities decreased from ₹ 13.66 billion in fiscal 2019 to ₹ 12.93 billion in fiscal 2020 and provisions and contingencies decreased by 28.5% from ₹ 196.61 billion in fiscal 2019 to ₹ 140.53 billion in fiscal 2020. Excluding the Covid-19 related provision, provisions and contingencies was ₹ 113.28 billion in fiscal 2020. Profit after tax increased by 135.8% from ₹ 33.63 billion in fiscal 2019 to ₹ 79.31 billion in fiscal 2020. The profit after tax in fiscal 2020 includes the impact of change in tax rate, including both, the one-time additional charge due to re-measurement of accumulated deferred tax asset at March 31, 2019, and the tax expense at lower rate for fiscal 2020, of ₹ 13.91 billion.

Net interest income increased by 23.1% from ₹ 270.15 billion in fiscal 2019 to ₹ 332.67 billion in fiscal 2020 reflecting an increase of 13.1% in the average volume of interest-earning assets and an increase in the net interest margin by 31 basis points from 3.42% in fiscal 2019 to 3.73% in fiscal 2020.

Fee income increased by 14.4% from ₹ 119.89 billion in fiscal 2019 to ₹ 137.11 billion in fiscal 2020. Dividend from subsidiaries increased by 18.1% from ₹ 10.78 billion in fiscal 2019 to ₹ 12.73 billion in fiscal 2020.

Operating expenses increased by 19.5% from ₹ 180.89 billion in fiscal 2019 to ₹ 216.15 billion in fiscal 2020 primarily due to an increase in staff cost and other administrative expenses.

Income from treasury-related activities decreased from ₹ 13.66 billion in fiscal 2019 to ₹ 12.93 billion in fiscal 2020. During fiscal 2019, the Bank had sold equity shares representing 2.00% shareholding in ICICI Prudential Life Insurance Company Limited resulting in net gain of ₹ 11.10 billion.

Provisions and contingencies (excluding provision for tax) decreased by 28.5% from ₹ 196.61 billion in fiscal 2019 to ₹ 140.53 billion in fiscal 2020 primarily due to a decrease in provision on advances, offset, in part, by Covid-19 related provision. Provision on advances decreased from ₹ 168.12 billion in fiscal 2019 to ₹ 88.15 billion in fiscal 2020 primarily due to lower ageing provisions on loans classified as NPAs in earlier years. The provision in fiscal 2020 included provision on loans made from overseas branches to a healthcare group based in West Asia and an oil trading company based in Singapore classified as NPA during the year. The provision coverage ratio (excluding cumulative technical/prudential write-offs) increased from 70.6% at March 31, 2019 to 75.7% at March 31, 2020. Further, during fiscal 2020, the Bank made Covid-19 related provision of ₹ 27.25 billion. The provision made by the Bank is more than the requirement under RBI guidelines dated April 17, 2020.

The income tax expense increased from ₹ 4.14 billion in fiscal 2019 to ₹ 61.17 billion in fiscal 2020. The effective tax rate increased from 10.9% in fiscal 2019 to 43.5% in fiscal 2020, primarily due to the one-time additional charge due to re-measurement of accumulated deferred tax asset at March 31, 2019, offset, in part, by the tax expense at lower rate due to change in tax rate.

Net worth increased from ₹ 1,083.68 billion at March 31, 2019 to ₹ 1,165.04 billion at March 31, 2020 primarily due to accretion to reserves from profits for the year.

Total assets increased by 13.9% from ₹ 9,644.59 billion at March 31, 2019 to ₹ 10,983.65 billion at March 31, 2020. Total advances increased by 10.0% from ₹ 5,866.47 billion at March 31, 2019 to ₹ 6,452.90 billion at March 31, 2020 primarily due to an increase in domestic advances by 12.9%, offset, in part, by a decrease in overseas advances by 14.4%. The loan growth was impacted during the end of fiscal 2020 due to Covid-19 pandemic. Total deposits

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increased by 18.1% from ₹ 6,529.20 billion at March 31, 2019 to ₹ 7,709.69 billion at March 31, 2020. Term deposits increased by 28.6% from ₹ 3,289.79 billion at March 31, 2019 to ₹ 4,231.51 billion at March 31, 2020. Current and savings account (CASA) deposits increased by 7.4% from ₹ 3,239.40 billion at March 31, 2019 to ₹ 3,478.19 billion at March 31, 2020.

The Bank had a branch network of 5,324 branches and an ATM network of 15,688 ATMs at March 31, 2020.

The Bank is subject to Basel III capital adequacy guidelines stipulated by RBI. The total capital adequacy ratio of the Bank at March 31, 2020 in accordance with RBI guidelines on Basel III was 16.11% with a Tier-1 capital adequacy ratio of 14.72% as compared to 16.89% with a Tier-1 capital adequacy ratio of 15.09% at March 31, 2019. The CET-1 ratio was 13.39% at March 31, 2020 as compared to 13.63% at March 31, 2019.

Impact of Covid-19 on the performance of the Bank

The Indian economy would be impacted by Covid-19 pandemic with contraction in industrial and services output across small and large businesses. The Bank's business is expected to be impacted by lower lending opportunities and revenues in the short to medium term. The impact of the Covid-19 pandemic on Bank's results, including credit quality and provisions, remains uncertain and dependent on the spread of Covid-19, further steps taken by the government and the central bank to mitigate the economic impact, steps taken by the Bank and the time it takes for economic activities to resume at normal levels. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

OPERATING RESULTS DATA

The following table sets forth, for the periods indicated, the operating results data.

₹ in billion, except percentages

Particulars	Fiscal 2019	Fiscal 2020	% change
Interest income	₹ 634.01	**₹ 747.98**	18.0%
Interest expense	363.86	**415.31**	14.1
Net interest income	**270.15**	**332.67**	**23.1**
Fee income[1]	119.89	**137.11**	14.4
Dividend from subsidiaries	10.78	**12.73**	18.1
Other income (including lease income)[2]	0.79	**1.72**	-
Core operating income	**401.61**	**484.23**	**20.6**
Operating expenses	180.89	**216.15**	19.5
Core operating profit	**220.72**	**268.08**	**21.5**
Treasury income	13.66	**12.93**	(5.3)
Operating profit	**234.38**	**281.01**	**19.9**
Provisions, net of write-backs	196.61	**140.53**	(28.5)
Profit before tax	**37.77**	**140.48**	**-**
Tax, including deferred tax	4.14	**61.17**	-
Profit after tax	**₹ 33.63**	**₹ 79.31**	**-**

1. *Includes merchant foreign exchange income and margin on customer derivative transactions.*
2. *All amounts have been rounded off to the nearest ₹ 10.0 million.*
3. *Prior period figures have been re-grouped/re-arranged, where necessary.*

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KEY RATIOS

The following table sets forth, for the periods indicated, the key financial ratios.

Particulars	Fiscal 2019	Fiscal 2020
Return on average equity (%)[1]	3.16	**7.07**
Return on average assets (%)[2]	0.39	**0.81**
Net interest margin (%)	3.42	**3.73**
Cost to income (%)[3]	43.56	**43.50**
Earnings per share (₹)	5.23	**12.28**
Book value per share (₹)	168.11	**179.99**

1. *Return on average equity is the ratio of the net profit after tax to the quarterly average equity share capital and reserves.*
2. *Return on average assets is the ratio of net profit after tax to average assets.*
3. *Cost represents operating expense. Income represents net interest income and non-interest income.*

The return on average equity, return on average assets and earnings per share increased primarily due to an increase in profit after tax.

NET INTEREST INCOME AND SPREAD ANALYSIS

The following table sets forth, for the periods indicated, the net interest income and spread analysis.

₹ in billion, except percentages

Particulars	Fiscal 2019	Fiscal 2020	% change
Interest income	₹ 634.01	**₹ 747.98**	18.0%
Interest expense	363.86	**415.31**	14.1
Net interest income	**270.15**	**332.67**	**23.1**
Average interest-earning assets	7,892.29	**8,927.74**	13.1
Average interest-bearing liabilities	₹ 7,132.64	**₹ 8,151.76**	14.3
Net interest margin	**3.42%**	**3.73%**	**-**
Average yield	8.03%	**8.38%**	-
Average cost of funds	5.10%	**5.09%**	-
Interest spread	2.93%	**3.29%**	-

1. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

Net interest income increased by 23.1% from ₹ 270.15 billion in fiscal 2019 to ₹ 332.67 billion in fiscal 2020 reflecting an increase of 13.1% in the average volume of interest-earning assets and an increase in net interest margin by 31 basis points.

Net interest margin increased by 31 basis points from 3.42% in fiscal 2019 to 3.73% in fiscal 2020. The yield on average interest-earning assets increased by 35 basis points from 8.03% in fiscal 2019 to 8.38% in fiscal 2020. The cost of funds was 5.09% in fiscal 2020 compared to 5.10% in fiscal 2019. The interest spread increased by 36 basis points from 2.93% in fiscal 2019 to 3.29% in fiscal 2020.

The net interest margin of domestic operations increased by 24 basis points from 3.77% in fiscal 2019 to 4.01% in fiscal 2020 primarily due to an increase in yield on average interest-earning assets and a decrease in cost of funds. The yield on domestic interest-earning assets increased by 29 basis points from 8.47% in fiscal 2019 to 8.76% in fiscal 2020 primarily due to an increase in yield on advances. The cost of domestic funds decreased by 4 basis points from 5.29% in fiscal 2019 to 5.25% in fiscal 2020 primarily due to a decrease in cost of borrowings, offset, in part, by an increase in cost of deposits due to a higher growth in retail term deposits as compared to current and savings account deposits.

The net interest margin of overseas branches increased by 5 basis points from 0.30% in fiscal 2019 to 0.35% in fiscal 2020 primarily due to a decrease in cost of funds, offset, in part, by a decrease in yield on interest-earning assets. The cost of overseas funds decreased by 25 basis points from 3.62% in fiscal 2019 to 3.37% in fiscal 2020 primarily due to a decrease in cost of borrowings. The yield on overseas interest-earning assets decreased by 26 basis points from 4.03% in fiscal 2019 to 3.77% in fiscal 2020 primarily due to a decrease in yield on advances.

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The following table sets forth, for the periods indicated, the trend in yield, cost, spread and margin.

Particulars	Fiscal 2019	Fiscal 2020
Yield on interest-earning assets	**8.03%**	**8.38%**
- On advances	8.96	**9.45**
- On investments	7.08	**7.12**
- On SLR investments	7.24	**7.10**
- On other investments	6.56	**7.19**
- On other interest-earning assets	3.63	**3.31**
Cost of interest-bearing liabilities	**5.10**	**5.09**
- Cost of deposits	4.87	**4.96**
- Current and savings account (CASA) deposits	2.73	**2.71**
- Term deposits	6.68	**6.63**
- Cost of borrowings	5.86	**5.68**
Interest spread	**2.93**	**3.29**
Net interest margin	**3.42%**	**3.73%**

The yield on average interest-earning assets increased by 35 basis points from 8.03% in fiscal 2019 to 8.38% in fiscal 2020 primarily due to the following factors:

- The yield on domestic advances increased by 42 basis points from 9.62% in fiscal 2019 to 10.04% in fiscal 2020 primarily due to re-pricing of existing floating rate loans at higher rates and incremental lending at higher rates due to an increase in MCLR during fiscal 2019. The Bank's 1-year MCLR increased by 50 basis points between April 2018 and March 2019. However, the Bank reduced the 1-year MCLR by 65 basis points in phases during fiscal 2020, the full impact of which will be reflected in the next fiscal.

  The yield on overseas advances decreased by 38 basis points from 4.41% in fiscal 2019 to 4.03% in fiscal 2020. The yield on net advances was higher in fiscal 2019 primarily due to higher interest collection on NPAs.

  The overall yield on average advances increased by 49 basis points from 8.96% in fiscal 2019 to 9.45% in fiscal 2020 primarily due to an increase in proportion of domestic advances in total advances.

- The yield on average interest-earning investments increased by 4 basis points from 7.08% in fiscal 2019 to 7.12% in fiscal 2020. The yield on Statutory Liquidity Ratio (SLR) investments decreased by 14 basis points from 7.24% in fiscal 2019 to 7.10% in fiscal 2020 primarily due to investment in government securities at lower yields and reset of interest rates on floating rate bonds at lower levels. The yield on non-SLR investments increased by 63 basis points from 6.56% in fiscal 2019 to 7.19% in fiscal 2020 primarily due to an increase in yield on pass through certificates and an increase in average investment in pass through certificates and bonds and debentures which are relatively higher yielding, offset, in part, by a decrease in yield on commercial papers and certificate of deposits.

- The yield on other interest-earning assets decreased from 3.63% in fiscal 2019 to 3.31% in fiscal 2020 primarily due to a decrease in interest on income tax refund, an increase in average balance with RBI and a decrease in yield on LAF lending and Rural Infrastructure Development Fund (RIDF) and related deposits, offset, in part, by an increase in interest income on funding swaps.

  Interest on income tax refund decreased from ₹ 4.48 billion in fiscal 2019 to ₹ 2.70 billion in fiscal 2020. The receipt, amount and timing of such income depends on the nature and timing of determinations by tax authorities and are hence neither consistent nor predictable.

The cost of funds was 5.09% in fiscal 2020 as compared to 5.10% in fiscal 2019.

- The cost of average deposits increased from 4.87% fiscal 2019 to 4.96% in fiscal 2020 primarily due to a decrease in proportion of average CASA deposits in total deposits due to higher growth in retail term deposits, offset, in part, by a decrease in cost of domestic term deposits. The average CASA deposits decreased from 45.9% of total average deposits in fiscal 2019 to 42.7% of total average deposits in fiscal 2020. Average CASA deposits were 34.5% of the total funding (i.e., deposits and borrowings) for fiscal 2020 as compared to 35.1% for fiscal 2019. The cost of domestic term deposits decreased by 6 basis points from 6.73% in fiscal 2019 to 6.67% in fiscal 2020.

MANAGEMENT'S DISCUSSION & ANALYSIS

- The cost of borrowings decreased by 18 basis points from 5.86% in fiscal 2019 to 5.68% in fiscal 2020 primarily due to a decrease in interest expense on funding swaps, a decrease in proportion of bond borrowings which are relatively higher cost and a decrease in cost of refinance borrowings.

  The Bank's interest income, yield on advances, net interest income and net interest margin are likely to be impacted by systemic liquidity, the competitive environment, regulatory developments and uncertainties and the economic slowdown due to the Covid-19 pandemic. The timing and quantum of recoveries and interest on income tax refund is uncertain.

  RBI amended the Master direction on "Interest rate on advances" through circulars dated September 4, 2019 and February 26, 2020 and mandated banks to link all new floating rate personal or retail loans (such as housing and auto loans), floating rate loans to micro and small enterprises from October 1, 2019 and floating rate loans to medium enterprises from April 01, 2020 to an external benchmark. The existing borrowers, under the above categories, have the option to convert to external benchmark linked pricing as per the extant RBI guidelines. Differential movement in the external benchmark rates vis-a-vis cost of funds of the Bank may impact the Bank's net interest income and net interest margin.

The following table sets forth, for the period indicated, the trend in average interest-earning assets and average interest-bearing liabilities:

₹ in billion, except percentages

Particulars	Fiscal 2019	Fiscal 2020	% change
Advances	₹ 5,351.93	**₹ 6,087.32**	13.7%
Interest-earning investments[1]	1,806.88	**2,062.09**	14.1
Other interest-earning assets	733.48	**778.33**	6.1
Total interest-earning assets	**7,892.29**	**8,927.74**	**13.1**
Deposits	5,448.71	**6,594.13**	21.0
Borrowings[1,2]	1,683.93	**1,557.63**	(7.5)
Total interest-bearing liabilities	**₹ 7,132.64**	**₹ 8,151.76**	**14.3%**

1. *Average investments and average borrowings include average short-term repurchase transactions.*
2. *Borrowings exclude preference share capital.*
3. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

The average volume of interest-earning assets increased by 13.1% from ₹ 7,892.29 billion in fiscal 2019 to ₹ 8,927.74 billion in fiscal 2020. The increase in average interest-earning assets was primarily on account of an increase in average advances by ₹ 735.39 billion and average interest-earning investments by ₹ 255.21 billion.

Average advances increased by 13.7% from ₹ 5,351.93 billion in fiscal 2019 to ₹ 6,087.32 billion in fiscal 2020 primarily due to an increase in domestic advances, offset, in part, by a decrease in overseas advances.

Average interest-earning investments increased by 14.1% from ₹ 1,806.88 billion in fiscal 2019 to ₹ 2,062.09 billion in fiscal 2020 primarily due to an increase in average investment in government securities by 21.2% from ₹ 1,313.99 billion in fiscal 2019 to ₹ 1,591.93 billion in fiscal 2020. Average interest-earning non-SLR investments increased by 4.2% from ₹ 426.34 billion in fiscal 2019 to ₹ 444.43 billion in fiscal 2020.

Average other interest-earning assets increased by 6.1% from ₹ 733.48 billion in fiscal 2019 to ₹ 778.33 billion in fiscal 2020 primarily due to an increase in average balance with RBI and call money lent, offset, in part, by a decrease in balance with other banks.

Average interest-bearing liabilities increased by 14.3% from ₹ 7,132.64 billion in fiscal 2019 to ₹ 8,151.76 billion in fiscal 2020 primarily due to an increase in average deposits by ₹ 1,145.42 billion and a decrease in average borrowings by ₹ 126.29 billion.

Average deposits increased by 21.0% from ₹ 5,448.71 billion in fiscal 2019 to ₹ 6,594.13 billion in fiscal 2020 due to an increase in average term deposits by ₹ 833.27 billion and average CASA deposits by ₹ 312.15 billion.

Average borrowings decreased by 7.5% from ₹ 1,683.93 billion in fiscal 2019 to ₹ 1,557.63 billion in fiscal 2020 primarily due to a decrease in bond borrowings and term money borrowings, offset, in part, by an increase in refinance borrowings.

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FEE INCOME

Fee income primarily includes fees from retail customers such as loan processing fees, fees from cards business, account servicing charges, third party referral fees and fees from corporate clients such as loan processing fees and transaction banking fees.

Fee income increased by 14.4% from ₹ 119.89 billion in fiscal 2019 to ₹ 137.11 billion in fiscal 2020 primarily due to an increase in fee income from cards business, lending linked fees and commercial banking fees, offset, in part, by a decrease in third party referral fees. During fiscal 2020, retail fee income grew by 17.2% as compared to fiscal 2019 and constituted about 69.5% of overall fees.

DIVIDEND FROM SUBSIDIARIES

Dividend from subsidiaries increased by 18.1% from ₹ 10.78 billion in fiscal 2019 to ₹ 12.73 billion in fiscal 2020. The following table sets forth, for the periods indicated, the details of dividend received from subsidiaries:

₹ in billion

Name of the entity	Fiscal 2019	Fiscal 2020
ICICI Prudential Asset Management Company Limited	1.66	**3.76**
ICICI Securities Limited	1.94	**2.54**
ICICI Prudential Life Insurance Company Limited	3.72	**1.78**
ICICI Lombard General Insurance Company Limited	1.27	**1.78**
ICICI Bank Canada	1.37	**1.63**
ICICI Securities Primary Dealership Limited	0.36	**1.20**
ICICI Home Finance Company Limited	-	**0.04**
ICICI Venture Funds Management Company Limited	0.46	**0.00**
ICICI Prudential Trust	0.00	**0.00**
Total	**10.78**	**12.73**

1. 0.00 represents insignificant amount.

2. All amounts have been rounded off to the nearest ₹ 10.0 million.

In line with the Insurance Regulatory and Development Authority (IRDAI) guideline asking insurers to conserve capital, ICICI Lombard General Insurance Company Limited and ICICI Prudential Life Insurance Company Limited have not recommended any final dividend for fiscal 2020. As a result, dividend income from subsidiaries is expected to decrease in fiscal 2021.

Other income (including lease income)

Other income increased from ₹ 0.79 billion in fiscal 2019 to ₹ 1.72 billion in fiscal 2020.

OPERATING EXPENSES

The following table sets forth, for the periods indicated, the principal components of operating expenses.

₹ in billion, except percentages

Particulars	Fiscal 2019	Fiscal 2020	% change
Payments to and provisions for employees	₹ 68.08	**₹ 82.71**	21.5%
Depreciation on owned property (including non-banking assets)	7.77	**9.47**	21.9
Other administrative expenses	105.04	**123.97**	18.0
Total operating expense	**₹ 180.89**	**₹ 216.15**	**19.5%**

1. All amounts have been rounded off to the nearest ₹ 10.0 million.

Operating expenses primarily include employee expenses, depreciation on assets and other administrative expenses. Operating expenses increased by 19.5% from ₹ 180.89 billion in fiscal 2019 to ₹ 216.15 billion in fiscal 2020.

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Payments to and provisions for employees

Employee expenses increased by 21.5% from ₹ 68.08 billion in fiscal 2019 to ₹ 82.71 billion in fiscal 2020 primarily due to an increase in employee base, annual increments and promotions, provision for retirement benefit obligations due to a decrease in the discount rate linked to yield on government securities and an increase in dearness allowances. The average staff strength increased from 84,523 for fiscal 2019 to 97,682 for fiscal 2020 (number of employees at March 31, 2019: 86,763 and at March 31, 2020: 99,319), primarily in retail and rural business. The employee base includes sales executives, employees on fixed term contracts and interns.

Depreciation

Depreciation on owned property increased by 21.9% from ₹ 7.77 billion in fiscal 2019 to ₹ 9.47 billion in fiscal 2020 primarily due to higher capitalisation of IT systems and software which attracts higher depreciation rates.

Other administrative expenses

Other administrative expenses primarily include rent, taxes and lighting, advertisements, sales promotion, repairs and maintenance, direct marketing expenses and other expenditure. Other administrative expenses increased by 18.0% from ₹ 105.04 billion in fiscal 2019 to ₹ 123.97 billion in fiscal 2020. The increase in other administrative expenses was primarily due to an increase in retail business volumes.

Profit/(loss) on treasury-related activities (net)

Income from treasury-related activities includes income from sale of investments and unrealised profit/(loss) on account of revaluation of investments in the fixed income portfolio, equity and preference share portfolio, units of venture funds and security receipts issued by asset reconstruction companies.

Profit from treasury-related activities was ₹ 12.93 billion in fiscal 2020 as compared to ₹ 13.66 billion in fiscal 2019. Profit from treasury-related activities in fiscal 2020 was primarily due to realised gain on sale of government securities. Yields on the benchmark 10-year government securities eased by 121 basis points from 7.35% at end-March 2019 to 6.14% at end-March 2020. In fiscal 2019, the Bank made net gain of ₹ 11.10 billion on sale of equity shares of ICICI Prudential Life Insurance Company Limited.

PROVISIONS AND CONTINGENCIES (EXCLUDING PROVISIONS FOR TAX)

The following tables set forth, for the periods indicated, the components of provisions and contingencies.

₹ in billion, except percentages

Particulars	Fiscal 2019	Fiscal 2020	% change
Provision for non-performing and other assets[1]	₹ 168.12	**₹ 88.15**	(47.6%)
Provision for investments (including credit substitutes) (net)	3.56	**13.11**	-
Provision for standard assets	2.55	**4.62**	81.0%
Covid-19 related provision	-	**27.25**	-
Others (other than Covid-19 related provision)	22.38	**7.40**	(66.9%)
Total provisions and contingencies (excluding provision for tax)	**₹ 196.61**	**₹ 140.53**	**(28.5%)**

1. *Includes restructuring related provision.*
2. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

Provisions are made by the Bank on standard, sub-standard and doubtful assets at rates prescribed by RBI. Loss assets and the unsecured portion of doubtful assets are provided for/written off as required by RBI guidelines. For loans and advances of overseas branches, provisions are made as per RBI regulations or host country regulations, whichever is higher. Provisions on retail non-performing loans are made at the borrower level in accordance with the retail assets provisioning policy of the Bank, subject to the minimum provisioning levels prescribed by RBI. The Bank holds specific provisions against non-performing loans and advances and against certain performing loans and advances in accordance with RBI directions, including provision on accounts directed by RBI to be referred to National Company Law Tribunal under Insolvency and Bankruptcy Code, 2016 (IBC). The specific provisions on retail loans and advances held by the Bank are higher than the minimum regulatory requirement. In respect of non-retail loans reported as fraud to RBI and classified in doubtful category, the entire amount, without considering the value of security, is provided for over a period not exceeding four quarters starting from the quarter in which fraud has been detected. In respect of non-retail loans where there has been delay in reporting the fraud to

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RBI or which are classified as loss accounts, the entire amount is provided immediately. In case of fraud in retail accounts, the entire amount is provided immediately. The Bank makes additional provisions as per RBI guidelines for the cases where viable resolution plan has not been implemented within the timelines prescribed by the RBI, from the date of default. These additional provisions are written-back on satisfying the conditions for reversal as per RBI guidelines.

Provision on loans and advances restructured/ rescheduled is made in accordance with the applicable RBI guidelines on restructuring of loans and advances by banks. In addition to the specific provision on NPAs, the Bank maintains a general provision on standard loans and advances at rates prescribed by RBI. For standard loans and advances in overseas branches, the general provision is made at the higher of host country regulatory requirements and RBI requirements. The Bank also makes additional general provision on loans to specific borrowers in specific stressed sectors. The Bank makes floating provision as per a Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision can be utilised with the approval of the Board and RBI.

Provisions and contingencies (excluding provisions for tax) decreased from ₹ 196.61 billion in fiscal 2019 to ₹ 140.53 billion in fiscal 2020 primarily due to a decrease in provision on non-performing and other assets, offset, in part, by Covid-19 related provision and an increase in provision for investments.

Provision for non-performing and other assets decreased from ₹ 168.12 billion in fiscal 2019 to ₹ 88.15 billion in fiscal 2020. Provisions reduced in fiscal 2020 primarily due to lower ageing provisions on loans classified as NPAs in earlier years as compared to fiscal 2019. There was a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans into non-performing status for the Bank since fiscal 2016. While, the additions to non-performing loans declined sharply in fiscal 2019, the provision remained elevated due to ageing provision on loans classified as NPA in earlier years. The provision coverage ratio (excluding cumulative technical/prudential write-offs) increased from 47.7% at March 31, 2018 to 70.6% at March 31, 2019. The provision coverage ratio was further increased to 75.7% at March 31, 2020.

Provision for investments increased from ₹ 3.56 billion in fiscal 2019 to ₹ 13.11 billion in fiscal 2020 primarily due to an increase in provision on preference shares, equity shares and debentures. During fiscal 2020, the Bank made provision of ₹ 8.45 billion towards preference shares on conversion of non-performing loans of a borrower as part of restructuring. The Bank was already holding this provision on the loan before conversion to preference shares.

Provision for standard assets increased from ₹ 2.55 billion in fiscal 2019 to ₹ 4.62 billion (excluding Covid-19 related provision) in fiscal 2020 primarily due to additional general provision on stressed sectors and an increase in portfolio. The cumulative general provision (excluding Covid-19 related provision) held at March 31, 2020 was ₹ 33.75 billion (March 31, 2019: ₹ 28.74 billion).

RBI on March 27, 2020 issued a circular on 'Covid-19-Regulatory Package' with the intention to mitigate the burden of debt servicing brought about by disruptions on account of Covid-19 pandemic and to ensure the continuity of viable businesses. RBI permitted banks to grant a moratorium of three months on the payment of all instalments and/or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 (moratorium period), which was subsequently extended by another three months to August 31, 2020.

RBI on April 17, 2020 issued a circular on 'Covid-19 Regulatory Package – Asset Classification and Provisioning', wherein for all the accounts where moratorium is granted by banks and which were standard as on February 29, 2020, even if overdue, the moratorium period will be excluded from the number of days past-due/out of order for the purpose of asset classification under the extant RBI guidelines on Income Recognition and Asset Classification norms. Banks are required to make general provisions of not less than 10.0% of the total outstanding of such accounts, to be phased over two quarters starting from the quarter ended March 31, 2020. These provisions may be adjusted against the actual provisioning requirements for slippages from such accounts. The residual provisions at the end of the financial year ending March 31, 2021 can be written back or adjusted against the provisions required for all other accounts.

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At March 31, 2020, the aggregate outstanding of the borrowers to whom moratorium has been extended and which were overdue but standard at February 29, 2020 and continued to be overdue at March 31, 2020, amounted to ₹ 121.45 billion. Of these, borrowers with aggregate outstanding of ₹ 13.09 billion were extended asset classification benefit at March 31, 2020 under RBI's norms. At March 31, 2020, the Bank has made Covid-19 related provision of ₹ 27.25 billion. The provision made by the Bank is more than the requirement under RBI guidelines dated April 17, 2020.

Other provisions and contingencies (other than Covid-19 related provision) decreased from ₹ 22.38 billion in fiscal 2019 to ₹ 7.40 billion in fiscal 2020. Other provisions and contingencies in fiscal 2020 includes provision against non-banking assets acquired under debt asset swap transactions, offset, in part, by reclassification of provision on non-fund exposure on certain borrowers classified as non-performing. Other provisions and contingencies in fiscal 2019 primarily included provision on non-fund based facilities and non-banking assets.

TAX EXPENSE

The income tax expense increased from ₹ 4.14 billion in fiscal 2019 to ₹ 61.17 billion in fiscal 2020. The effective tax rate increased from 10.9% in fiscal 2019 to 43.5% in fiscal 2020.

During fiscal 2020, the Bank decided to exercise the option of lower tax rate available under Section 115BAA of the Income Tax Act, 1961, as introduced by Taxation Laws (Amendment) Ordinance, 2019, with effect from fiscal 2020. Accordingly, the Bank recognised the provision for income tax and re-measured the accumulated deferred tax asset at March 31, 2019 based on the rate prescribed under Section 115BAA. The resultant impact has been taken through the profit and loss account. The impact of this change on the tax expense for fiscal 2020, including both, the one-time additional charge due to re-measurement of accumulated deferred tax asset at March 31, 2019, and the tax expense at lower rate for fiscal 2020, was ₹ 13.91 billion.

The marginal tax rate, applicable to the Bank, will be about 24.5% in fiscal 2021.

FINANCIAL CONDITION

Assets

The following table sets forth, at the dates indicated, the principal components of assets.

₹ in billion, except percentages

Assets	At March 31, 2019	At March 31, 2020	% change
Cash and bank balances	₹ 802.96	**₹ 1,191.56**	48.4%
Investments	2,077.33	**2,495.31**	20.1
- Government and other approved investments[1]	1,479.09	**1,883.20**	27.3
- Equity investment in subsidiaries	98.03	**98.03**	0.0
- Other investments	500.21	**514.08**	2.8
Advances	5,866.47	**6,452.90**	10.0
- Domestic	5,236.15	**5,913.23**	12.9
- Overseas branches	630.32	**539.67**	(14.4)
Fixed assets (including leased assets)	79.31	**84.10**	6.0
Other assets	818.52	**759.78**	(7.2)
- RIDF and other related deposits[2]	292.55	**287.57**	(1.7)
Total assets	**₹ 9,644.59**	**₹ 10,983.65**	**13.9%**

1. *Banks in India are required to maintain a specified percentage, currently 18.00% (at March 31, 2020), of their net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities.*
2. *Deposits made in Rural Infrastructure Development Fund and other related deposits pursuant to shortfall in the amount required to be lent to certain specified sectors called priority sector as per RBI guidelines.*
3. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

Total assets of the Bank increased by 13.9% from ₹ 9,644.59 billion at March 31, 2019 to ₹ 10,983.65 billion at March 31, 2020, primarily due to a 10.0% increase in advances and a 20.1% increase in investments, offset, in part, by a 7.2% decrease in other assets.

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Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with RBI and other banks, including money at call and short notice. Cash and cash equivalents increased from ₹ 802.96 billion at March 31, 2019 to ₹ 1,191.56 billion at March 31, 2020 primarily due to an increase in lending with RBI under LAF, offset, in part, by a decrease in foreign currency call money lent. Lending with RBI under LAF increased from ₹ 86.00 billion at March 31, 2019 to ₹ 570.00 billion at March 31, 2020 primarily due to surplus liquidity. The liquidity maintained by the Bank has increased, particularly from March 2020 onwards, as the Bank focused on enhancing its liquidity buffer during this period. The liquid assets were higher due to higher deposit flows primarily on account of growth in the term deposit book.

Investments

Total investments increased by 20.1% from ₹ 2,077.33 billion at March 31, 2019 to ₹ 2,495.31 billion at March 31, 2020 primarily due to an increase in investments in government securities by ₹ 404.09 billion and commercial papers by ₹ 33.95 billion, offset, in part, by a decrease in investment in bonds and debentures by ₹ 22.48 billion.

At March 31, 2020, the Bank had an outstanding net investment of ₹ 20.65 billion in security receipts issued by asset reconstruction companies compared to ₹ 32.86 billion at March 31, 2019. During fiscal 2020, security receipts amounting to ₹ 11.62 billion were redeemed on account of recovery from a non-performing case.

Advances

Net advances increased by 10.0% from ₹ 5,866.47 billion at March 31, 2019 to ₹ 6,452.90 billion at March 31, 2020 primarily due to an increase in domestic advances. Domestic advances increased by 12.9% from ₹ 5,236.15 billion at March 31, 2019 to ₹ 5,913.23 billion at March 31, 2020. Net retail advances Increased by 15.6% from ₹ 3,528.33 billion at March 31, 2019 to ₹ 4,080.03 billion at March 31, 2020. Net advances of overseas branches decreased by 14.4% from ₹ 630.32 billion at March 31, 2019 to ₹ 539.67 billion at March 31, 2020.

Fixed and other assets

Fixed assets (net block) increased by 6.0% from ₹ 79.31 billion at March 31, 2019 to ₹ 84.10 billion at March 31, 2020. Other assets decreased by 7.2% from ₹ 818.52 billion at March 31, 2019 to ₹ 759.78 billion at March 31, 2020 primarily due to a decrease in trade receivables on account of pending settlement, deferred tax assets and non-banking asset acquisition against claims, offset, in part, by an increase in receivables on account of treasury transactions.

LIABILITIES

The following table sets forth, at the dates indicated, the principal components of liabilities (including capital and reserves).

₹ in billion, except percentages

Liabilities	At March 31, 2019	At March 31, 2020	% change
Equity share capital	₹ 12.94	**₹ 12.98**	0.3%
Reserves	1,070.74	**1,152.06**	7.6
Deposits	6,529.20	**7,709.69**	18.1
- Savings deposits	2,276.71	**2,455.91**	7.9
- Current deposits	962.69	**1,022.28**	6.2
- Term deposits	3,289.80	**4,231.51**	28.6
Borrowings (excluding subordinated debt)	1,382.85	**1,410.79**	2.0
- Domestic	635.07	**811.26**	27.7
- Overseas branches	747.78	**599.53**	(19.8)
Subordinated debt (included in Tier-1 and Tier-2 capital)	270.35	**218.17**	(19.3)
- Domestic	270.35	**218.17**	(19.3)
Other liabilities	378.51	**479.95**	26.8
Total liabilities	**₹ 9,644.59**	**₹ 10,983.65**	**13.9%**

1. All amounts have been rounded off to the nearest ₹ 10.0 million.

Total liabilities (including capital and reserves) increased by 13.9% from ₹ 9,644.59 billion at March 31, 2019 to ₹ 10,983.65 billion at March 31, 2020 primarily due to a 18.1% increase in deposits.

MANAGEMENT'S DISCUSSION & ANALYSIS

Deposits

Deposits increased by 18.1% from ₹ 6,529.20 billion at March 31, 2019 to ₹ 7,709.69 billion at March 31, 2020.

Term deposits increased by 28.6% from ₹ 3,289.80 billion at March 31, 2019 to ₹ 4,231.51 billion at March 31, 2020. Savings account deposits increased by 7.9% from ₹ 2,276.71 billion at March 31, 2019 to ₹ 2,455.91 billion at March 31, 2020 and current account deposits increased by 6.2% from ₹ 962.69 billion at March 31, 2019 to ₹ 1,022.28 billion at March 31, 2020. The current and savings account (CASA) deposits increased by 7.4% from ₹ 3,239.40 billion at March 31, 2019 to ₹ 3,478.19 billion at March 31, 2020. The CASA ratio was 45.1% at March 31, 2020 compared to 49.6% at March 31, 2019.

Deposits of overseas branches increased by 33.3% from ₹ 54.21 billion at March 31, 2019 to ₹ 72.27 billion at March 31, 2020.

Total deposits at March 31, 2020 formed 82.6% of the funding (i.e., deposits and borrowings) compared to 79.8% at March 31, 2019.

The average CASA deposits as a proportion to total deposits were 42.7% in fiscal 2020 as compared to 45.9% in fiscal 2019. Average CASA deposits were 34.5% of the funding (i.e., deposits and borrowings) for fiscal 2020 as compared to 35.1% for fiscal 2019.

Borrowings

Borrowings decreased by 1.5% from ₹ 1,653.20 billion at March 31, 2019 to ₹ 1,628.97 billion at March 31, 2020 primarily due to a decrease in foreign currency call money borrowings and foreign currency bond borrowings, offset, in part, by an increase in repo borrowings, borrowings with RBI under liquidity adjustment facility and refinance borrowings. Net borrowings of overseas branches decreased from ₹ 747.78 billion at March 31, 2019 to ₹ 599.53 billion at March 31, 2020.

Other liabilities

Other liabilities increased by 26.8% from ₹ 378.51 billion at March 31, 2019 to ₹ 479.95 billion at March 31, 2020 primarily due to an increase in payables on account of foreign exchange and derivative transactions, security deposits, offset, in part, by a decrease in bills payable.

Equity share capital and reserves

Equity share capital and reserves increased from ₹ 1,083.68 billion at March 31, 2019 to ₹ 1,165.04 billion at March 31, 2020 due to accretion to reserves from profits for the year.

OFF BALANCE SHEET ITEMS, COMMITMENTS AND CONTINGENCIES

The following table sets forth, for the periods indicated, the principal components of contingent liabilities.

₹ in billion

Particulars	At March 31, 2019	At March 31, 2020
Claims against the Bank, not acknowledged as debts	₹ 55.01	**₹ 63.24**
Liability for partly paid investments	0.01	**0.01**
Notional principal amount of outstanding forward exchange contracts	4,701.00	**7,441.46**
Guarantees given on behalf of constituents	1,066.66	**1,088.13**
Acceptances, endorsements and other obligations	433.79	**347.12**
Notional principal amount of currency swaps	423.34	**509.59**
Notional principal amount of interest rate swaps and currency options and interest rate futures	12,441.82	**15,698.50**
Other items for which the Bank is contingently liable	98.75	**90.20**
Total	**₹ 19,220.38**	**₹ 25,238.25**

1. All amounts have been rounded off to the nearest ₹ 10.0 million.

The Bank enters into foreign exchange contracts in its normal course of business, to exchange currencies at a pre-fixed price at a future date. This item represents the notional principal amount of such contracts, which are derivative instruments. With respect to the transactions entered into with its customers, the Bank generally enters into off-setting transactions in the inter-bank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.

MANAGEMENT'S DISCUSSION & ANALYSIS

The Bank is an active market participant in the interest rate and foreign exchange derivative market for trading and market making purposes, which are carried out primarily for customer transactions and managing the proprietary position on interest rate and foreign exchange risk. The notional amount of interest rate swaps and currency options increased from ₹ 12,441.82 billion at March 31, 2019 to ₹ 15,698.50 billion at March 31, 2020 primarily due to an increase in outstanding position of overnight index swaps. These transactions are done for trading and market-making purposes with a view to manage the interest rate risk. The notional principal amount of outstanding forward exchange contracts increased from ₹ 4,701.00 billion at March 31, 2019 to ₹ 7,441.46 billion at March 31, 2020 primarily due to increase in trading and market making activities in forwards to facilitate client flow and capture opportunities in the forward market.

Claims against the Bank, not acknowledged as debts, represent demands made in certain tax and legal matters against the Bank in the normal course of business and customer claims arising in fraud cases. In accordance with the Bank's accounting policy and Accounting Standard 29, the Bank has reviewed and classified these items as possible obligations based on legal opinion/judicial precedents/assessment by the Bank. No provision in excess of provisions already made in the financial statements is considered necessary.

As a part of project financing and commercial banking activities, the Bank has issued guarantees to support regular business activities of clients. These generally represent irrevocable assurances that the Bank will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation, including advance payment guarantee. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally issued for a period not exceeding ten years. The credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. Cash margins available to reimburse losses realised under guarantees amounted to ₹ 163.75 billion at March 31, 2020 as compared to ₹ 129.53 billion at March 31, 2019. Other property or security may also be available to the Bank to cover potential losses under guarantees.

Guarantees given on behalf of constituents increased by 2.0% from ₹ 1,066.66 billion at March 31, 2019 to ₹ 1,088.13 billion at March 31, 2020. Acceptances, endorsements and other obligations decreased by 20.0% from ₹ 433.79 billion at March 31, 2019 to ₹ 347.12 billion at March 31, 2020

The Bank is obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. Estimated amounts of contracts remaining to be executed on capital account aggregated to ₹ 7.57 billion at March 31, 2020 compared to ₹ 6.73 billion at March 31, 2019.

CAPITAL RESOURCES

The Bank actively manages its capital to meet regulatory norms, current and future business needs and the risks in its businesses. The capital management framework of the Bank is administered by the Finance Group and the Risk Management Group under the supervision of the Board and the Risk Committee. The capital adequacy position and assessment is reported to the Board and the Risk Committee periodically.

Regulatory capital

The Bank is subject to the Basel III guidelines issued by RBI, effective from April 1, 2013, which are being implemented in a phased manner by March 31, 2019 as per the transitional arrangement provided by RBI for Basel III implementation. On January 10, 2019, RBI extended the transition period for implementing the last tranche of 0.625% under CCB by one year i.e from March 31, 2019 to March 31, 2020. On March 27, 2020, RBI further extended the transition period for implementing the last tranche of 0.625% under capital conservation buffer (CCB) by six months i.e. from March 31, 2020 to September 30, 2020.

At March 31, 2020, the Bank was required to maintain a minimum Common Equity Tier-1 (CET1) capital ratio of 7.575%, minimum Tier-1 capital ratio of 9.075% and minimum total capital ratio of 11.075%. The minimum total capital requirement includes a capital conservation buffer of 1.875% and capital surcharge of 0.20% on account of the Bank being designated as a Domestic Systemically Important Bank (D-SIB). Under Pillar 1 of the RBI guidelines on Basel III, the Bank follows the standardised approach for measurement of credit risk, standardised duration method for measurement of market risk and basic indicator approach for measurement of operational risk.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following table sets forth the capital adequacy ratios computed in accordance with Basel III guidelines of RBI at March 31, 2019 and March 31, 2020.

₹ in billion, except percentages

Basel III	At March 31, 2019	At March 31, 2020
CET1 capital	936.89	**1,016.65**
Tier-1 capital	1,037.16	**1,117.85**
Tier-2 capital	123.74	**106.00**
Total capital	**1,160.90**	**1,223.85**
Credit Risk - Risk Weighted Assets (RWA)	5,741.03	**6,299.20**
On balance sheet	4,888.69	**5,380.55**
Off balance sheet	852.34	**918.65**
Market Risk - RWA	488.38	**593.66**
Operational Risk - RWA	644.34	**702.04**
Total RWA	**6,873.75**	**7,594.90**
Total capital adequacy ratio	**16.89%**	**16.11%**
CET1 capital adequacy ratio	13.63%	**13.39%**
Tier-1 capital adequacy ratio	15.09%	**14.72%**
Tier-2 capital adequacy ratio	1.80%	**1.39%**

1. Including retained earnings for fiscal 2020 and post proposed mandatory appropriations.
2. All amounts have been rounded off to the nearest ₹ 10.0 million.

At March 31, 2020, the Bank's Tier-1 capital adequacy ratio was 14.72% as against the requirement of 9.08% and total capital adequacy ratio was 16.11% as against the requirement of 11.08%.

Movement in the capital funds and risk weighted assets from March 31, 2019 to March 31, 2020 as per Basel III norms

Capital funds (net of deductions) increased by ₹ 62.95 billion from ₹ 1,160.90 billion at March 31, 2019 to ₹ 1,223.85 billion at March 31, 2020 primarily due inclusion of retained earnings, issuance of Tier-2 capital instruments of ₹ 9.45 billion and increase in general provisions, offset, in part, by redemption of Tier-2 capital instruments. The mandatory appropriation towards Investment Fluctuation Reserve of ₹ 6.69 billion has been considered under Tier-2 capital.

Credit risk RWA increased by ₹ 558.17 billion from ₹ 5,741.03 billion at March 31, 2019 to ₹ 6,299.20 billion at March 31, 2020 primarily due to an increase of ₹ 491.86 billion in RWA for on-balance sheet assets and an increase of ₹ 66.31 billion in RWA for off-balance sheet assets. On-balance sheet RWA increased primarily due to growth in advances during the year and off-balance sheet RWA increased primarily due to an increase in RWA on derivatives.

Market risk RWA increased by ₹ 105.28 billion from ₹ 488.38 billion at March 31, 2019 to ₹ 593.66 billion at March 31, 2020 primarily due to investment in equity shares of Yes Bank Ltd under the scheme of reconstruction and increase in fixed income book.

Operational risk RWA increased by ₹ 57.70 billion from ₹ 644.34 billion at March 31, 2019 to ₹ 702.04 billion at March 31, 2020. The operational risk capital charge is computed based on 15% of the average of the previous three financial years' gross income and is revised on an annual basis at June 30. RWA is arrived at by multiplying the capital charge by 12.5.

RWA as a percentage of average assets was 69.1% at March 31, 2020 (at March 31, 2019: 80.3%).

Internal assessment of capital

The capital management framework of the Bank includes a comprehensive internal capital adequacy assessment process conducted annually, which determines the adequate level of capitalisation necessary to meet regulatory norms and current and future business needs. Adequate stress testing, as determined by several stress scenarios is also done. The internal capital adequacy assessment process is undertaken at both the standalone bank level and the consolidated group level. The internal

MANAGEMENT'S DISCUSSION & ANALYSIS

capital adequacy assessment process encompasses capital planning for a four-year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which covers the policies, processes, methodologies and frameworks established for the management of material risks. Stress testing, which is a key aspect of the internal capital adequacy assessment process and the risk management framework, provides an insight into the impact of extreme but plausible scenarios on the Bank's risk profile and capital position. Based on the stress testing framework approved by the Board, the Bank conducts stress tests on various portfolios and assesses the impact on the capital ratios and the adequacy of capital buffers for current and future periods. The Bank periodically assesses and refines its stress testing framework in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions and the operating environment. The business and capital plans and the stress testing results of certain key group entities are integrated into the internal capital adequacy assessment process.

Based on the internal capital adequacy assessment process, the Bank determines the level of capital that needs to be maintained by considering the following in an integrated manner:

- strategic focus, business plan and growth objectives;
- regulatory capital requirements as per RBI guidelines;
- assessment of material risks and impact of stress testing;
- perception of shareholders and investors;
- future strategy with regard to investments or divestments in subsidiaries; and
- evaluation of options to raise capital from domestic and overseas markets, as permitted by RBI from time to time.

The Bank continues to monitor relevant developments and believes that its current robust capital adequacy position and demonstrated track record of access to domestic and overseas markets for capital raising will enable it to maintain the necessary levels of capital as required by regulations while continuing to grow its business.

LOAN CONCENTRATION

The Bank follows a policy of portfolio diversification and evaluates its total financing exposure to a particular industry in the light of its forecasts of growth and profitability for that industry. The Bank's Credit Risk Management Group monitors all major sectors of the economy and specifically tracks industries in which the Bank has credit exposures. The Bank monitors developments in various sectors to assess potential risks in its portfolio and new business opportunities. The Bank's policy is to limit its portfolio to any particular industry (other than retail loans) to 15.0% of its total exposure. In addition, the Bank has a framework for managing concentration risk with respect to single borrower and group exposures, based on the internal rating and track record of the borrowers. The exposure limits for lower rated borrowers and groups are substantially lower than the regulatory limits.

The following tables set forth, at the dates indicated, the composition of the Bank's exposure.

₹ in billion, except percentages

Industry	March 31, 2019		March 31, 2020	
	Total exposure	% of total exposure	Total exposure	% of total exposure
Retail finance[1,2]	₹ 4,176.82	37.3%	**₹ 5,038.82**	**40.5%**
Services – finance	815.51	7.3	**1,042.33**	**8.4**
Bank	883.71	7.9	**792.11**	**6.4**
Electronics and engineering	736.63	6.6	**740.57**	**6.0**
Crude petroleum/refining and petrochemicals	638.66	5.7	**732.51**	**5.9**
Road, ports, telecom, urban development and other infrastructure	517.73	4.6	**529.31**	**4.3**
Wholesale/retail trade	343.77	3.1	**412.62**	**3.3**
Power	373.91	3.3	**380.28**	**3.1**
Services – non-finance	341.93	3.1	**340.15**	**2.7**
Construction	325.14	2.9	**312.64**	**2.5**
Iron and steel (including iron and steel products)	255.86	2.3	**218.71**	**1.8**

MANAGEMENT'S DISCUSSION & ANALYSIS

₹ in billion, except percentages

Industry	March 31, 2019 Total exposure	March 31, 2019 % of total exposure	March 31, 2020 Total exposure	March 31, 2020 % of total exposure
Mutual Funds	195.78	1.7	**199.84**	**1.6**
Chemical and Fertilisers	161.59	1.4	**168.90**	**1.4**
Metal and metal products (excluding iron and steel)	143.15	1.3	**150.36**	**1.2**
Automobiles	138.60	1.2	**143.60**	**1.2**
Mining	125.50	1.1	**77.40**	**0.6**
Cement	66.30	0.6	**66.81**	**0.5**
Other industries[3]	966.02	8.6	**1,099.49**	**8.6**
Total	**₹ 11,206.61**	**100.0%**	**₹ 12,446.45**	**100.0%**

1. *Includes home loans, automobile loans, commercial business loans, dealer financing and small ticket loans to small businesses, personal loans, credit cards, rural loans and loans against securities.*
2. *Includes loans against FCNR deposits of ₹ 36.23 billion at March 31, 2020 (March 31, 2019: ₹ 64.48 billion).*
3. *Other industries primarily include developer financing portfolio, gems and jewellery, textile, shipping, manufacturing products (excluding iron and steel and metal and metal products), drugs and pharmaceuticals, Asset Reconstruction Company, Venture capital Funds and FMCG.*
4. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

The exposure to top 20 non-bank borrowers as a percentage of total exposure increased from 10.8% at March 31, 2019 to 11.0% at March 31, 2020. The exposure to top 10 borrower groups decreased from 13.6% at March 31, 2019 to 12.1% at March 31, 2020.

The following table sets forth, at the dates indicated, the composition of the Bank's outstanding net advances:

₹ in billion

Particulars	At March 31, 2019	At March 31, 2020
Advances	5,866.47	**6,452.90**
- Domestic book	5,236.14	**5,913.23**
- Retail	3,528.31	**4,080.03**
- SME	179.17	**228.51**
- Corporate	1,528.66	**1,604.70**
- Overseas book	630.32	**539.67**

The Bank's capital allocation framework is focused on higher growth in retail and rural lending and selective lending to corporate sector with focus on an increase in lending to higher rated corporates. Given the focus on the above priorities, gross retail finance advances (including loans against FCNR deposits) increased by 15.0% in fiscal 2020 compared to an increase of 9.3% in total gross advances. As a result, the share of gross retail finance advances increased from 58.5% of gross advances at March 31, 2019 to 61.5% of gross advances at March 31, 2020.

Since March 2016, the overseas branches loan portfolio has reduced by about 50% in absolute US dollar terms and its share in the total loan portfolio has decreased from its peak of 24.0% in fiscal 2015 to 8.4% at March 31, 2020.

The international loan portfolio was 8.4% of the overall loan book at March 31, 2020. Excluding exposures to banks and retail lending against deposits, the corporate fund and non-fund outstanding at March 31, 2020, net of cash/bank/insurance backed lending, was USD 7.48 billion. Out of USD 7.48 billion, 63% of the outstanding was to Indian corporates and their subsidiaries and joint ventures and 16% of the outstanding was to non-India companies with Indian or India-linked operations and activities. The portfolio in this segment is well-rated and the Indian operations of these companies are target customers for the Bank's deposit and transaction banking franchise. The Bank would continue to pursue risk-calibrated opportunities in this segment. Out of USD 7.48 billion, about 7.0% of the outstanding was to companies owned by NRIs/ PIOs and 14% of the outstanding was to other non-India companies which is about 1.0% of the total portfolio of the Bank. The Bank is planning significant reduction in this portfolio.

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The following table sets forth, at the dates indicated, the composition of the Bank's gross (net of write-offs) outstanding retail finance portfolio.

₹ in billion, except percentages

Particulars	March 31, 2019		March 31, 2020	
	Total retail advances	% of total retail advances	Total retail advances	% of total retail advances
Home loans	₹ 1,784.11	49.3%	**₹ 2,011.34**	**48.3%**
Rural loans	511.19	14.1	**582.84**	**14.0**
Personal loans	314.63	8.7	**458.53**	**11.0**
Automobile loans	318.80	8.8	**326.25**	**7.8**
Business banking[1]	236.62	6.5	**301.83**	**7.3**
Commercial business	227.20	6.3	**252.01**	**6.1**
Credit cards	126.90	3.5	**163.42**	**3.9**
Others[2,3]	99.91	2.8	**65.95**	**1.6**
Total retail finance portfolio[3]	**₹ 3,619.36**	**100.0%**	**₹ 4,162.17**	**100.0%**

1. *Includes dealer financing and small ticket loans to small businesses.*
2. *Includes loans against securities.*
3. *Includes loans against FCNR deposits of ₹ 36.23 billion at March 31, 2020 (March 31, 2019: ₹ 64.48 billion).*
4. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

The following table sets forth, at the dates indicated, the rating wise categorisation of the Bank's outstanding net advances:

₹ in billion, except percentages

Ratings category[1,2]	At March 31, 2019	At March 31, 2020
AA- and above	45.1%	**44.4%**
A+, A, A-	22.0	**25.8**
A- and above	**67.1**	**70.2**
BBB+,BBB, BBB-	28.2	**26.6**
BB and below[3]	4.5	**2.9**
Unrated	0.2	**0.3**
Total	**100.0%**	**100.0%**
Total net advances	**5,866.47**	**6,452.90**

1. *Based on internal ratings.*
2. *For retail loans, ratings have been undertaken at the product level.*
3. *Includes net non-performing loans.*

DIRECTED LENDING

RBI requires banks to lend to certain sectors of the economy. Such directed lending comprises priority sector lending and export credit.

Priority Sector Lending and Investment

The RBI guidelines on priority sector lending require banks to lend 40.0% of their adjusted net bank credit (ANBC), to fund certain types of activities carried out by specified borrowers. The definition of ANBC includes bank credit in India adjusted by bills rediscounted with RBI and other approved financial institutions and certain investments including Priority Sector Lending Certificates (PSLCs) and investments in Rural Infrastructure Development Fund and other specified funds on account of priority sector shortfall and is computed with reference to the outstanding amount at corresponding date of the preceding year as prescribed by the RBI guidelines titled 'Master Direction – Priority Sector Lending – Targets and Classification'. Further, the RBI allows exclusion from ANBC for funds raised by the Bank through issue of long-term bonds for financing infrastructure and low-cost housing, subject to certain limits.

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As prescribed by RBI's Master Direction on 'Priority Sector Lending - Targets and Classification' dated July 7, 2016, the priority sectors include categories such as agriculture, micro, small and medium enterprises, education, housing, social infrastructure, renewable energy and export credit. Out of the overall target of 40.0%, banks are required to lend a minimum of 18.0% of their ANBC to the agriculture sector. Sub-targets of 8.0% for lending to small & marginal farmers (out of agriculture) and 7.5% lending target to micro-enterprises were introduced from fiscal 2016. RBI has directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, failing which banks will attract penalties for shortfall. RBI would notify the banks of the banking system's average level at the beginning of each year. RBI notified a target level of 12.11% of ANBC for this purpose for fiscal 2020. The banks are also required to lend 10.0% of their ANBC to certain borrowers under the "weaker section" category. Priority sector lending achievement is evaluated on a quarterly average basis from fiscal 2017.

The Bank is required to comply with the priority sector lending requirements prescribed by RBI from time to time. The shortfall in the amount required to be lent to the priority sectors and weaker sections may be required to be deposited in funds with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India, the National Housing Bank, Micro Units Development and Refinance Agency Limited (MUDRA) and other financial institutions as decided by the RBI from time to time. These deposits have a maturity of up to seven years and carry interest rates lower than market rates. At March 31, 2020, the Bank's total investment in such funds was ₹ 287.57 billion, which was fully eligible for consideration in overall priority sector lending achievement.

As prescribed in the RBI guideline, the Bank's priority sector lending achievement is computed on a quarterly average basis. Total average priority sector lending for fiscal 2020 was ₹ 2,153.37 billion (fiscal 2019: ₹ 1,891.65 billion) constituting 40.3% (fiscal 2019: 41.5%) of ANBC, against the requirement of 40.0% of ANBC. The average lending to the agriculture sector was ₹ 834.63 billion (fiscal 2019: ₹ 749.77 billion) constituting 15.6% (fiscal 2019: 16.5%) of ANBC against the requirement of 18.0% of ANBC. The average advances to weaker sections were ₹ 443.88 billion (fiscal 2019: ₹ 403.47 billion) constituting 8.3% (fiscal 2019: 8.9%) of ANBC against the requirement of 10.0% of ANBC. Average lending to small and marginal farmers was ₹ 321.50 billion (fiscal 2019: ₹ 307.73 billion) constituting 6.0% (fiscal 2019: 6.8%) of ANBC against the requirement of 8.0% of ANBC. The average lending to micro enterprises was ₹ 408.72 billion (fiscal 2019: ₹ 360.10 billion) constituting 7.7% (fiscal 2019: 7.9%) of ANBC against the requirement of 7.5% of ANBC. The average lending to non-corporate farmers was ₹ 531.01 billion (fiscal 2019: ₹ 496.10 billion) constituting 9.9% (fiscal 2019: 10.9%) of ANBC against the requirement of 12.11% of ANBC (11.99% for fiscal 2019). The above includes the impact of PSLCs purchased/sold by the Bank.

CLASSIFICATION OF LOANS

The Bank classifies its assets as performing and non-performing in accordance with RBI guidelines. Under RBI guidelines, an asset is generally classified as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft or cash credit, an asset is classified as non-performing if the account remains out of order for a period of 90 days and in respect of bills, if the account remains overdue for more than 90 days. RBI guidelines also require an asset to be classified as non-performing based on certain other criteria like restructuring of a loan, inability of a borrower to complete a project funded by the Bank within stipulated timelines and certain other non-financial parameters. In respect of borrowers where loans and advances made by overseas branches are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per RBI guidelines, the amount outstanding in the host country is classified as non-performing.

In accordance with the RBI circular dated April 17, 2020, the moratorium granted to certain borrowers is excluded from the determination of number of days past-due/out-of-order status for the purpose of asset classification. The moratorium granted to the borrowers is not accounted as restructuring of loan.

RBI has separate guidelines for classification of loans for projects under implementation which are based on the date of commencement of commercial production and date of completion of the project as originally envisaged at the time of financial closure. For infrastructure projects, a loan is classified as non-performing if it fails to commence commercial operations within two years from the documented date of commencement and for non-infrastructure projects, the loan is classified as non-performing if it fails to commence operations within 12 months from the documented date of such commencement.

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RBI also has separate guidelines for restructured loans. Upto March 31, 2015, a fully secured standard asset could be restructured by re-scheduling of principal repayments and/or the interest element, but had to be separately disclosed as a restructured asset. The diminution in the fair value of the restructured loan, if any, measured in present value terms, was either written off or a provision was made to the extent of the diminution involved. Similar guidelines applied for restructuring of sub-standard loans.

Loans restructured after April 1, 2015 (excluding loans given for implementation of projects in the infrastructure sector and non-infrastructure sector and which are delayed up to a specified period) by re-scheduling of principal repayments and/or the interest element are classified as non-performing. For such loans, the diminution in the fair value of the loan, if any, measured in present value terms, has to be provided for in addition to the provisions applicable to non-performing loans.

The following table sets forth, at the dates indicated, information regarding asset classification of the Bank's gross non-performing assets (net of write-offs, interest suspense and derivative income reversals).

₹ in billion

Particulars	At March 31, 2019	At March 31, 2020
Non-performing assets		
Sub-standard assets	₹ 52.98	**₹ 64.09**
Doubtful assets	385.24	**307.24**
Loss assets	24.70	**42.76**
Total non-performing assets[1]	**₹ 462.92**	**₹ 414.09**

1. Include advances, lease receivables and credit substitutes like debentures and bonds. Excludes preference shares.

2. All amounts have been rounded off to the nearest ₹ 10.0 million.

The following table sets forth, at the dates indicated, information regarding the Bank's non-performing assets (NPAs).

₹ in billion, except percentages

Year ended	Gross NPA[1]	Net NPA	Net customer assets	% of net NPA to net customer assets2
March 31, 2017	₹ 425.52	₹ 254.51	₹ 5,209.52	4.89%
March 31, 2018	₹ 540.63	₹ 278.86	₹ 5,848.78	4.77%
March 31, 2019	₹ 462.92	₹ 135.77	₹ 6,580.34	2.06%
March 31, 2020	**₹ 414.09**	**₹ 101.14**	**₹ 7,166.74**	**1.41%**

1. Net of write-offs, interest suspense and derivatives income reversal.

2. Include advances, lease receivables and credit substitutes like debentures and bonds. Excludes preference shares.

3. All amounts have been rounded off to the nearest ₹ 10.0 million.

The following table sets forth, at March 31, 2019 and March 31, 2020, the composition of gross non-performing assets (net of write-offs) by industry sector.

₹ in billion, except percentages

Particulars	March 31, 2019		March 31, 2020	
	Amount	%	Amount	%
Retail finance[1]	₹ 60.22	13.0%	**₹ 83.32**	**20.1%**
Construction	52.77	11.4	**54.33**	**13.1**
Power	72.98	15.8	**51.98**	**12.6**
Road, ports, telecom, urban development and other infrastructure	28.35	6.1	**33.05**	**8.0**
Crude petroleum/refining and petrochemicals	18.90	4.1	**28.37**	**6.9**
Services – non-finance	29.74	6.4	**26.13**	**6.3**
Electronics and engineering	16.90	3.6	**19.64**	**4.7**

MANAGEMENT'S DISCUSSION & ANALYSIS

₹ in billion, except percentages

Particulars	March 31, 2019		March 31, 2020	
	Amount	%	Amount	%
Wholesale/retail trade	9.38	2.0	**17.44**	**4.2**
Mining	64.08	13.8	**16.08**	**3.9**
Iron/steel and products	41.54	9.0	**14.24**	**3.4**
Food and beverages	15.97	3.4	**12.54**	**3.0**
Services – finance	3.33	0.7	**9.67**	**2.3**
Shipping	10.64	2.3	**8.77**	**2.1**
Manufacturing products (excluding metal)	5.77	1.2	**6.22**	**1.5**
Metal & products (excluding iron & steel)	0.10	-	**0.19**	**-**
Other industries[2]	32.25	7.2	**32.12**	**7.9**
Total	**₹ 462.92**	**100.0%**	**₹ 414.09**	**100.0%**

1. *Includes home loans, automobile loans, commercial business loans, dealer financing and small ticket loans to small businesses, personal loans, credit cards, rural loans and loans against securities.*
2. *Other industries primarily include textile, chemical and fertilizers, gems and jewellery, drugs and pharmaceuticals, FMCG, automobiles and developer financing.*
3. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

The operating environment for Indian banks was challenging for the past few years particularly due to the stress in the Indian corporate sector. The Indian corporate sector experienced a prolonged period of muted growth in sales and profits. Several challenges impacted the sector including an elongation of working capital cycles and a high level of receivables, including from the government, significant challenges in project completion and cash flow generation due to policy changes, delays in approvals like clearances on environment and land, judicial decisions like the deallocation of coal mines, significant decline in global commodity prices in fiscal 2015 and fiscal 2016 and adjustments to structural reforms such as demonetisation and Goods & Services Tax. These challenges resulted in lower than projected cash flows and the progress in reducing leverage in the corporate sector remained slow. As a result, there was a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans, into non-performing status for the banking sector and the Bank from fiscal 2016. The revised framework for resolution of stressed assets, released by RBI in February 2018, further accelerated the recognition of stressed accounts as non-performing in fiscal 2018. Subsequently, the additions to non-performing loans in the banking system declined sharply in fiscal 2019 and fiscal 2020. A few large accounts referred under the Insolvency and Bankruptcy Code were also resolved. However, challenges emerged in some sectors and specific corporates/promoter groups during fiscal 2019 and fiscal 2020. The non-banking financial companies (NBFCs) and housing finance companies faced significant pressures from mid-2018 following the default by a large NBFC, which led to subdued growth and moderation in available market funding. Several measures were announced by the government and the RBI to enhance availability of funds to the sector in terms of additional liquidity support and partial credit enhancement. However, a large housing finance company defaulted on its repayments during fiscal 2020. Other sectors where challenges emerged during fiscal 2020 due to uncertainties and weak operating environment were telecom and real estate developers.

The gross additions to NPAs were ₹ 335.44 billion in fiscal 2017 and ₹ 287.30 billion in fiscal 2018 and declined sharply to ₹ 110.39 billion in fiscal 2019 and ₹ 142.95 billion in fiscal 2020. In fiscal 2020, the Bank recovered/upgraded non-performing assets amounting to ₹ 76.73 billion, wrote-off non-performing assets amounting to ₹ 113.00 billion and sold non-performing assets amounting to ₹ 2.05 billion. As a result, gross NPAs (net of write-offs) of the Bank decreased from ₹ 462.92 billion at March 31, 2019 to ₹ 414.09 billion at March 31, 2020.

Net NPAs decreased from ₹ 135.77 billion at March 31, 2019 to ₹ 101.14 billion at March 31, 2020. The ratio of net NPAs to net customer assets decreased from 2.06% at March 31, 2019 to 1.41% at March 31, 2020.

At March 31, 2020, gross non-performing loans in the retail portfolio were 2.02% of gross retail loans compared to 1.69% at March 31, 2019 and net non-performing loans in the retail portfolio were 0.90% of net retail loans compared to 0.72% at March 31, 2019.

The provision coverage ratio at March 31, 2020 including cumulative technical/prudential write-offs was 86.8%

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(March 31, 2019: 80.7%). Excluding cumulative technical/ prudential write-offs, the provision coverage ratio was 75.7% (March 31, 2019: 70.6%).

The total non-fund based outstanding to borrowers classified as non-performing was ₹ 50.63 billion at March 31, 2020 (March 31, 2019: ₹ 42.20 billion). The Bank held a provision of ₹ 11.82 billion at March 31, 2020 (March 31, 2019: ₹ 15.91 billion) against these non-fund based outstanding.

The gross outstanding loans to borrowers whose facilities have been restructured decreased from ₹ 3.49 billion at March 31, 2019 to ₹ 3.09 billion at March 31, 2020. The net outstanding loans to borrowers whose facilities have been restructured decreased from ₹ 3.21 billion at March 31, 2019 to ₹ 2.86 billion at March 31, 2020. The aggregate non-fund based outstanding to borrowers whose loans were restructured was ₹ 0.80 billion at March 31, 2020 (March 31, 2019: ₹ 2.15 billion).

At March 31, 2020 the Bank had performing loans of ₹ 1.98 billion where S4A had been implemented and performing loans of ₹ 12.97 billion where 5/25 scheme had been implemented. The aggregate non-fund based outstanding to these borrowers (where S4A had been implemented) was ₹ 2.25 billion.

In addition to the above, at March 31, 2020, the outstanding loans and non-fund facilities to borrowers in the corporate and small and medium enterprises portfolio rated BB and below were ₹ 166.68 billion which included ₹ 50.63 billion of non-fund outstanding to borrowers classified as NPA.

The Bank, in its previous Annual Report for 2018, had reported on the various steps and measures taken pursuant to its becoming aware in March 2018 of an anonymous whistleblower complaint alleging incorrect asset classifications stemming from claimed irregular transactions in borrower accounts, incorrect accounting of interest income and NPA recoveries as fees, and overvaluation of collateral securing corporate loans. As previously reported, the Bank, at the direction of the Audit Committee and with the assistance of external counsel, is continuing to investigate all of the allegations made in the complaint. The Bank has an established process whereby all whistleblower complaints and matters escalated to senior management are investigated for appropriate action, including an assessment of the impact on financial statements, if any.

In addition, as a large and internationally active bank, with operations and listing of its equity and debt instruments in multiple jurisdictions, the Bank is regularly engaged with regulators, including the United States Securities and Exchange Commission ('SEC'), on a range of matters, including regarding the March 2018 complaint. Even before this complaint, the Bank has been responding to requests for information from the SEC investigatory staff regarding an enquiry relating to the timing and amount of the Bank's loan impairment provisions taken under U.S. GAAP. The Bank evaluates loans for impairment under U.S. GAAP for the purpose of preparing the annual footnote reconciling the Bank's Indian GAAP financial statements to U.S. GAAP. The Bank has voluntarily complied with all requests of the SEC investigatory staff for information and continues to cooperate with the SEC on the matter.

SEGMENT INFORMATION

RBI in its guidelines on "segmental reporting" has stipulated specified business segments and their definitions, for the purposes of public disclosures on business information for banks in India.

The standalone segmental report for fiscal 2020, based on the segments identified and defined by RBI, has been presented as follows:

- Retail Banking includes exposures of the Bank, which satisfy the four qualifying criteria of 'regulatory retail portfolio' as stipulated by RBI guidelines on the Basel III framework.
- Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, by the Bank which are not included in the Retail Banking segment, as per RBI guidelines for the Bank.
- Treasury includes the entire investment portfolio of the Bank.
- Other Banking includes leasing operations and other items not attributable to any particular business segment of the Bank.
- Unallocated includes items such as income tax paid in advance net of provision for tax, deferred tax and provisions to the extent reckoned at entity level.

Framework for transfer pricing

All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirement and directed lending requirements.

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Retail banking segment

The profit before tax of the segment increased by 9.4% from ₹ 82.23 billion in fiscal 2019 to ₹ 89.93 billion in fiscal 2020 primarily due to an increase in net interest income and non-interest income, offset, in part, by an increase in non-interest expenses and provisions.

Net interest income increased by 22.5% from ₹ 158.28 billion in fiscal 2019 to ₹ 193.90 billion in fiscal 2020 primarily due to growth in average loan portfolio, an increase in yield on advances and an increase in average deposits.

Non-interest income increased by 17.8% from ₹ 76.15 billion in fiscal 2019 to ₹ 89.70 billion in fiscal 2020 primarily due to an increase in fee income from credit card portfolio, transaction banking fees and lending linked fees, offset, in part, by a decrease in income from third party products distribution.

Non-interest expenses increased by 17.9% from ₹ 141.16 billion in fiscal 2019 to ₹ 166.47 billion in fiscal 2020 primarily due to an increase in employee cost and other administrative expenses reflecting an increase in business volume.

The provisions (net of write-back) increased from ₹ 11.04 billion in fiscal 2019 to ₹ 27.20 billion in fiscal 2020 primarily due to Covid-19 related general provision on standard assets as per RBI guidelines, provision on farmer finance, an increase in portfolio and change in product mix.

Wholesale banking segment

Wholesale banking segment made a profit (before tax) of ₹ 9.27 billion in fiscal 2020 as compared to a loss (before tax) of ₹ 102.42 billion in fiscal 2019 primarily due to a decrease in provisions and an increase in net interest income.

Net interest income increased by 34.7% from ₹ 73.36 billion in fiscal 2019 to ₹ 98.83 billion in fiscal 2020 primarily due to an increase in yield on advances, an increase in loan portfolio and an increase in average deposits.

Non-interest income increased by 9.0% from ₹ 40.38 billion in fiscal 2019 to ₹ 44.00 billion in fiscal 2020.

Provisions decreased from ₹ 181.52 billion in fiscal 2019 to ₹ 93.95 billion in fiscal 2020 primarily due to lower ageing provision on loans classified as NPAs in earlier years.

Treasury segment

The profit before tax of the segment decreased by 2.1% from ₹ 51.65 billion in fiscal 2019 to ₹ 50.55 billion in fiscal 2020.

Non-interest income increased from ₹ 27.71 billion in fiscal 2019 to ₹ 30.05 billion in fiscal 2020. In fiscal 2020, non-interest income primarily included realised gain on sale of government securities. Non-interest income of fiscal 2019 included a gain on sale of equity shares of ICICI Prudential Life Insurance Company Limited of ₹ 11.10 billion.

Non-interest expenses increased from ₹ 4.34 billion in fiscal 2019 to ₹ 8.95 billion in fiscal 2020 primarily due to an increase in cost towards purchase of priority sector lending certificates.

Provisions increased from ₹ 3.71 billion in fiscal 2019 to ₹ 4.48 billion in fiscal 2020.

Other banking segment

Profit before tax of other banking segment decreased from ₹ 6.31 billion in fiscal 2019 to ₹ 5.83 billion in fiscal 2020 primarily due to decrease in net interest income and an increase in operating expenditure, offset, in part, by a decrease in provision.

Unallocated expenses in fiscal 2020 include Covid-19 related provision made in excess of the provision requirement as per RBI guidelines in fiscal 2020.

CONSOLIDATED FINANCIALS AS PER INDIAN GAAP

The consolidated profit after tax increased from ₹ 42.54 billion in fiscal 2019 to ₹ 95.66 billion in fiscal 2020 primarily due to an increase in the profit of ICICI Bank, ICICI Prudential Asset Management Company, ICICI Bank UK, ICICI Securities Primary Dealership, offset, in part, by a decrease in profit of ICICI Prudential Life Insurance Company and loss in ICICI Home Finance Company.

The consolidated assets of the Bank and its subsidiaries and other consolidating entities increased from ₹ 12,387.94 billion at March 31, 2019 to ₹ 13,772.92 billion at March 31, 2020. Consolidated advances increased from ₹ 6,469.62 billion at March 31, 2019 to ₹ 7,062.46 billion at March 31, 2020.

At March 31, 2020, the consolidated Tier-1 capital adequacy ratio was 14.41% as against the minimum requirement of 9.075% and total consolidated capital adequacy ratio was 15.81% as against the minimum requirement of 11.075%.

ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED (ICICI LIFE)

The Annualised Premium Equivalent (APE) was ₹ 73.81 billion for fiscal 2020 as compared to ₹ 77.99 billion for fiscal 2019. The Value of New Business (VNB) margin

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was 21.7% for fiscal 2020 compared to 17.0% for fiscal 2019. The company's VNB increased from ₹ 13.28 billion for fiscal 2019 to ₹ 16.05 billion for fiscal 2020. ICICI Life's total premium grew by 8.1% from ₹ 309.30 billion in fiscal 2019 to ₹ 334.31 billion in fiscal 2020. Annualised Premium Equivalent (APE) from the protection business increased by 54.6% from ₹ 7.22 billion in fiscal 2019 to ₹ 11.16 billion in fiscal 2020 and it accounts for 15.12% of overall APE for fiscal 2020. In fiscal 2020, the protection business contributed over 25.2% of new business premium received. The post-dividend Embedded Value grew by 6.5% from ₹ 216.23 billion at March 31, 2019 to ₹ 230.30 billion at March 31, 2020. The total assets under management of ICICI Life stood at ₹ 1,529.68 billion at March 31, 2020.

Net premium earned increased from ₹ 305.79 billion in fiscal 2019 to ₹ 328.79 billion in fiscal 2020. The profit after tax decreased from ₹ 11.41 billion in fiscal 2019 to ₹ 10.69 billion in fiscal 2020 primarily due to growth in the protection and annuity businesses, though these business are value accretive from the perspective of value of new business (VNB).

ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED (ICICI GENERAL)

ICICI General is among the large private sector general insurance companies in India. ICICI General's overall market share was 7.0% (excluding crop insurance market share was 8.5%) during fiscal 2020 on the basis of gross direct premium according to the General Insurance Council of India. The Gross Domestic Premium Income of ICICI General decreased by 8.1% year-on-year to ₹ 133.13 billion in fiscal 2020. The company's combined ratio was 100.4% in fiscal 2020 as compared to 98.5% in fiscal 2019. The return on equity was 20.8% in fiscal 2020 as compared to 21.3% in fiscal 2019. The solvency ratio at March 31, 2020 was 217.0% against the minimum regulatory requirement of 150.0%.

Net earned premium increased from ₹ 83.75 billion in fiscal 2019 to ₹ 94.03 billion in fiscal 2020 primarily due to an increase in motor, fire and health insurance business. The profit after tax increased from ₹ 10.49 billion in fiscal 2019 to ₹ 11.94 billion in fiscal 2020 primarily due to an increase in net earned premium and investment income, offset, in part, by an increase in claims incurred and operating expenses. Profit after tax in fiscal 2020 includes the impact of income tax benefit due to change in tax rate.

ICICI PRUDENTIAL ASSET MANAGEMENT COMPANY LIMITED (ICICI PRUDENTIAL AMC)

ICICI Prudential AMC is India's leading asset manager with average quarterly assets under management (AUM) of ₹ 3,507.43 billion at March 31, 2020. The company's overall market share in the domestic mutual fund business was 12.98% on a quarterly average basis. At March 31, 2020, the quarterly average equity mutual fund AUM (excluding exchange traded funds) managed by the company was ₹ 1,378.91 billion with a market share of 13.36%.

As per Indian GAAP, the profit after tax of ICICI Prudential AMC increased from ₹ 6.87 billion in fiscal 2019 to ₹ 10.49 billion in fiscal 2020 primarily due to a decrease in fund related expenses and other expenses. Profit after tax in fiscal 2020 includes the impact of income tax benefit due to change in tax rate.

ICICI SECURITIES LIMITED (ICICI SECURITIES)

ICICI Securities is a leading retail broking firm. The company has a leadership position in the equity brokerage space with over 4.8 million operational accounts and 7.9% market share in fiscal 2020. Its customers have access to high quality research and advisory services, backed by a robust technology platform to meet their financial goals. In the distribution business, ICICI Securities is the second largest non-bank mutual fund distributor with average assets under management of over ₹ 361.57 billion. The company also sells other financial products like National Pension Scheme, life, health and general insurance, sovereign gold bonds and corporate fixed deposits through a network of close to 172 branches in more than 70 cities and a network of sub-brokers and ICICI Bank branches.

As per Indian GAAP, the consolidated profit after tax of ICICI Securities Limited and its subsidiaries increased from ₹ 4.95 billion in fiscal 2019 to ₹ 5.53 billion in fiscal 2020 primarily due to an increase in net interest income and a decrease in staff cost and other administrative expenses, offset, in part, by a decrease in other income. Profit after tax in fiscal 2020 includes the impact of income tax benefit due to change in tax rate.

ICICI SECURITIES PRIMARY DEALERSHIP LIMITED (I-SEC PD)

I-Sec PD maintained its leading position in auction bidding and underwriting as well as in secondary market trading activity in fiscal 2020. In private placement of debt issuances, the Company significantly improved its

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position in the PRIME League Tables from fifth in fiscal 2019 to second in fiscal 2020.

As per Indian GAAP, the profit after tax of I-Sec PD increased from ₹ 0.61 billion in fiscal 2019 to ₹ 2.26 billion in fiscal 2020 primarily due to an increase in net interest income and other income. Trading gains increased primarily due to favorable market movements. During fiscal 2020, yield on 10-year government securities decreased by 121 basis points as compared to an increase of 9 basis points in fiscal 2019. Profit after tax in fiscal 2020 includes the impact of income tax benefit due to change in tax rate.

ICICI HOME FINANCE COMPANY LIMITED (ICICI HFC)

ICICI HFC is primarily engaged in providing retail mortgage loans to individuals. It also provides property search services to its individual and corporate customers. The Company is registered as a housing finance Company with National Housing Bank (NHB). During fiscal 2020, the company diversified its liability portfolio by augmenting resources through market linked debentures and assignment transactions. The fixed deposit portfolio of the Company was ₹ 25.24 billion and the loan portfolio of the Company was ₹ 164.35 billion at March 31, 2020.

As per Indian GAAP, the profit/(loss) after tax of ICICI HFC decreased from a profit of ₹ 0.28 billion in fiscal 2019 to a loss of ₹ 1.17 billion in fiscal 2020 primarily due to higher provisioning on non-performing assets and higher operating expenses in fiscal 2020 as compared to fiscal 2019. Net NPAs decreased from ₹ 2.71 billion at March 31, 2019 to ₹ 2.33 billion at March 31, 2020. Net NPA ratio decreased from 2.07% at March 31, 2019 to 1.69% at March 31, 2020.

ICICI VENTURE FUNDS MANAGEMENT COMPANY LIMITED (ICICI VENTURE)

In fiscal 2020, ICICI Venture concluded a total of nine investments, including follow-on investments in existing portfolio companies, across all the verticals and funds, involving an aggregate capital outlay, excluding debt financing if any, of about USD 290 million. In the same period, across various verticals and funds, ICICI Venture concluded five exit transactions (including full exits and partial exits) and liquidity events in seven cases involving aggregate realisations of about USD 90 million.

The profit after tax of ICICI Venture Fund Management Company Limited decreased from ₹ 0.70 billion in fiscal 2019 to ₹ 0.13 billion in fiscal 2020 primarily due to a decrease in fee income and other income, offset, in part, a decrease in staff cost and other expenses.

ICICI BANK CANADA

The profit after tax of ICICI Bank Canada decreased from CAD 52.4 million (₹ 2.79 billion) in fiscal 2019 to CAD 40.6 million (₹ 2.17 billion) in fiscal 2020 primarily due an increase in Expected Credit Loss (ECL) provisioning due to the impact of Covid-19 on the current macro-economic environment, offset, in part, by an increase in net interest income, fee income and treasury income. ICICI Bank Canada's return on average net worth was 7.06% in fiscal 2020 as compared to 9.40% in fiscal 2019.

At March 31, 2020, ICICI Bank Canada had total assets of CAD 6.56 billion compared to CAD 6.63 billion at March 31, 2019. Net NPAs decreased from CAD 9.3 million at March 31, 2019 to CAD 4.4 million at March 31, 2020. ECL provision on Stage-1 and Stage-2 exposure increased from CAD 14.2 million at March 31, 2019 to CAD 43.1 million at March 31, 2020 primarily due to Covid-19 related provision. ICICI Bank Canada had a total capital adequacy ratio of 19.1% at March 31, 2020 as against 17.1% at March 31, 2019. ICICI Bank Canada distributed common share dividends of CAD 30.15 million in fiscal 2020 compared to CAD 25.6 million in fiscal 2019.

ICICI BANK UK PLC (ICICI BANK UK)

The core operating income of ICICI Bank UK was USD 40.2 million for fiscal 2020, compared to USD 50.0 for fiscal 2019, primarily due to a decrease in net interest income and an increase in operating expenses, offset, in part, by an increase in fee income and other income. Profit after tax of ICICI Bank UK increased from a loss of USD 52.9 million (₹ 3.71 billion) in fiscal 2019 to a profit after tax of USD 23.2 million (₹ 1.64 billion) in fiscal 2020 primarily due to lower impairment provision and higher recoveries in fiscal 2020.

At March 31, 2020, ICICI Bank UK had total assets of USD 3.54 billion compared to USD 3.84 billion at March 31, 2019. Net NPAs increased from USD 63.1 million (₹ 4.36 billion) at March 31, 2019 to USD 79.8 million (₹ 6.04 billion) at March 31, 2020. The gross impairment ratio was 10.0% and net impairment ratio was 3.8% in fiscal 2020 compared to 8.3% and 2.6%, respectively, in fiscal 2019. Collective provision on performing loans increased from USD 12.5 million at March 31, 2010 to USD 18.7 million at March 31, 2020 primarily due to Covid-19 related provision. ICICI Bank UK had a capital adequacy ratio of 18.6% at March 31, 2020 compared to 16.8% at March 31, 2019.

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The following table sets forth, for the periods and at the dates indicated, the profit/(loss) and total assets of our principal subsidiaries.

₹ in billion

Company	Profit after tax		Total assets[1]	
	Fiscal 2019	Fiscal 2020	At March 31, 2019	At March 31, 2020
ICICI Prudential Life Insurance Company Limited	₹ 11.41	₹ 10.69	**₹ 1,629.32**	**₹ 1,558.62**
ICICI Lombard General Insurance Company Limited	10.49	11.94	**334.02**	**370.42**
ICICI Prudential Asset Management Company Limited	6.87	10.49	**13.10**	**14.79**
ICICI Securities Limited (consolidated)	4.95	5.53	**46.51**	**42.83**
ICICI Bank Canada	2.79	2.17	**341.61**	**350.18**
ICICI Venture Funds Management Company Limited	0.70	0.13	**3.07**	**2.89**
ICICI Securities Primary Dealership Limited	0.61	2.26	**115.93**	**171.55**
ICICI Home Finance Company Limited	0.28	(1.17)	**138.83**	**151.19**
ICICI Bank UK PLC	₹ (3.71)	1.64	**₹ 266.43**	**₹ 269.32**

1. Total assets are as per classification used in the consolidated financial statements and hence the total assets as per subsidiary's financial statements may differ.

2. See also "Financials- Statement pursuant to Section 129 of the Companies Act, 2013".

3. All amounts have been rounded off to the nearest ₹ 10.0 million.

MIGRATION TO 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), converged with International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). However, currently the implementation of Ind AS for banks has been deferred by RBI till further notice pending the consideration of some recommended legislative amendments by the Government of India. The Bank is in an advanced stage of preparedness for implementation of Ind AS, as and when these are made applicable to the Indian banks. Further, there may be regulatory guidelines and clarifications in some critical areas of Ind AS application, which the Bank will need to suitably incorporate in its implementation project as and when those are issued.