

## Schedule 17 Significant accounting policies

### 1. General

- 1.1 IndusInd Bank Limited ('the Bank') was incorporated in 1994 under the Companies Act, 1956 and is licensed by the Reserve Bank of India (RBI) to operate as a commercial bank under the Banking Regulation Act, 1949. The Bank is publicly held and provides a wide range of banking products and financial services to corporate and retail clients besides undertaking treasury operations. The Bank operates in India including at the International Financial Service Centres in India, and does not have a branch in any foreign country.
- 1.2 The accompanying financial statements have been prepared under the historical cost convention and accrual basis of accounting except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) and the relevant provisions of the Act read with the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act 2013 and Companies (Accounting Standard) Amendment Rules 2016 in so far as they apply to the Bank and practices prevailing within the banking industry in India.
- 1.3 The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Any revision to accounting estimates is recognised prospectively in current and future periods.

### 2. Transactions involving Foreign Exchange

- 2.1 Monetary assets and liabilities of domestic and integral foreign operations denominated in foreign currency are translated at the Balance Sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting gains or losses are recognised in the Profit and Loss account.
- 2.2 Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- 2.3 Both monetary and non-monetary assets and liabilities of non-integral foreign operations are translated at the Balance Sheet date at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting gains or losses are accumulated in the foreign currency translation reserve until disposal of the net investment in the non-integral foreign operation.
- 2.4 All foreign exchange contracts outstanding at the Balance Sheet date are re-valued on present value basis and the resulting gains or losses are recognised in the Profit and Loss account.
- 2.5 Swap Cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities and assets into rupee liabilities and assets is amortised to the Profit and Loss account under the head 'Interest – Others' over the underlying swap period.
- 2.6 Income and expenditure of domestic and integral foreign operations denominated in a foreign currency is translated at the rates of exchange prevailing on the date of the transaction. Income and expenditure of non-integral foreign operations is translated at quarterly average closing rates.
- 2.7 Contingent liabilities at the Balance Sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in a foreign currency are stated at the closing rates of exchange notified by the FEDAI.

### 3. Investments

Significant accounting policies in accordance with RBI guidelines are as follows:

#### 3.1 Categorisation of Investments

The Bank classifies its investment at the time of purchase into one of the following three categories:

- (i) **Held to Maturity (HTM)** – Securities acquired with the intention to hold till maturity.
- (ii) **Held for Trading (HFT)** – Securities acquired with the intention to trade.
- (iii) **Available for Sale (AFS)** – Securities which do not fall within the above two categories.

Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

#### 3.2 Classification of Investments

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures, and (vi) Other Investments.

#### 3.3 Acquisition cost

- (i) Broken period interest on debt instruments is treated as a revenue item.
- (ii) Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.
- (iii) Cost of investments is computed based on the weighted average cost method.

#### 3.4 Valuation of Investments

- (i) **Held to Maturity** – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.
- (ii) **Held for Trading** – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.
- (iii) **Available for Sale** – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.
- (iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM published by Financial Benchmark India Private Limited (FBIL).
- (v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.
- (vi) Fair value of other debt securities is determined based on the yield curve published by FBIL and credit spreads provided by Fixed Income Money Market and Derivatives Association (FIMMDA).
- (vii) Quoted equity shares held under AFS and HFT categories are valued at the closing price on a recognised stock exchange, in accordance with the RBI guidelines. Unquoted equity shares are valued at their break-up value or at ₹ 1 per company where the latest Balance Sheet is not available.
- (viii) Units of the schemes of mutual funds are valued at Net Asset Value (NAV) provided by the respective schemes of mutual funds.
- (ix) Investments in equity shares held as long-term investments by erstwhile IndusInd Enterprises & Finance Limited and Ashok Leyland Finance Limited (since merged with the Bank) are valued at cost and classified as part of HTM category. Provision towards diminution in the value of such long-term investments is made only if the diminution in value is not temporary in the opinion of management.

- (x) Security Receipts (SR) are valued at the lower of redemption value and NAV obtained from the Securitisation Company (SC) / Reconstruction Company (RC). In respect of significant investment in SRs backed by stressed assets sold by the Bank, the value is subject to a prudential floor considering the asset classification of the stressed assets, had they remained on the books of the Bank.
- (xi) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.
- (xii) Provision for non-performing investments is made in conformity with RBI guidelines.
- (xiii) Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquidity Adjustment Facility (LAF) with RBI) are accounted for as collateralised borrowing and lending respectively. On completion of the second leg of the Repo or Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure or Income, as the case may be. Amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at Short Notice respectively, and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.
- (xiv) In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognized. Profit or loss on settlement of the short position is recognized in the Profit and Loss account.
- (xv) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.
- (xvi) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).  
  
The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.
- (xvii) Out of net profits earned during the year, transfer is made to Investment Fluctuation Reserve, for an amount not less than the lower of the (a) net profit on sale of investments during the year (b) net profit for the year less mandatory appropriations, till the balance in such Investment Fluctuation Reserve reaches a level of at least 2% of the aggregate HFT and AFS portfolio. Draw down, if any, from the Investment Fluctuation Reserve shall be in accordance with the applicable RBI guidelines.

3.5 Investments in unquoted units of Venture Capital Funds (VCF) and Alternative Investment Funds (AIF) are categorised under HTM category for initial period of three years and valued at cost as per RBI guidelines. Units of VCF and AIF held under AFS category, where current quotations are not available, are marked to market based on the Net Asset Value (NAV) shown by VCF or AIF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF or AIF, as the case may be.

#### **4. Derivatives**

Derivative contracts are designated as hedging or trading and accounted for as follows:

- 4.1 The hedging contracts comprise of Forward Rate Agreements, Interest Rate Swaps, and Currency Swaps undertaken to hedge interest rate and currency risk on certain assets and liabilities. The net interest receivable or payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with

an asset or liability that is carried at market value or lower of cost and market value, then the hedging instrument is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.

- 4.2 The trading contracts comprise of trading in Forward Contracts, Interest Rate Swaps, Currency Swaps, Cross Currency Interest Rate Swaps, Forward Rate Agreements, Interest Rate Futures, FX Futures, Currency Futures, etc. The gain or loss arising on unwinding or termination of the contracts, is accounted for in the Profit and Loss account. Trading contracts outstanding as at the Balance Sheet date are re-valued at their fair value and resulting gains or losses are recognised in the Profit and Loss account.
- 4.3 Gains or losses on the termination of hedge swaps is deferred and recognised over the shorter of the remaining life of the hedge swap or the remaining life of the underlying asset or liability.
- 4.4 Premium paid and received on currency options is accounted when due in the Profit and Loss account.
- 4.5 Fair value of derivative is determined with reference to market quotes or by using valuation models. Where the fair value is calculated using valuation models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. The valuation takes into consideration all relevant market factors (e.g. prices, interest rate, currency exchange rates, volatility, liquidity, etc.). Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.
- 4.6 Provisioning of overdue customer receivable on derivative contracts is made as per RBI guidelines.

## 5. Advances

- 5.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.
- 5.2 A general provision on standard assets is made in accordance with RBI guidelines. Such provision towards standard assets include a provision made on the standard advances of customers having Unhedged Foreign Currency Exposure (UFCE), which requires an assessment of the UFCE of a customer and estimation of the extent of loss likely to be suffered by the customer on account of the same. In respect of stressed advances which are not yet classified non-performing, contingent provisions are made prudentially. Provision made against standard assets is included in 'Other Liabilities and Provisions'.
- 5.3 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition, the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.
- 5.4 For restructured / rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.
- 5.5 Advances are disclosed in the Balance Sheet, net of specific provisions and interest suspended for non-performing advances, and floating provisions.
- 5.6 Advances exclude derecognised securitised advances, inter-bank participation certificates issued and bills rediscounted.
- 5.7 Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss account. Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.
- 5.8 Further to the provisions held according to the asset classification status, provision is held in accordance with RBI guidelines for individual country exposures (other than for home country exposure), where the net funded exposure of a country is one percent or more of the total assets. Provision held for country risk is included under 'Other Liabilities and Provisions'.

**6. Securitisation transactions, direct assignments and other transfers**

- 6.1 The Bank transfers its loan receivables both through Direct Assignment route as well as transfer to Special Purpose Vehicles ('SPV').
- 6.2 The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains or losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.
- 6.3 In terms of RBI guidelines, profit or premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss account in the period in which the sale occurs.
- 6.4 In case of sale of non-performing assets through securitization route to Securitisation Company or Asset Reconstruction Company by way of assignment of debt against issuance of Security Receipts (SR), the recognition of sale and accounting of profit and loss thereon is done in accordance with applicable RBI guidelines. Generally, the sale is recognized at the lower of redemption value of SR and the Net Book Value (NBV) of the financial asset sold, and the surplus is recognized in the Profit and Loss account; shortfall if any, is charged to the Profit and Loss account subject to regulatory forbearance, if any, allowed from time to time. Profit or loss realized on ultimate redemption of the SR is recognized in the Profit and Loss account.
- 6.5 The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

**7. Property, Plant and Equipment**

- 7.1 Fixed assets are stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use.
- 7.2 The appreciation on account of revaluation is credited to Revaluation Reserve. In case of revalued / impaired assets, depreciation is provided over the remaining useful life of the assets with reference to revised asset values. In case of premises, which are carried at revalued amounts, the depreciation on the excess of revalued amount over historical cost is transferred from Revaluation Reserve to General Reserve annually.
- 7.3 Depreciation, including amortisation of intangible assets, is provided over the useful life of the assets, *pro rata* for the period of use, on a straight-line method. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of asset classes where, based on technical evaluation, a different estimate of useful life is considered suitable. Pursuant to this policy, the useful life estimates in respect of the following assets are as follows:
  - (a) Computers at 3 years
  - (b) Application software and perpetual software licences at 5 years
  - (c) Printers, Scanners, Routers, Switch at 5 years
  - (d) ATMs at 7 years
  - (e) Network cabling, Electrical Installations, Furniture and Fixtures, Other Office Machinery at 10 years
  - (f) Vehicles at 5 years
  - (g) Buildings at 60 years

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

**Non-banking assets:**

Non-Banking Assets (NBAs) acquired in satisfaction of claims are carried at lower of net book value and net realisable value. Further, the Bank creates provision on non-banking assets as per specific RBI directions.

- 7.4 The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

**8. Revenue Recognition**

- 8.1 Interest and discount income on performing assets is recognised on accrual basis. Interest and discount income on non-performing assets is recognised on realisation.
- 8.2 Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a Constant Yield to Maturity method.
- 8.3 Dividend income is accounted on accrual basis when the right to receive dividend is established.
- 8.4 Commission (except for commission on Deferred Payment Guarantees which is recognised over the term on a straight line basis), Exchange and Brokerage are recognised on a transaction date and net of directly attributable expenses.
- 8.5 Fees are recognised on an accrual basis when binding obligation to recognise the fees has arisen as per agreement, except in cases where the Bank is uncertain of realisation.
- 8.6 Income from distribution of third party products is recognised on the basis of business booked.
- 8.7 The Bank in accordance with RBI circular FIDD.CO.Plan. BC.23/ 04.09.01/2015-16 dated April 7, 2016, trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

**9. Operating Leases**

- 9.1 Lease rental obligations in respect of assets taken on operating lease are charged to the Profit and Loss account on a straight-line basis over the lease term.
- 9.2 Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by the Bank are classified as operating leases. Lease rentals received under operating leases are recognized in the Profit and Loss account as per the terms of the contracts.

**10. Employee Benefits**

- 10.1 The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the year is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.
- 10.2 Provident Fund contributions, under defined benefit plan are made under trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government.

The Bank has an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note on Valuation of Interest Rate Guarantees on Exempt Provident Funds under AS 15 (Revised) issued by the Institute of Actuaries of India, and such shortfall, if any, is provided for.

Provident Fund contributions, under defined contribution plan, as required by the statute made to the government provident fund or to a fund set up by the Bank and administered by a board of trustees is debited to the Profit and Loss account when an employee renders the related service. The Bank has no further obligations.

In respect of employees who opted for contribution to the National Pension System (NPS) regulated by the Pension Fund Regulatory and Development Authority (PFRDA), the Bank contributes certain percentage of the basic salary, under a defined contribution plan, to identified pension fund management companies. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year in which it is incurred.

- 10.3 Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.
- 10.4 Intrinsic value method is applied to account for the compensation cost of ESOP granted to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, such compensation cost is amortized over the vesting period.

## 11. Segment Reporting

- 11.1 In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:
- (a) **Treasury** includes all investment portfolios, Profit / Loss on sale of Investments, Profit / Loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.
  - (b) **Corporate / Wholesale Banking** includes lending to and deposits from corporate customers and identified earnings and expenses of the segment.
  - (c) **Retail Banking** includes lending to and deposits from retail customers and identified earnings and expenses of the segment.
  - (d) **Other Banking Operations** includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.
  - (e) **Unallocated** includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets, liabilities, income and expenses.

## 12. Debit and Credit Card reward points liability

- 12.1 The liability towards Credit Card reward points is computed based on an actuarial valuation and the liability towards Debit Card reward points is computed on the basis of management estimates considering past trends.

## 13. Bullion

- 13.1 The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers. The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment like customs duty, etc. The profit earned is included in commission income.
- 13.2 The Bank sells gold coins to its customers. The difference between the sale price to customers and purchase price is reflected under commission income.

#### **14. Income-tax**

- 14.1 Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there is unabsorbed depreciation and / or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

#### **15. Earnings per share**

- 15.1 Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

#### **16. Provisions, contingent liabilities and contingent assets**

- 16.1 A provision is recognized when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.
- 16.2 A disclosure of contingent liability is made when there is:
- (a) A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the bank; or
  - (b) A present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.
- 16.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
- 16.4 Contingent assets are not recognized or disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the assets and related income are recognized in the period in which the change occurs.

#### **17. Cash and Cash equivalents**

- 17.1 Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice.

#### **18. Corporate Social Responsibility**

- 18.1 Expenditure incurred towards corporate social responsibility obligations in accordance with Companies Act, 2013, is recognised in the Profit and Loss account.

## Schedule 18 Notes forming part of the Financial Statements

### 1. **Merger of Bharat Financial Inclusion Limited ('BFIL')**

IndusInd Bank Limited ('the Bank') was incorporated in 1994 under the Companies Act, 1956 and is licensed by the Reserve Bank of India (RBI) to operate as a commercial bank under the Banking Regulation Act, 1949. The Bank is publicly held and provides a wide range of banking products and financial services to corporate and retail clients besides undertaking treasury operations.

BFIL was a company incorporated under the Companies Act 1956, and licensed by the RBI to operate as a Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI). BFIL was publicly held and was engaged primarily in providing micro finance services to women in the rural areas of India who are enrolled as members and organized as Joint Liability Groups (JLG), with operations spread across 16 states of India.

IndusInd Financial Inclusion Limited (IFIL) was incorporated on August 6, 2018 under the Companies Act, 1956 as a wholly owned subsidiary of the Bank after obtaining requisite RBI approval.

The Board of Directors of the Bank and BFIL at their respective meetings held on October 14, 2017 approved a Composite Scheme of Arrangement (Scheme), governed by (a) Section 230 – 232 of the Companies Act, 2013 (b) the RBI Master Direction on Amalgamation of Private Sector Banks that inter alia covers the amalgamation of an NBFC with a Banking Company, (c) regulations and guidelines of the Securities Exchange Board of India (SEBI) and (d) other applicable laws, rules and regulations. The Scheme contemplated, inter alia, the merger of BFIL with the Bank, a preferential allotment of Share Warrants to the Promoters, creation of a new Employee Stock Option Scheme to be granted to eligible BFIL employees, and a simultaneous transfer of Business Correspondent (BC) Undertaking contained in BFIL to a wholly owned subsidiary of the Bank. The Scheme was approved by the Competition Commission of India, the RBI, the Securities and Exchange Board of India / Stock Exchanges, and the respective Shareholders and Creditors. In accordance with the order passed by the Mumbai bench of the National Company Law Tribunal (NCLT) on June 10, 2019, the Scheme became effective on July 4, 2019 with Appointed date as January 1, 2018.

On July 4, 2019, the Effective Date, BFIL was amalgamated with the Bank as a going concern, the BC Undertaking contained in the amalgamated entity was transferred to IFIL as a going concern, and the erstwhile BFIL (e-BFIL) was liquidated without winding up. Further the name of the wholly owned subsidiary i.e. IndusInd Financial Inclusion Limited was changed to Bharat Financial Inclusion Limited.

According to the Scheme, upon its coming into effect, from the Appointed Date i.e. January 1, 2018, the entire undertaking of BFIL including its assets, liabilities and reserves and surplus stood transferred / deemed to be transferred to and vested in the Bank. In consideration of the transfer and vesting of the undertaking of BFIL, 639 equity shares of the Bank of the face value of ₹ 10 each fully paid was issued to shareholders of BFIL for every 1,000 equity shares of the face value of ₹ 10 each held by them on the record date i.e. July 4, 2019. Accordingly 8,96,17,781 equity shares of ₹ 10 each of the Bank were allotted at par to the shareholders of BFIL pursuant to approval of Finance Committee of the Bank, in their meeting held on July 6, 2019. The excess of the paid up value of equity shares of BFIL over the paid up value of equity shares issued as consideration amounting to ₹ 50.63 crore has been transferred to Amalgamation Reserve as per the Scheme of Amalgamation.

The amalgamation has been accounted using the pooling of interest method under Accounting Standard 14 – Accounting for amalgamation (AS 14). The assets, liabilities and reserves and surplus of e-BFIL were recorded by the Bank at their carrying amounts as on January 1, 2018 except for adjustments which were made to bring uniformity of accounting policies as required under AS 14. The impact of these adjustments was ₹ 270.44 crores which has been adjusted in the balance of Profit and Loss account. Timing differences, if any, arising on these adjustments have been accounted with corresponding adjustment to Deferred Tax Asset.

The results for the year ended March 31, 2020 are not comparable with that of the corresponding period of the previous year.

### 2. **Capital**

#### 2.1 **Capital Issue**

Pursuant to the Scheme discussed in Note 1 becoming effective, on July 4, 2019, the authorised share capital of the Bank increased to ₹ 857.00 crores consisting of 85,70,00,000 equity shares of ₹ 10 each (Previous year ₹ 700.00 crores consisting of 70,00,00,000 equity shares of ₹ 10 each).

On July 6, 2019, pursuant to the approval of the Finance Committee, 8,96,17,781 equity shares of ₹ 10 each fully paid aggregating to an amount of ₹ 89.62 crores were allotted to the eligible equity shareholders of e-BFIL at the Share Exchange Ratio of 639:1000, as approved in the Scheme.

Further, in accordance with the Scheme, on July 6, 2019, pursuant to the approval of the Finance Committee, the Bank allotted 1,57,70,985 Share Warrants to the Promoters of the Bank on receipt of the subscription amount at 25% of the Share Warrant price of ₹ 1,709 per warrant, totalling to ₹ 673.82 crores. Each Share Warrant is convertible to one equity share of the Bank fully paid, upon exercise of the option by paying the remaining 75% within 18 months of allotment.

During the year, 12,31,089 equity shares of ₹ 10 each fully paid (Previous year 24,63,681 equity shares of ₹ 10 each fully paid) aggregating to an amount of ₹ 60.60 crores (Previous year ₹ 100.54 crores) which includes the share capital and share premium, were allotted on various dates to the employees who exercised their stock options.

## 2.2 Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.875% (Previous year 10.875%) including Capital Conversion Buffer (CCB) at 1.875% (Previous year 1.875%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous year 7.375%) of RWA, which includes 1.875% (Previous year 1.875%) towards CCB, shall be from Common Equity Tier 1 (CET1) capital and at least 7.00% (Previous year 7.00%) from Tier 1 capital. The capital adequacy ratio of the Bank is set out below:

	(₹ in crores)	
	March 31, 2020	March 31, 2019
1. Common Equity Tier 1 capital ratio	13.22%	12.07%
2. Tier 1 capital ratio	14.57%	13.70%
3. Tier 2 capital ratio	0.47%	0.46%
4. Total Capital ratio (CRAR)	15.04%	14.16%
5. Percentage of shareholding of the Government of India in public sector banks	0%	0%
6. Amount of equity capital raised	2,941.95	100.54
7. Amount of Additional Tier 1 capital raised, of which:	-	1,489.90
Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
Perpetual Debt Instruments (PDI)	-	1,489.90
8. Amount of Tier 2 capital raised, of which:	-	-
Debt capital instruments	-	-
Preference share capital instruments [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

Amount of equity capital raised during the year ended March 31, 2020 includes an amount ₹ 2,881.35 crores added to Equity Share Capital and Share Premium pursuant to the allotment of 8,96,17,781 equity shares to the shareholders of e-BFIL on July 6, 2019 in accordance with the Scheme.

### 3. Investments

#### 3.1 Details of Investments

(₹ in crores)

	March 31, 2020	March 31, 2019
<b>(1) Value of Investments</b>		
(i) Gross value of Investments	61,341.05	59,648.22
(a) In India	61,189.72	59,648.22
(b) Outside India	151.33	-
(ii) Provisions for Depreciation	1,361.11	382.06
(a) In India	1,361.11	382.06
(b) Outside India	-	-
(iii) Net value of Investments	59,979.94	59,266.16
(a) In India	59,828.61	59,266.16
(b) Outside India	151.33	-
<b>(2) Movement of provisions held towards depreciation on Investments</b>		
(i) Opening balance	382.06	208.59
(ii) Add: Provision made during the year	979.05	173.47
(iii) Less: Write-off / (write-back) of excess provisions during the year	-	-
(iv) Closing balance	1,361.11	382.06

#### 3.2 Category-wise details of Investments (Net of provision for depreciation)

(₹ in crores)

	As at March 31, 2020				As at March 31, 2019			
	HTM	AFS	HFT	Total	HTM	AFS	HFT	Total
i) Government securities	45,125.06	7,623.20	-	52,748.26	40,347.87	8,296.89	-	48,644.76
ii) Other approved securities	-	-	-	-	-	-	-	-
iii) Shares	3.75	613.92	-	617.67	3.75	125.62	-	129.37
iv) Debentures and bonds	-	2,685.87	-	2,685.87	-	5,290.03	-	5,290.03
v) Subsidiaries and / or Joint Ventures	43.70	-	-	43.70	0.00	-	-	0.00
vi) Others - Security Receipts, Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, Venture Capital, etc.	223.45	3,660.99	-	3,884.44	186.80	5,015.20	-	5,202.00
<b>TOTAL</b>	<b>45,395.96</b>	<b>14,583.98</b>	<b>-</b>	<b>59,979.94</b>	<b>40,538.42</b>	<b>18,727.74</b>	<b>-</b>	<b>59,266.16</b>

### 3.3 Details of Repo / Reverse Repo including Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) (in face value terms)

(₹ in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as at the year end
<b>Year ended March 31, 2020</b>				
<b>Securities sold under repo</b>				
i) Government Securities	11.00	8,288.11	687.66	4,762.97
ii) Corporate Debt Securities	3,670.00	3,670.00	50.14	3,670.00
iii) Any Other Securities	-	-	-	-
<b>Securities purchased under reverse repo</b>				
i) Government Securities	25.00	13,517.05	1,990.53	898.82
ii) Corporate Debt Securities	-	-	-	-
iii) Any Other Securities	-	-	-	-
<b>Year ended March 31, 2019</b>				
<b>Securities sold under repo</b>				
i) Government Securities	118.02	3,574.47	313.97	1,840.08
ii) Corporate Debt Securities	-	-	-	-
iii) Any Other Securities	-	-	-	-
<b>Securities purchased under reverse repo</b>				
i) Government Securities	4.80	7,900.00	624.10	1,800.00
ii) Corporate Debt Securities	-	-	-	-
iii) Any Other Securities	-	-	-	-

In respect of tri-party repo / reverse repo transactions, amount of funds borrowed or lent have been disclosed in the table above. The days on which there were Nil outstanding have been ignored while arriving at the amount of minimum outstanding during the year.

### 3.4 Issuer composition of Non-SLR investments as at March 31, 2020

(₹ in crores)

No.	Issuer	Amount <sup>(1)</sup>	Extent of private placement	Extent of 'below investment grade' securities <sup>(3)</sup>	Extent of 'unrated' securities	Extent of 'unlisted' securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	269.99	269.99	-	-	-
2	Financial Institutions	1,034.12	1,034.12	-	-	-
3	Banks	1,836.09	1,836.09	-	-	-
4	Private corporates	3,839.33	3,084.69	693.85	-	-
5	Subsidiaries / Joint Ventures	43.70	43.70	-	-	-
6	Others	1,569.56	1,569.56	-	34.64	-
7	Provision held towards depreciation	(1,361.11)	-	-	-	-
	<b>Total</b>	<b>7,231.68</b>	<b>7,838.15</b>	<b>693.85</b>	<b>34.64</b>	<b>-</b>

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

(₹ in crores)

No.	Issuer	Amount <sup>(1)</sup>	Extent of private placement	Extent of 'below investment grade' securities <sup>(3)</sup>	Extent of 'unrated' securities	Extent of 'unlisted' securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	328.66	229.57	-	-	-
2	Financial Institutions	658.94	658.94	-	-	-
3	Banks	3,175.41	3,175.41	-	-	-
4	Private corporates	5,228.29	3,867.69	-	-	-
5	Subsidiaries / Joint Ventures	0	-	-	-	-
6	Others	1,612.16	1,612.16	-	2.99	-
7	Provision held towards depreciation	(382.06)				
<b>Total</b>		<b>10,621.40</b>	<b>9,543.77</b>	-	<b>2.99</b>	-

**Notes:**

- (1) Does not include amount of securities pledged with Central Counter Parties, viz., Clearing Corporation of India Limited, National Securities Clearing Corporation of India Limited and Multi Commodity Exchange of India Limited.
- (2) Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.
- (3) Does not include investment in Security Receipts.

**3.5 Non-performing Non-SLR investments**

(₹ in crores)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Opening balance	73.01	28.98
Additions during the year	638.00	44.36
Reductions / Redemption during the year	-	0.33
Closing balance	711.01	73.01
<b>Total provisions held</b>	<b>711.00</b>	<b>71.76</b>

**3.6 Sale / transfer from HTM category**

During the year ended March 31, 2020 and year ended March 31, 2019, the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category at the beginning of the year. As such, in line with RBI guidelines, specific disclosures on book value, market value and provisions if any, relating to such sale and transfers are not required to be made.

#### 4. Derivatives

##### 4.1 Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps:

(₹ in crores)

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Notional principal of swap agreements	445,699.40	386,427.12
(ii) Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	5,383.92	2,740.61
(iii) Collateral required by the Bank upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps – With banks	78.93%	76.65%
(v) Net Fair value of the swap book	1,227.38	595.98

The nature and terms of Interest Rate Swaps (IRS) outstanding as on March 31, 2020 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	4	358.46	EURIBOR	Fixed Payable vs Floating Receivable
Trading	35	85.18	EURIBOR	Fixed Receivable vs Floating Payable
Trading	10	9.34	EURIBOR	Floating Payable vs Fixed Receivable
Trading	279	53,203.16	LIBOR	Fixed Payable vs Floating Receivable
Trading	320	46,270.54	LIBOR	Fixed Receivable vs Floating Payable
Trading	43	9,760.79	LIBOR	Floating Payable vs Floating Receivable
Trading	1,487	91,328.40	MIBOR	Fixed Payable vs Floating Receivable
Trading	1,797	86,529.34	MIBOR	Fixed Receivable vs Floating Payable
Trading	752	57,270.00	MIFOR	Fixed Payable vs Floating Receivable
Trading	904	62,890.00	MIFOR	Fixed Receivable vs Floating Payable
Trading	1	1,134.98	LIBOR	Fixed Payable vs Floating Receivable (Collar)
Trading	1	41.39	EURIBOR	Fixed Payable vs Floating Receivable (Cap)

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

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	7	443.96	EURIBOR	Floating Receivable vs Fixed Payable
Trading	30	426.85	EURIBOR	Fixed Receivable vs Floating Payable
Trading	27	20.49	EURIBOR	Fixed Receivable vs Floating Payable
Trading	200	27,650.75	LIBOR	Floating Receivable vs Fixed Payable
Trading	317	30,827.88	LIBOR	Fixed Receivable vs Floating Payable
Trading	32	5,878.18	LIBOR	Floating Receivable vs Floating Payable
Trading	1,707	106,011.03	MIBOR	Floating Receivable vs Fixed Payable
Trading	1,818	99,712.79	MIBOR	Fixed Receivable vs Floating Payable
Trading	607	43,895.00	MIFOR	Floating Receivable vs Fixed Payable
Trading	637	41,760.00	MIFOR	Fixed Receivable vs Floating Payable

The nature and terms of Cross Currency Swaps (CCS) outstanding as on March 31, 2020 are set out below:

(₹ in crores)

<b>Nature</b>	<b>No.</b>	<b>Notional Principal</b>	<b>Benchmark</b>	<b>Terms</b>
Trading	8	19.26	EURIBOR	Fixed Payable vs Floating Receivable (Cross Currency Swap)
Trading	3	308.99	EURIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	48	8,981.89	LIBOR	Fixed Payable vs Floating Receivable (Cross Currency Swap)
Trading	6	2,137.41	LIBOR	Floating Payable vs Fixed Receivable (Coupon Only Swap)
Trading	213	9,820.81	LIBOR	Floating Payable vs Fixed Receivable (Cross Currency Swap)
Trading	14	1,420.62	LIBOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	7	148.21	MIBOR	Floating Payable vs Fixed Receivable (Cross Currency Swap)
Trading	20	5,844.46	MIBOR	Floating Payable vs Fixed Receivable (Cross Currency Swap)
Trading	1	453.99	MIFOR	Floating Payable vs Floating Receivable (Cross Currency Swap)
Trading	2	129.72	NA	Fixed Payable vs Fixed Receivable (Coupon Only Swap)
Trading	92	4,407.55	NA	Fixed Payable vs Fixed Receivable (Cross Currency Swap)
Trading	16	1,665.60	NA	Fixed Payable vs Fixed Receivable (Principal Only Swap)
Merchant & Cover	4	722.68	NA	Fixed Payable vs Fixed Receivable (Cross Currency Swap)

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

(₹ in crores)

<b>Nature</b>	<b>No.</b>	<b>Notional Principal</b>	<b>Benchmark</b>	<b>Terms</b>
Trading	1	7.36	EURIBOR	Floating Receivable vs Fixed Payable (Cross Currency Swap)
Trading	46	8,100.55	LIBOR	Floating Receivable vs Fixed Payable (Cross Currency Swap)
Trading	3	2,002.82	LIBOR	Fixed Receivable vs Floating Payable (Coupon Only Swap)
Trading	137	6,508.23	LIBOR	Fixed Receivable vs Floating Payable (Cross Currency Swap)
Trading	14	1,301.25	LIBOR	Floating Receivable vs Floating Payable (Cross Currency Swap)
Trading	6	69.52	MIBOR	Fixed Receivable vs Floating Payable (Cross Currency Swap)

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	19	5,002.48	MIBOR	Floating Receivable vs Floating Payable (Cross Currency Swap)
Trading	1	414.93	MIFOR	Floating Receivable vs Floating Payable (Cross Currency Swap)
Trading	2	126.46	NA	Fixed Receivable vs Fixed Payable (Coupon Only Swap)
Trading	85	3,628.82	NA	Fixed Receivable vs Fixed Payable (Cross Currency Swap)
Trading	13	1,434.73	NA	Fixed Receivable vs Fixed Payable (Principal Only Swap)
Trading	2	81.88	NA	Floating Receivable vs Fixed Payable (Principal Only Swap)
Merchant & Cover	4	833.76	NA	Fixed Receivable vs Fixed Payable (Cross Currency Swap)
Trading	3	287.40	EURIBOR	Floating Receivable vs Floating Payable (Cross Currency Swap)

The nature and terms of Forward Rate Agreement (FRA) outstanding as on March 31, 2020 are set out below:

(₹ in crores)

Nature	No.	Notional Principal	Benchmark	Terms
Trading	2	756.65	LIBOR	Fixed Payable vs Floating Receivable

#### 4.2 Exchange Traded Interest Rate Derivatives

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2020 are as below:

(₹ in crores)

Sr. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
a)	FutureBond/717GS2028/25/04/2019	100.00
b)	FutureBond/645GS2029/26/03/2020	0.04
c)	FutureBond/645GS2029/27/02/2020	52.96
d)	FutureBond/645GS2029/26/12/2019	500.00
e)	FutureBond/726GS2029/25/07/2019	0.04
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2020 (instrument-wise)	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-

The details of Exchange Traded Interest Rate Derivatives undertaken during the year ended March 31, 2019 are as below:

		(₹ in crores)
Sr. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
a)	FutureBond/717GS2028/26/07/2018	146.08
b)	FutureBond/717GS2028/30/08/2018	713.55
c)	FutureBond/717GS2028/25/10/2018	9.47
d)	FutureBond/717GS2028/31/01/2019	0.04
e)	FutureBond/717GS2028/28/03/2019	0.20
f)	FutureBond/717GS2028/25/04/2019	98.21
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2019 (instrument-wise)	
a)	FutureBond/717GS2028/25/04/2019	98.21
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-
(iv)	Marked-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-

#### 4.3 Risk Exposure in Derivatives

Derivatives Policy approved by the Board of Directors defines the framework for carrying out derivatives business and lays down policies and processes to measure, monitor and report risk arising from derivative transactions. The policy provides for (a) appropriate risk limits for different derivative products and (b) authority levels for review of limit breaches and to take appropriate actions in such events. As part of the Derivatives Policy, the Bank has a Product Suitability and Customer Appropriateness Policy, which is used to classify customers on the basis of their need for various derivative products and their competence in understanding such products and the attendant risks involved.

Risk Management Department of the Bank is responsible for measuring, reporting and monitoring risk arising from derivatives transactions. It functions independent of Treasury business and undertakes the following activities:

- Monitoring derivatives operations against prescribed policies and limits on a daily basis;
- Daily review of product-wise profitability and activity reports for derivatives operations;
- Daily submission of MIS and details of exceptions to the Top Management,
- Monitoring effectiveness of derivative deals identified as hedges against the terms of the hedging instruments and underlying hedged risk; and
- Review of collaterals that are generally kept as cash or cash equivalent for securing derivative transactions.

The Risk Management function applies a host of quantitative tools and methods such as Value at Risk, PV01, stop-loss limits, counterparty limits, deal size limits and overnight position limits. The Bank undertakes derivative transactions for hedging customers' exposure, hedging the Bank's own exposure, as well as for trading purposes, wherever permitted by RBI. The customers use these derivative products to hedge their forex and interest rate exposures.

Refer Note 17.4 for accounting policy on derivatives.

The Bank has a policy on assessing the collateral required for undertaking derivative transactions with clients as well as counterparty banks. The credit appraisal process determines the collateral requirements. The Bank retains the right to terminate transactions as a risk mitigation measure in certain cases.

The following table presents quantitative disclosures relating to Derivatives:

(₹ in crores)

Sr. No	Particulars	March 31, 2020		March 31, 2019	
		Currency derivatives	Interest rate derivatives	Currency derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount) (Note 1)	471,468.72	409,638.22	519,058.62	356,626.92
	a) For hedging	-	-	-	-
	b) For trading	471,468.72	409,638.22	519,058.62	356,626.92
2	Marked to Market Positions (Note 2)				
	a) Asset (+)	7,950.78	4,923.50	5,279.58	2,790.58
	b) Liability (-)	(6,012.93)	(4,654.49)	(3,966.38)	(2,440.42)
3	Credit Exposure (Note 3)	19,457.69	7,810.90	17,939.11	6,052.65
4	Likely impact of one percentage change in interest rate (100*PV01) (Note 4)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	25.19	19.40	82.02	91.73
5	Maximum and Minimum of (100*PV01) observed during the year (Note 5)				
	a) on hedging	-	-	-	-
	b) on trading				
	Maximum	87.56	107.72	108.52	108.03
	Minimum	2.13	1.95	59.04	40.01

Note 1: Outstanding Notional principal amount of exchange traded currency future trades was ₹ 302.91 crores as at March 31, 2020 (Previous year ₹ 7.77 crores).

Note 2: Marked to Market positions include interest accrued on the swaps.

Note 3: Credit exposure is computed based on the current exposure method.

Note 4: Based on the absolute value of PV01 of the derivatives outstanding as at the year end.

Note 5: Based on the PV01 of the outstanding derivatives.

Note 6: PV01 for Currency Derivatives and Interest Rate Derivatives are presented in absolute terms. However, aggregate of net PV01 shall remain smaller as there are opposite positions in Currency Derivatives and Interest Rate Derivatives that will get netted off.

Note 7: Currency derivative include forex, currency options and cross currency swaps and interest rate derivatives include interest rate swaps, forward rate agreements and interest rate caps and floors.

## 5. Asset Quality

### 5.1 Non-Performing Assets

The details of movement of gross non-performing assets (NPAs), net NPAs and provisions during the year ended March 31, 2020 and the year ended March 31, 2019 are given below:

	(₹ in crores)	
	March 31, 2020	March 31, 2019
<b>(i) Net NPAs to Net Advances (%)</b>	0.91%	1.21%
<b>(ii) Movement of Gross NPAs</b>		
a) Opening balance	3,947.41	1,704.91
b) Additions on amalgamation	50.26	-
c) Additions during the year	5,779.61	5,386.83
d) Reductions during the year		
(i) Upgradations	862.26	273.54
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,229.47	947.81
(iii) Technical / Prudential write-offs	45.01	-
(iv) Write-offs other than those under (iii) above	2,493.80	1,922.98
(v) Sub-total	4,630.54	3,144.33
e) Closing balance	5,146.74	3,947.41
<b>(iii) Movement of Net NPAs</b>		
a) Opening balance	2,248.28	745.67
b) Additions on amalgamation	9.98	-
c) Additions during the year	1,377.55	2,535.71
d) Reductions during the year	1,749.23	1,033.10
e) Closing balance	1,886.58	2,248.28
<b>(iv) Movement of provisions for NPAs (excluding provisions on standard assets)</b>		
a) Opening balance	1,699.13	959.24
b) Additions on amalgamation	40.28	-
c) Provisions made during the year	4,402.05	2,851.12
d) Write-off / write back of excess provisions	2,881.30	2,111.23
e) Closing balance	3,260.16	1,699.13

**Notes:**

- 1) Recoveries include sale to SC / RC.
- 2) Amounts include impact of NPAs and provisions as assessed by RBI in their Supervisory Programme for Assessment of Risk and Capital.

### 5.2 Provision coverage ratio

Provision coverage ratio as at March 31, 2020 is 63.34% (Previous year 43.04%).

**5.3 Details of technical write-offs and recoveries made thereon**

(₹ in crores)

Items	March 31, 2020	March 31, 2019
Opening balance of technical / prudential written off accounts	-	-
Add: Technical / prudential write-offs during the year	45.01	-
Sub-total	45.01	-
Less : Recoveries made from previously technical / prudential written-off accounts during the year	0.40	-
Closing balance of technical / prudential written-off accounts	44.61	-

**5.4 Divergence in Asset Classification and Provisioning for NPAs**

RBI vide its circular no. DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and DBR.BP.BC.No.32/21.04.018/2018-19 dated April 01, 2019, has directed that banks shall make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by RBI exceeds 10 percent of the reported profit before provisions and contingencies for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period, or both. Based on the criteria mentioned in RBI circular, no disclosure on divergence in asset classification and provisioning for NPAs is required with respect to RBI Supervisory Programme for Assessment of Risk and Capital completed during the year pertaining to the year ended March 31, 2019 and during the previous year pertaining to the year ended March 31, 2018.

**5.5 Sector-wise advances**

(₹ in crores)

Sr. No.	Sector	March 31, 2020			March 31, 2019		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
<b>A</b>	<b>Priority Sector</b>						
1	Agriculture and allied activities	19,732.41	461.81	2.34%	19,264.34	262.14	1.36%
2	Advances to industries sector eligible as priority sector lending	6,042.37	141.12	2.34%	5,340.14	64.41	1.21%
	Of which: (refer note below:						
a)	Gems and Jewellery	1,251.38	-	-	1,063.87	-	-
b)	Construction (Other than Infrastructure)	-	-	-	17.34	-	-
c)	Infrastructure	12.10	0.29	2.40%	18.80	-	-

(₹ in crores)

Sr. No.	Sector	March 31, 2020			March 31, 2019		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
d)	Basic Metal and Metal Products	681.66	3.97	0.58%	706.82	3.00	-
e)	Other Industries	1,598.62	19.26	1.20%	-	-	-
3	Services	40,281.31	725.63	1.80%	35,620.87	396.24	1.11%
4	Personal loans	807.12	12.95	1.60%	417.43	10.88	2.61%
<b>Sub-total (A)</b>		<b>66,863.21</b>	<b>1,341.51</b>	<b>2.01%</b>	<b>60,642.78</b>	<b>733.67</b>	<b>1.21%</b>
<b>B</b>	<b>Non Priority Sector</b>						
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry	40,166.56	1,070.76	2.67%	37,960.01	1,528.27	4.03%
	Of which: (refer note below):						
a)	Gems and Jewellery	5,790.04	5.00	0.09%	5,202.33	104.30	2.00%
b)	Construction (Other than Infrastructure)	-	-	-	1,107.63	2.13	0.19%
c)	Infrastructure	9,526.51	641.19	6.73%	12,813.09	1,250.42	9.76%
d)	Basic Metal and Metal Products	6,654.63	0.18	-	4,985.71	0.30	0.01%
e)	Other Industries	3,373.71	141.03	4.18%	-	-	-
3	Services	88,505.50	2,362.60	2.67%	78,980.07	1,412.81	1.79%
4	Personal loans	14,508.06	371.87	2.56%	10,509.77	272.66	2.59%
<b>Sub-total (B)</b>		<b>1,43,180.12</b>	<b>3,805.23</b>	<b>2.66%</b>	<b>1,27,449.85</b>	<b>3,213.74</b>	<b>2.52%</b>
<b>Total (A+B)</b>		<b>2,10,043.33</b>	<b>5,146.74</b>	<b>2.45%</b>	<b>1,88,092.63</b>	<b>3,947.41</b>	<b>2.10%</b>

**Note:**

Segments contributing in excess of 10% of the Sector as at March 31, 2020 are individually listed; Construction (Other than Infrastructure) constituted less than 10% as on March 31, 2020 and Other Industries constituted less than 10% as on March 31, 2019.

## 5.6 Details of Loan Assets subjected to Restructuring as on March 31, 2020

(₹ in crores)

Sr No	Type of Restructuring→ Asset Classification→ Details→	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total					
		Stan- dard	Sub- stan- dard	Doubt- ful	Loss	Total	Stan- dard	Sub- stan- dard	Doubt- ful	Loss	Total	Stan- dard	Sub- stan- dard	Doubt- ful	Loss	Total	Stan- dard	Sub- stan- dard	Doubt- ful	Loss	Total	
1	Restructured Accounts as on 01/04/2019	2	-	-	-	2	3,788	-	-	-	3,788	5	1	1	-	7	3,795	1	1	-	-	3,797
	Amount outstanding	32.88	-	-	-	32.88	131.36	-	-	131.36	1.59	0.23	108.99	-	110.81	165.83	0.23	108.99	-	-	-	275.05
	Provision thereon	2.10	-	-	-	2.10	0.18	-	-	0.18	-	0.08	81.74	-	81.82	2.28	0.08	81.74	-	-	-	84.10
2	Fresh restructuring during the year	-	-	-	-	-	2	-	-	2	133	-	-	-	133	135	-	-	-	-	-	135
	Amount outstanding	0.59	-	-	-	0.59	19.17	-	-	19.17	99.61	-	2.86	-	102.47	119.37	-	2.86	-	-	-	122.23
	Provision thereon	-	-	-	-	-	4.54	-	-	4.54	10.11	-	13.33	-	23.44	14.65	-	13.33	-	-	-	27.98
3	Upgradation to restructured standard category during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-1	-	-	-	-1	-	-	-	-	-	-	-	-	-	-	-1	-	-	-	-	-1
	Amount outstanding	-7.96	-	-	-	-7.96	-	-	-	-	-	-	-	-	-	-7.96	-	-	-	-	-	-7.96
	Provision thereon	-1.00	-	-	-	-1.00	-	-	-	-	-	-	-	-	-	-1.00	-	-	-	-	-	-1.00
5	Downgradations of restructured accounts during the FY	-	-	-	-	-	-1,224	1,224	-	-	-	-4	4	-	-	-1,228	1,228	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-28.78	28.78	-	-	-87.09	87.09	-	-	-115.87	115.87	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-8.39	8.39	-	-	-8.39	8.39	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2019-20	-0.31	-	-	-	-0.31	-62.23	-28.78	-	-2,187	-2	-5	-	-	-87.81	-63.03	-116.10	-	-	-	-	-2,194
	Amount outstanding	-	-	-	-	-	-1.93	-	-	-1.93	-0.03	-8.47	-	-	-8.50	-1.96	-8.47	-	-	-	-	-1,737
	Provision thereon	-	-	-	-	-	1,603	132	-	1,603	132	-	1	-	133	1,736	-	1	-	-	-	-1,043
7	Restructured Accounts as on 31/03/2020 (closing figure)	25.20	-	-	-	25.20	59.52	-	-	59.52	13.62	-	111.85	-	125.47	98.34	-	111.85	-	-	-	210.19
	Provision thereon	1.10	-	-	-	1.10	2.79	-	-	2.79	1.69	-	95.07	-	96.76	5.58	-	95.07	-	-	-	100.65

1. Provision includes diminution / FITL / NPA provision, wherever applicable.

2. Sr. No. 2 includes cases restructured by the Bank under restructuring in natural calamities amounting to ₹ 12.51 crores (provision ₹ 1.72 crores), restructured in MSME ₹ 14.64 crores (provision ₹ 1.17 crores) and additions to existing restructured accounts of ₹ 5.13 crores (provision ₹ 3.37 crores).

3. Sr. No. 6 includes reductions in existing restructured accounts amounting to ₹ 63.02 crores (provision ₹ 1.96 crores) due to repayments, OTS, sold to ARC, and restructuring failures.

4. In case of NPAs, outstanding reported is net of unrealised interest.

5.6 Details of Loan Assets subjected to Restructuring as on March 31, 2019

(₹ in crores)

Sr No	Type of Restructuring → Asset Classification → Details →	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total										
		Stan dard	Sub- Stan dard	Doubt ful	Loss	Total	Stan dard	Sub- Stan dard	Doubt ful	Loss	Total	Stan dard	Sub- Stan dard	Doubt ful	Loss	Total	Stan dard	Sub- Stan dard	Doubt ful	Loss	Total						
1	Restructured Accounts as on 01/04/2018	3	-	-	-	3	2	-	-	-	2	2	-	-	-	2	2	-	-	-	2	2	-	-	-	7	
	Amount outstanding	82.51	-	-	-	82.51	0.17	-	-	-	0.17	219.04	-	-	-	219.04	82.68	-	-	-	219.04	-	-	-	-	-	301.72
	Provision thereon	6.89	-	-	-	6.89	0.17	-	-	-	0.17	92.35	-	-	-	92.35	7.06	-	-	-	92.35	-	-	-	-	-	99.41
2	Fresh restructuring during the year	-	-	-	-	-	4.415	-	-	-	4.415	5	1	-	-	6	4,420	1	-	-	-	-	-	-	-	-	4,421
	Amount outstanding	0.16	-	-	-	0.16	169.40	-	-	-	169.40	1.59	0.23	-	-	1.82	171.15	0.23	-	-	33.49	0.21	0.08	33.41	-	-	171.38
	Provision thereon	-	-	-	-	-	0.21	-	-	-	0.21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33.70
3	Upgradation to restructured standard category during the FY	-1	-	-	-	-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1
	Amount outstanding	-38.34	-	-	-	-38.34	-	-	-	-	-	-	-	-	-	-	-38.34	-	-	-	-	-	-	-	-	-	-38.34
	Provision thereon	-3.20	-	-	-	-3.20	-	-	-	-	-	-	-	-	-	-	-3.20	-	-	-	-	-	-	-	-	-	-3.20
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	-	-	-	-	-	-68	-	-	-	68	-	-	-	-	-	-68	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-2.66	-	-	-	2.66	-	-	-	-	-	-2.66	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-0.20	-	-	-	0.20	-	-	-	-	-	-0.20	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2018-19	-	-	-	-	-	-561	-	-	-	629	-	-	-	-	-1	-561	-68	-	-	-1	-68	-1	-	-	-	-630
	Amount outstanding	-11.45	-	-	-	-11.45	-35.55	-	-	-38.21	-	-	-	-	-	-110.05	-47.00	-2.66	-	-	-110.05	-2.66	-110.05	-	-	-	-159.71
	Provision thereon	-1.59	-	-	-	-1.59	-0.20	-	-	-0.20	-	-	-	-	-	-44.02	-1.59	-0.20	-	-	-44.02	-0.20	-44.02	-	-	-	-45.81
7	Restructured Accounts as on 31/03/2019 (closing figure)	2	-	-	-	2	3,788	-	-	3,788	5	1	1	-	7	3,795	1	1	-	7	3,795	1	1	-	-	3,797	
	Amount outstanding	32.88	-	-	-	32.88	131.36	-	-	131.36	1.59	0.23	108.99	-	110.81	165.83	0.23	108.99	-	110.81	165.83	0.23	108.99	-	-	275.05	
	Provision thereon	2.10	-	-	-	2.10	0.18	-	-	0.18	-	0.08	81.74	-	81.82	2.28	0.08	81.74	-	81.82	2.28	0.08	81.74	-	-	84.10	

1. Provision includes diminution / FITL / NPA provision, wherever applicable.

2. Sr. No. 2 includes loan assets restructured by the Bank on account of relief to borrowers affected by natural calamities amounting to ₹ 170.87 crores (provision ₹ 0.18 crores), and additions to existing restructured accounts amounting to ₹ 0.28 crores (provision ₹ 33.41 crores).

3. Sr. No. 6 includes reductions in existing restructured accounts amounting to ₹ 141.85 crores (provision ₹ 27.95 crores) due to repayments, CDR exit, OTS, sold to ARC, and restructuring failures.

4. In case of NPAs, outstanding reported is net of unrealised interest.

- 5.7 In accordance with the Prudential Framework for Resolution of Stressed Assets issued by RBI vide a circular dated June 07, 2019, the extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) have been withdrawn. The Joint Lenders' Forum as an institutional mechanism for resolution of stressed accounts was also discontinued. However, accounts where the schemes have been implemented by then were allowed to continue, and the following details pertain to such accounts where the respective schemes have been implemented before the said circular became effective.

- a) Details of cases where scheme for Sustainable Structuring of Stressed Assets (S4A) is implemented:

(₹ in crores)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
<b>As at March 31, 2020</b>				
Classified as Standard	22.45	14.60	7.85	7.07
Classified as NPA	-	-	-	-
<b>As at March 31, 2019</b>				
Classified as Standard	35.27	20.53	14.74	7.07
Classified as NPA	-	-	-	-

- b) Details of cases under Flexible Structuring of Existing Loans: Nil (Previous year Nil)
- c) Details of cases under Strategic Debt Restructuring Scheme (SDR) (accounts which are currently under the stand-still period): Nil (Previous year Nil)
- d) Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as at March 31, 2020: Nil (Previous year Nil)
- e) Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period) as at March 31, 2020: Nil (Previous year Nil)
- f) Details of MSME account restructured :

(₹ in crores)

Year ended	No. of accounts restructured	Amount
March 31, 2020*	2	14.64
March 31, 2019	-	-

\* MSME accounts restructured are part of details of loan assets subjected to restructuring (Refer Note 5.6 of Schedule 18)

- 5.8 a) **Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for asset reconstruction :**

(₹ in crores)

	March 31, 2020	March 31, 2019
1) No. of accounts	34,858	1,252
2) Aggregate value (net of provisions) of accounts sold to SC / RC	527.76	548.80
3) Aggregate consideration	496.91	571.24
4) Additional consideration realized in respect of accounts transferred in earlier years	5.72	8.07
5) Aggregate gain / (loss) over net book value	(25.13)	30.51

**b) Details of book value of investment in security receipts (SRs) :**

(₹ in crores)

Particulars	March 31, 2020	March 31, 2019
Backed by NPAs sold by the Bank as underlying	1,104.12	804.28
Backed by NPAs sold by the other Banks / Financial Institutions / Non-Banking Financial Companies as underlying	4.12	-
<b>Total</b>	<b>1,108.24</b>	<b>804.28</b>

**c) Details of Investment in Security Receipts (SRs) :**

(₹ in crores)

Particulars	As at March 31, 2020			As at March 31, 2019		
	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i) Book value of SRs backed by NPAs sold by the bank as underlying	1,013.33	90.79	-	734.94	69.34	-
Provision held against (i)	312.12	71.08	-	186.27	36.13	-
(ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	4.12	-	-	-	-	-
Provision held against (ii)	-	-	-	-	-	-
<b>Total (i) + (ii)</b>	<b>1,017.45</b>	<b>90.79</b>	<b>-</b>	<b>734.94</b>	<b>69.34</b>	<b>-</b>

(a) This does not include SRs issued by Trusts that were closed and the outstanding SRs were cancelled and written off in the books of the Bank.

(b) During current year, no SRs issued by Trusts more than 8 years ago, were written off in the books of the Bank and held in physical form with Nil value. (Previous year ₹ Nil)

**d) Details of Securitization transactions:**

Amount of securitized transactions outstanding at the end of the year is Nil (Previous Year Nil).

**5.9** During the year ended March 31, 2020, there has been no individual purchase / sale of non-performing financial assets from / to other banks (Previous year Nil).

**5.10** During the year ended March 31, 2020, there was no sale of assets through securitization except sale of assets to SC/RC (Previous year Nil).

**5.11 Provision on Standard Assets**

In accordance with RBI guidelines, general provision on standard assets is made at the following rates:

- (a) At 1% on standard advances to Commercial Real Estate Sector;
- (b) At 0.25% on standard direct advances to SME and Agriculture; and
- (c) At 0.40% of the balance outstanding in other standard assets.

Standard assets provision also includes additional provision made pursuant to RBI instructions including general provisions towards certain sectoral exposures and restructured standard assets.

The provision on standard assets is included in 'Other Liabilities and Provisions – Others' in Schedule 5, and is not netted off from Advances. The amount of provision held on standard assets is as below:

	(₹ in crores)	
Items	March 31, 2020	March 31, 2019
Provision held for Standard Assets [Including ₹ 59.00 crores towards Unhedged Foreign Currency Exposure of clients (Previous year ₹ 52.00 crores)]	966.55	819.72

### 5.12 Unhedged Foreign Currency Exposure (UFCE) of Clients

Foreign exchange risk is the risk of loss arising out of adverse movements in foreign exchange rates affecting both on-balance sheet and off-balance sheet exposures. The forex positions that are not effectively hedged either by way of natural hedge or through derivatives / forward contracts expose a client to the risk of loss due to volatility in the forex rates. The Bank assesses the risk arising out of such UFCE of the clients at the time of credit appraisal and monitors the same at regular intervals. The provision for standard assets as of March 31, 2020, included an amount of ₹ 59.00 crores (Previous year ₹ 52.00 crores) towards UFCE. Further, capital held under Basel III Capital Regulations, as of March 31, 2020, includes an amount of ₹ 135.61 crores (Previous year ₹ 169.29 crores) on account of UFCE, computed at the applicable risk weights.

### 5.13 Floating provision

	(₹ in crores)	
Items	March 31, 2020	March 31, 2019
Opening balance	70.00	70.00
Provisions made during the year	260.00	-
Draw-down made during the year	-	-
Closing balance	330.00	70.00

The "severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)", generally known as COVID-19, which was declared as a pandemic by the WHO on March 11, 2020, continues to spread across India and there is an unprecedented level of disruption on socio-economic front across the country. Globally, countries and businesses are under lockdown. Considering the severe health hazard associated with COVID-19 pandemic, the Government of India declared a lock down effective from March 25, 2020 which was initially till April 14, 2020 and extended till May 3, 2020. There is a high level of uncertainty about the duration of the lockdown and the time required for things to get normal. The extent to which COVID-19 pandemic will impact the Bank's operations and financial results is dependent on the future developments, which are highly uncertain. In this backdrop, during the year ended March 31 2020, a counter cyclical buffer / floating provision of ₹ 260 crores has been made.

**5.14** Following are the details of loan accounts to which a moratorium on instalments and interest was extended during the year ended March 31, 2020 in accordance with RBI Circulars dated March 27, 2020 and April 17, 2020:

(₹ in crores)

Items	March 31, 2020
Amount of Advances that are SMA or overdue as of Feb 29, 2020, where the moratorium / deferment was extended	25,702.15
Amount of Advances where asset classification benefit was extended	450.16
Provision made during the year	23.00
Provision adjusted during the respective accounting periods against slippages	-
Residual provisions	23.00

**5.15** During the year, the Bank implemented a Resolution Plan in respect of one borrower having an outstanding of ₹19.32 crores, in accordance with the RBI Circular dated June 7, 2019 on Prudential Revised Framework for Resolution of Stressed Assets ("Framework"). In respect of three other borrowers having an outstanding of ₹ 176.04 crores, the Resolution Plan could not be completed within the Review Period (180 days) envisaged under the Framework, and the Bank made an additional specific provision towards NPA amounting to ₹ 26.10 crores and a general provision amounting to ₹ 9.10 crores. In respect of two other borrowers with an outstanding of ₹ 123.45 crores, as at March 31, 2020, the Resolution Plan was within the 180 day Review Period, and there was no requirement to consider an extension of time as envisaged in the RBI Circular dated April 17, 2020 on COVID-19 Regulatory Package - Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets.

As on March 31, 2019, no resolution plan in respect of accounts wherein aggregate exposure of the lenders amounted to ₹ 2,000 crores or above, has been implemented in accordance with the Revised Framework on Resolution of Stressed Assets issued by RBI vide a circular dated February 12, 2018.

## 6. Business ratios

Ratio	March 31, 2020	March 31, 2019
i) Interest income as a percentage to working funds	10.06%	9.38%
ii) Non-interest income as a percentage to working funds	2.43%	2.38%
iii) Operating profit as a percentage to working funds	3.77%	3.41%
iv) Return on assets	1.54%	1.39%
v) Business (deposits plus gross advances) per employee (₹ in lakhs)	1,300.51	1,346.77
vi) Profit per employee (₹ in lakhs)	14.40	11.90

### Notes:

- (1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the year.
- (2) Return on Assets is computed with reference to average working funds.
- (3) Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.

## 7. Asset Liability Management

### 7.1 Maturity Pattern of certain items of Assets and Liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

As at March 31, 2020:

(₹ in crores)

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	1,118.39	5,854.27	5,867.72	6,688.49	8,946.19	13,758.00	24,176.54	35,526.12	35,407.06	20,208.18	44,488.85	2,02,039.81
Loans & Advances*	824.04	6,140.43	3,348.82	4,113.29	7,175.97	7,880.79	20,538.94	33,698.61	69,400.96	24,980.48	29,937.84	2,08,040.17
Investments	14,515.62	1,400.84	1,739.97	1,945.93	1,563.66	2,699.46	5,870.57	8,933.34	8,919.26	4,545.61	7,845.68	59,979.94
Borrowings	5.57	5,261.66	501.19	945.81	5,773.47	7,445.51	6,636.54	9,157.18	20,038.24	3,176.26	1,812.12	60,753.55
Foreign currency assets	1,342.12	469.55	1,120.69	1,134.89	1,870.19	1,849.81	986.41	1,196.13	1,493.70	2,018.22	2,672.83	16,154.54
Foreign currency liabilities	225.46	647.02	660.06	1,421.00	2,914.31	2,952.65	5,155.12	8,097.14	7,915.61	3,932.97	614.26	34,535.60

- Loans & Advances include an amount of ₹ 1,257 crores of bills rediscounted under Bill Re-Discounting Scheme.
- Pursuant to the RBI circular dated March 27, 2020 on the COVID-19 – Regulatory Package, the Bank offered a moratorium of loan installment's and interest payable to eligible borrowers. Accordingly, while drawing the maturity pattern, contractual inflows pertaining to Loans & Advances have been adjusted to the extent considered necessary.

As at March 31, 2019:

(₹ in crores)

	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	923.45	6,051.36	5,978.91	6,060.89	8,505.78	14,875.82	14,587.96	42,167.18	27,520.15	19,323.50	48,872.91	1,94,867.91
Loans & Advances*	856.13	8,494.75	3,710.29	7,145.65	5,528.39	8,686.43	11,241.67	23,006.57	68,294.44	24,983.41	27,145.77	1,89,093.50
Investments	12,095.71	1,677.29	3,059.38	932.33	1,817.61	2,886.09	6,689.27	9,500.86	8,537.38	3,791.74	8,278.50	59,266.16
Borrowings	0.51	2,910.54	-	3,070.48	5,717.72	1,970.47	4,018.96	7,231.34	15,283.74	4,756.86	2,360.50	47,321.12
Foreign currency assets	1,016.56	1,197.64	1,124.46	585.66	1,754.50	2,431.07	1,320.18	1,099.66	797.38	2,392.13	1,136.81	14,856.05
Foreign currency liabilities	84.59	1,308.67	59.49	3,223.67	147.87	1,400.86	2,705.05	5,654.11	8,592.58	3,209.64	1,779.85	28,166.38

\* Loans & Advances include an amount of ₹ 2,700 crores of bills rediscounted under Bill Re-Discounting Scheme.

### 7.2 Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (LCR) standard aims to ensure that Bank maintains adequate unencumbered High Quality Liquid Assets (HQLAs) that are convertible into cash under significantly severe liquidity stress scenario lasting for a 30- day time horizon. LCR measures the Bank's potential to stand under combined idiosyncratic and market-wide liquidity stress condition, where the Bank experiences accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled draw down of unused credit lines.

LCR is calculated by dividing Bank's stock of HQLA by its total net cash outflows over a 30-day stress period. Bank maintains HQLA in terms of Cash, G-Sec in excess of minimum SLR, MSF and FALLCR as permitted by RBI, excess of cash reserve requirement and high rated corporate bonds and commercial papers issued by entities other than financial institutions. Cash outflows and inflows in next 30 days are considered and are multiplied by prescribed run-off factors for the purpose of computation of LCR.

Bank has adopted the Basel III framework on liquidity standards, prescribed by RBI, and has put in place requisite systems and processes to enable automated computation and generation of LCR. In line with RBI guidelines, the quarterly disclosures of LCR are computed as simple average on daily observations over a period of 90 days.

Bank has maintained LCR above the minimum requirement of 100% during the FY 2019-20. The average LCR for the quarter ended March 31, 2020 was at 112.30% and at 111.39% for the quarter ended March 31, 2019. The average HQLA for the quarter ended March 31, 2020 was ₹ 51,432 crores, as against ₹ 39,426 crores for the quarter ended March 31, 2019.

The prime drivers of LCR are the level of surplus SLR held by the Bank and the proportion of retail and wholesale funding sources. Bank has consistently maintained a robust and stable funding profile with sources being diversified across sources and tenors.

Asset Liability Committee (ALCO) is a decision-making unit responsible for implementing the liquidity and interest rate risk management strategies of the Bank in line with its risk management objectives and ensures adherence to the risk tolerance / limits set by the Board. Liquidity Risk Management of the Bank is centralised and is undertaken by the Asset Liability Management Function in the Global Markets Group in accordance with the Board approved policies. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits and regulatory limits and undertakes liquidity stress testing periodically.

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

### Quantitative disclosure:

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2020, wherein the amounts are average of daily positions during the quarter:

(₹ in crores)

	June 2019		September 2019		December 2019		March 2020	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>High Quality Liquid Assets</b>								
1 Total High Quality Liquid Assets (HQLA)		46,041.44		52,588.32		52,725.72		51,431.60
<b>Cash Outflows</b>								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	6,086.38	304.33	6,369.18	318.46	6,710.43	335.52	7,928.25	396.41
(ii) Less stable deposits	46,288.84	4,628.88	49,799.02	4,979.90	54,228.60	5,422.86	54,659.14	5,465.91
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	78,820.32	39,931.14	86,268.10	43,486.46	88,492.71	46,066.59	92,195.07	47,110.23
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	24,253.29	24,253.29	7,056.73	7,056.73	2,901.34	2,901.34	2,856.75	2,856.75
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	4,284.10	4,284.10	3,490.36	3,490.36	2,497.52	2,497.52	3,739.64	3,739.64
7 Other contingent funding obligations	65,201.67	2,308.86	71,692.27	2,612.71	70,073.34	2,489.04	71,466.58	2,517.23
8 <b>Total Cash Outflows</b>		<b>75,710.60</b>		<b>61,944.62</b>		<b>59,712.87</b>		<b>62,086.17</b>
<b>Cash Inflows</b>								
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	37,898.48	34,052.44	22,310.82	15,892.84	18,354.85	13,284.17	21,758.03	16,257.12
11 Other cash inflows	-	-	-	-	16.03	8.02	60.44	30.22
12 <b>Total Cash Inflows</b>		<b>34,052.44</b>		<b>15,892.84</b>		<b>13,292.19</b>		<b>16,287.34</b>
13 <b>Total HQLA</b>		<b>46,041.44</b>		<b>52,588.32</b>		<b>52,725.72</b>		<b>51,431.60</b>
14 <b>Total Net Cash Outflows</b>		<b>41,658.16</b>		<b>46,051.78</b>		<b>46,420.68</b>		<b>45,798.83</b>
15 <b>Liquidity Coverage Ratio (%)</b>		<b>110.52%</b>		<b>114.19%</b>		<b>113.58%</b>		<b>112.30%</b>

The above information is provided as per MIS for internal reporting purpose and relied upon by the auditors.

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2019, wherein the amounts are average of daily positions during the quarter:

(₹ in crores)

	June 2018		September 2018		December 2018		March 2019		
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	
<b>High Quality Liquid Assets</b>									
1	Total High Quality Liquid Assets (HQLA)		29,741.09		32,786.20		37,104.72		39,425.68
<b>Cash Outflows</b>									
2	Retail deposits and deposits from small business customers, of which:								
(i)	Stable deposits	4,507.26	225.36	4,669.40	233.47	4,877.34	243.87	5,406.12	270.31
(ii)	Less stable deposits	32,497.88	3,249.79	33,056.86	3,305.69	36,196.45	3,619.65	41,245.19	4,124.52
3	Unsecured wholesale funding, of which:								
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	62,781.55	31,623.44	66,099.16	33,461.20	71,635.86	37,117.65	75,681.46	39,417.45
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which								
(i)	Outflows related to derivative exposures and other collateral requirements	51,172.05	51,172.05	27,150.87	27,150.87	27,640.36	27,640.36	59,124.00	59,124.00
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	1,970.64	1,970.64	3,724.26	3,724.26	3,773.13	3,773.13	3,231.19	3,231.19
7	Other contingent funding obligations	56,888.42	2,009.54	64,193.62	2,342.26	64,983.91	2,356.08	63,933.20	2,280.68
8	<b>Total Cash Outflows</b>		<b>90,250.82</b>		<b>70,217.75</b>		<b>74,750.74</b>		<b>108,448.15</b>
<b>Cash Inflows</b>									
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	68,566.48	61,914.93	45,875.51	38,811.39	44,525.48	38,427.68	79,299.76	72,970.50
11	Other cash inflows	-	-	10.33	5.16	-	-	164.17	82.08
12	<b>Total Cash Inflows</b>		<b>61,914.93</b>		<b>38,816.55</b>		<b>38,427.68</b>		<b>73,052.58</b>
13	<b>Total HQLA</b>		<b>29,741.09</b>		<b>32,786.20</b>		<b>37,104.72</b>		<b>39,425.68</b>
14	<b>Total Net Cash Outflows</b>		<b>28,335.89</b>		<b>31,401.20</b>		<b>36,323.06</b>		<b>35,395.57</b>
15	<b>Liquidity Coverage Ratio (%)</b>		<b>104.96%</b>		<b>104.41%</b>		<b>102.15%</b>		<b>111.39%</b>

The above information is provided as per MIS for internal reporting purpose and relied upon by the auditors.

## 8. Exposures

### 8.1 Exposure to Real Estate Sector

(₹ in crores)		
Particulars	March 31, 2020	March 31, 2019
<b>(a) Direct exposure</b>		
(i) Residential Mortgages - of which housing loans eligible for inclusion in priority sector advance ₹ 1,035.07 crores (Previous year ₹ 379.03 crores)]	8,593.01	11,039.75
(ii) Commercial Real Estate	29,433.90	20,509.03
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:		
Residential	-	-
Commercial Real Estate	-	-
<b>(b) Indirect exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	4,844.76	5,206.11
<b>Total Exposure to Real Estate Sector</b>	<b>42,871.67</b>	<b>36,754.89</b>

Direct exposure to Commercial Real Estate includes ₹ 100 crores (Previous year Nil) invested in a Venture Capital Fund. In terms of RBI Guidelines, the said amount forms part of Exposure to Capital Market also.

### 8.2 Exposure to Capital Market

(₹ in crores)		
Particulars	March 31, 2020	March 31, 2019
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	977.26	197.87
(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	338.75	258.45
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds, i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	3,843.86	5,576.64
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	1,905.01	1,446.23
(vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
(vii) Bridge loans to companies against expected equity flows / issues	136.00	-

(₹ in crores)

Particulars	March 31, 2020	March 31, 2019
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix) Financing to stockbrokers for margin trading	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered)	243.45	186.79
(xi) Irrevocable payment commitments issued by custodian banks in favour of stock exchanges	-	-
<b>Total Exposure to Capital Market</b>	<b>7,444.33</b>	<b>7,665.98</b>

During the year ended March 31, 2020 and the year ended March 31, 2019, no debt has been converted to equity as a part of strategic debt restructuring which is exempt from CME limit.

### 8.3 Risk Category-wise exposure to country risk

(₹ in crores)

Risk category	March 31, 2020		March 31, 2019	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	4,174.44	-	3,220.82	-
Low	7,858.04	-	7,018.25	-
Moderate	669.83	-	332.13	-
High	1,141.43	-	525.93	-
Very High	443.13	-	295.56	-
Restricted	-	-	241.76	-
Off Credit	-	-	0.03	-
<b>Total</b>	<b>14,286.87</b>	<b>-</b>	<b>11,634.48</b>	<b>-</b>

### 8.4 Single Borrower limit and Group Borrower Limit

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

### 8.5 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. (Previous year Nil). The Unsecured Advances of ₹ 49,883.38 crores (Previous year ₹ 37,444.15 crores) as disclosed in Schedule 9B (iii) are without any collateral or security.

### 8.6 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2020 is ₹ 274.32 crores (Previous year ₹ 138.95 crores).

## 9. Concentration of Deposits, Advances, Exposures and NPAs

### 9.1 Concentration of Deposits

(₹ in crores)

	As at March 31, 2020	As at March 31, 2019
Total Deposits of twenty largest depositors	46,135.17	47,378.61
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	22.83%	24.31%

**9.2 Concentration of Advances**

(₹ in crores)

	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
Total Advances to twenty largest borrowers	45,557.23	44,361.94
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	9.97%	14.58%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

**9.3 Concentration of Exposures**

(₹ in crores)

	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
Total Exposure to twenty largest borrowers / customers	45,557.49	44,362.21
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	9.77%	14.07%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015 and includes credit, derivatives and investment exposure.

**9.4 Concentration of NPAs**

(₹ in crores)

	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
Total Exposure to top four NPA accounts	1,694.75	2,055.83

Note: The Exposure herein is Funded Exposure, net of unrealised interest.

**9.5 Intra-Group Exposure**

(₹ in crores)

	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
Total amount of intra-group exposure	-	-
Total amount of top-20 intra-group exposure	-	-
Percentage of Intra Group Exposure to Total Exposure of the Bank on Borrower / Customer	-	-
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if any	-	-

**9.6 Priority Sector Lending Certificates (PSLC)**

(₹ in crores)

	<b>Year ended March 31, 2020</b>		<b>Year ended March 31, 2019</b>	
	<b>PSLC Sold</b>	<b>PSLC Purchased</b>	<b>PSLC Sold</b>	<b>PSLC Purchased</b>
1) PSLC Agriculture	-	-	-	800.00
2) PSLC Small Farmers / Marginal Farmers	4,665.00	-	500.00	775.00
3) PSLC Micro Enterprises	7,790.00	-	4,525.00	-
4) PSLC General	4,736.50	12,134.00	7,800.00	10,575.00

## 10. Miscellaneous

### 10.1 Amount of Provisions for taxation during the year

	(₹ in crores)	
	As at March 31, 2020	As at March 31, 2019
Current tax	1,953.21	1,972.76
Incremental deferred tax asset net of deferred tax liability (Refer Note 12.6)	(250.51)	(293.29)
<b>Total</b>	<b>1,702.70</b>	<b>1,679.47</b>

### 10.2 Penalties imposed by RBI

No penalty was imposed by the RBI during the year, in exercise of powers vested under Section 47(A)(1)(c) read with section 46(4)(i) of the Banking Regulation Act, 1949.

During the year ended March 31, 2019, RBI imposed a penalty of ₹ 1.00 crore for non-compliance with direction issued in respect of time-bound implementation and strengthening of SWIFT-related operational controls in exercise of powers vested under Section 47(A)(1)(c) read with section 46(4)(i) of the Banking Regulation Act, 1949. This penalty was duly paid by the Bank.

### 10.3 Fixed Assets

**10.3.1** Cost of premises includes ₹ 4.09 crores (Previous year ₹ 4.09 crores) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having written down value of ₹ 1.44 crores (Previous year ₹ 1.48 crores) and has filed a suit for the same.

#### 10.3.2 Computer software

The movement in fixed assets capitalized as computer software is given below:

	(₹ in crores)	
Particulars	March 31, 2020	March 31, 2019
At cost at the beginning of the year	467.69	389.71
Addition during the year	82.36	78.01
Deduction during the year	-	0.03
Accumulated depreciation as at the end of the year	379.34	315.74
Closing balance as at the end of the year	170.71	151.95
Depreciation charge for the year	63.60	55.27

The Scheme described in Note 1 was given accounting effects in July 2019. On July 4, 2019 e-BFIL was merged with the Bank and the Business Correspondent Undertaking contained in e-BFIL was transferred to IFIL at net book value. An amount of Computer Software capitalized in the books of e-BFIL that got vested with the Bank pursuant to the Merger and transferred simultaneously to IFIL having book value of ₹ 8.01 crores is not included in the above table.

### 10.4 Contingent Liabilities

The Bank's pending litigations include claims against the Bank by clients and counterparties and proceedings pending with tax authorities. The Bank has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required, and disclosed as contingent liabilities where applicable. Claims against the Bank not acknowledged as debts comprise of tax demands of ₹ 122.40 crores (Previous year ₹ 89.41 crores) in respect of which the Bank is in appeal, and legal cases sub judice of ₹ 364.43 crores (Previous year ₹ 306.22 crores). The Bank carries a provision of ₹ 4.52 crores (Previous year ₹ 4.52 crores) against cases sub judice. The amount of contingent liabilities is based on management's estimate, and it is not probable that any liability is expected to arise out of the same.

The Judgment of the Hon'ble Supreme Court dated February 28, 2019, in the matter of The Regional Provident Fund Commissioner (II) West Bengal vs. Vivekananda Vidyamandir and Ors sets out principles for computation of contribution towards Provident Fund where "basic wage" includes all emoluments paid to an employee as per the terms of his / her contract of employment. The Judgment has also laid down the standards applicable to determine "basic wage" as the amount that is payable to all employees uniformly and is to be included within the definition of "basic wage". A review petition against this decision filed before the Hon'ble Supreme Court has been dismissed on August 28, 2019. The Bank has implemented the direction given in the decision for computation of contribution towards Provident Fund, with effect from April 1, 2019. As the Bank has been considering the reckonable components of salary for computation of contribution to Provident Fund in a liberal manner even prior to the decision, the Bank is of the view that there is no liability pertaining to earlier years and consequently no effect has been given in the financial statement.

**10.5** The Bank has a process to assess periodically all long term contracts (including derivative contracts), for material foreseeable losses. At the year end, the Bank has reviewed and adequate provision as required under any law or an accounting standard for material foreseeable losses on such long term contracts (including derivative contracts), has been made.

**10.6 Overseas Asset, NPAs and Revenue**

During the year, the Bank earned a revenue of ₹ 347.54 crores through overseas assets (Previous year ₹ 305.53 crores). The overseas assets as at March 31, 2020 amounted to ₹ 6,292.62 crores (Previous year ₹ 4,547.40 crores) and NPAs of ₹ 381.52 crores (Previous year Nil). Assets for this purpose is defined to include client advances.

**10.7** The Bank does not have any Off-Balance Sheet SPVs which are required to be consolidated as per accounting standards (Previous year Nil).

**10.8 Transfers to Depositor Education and Awareness Fund (DEAF)**

Particulars	(₹ in crores)	
	Year ended March 31, 2020	Year ended March 31, 2019
Opening balance of amounts transferred to DEAF	29.06	23.63
Add: Amounts transferred to DEAF during the year	11.21	5.92
Less: Amounts reimbursed by DEAF towards claims	0.53	0.49
Closing balance of amounts transferred to DEAF	39.74	29.06

**10.9** There is no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank (Previous year Nil).

**10.10 Corporate Social Responsibility (CSR)**

Amount required to be spent by the Bank on CSR during the year ₹ 108.11 crores (Previous year ₹ 88.62 crores).

Amount spent towards CSR during the year and recognised as expense in the statement of Profit and Loss on CSR related activities is ₹ 108.15 crores (Previous year ₹ 55.46 crores), which comprise of following:

	Year ended March 31, 2020			Year ended March 31, 2019		
	In Cash	Yet to be paid in Cash	Total	In Cash	Yet to be paid in Cash	Total
Construction / acquisition of any asset	-	-	-	-	-	-
On purpose other than above	105.80	2.35	108.15	55.46	-	55.46
<b>Total</b>	<b>105.80</b>	<b>2.35</b>	<b>108.15</b>	<b>55.46</b>	<b>-</b>	<b>55.46</b>

**10.11 Drawdown from Reserves**

During the year ended March 31, 2020 and year ended March 31, 2019, the Bank did not draw down from the reserves.

**10.12 Credit Default Swaps**

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

**10.13 Movement in depreciation of Fixed Assets**

	(₹ in crores)	
<b>Depreciation</b>	<b>2019-20</b>	<b>2018-19</b>
<b>Premises</b>		
At the beginning of the year	91.23	82.15
Transferred from Revaluation Reserve	-	6.03
Charge for the year	13.35	3.25
Deduction during the year	-	0.20
Depreciation to date	104.58	91.23
<b>Other Fixed Assets</b>		
At the beginning of the year	1,317.21	1,125.28
Charge for the year	264.62	225.60
Deduction during the year	90.11	33.67
Depreciation to date	1,491.72	1,317.21

**10.14 Bancassurance business**

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

	(₹ in crores)	
<b>Particulars</b>	<b>Year ended March 31, 2020</b>	<b>Year ended March 31, 2019</b>
For selling life insurance policies	129.61	121.32
For selling non-life insurance policies	97.62	99.78
For selling mutual fund products	36.90	85.96
Others	-	-
<b>Total</b>	<b>264.13</b>	<b>307.06</b>

**11. Employee Stock Option Scheme**

**11.1** The shareholders of the Bank approved Employee Stock Option Scheme (ESOS 2007) on September 18, 2007. ESOS 2007 enables the Board and the Compensation Committee to grant such number of stock options of the Bank not exceeding 7% of the aggregate number of issued and paid up equity shares of the Bank, in line with the guidelines issued by the SEBI. The options vest within a maximum period of five years from the date of grant of option. The exercise price for each grant is decided by the Compensation Committee, which is normally based on the latest available closing price. Upon vesting, the options have to be exercised within a maximum period of five years. The stock options are equity settled where the employees will receive one equity share per stock option.

In accordance with the Scheme discussed in Note 1, the shareholders of the Bank approved IBL Special Incentive ESOS for BFIL Merger 2018 (ESOS 2018) on December 11, 2018. The ESOS 2018 was adopted to ensure that the e-BFIL employees who would become part of the Bank upon merger and held options outstanding under various

e-BFIL Employee Stock Option Plans on the Effective Date were provided parity in relation to the stock options so held as well as adequately incentivized with further options. Accordingly, the ESOS 2018 was approved with a pool of 57,50,000 options, that are equity settled where the eligible e-BFIL employees would receive one equity share per stock option. In respect of eligible e-BFIL employees who held options outstanding (vested and unvested) on the Effective Date, the number of options and the exercise price were adjusted to reflect the share exchange ratio of 639 equity shares of the Bank for every 1,000 shares of e-BFIL. In respect of eligible e-BFIL employees who were incentivized with new options under ESOS 2018, 50% of the same would vest over a period of three years from the grant date and the remaining 50% of the same would vest over a period of three years from the first anniversary of the grant date, and such options shall be exercised over a period of five years from vesting.

ESOS 2007 and ESOS 2018 are, hereinafter, collectively referred to as ESOS.

As at March 31, 2020, the Compensation Committee of the Bank has granted a total of 4,86,64,142 options that includes 4,33,76,336 options granted under ESOS 2007 and 52,87,806 options granted under ESOS 2018, as set out below:

**ESOS 2007:**

Sr. No	Date of grant	2019-20		2018-19	
		No of options	Range of exercise price (₹)	No of options	Range of exercise price (₹)
1.	18-Jul-08	1,21,65,000	48.00 - 50.60	1,21,65,000	48.00 - 50.60
2.	17-Dec-08	34,56,000	38.95	34,56,000	38.95
3.	05-May-09	8,15,500	44.00	8,15,500	44.00
4.	31-Aug-09	3,18,500	100.05	3,18,500	100.05
5.	28-Jan-10	7,47,000	48.00 - 140.15	7,47,000	48.00 - 140.15
6.	28-Jun-10	13,57,450	196.50	13,57,450	196.50
7.	14-Sep-10	73,500	236.20	73,500	236.20
8.	26-Oct-10	1,43,500	274.80	1,43,500	274.80
9.	17-Jan-11	25,00,000	228.70	25,00,000	228.70
10.	07-Feb-11	20,49,000	95.45 - 220.45	20,49,000	95.45 - 220.45
11.	24-Jun-11	21,54,750	253.60	21,54,750	253.60
12.	16-Aug-11	89,500	254.90	89,500	254.90
13.	30-Sep-11	2,61,000	262.25	2,61,000	262.25
14.	21-Dec-11	9,20,000	231.95	9,20,000	231.95
15.	29-Feb-12	1,95,000	304.05	1,95,000	304.05
16.	19-Apr-12	1,40,500	345.60	1,40,500	345.60
17.	25-May-12	1,34,500	304.55	1,34,500	304.55
18.	10-Jul-12	2,67,000	343.25	2,67,000	343.25
19.	29-Aug-12	1,14,000	319.05	1,14,000	319.05
20.	10-Oct-12	23,500	365.75	23,500	365.75
21.	09-Jan-13	30,000	433.75	30,000	433.75
22.	18-Apr-13	12,500	419.60	12,500	419.60
23.	20-Jun-13	1,75,000	478.45	1,75,000	478.45
24.	18-Jul-13	18,35,000	453.90	18,35,000	453.90
25.	23-Sep-13	75,000	411.50	75,000	411.50
26.	29-Oct-13	22,000	412.25	22,000	412.25
27.	29-Jan-14	7,67,500	300.00 - 389.85	7,67,500	300.00 - 389.85
28.	25-Mar-14	1,76,500	490.30	1,76,500	490.30

Sr. No	Date of grant	2019-20		2018-19	
		No of options	Range of exercise price (₹)	No of options	Range of exercise price (₹)
29.	15-May-14	65,500	537.05	65,500	537.05
30.	02-Jun-14	32,69,500	533.95	32,69,500	533.95
31.	09-Jul-14	33,000	551.10	33,000	551.10
32.	13-Oct-14	74,500	623.25	74,500	623.25
33.	17-Jan-15	47,500	831.85	47,500	831.85
34.	23-Feb-15	48,000	876.80	48,000	876.80
35.	30-Mar-15	11,000	880.75	11,000	880.75
36.	22-May-15	52,600	848.20	52,600	848.20
37.	24-Jul-15	16,30,000	949.80	16,30,000	949.80
38.	21-Sep-15	1,93,000	918.65	1,93,000	918.65
39.	04-Nov-15	93,500	911.85	93,500	911.85
40.	12-Jan-16	10,33,500	886.75 – 936.75	10,33,500	886.75 – 936.75
41.	12-May-16	13,500	1,053.75	13,500	1,053.75
42.	11-Jul-16	25,000	1,126.70	25,000	1,126.70
43.	23-Aug-16	2,76,000	1,186.75	2,76,000	1,186.75
44.	10-Oct-16	18,51,000	1,220.85	18,51,000	1,220.85
45.	16-Nov-16	33,500	1,093.10	33,500	1,093.10
46.	27-Jan-17	21,500	1,265.40	21,500	1,265.40
47.	24-Mar-17	49,000	1,383.90	49,000	1,383.90
48.	19-Apr-17	16,000	1,431.75	16,000	1,431.75
49.	09-May-17	69,000	1,424.85	69,000	1,424.85
50.	19-Jun-17	38,500	1,498.90	38,500	1,498.90
51.	11-Jul-17	35,000	1,560.35	35,000	1,560.35
52.	12-Oct-17	69,000	1,717.25	69,000	1,717.25
53.	11-Jan-18	43,000	1,734.10	43,000	1,734.10
54.	27-Mar-18	15,23,000	1,759.75	15,23,000	1,759.75
55.	08-May-18	64,000	1,889.80	64,000	1,889.80
56.	28-Sep-18	1,09,000	1,682.00	1,09,000	1,682.00
57.	20-Mar-19	85,000	1,725.20	85,000	1,725.20
58.	22-May-19	10,44,500	1,447.75		
59.	10-Oct-19	1,00,536	1,308.65		
60.	14-Jan-20	3,40,000	1,539.65		

**ESOS 2018:**

Sr. No	Date of grant	2019-20	
		No of options	Range of exercise price (₹)
1.	04-Jul-19	30,01,266	688.00 – 1,864.00
2.	12-Jul-19	22,86,540	1,541.25

**11.2 Recognition of expense**

The Bank follows the intrinsic value method to recognize employee costs relating to ESOS, in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by the ICAI. Excess of fair market price over the exercise price of an option at the grant date, is recognized as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options. The compensation so recognised in respect of which exercise of options is outstanding, is shown as Employee Stock Options Outstanding on the face of the Balance Sheet.

The fair market price is the latest closing price prior to the date of the meeting of the Compensation Committee in which stock options are granted, available on the stock exchange on which the shares of the Bank are listed. Since shares are listed on more than one stock exchange, the exchange where the Bank's shares have been traded highest on the said date is considered for this purpose.

**11.3 Stock option activity under ESOS 2007 is set out below**

	2019-20		2018-19	
	No. of options	Weighted average exercise price (₹)	No. of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	89,84,273	992.08	1,13,16,874	854.18
Granted during the year	14,85,036	1,459.37	2,58,000	1,747.78
Forfeited / surrendered during the year	1,97,975	1,658.63	1,24,610	1,591.98
Exercised during the year	12,23,446	488.93	24,63,681	408.10
Expired during the year	2,540	279.62	2,310	253.60
Outstanding at the end of the year	90,45,348	1,122.47	89,84,273	992.08
Options exercisable at the end of the year	69,50,562	994.55	68,40,698	816.40

The weighted average market price of options exercised during the year is ₹ 1,437.49 (Previous year ₹ 1,554.61).

Stock option activity under ESOS 2018 is set out below

	2019-20	
	No. of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	-	-
Granted during the year	52,87,806	1,518.28
Forfeited / surrendered during the year	2,16,314	1,519.22
Exercised during the year	7,643	1,024.05
Expired during the year	-	-
Outstanding at the end of the year	50,63,849	1,518.98
Options exercisable at the end of the year	20,68,465	1,479.80

The weighted average market price of options exercised during the year is ₹ 1,376.97 (Previous year Nil).

Following table summarizes the information about stock options outstanding as at March 31, 2020:

**ESOS 2007:**

Date of grant	2019-20			2018-19		
	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
17-Jan-11	-	-	-	228.70	1,70,000	-
24-Jun-11	-	-	-	253.60	17,620	0.23
21-Dec-11	231.95	1,73,600	0.25	231.95	2,53,000	0.73
29-Feb-12	-	-	-	304.05	34,000	0.92
19-Apr-12	345.60	14,500	0.05	345.60	29,000	1.05
25-May-12	304.55	1,360	0.15	304.55	3,093	1.15
10-Jul-12	343.25	74,800	0.28	343.25	1,47,400	1.28
10-Oct-12	-	-	-	365.75	2,700	1.53
20-Jun-13	478.45	6,100	1.22	478.45	27,000	2.22
18-Jul-13	453.90	79,367	0.92	453.90	1,46,480	2.30
23-Sep-13	-	-	-	411.50	10,000	2.48
29-Oct-13	412.25	880	1.58	412.25	2,560	2.58
29-Jan-14	389.85	2,030	1.50	389.85	2,030	2.84
29-Jan-14 A	300.00	4,69,000	1.34	300.00	7,00,000	2.84
25-Mar-14	490.30	100,250	1.25	490.30	1,25,000	2.99
15-May-14	537.05	3,000	1.47	537.05	3,000	3.13
02-Jun-14	533.95	11,18,950	1.32	533.95	13,66,510	3.18
09-Jul-14	551.10	1,700	2.27	551.10	1,700	3.28
13-Oct-14	623.25	14,715	1.94	623.25	20,100	3.54
17-Jan-15	831.85	37,000	1.81	831.85	37,000	3.80
23-Feb-15	-	-	-	876.80	1,040	3.90
30-Mar-15	880.75	7,680	2.18	880.75	8,380	4.00
22-May-15	848.20	5,000	2.15	848.20	5,000	4.15
24-Jul-15	949.80	6,84,850	2.42	949.80	7,85,210	4.32
21-Sep-15	918.65	11,000	2.49	918.65	11,000	4.48
04-Nov-15	911.85	9,690	2.95	911.85	58,580	4.60
12-Jan-16	936.75	1,190	3.79	936.75	2,345	4.79
12-Jan-16	886.75	10,00,000	2.80	886.75	10,00,000	4.79
12-May-16	1,053.75	3,275	4.10	1,053.75	3,275	5.12
11-Jul-16	1,126.70	11,500	3.38	1,126.70	16,890	5.28
23-Aug-16	1,186.75	1,89,500	3.73	1,186.75	1,99,180	5.40
10-Oct-16	1,220.85	17,33,000	3.61	1,220.85	17,83,680	5.53
16-Nov-16	1,093.10	4,540	4.09	1,093.10	6,520	5.64
27-Jan-17	1,265.40	12,550	4.04	1,265.40	16,550	5.83
24-Mar-17	1,383.90	44,330	4.04	1,383.90	47,990	5.99
19-Apr-17	1,431.75	12,010	4.15	1,431.75	14,020	6.06
09-May-17	1,424.85	69,000	4.12	1,424.85	69,000	6.11
19-Jun-17	1,498.90	32,750	4.38	1,498.90	33,420	6.22
11-Jul-17	1,560.35	35,000	4.29	1,560.35	35,000	6.28
12-Oct-17	1,717.25	65,000	4.55	1,717.25	65,000	6.54
11-Jan-18	1,734.10	41,000	4.80	1,734.10	43,000	6.79

Date of grant	2019-20			2018-19		
	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
27-Mar-18	1,759.75	13,29,220	5.00	1,759.75	14,23,000	6.99
08-May-18	1,889.80	50,975	4.87	1,889.80	64,000	7.11
28-Sep-18	1,682.00	93,500	5.51	1,682.00	1,09,000	7.50
20-Mar-19	1,725.20	67,000	5.98	1,725.20	85,000	7.98
22-May-19	1,447.75	9,94,000	6.16			
10-Oct-19	1,308.65	1,00,536	6.54			
14-Jan-20	1,539.65	3,40,000	6.80			

**ESOS 2018:**

Date of grant	2019-20		
	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
04-Jul-19	668.00- 1,864.00	28,75,689	4.39
12-Jul-19	1,541.25	21,88,160	6.29

**11.4 Fair value methodology**

The fair value of options granted during the year has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2019-20	2018-19
Average dividend yield	0.49 - 0.57%	0.40 - 0.45%
Expected volatility	24.78 - 28.08%	22.51 - 28.30%
Risk free interest rates	6.11 - 6.93%	6.91 - 8.09%
Expected life of options (in years)	4.82	4.52

Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black-Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in the closing equity share price on the National Stock Exchange of India Limited (NSE), over a prior period equivalent to the expected life of the options, till the date of the grant.

The stock-based compensation cost calculated as per the intrinsic value method for the year ended March 31, 2020 is ₹ 0.37 crores (Previous year ₹ 0.30 crores). Had the Bank adopted the Black-Scholes model based fair valuation, compensation cost for the year ended March 31, 2020, would have increased by ₹ 73.01 crores (Previous year ₹ 91.80 crores) and the *pro forma* profit after tax would have been lower by ₹ 54.64 crores (Previous year ₹ 59.72 crores). On a *pro forma* basis, the basic and diluted earnings per share would have been as follows:

Particulars	March 31, 2020	March 31, 2019
<i>Pro forma</i> basis		
Basic earnings per share ₹	62.97	53.90
Diluted earnings per share ₹	62.73	53.47

The weighted average fair value of options granted during the year 2019-20 is ₹ 508.22 (Previous year ₹ 594.84).

## 12. Disclosures – Accounting Standards

### 12.1 Employee Benefits (AS-15)

#### Gratuity:

Gratuity is a defined benefit plan. The Bank has obtained qualifying insurance policies from insurance companies approved by the IRDA. The following table presents a summary of the components of net expenses recognized in the Profit and Loss account and funded status and amounts recognized in the Balance Sheet, on the basis of actuarial valuation.

	(₹ in crores)	
	March 31, 2020	March 31, 2019
<b>Changes in the present value of the obligation</b>		
1. Opening balance of Present Value of Obligation	110.52	89.48
2. Interest Cost	7.87	6.31
3. Current Service Cost	22.51	17.94
4. Benefits Paid	(13.20)	(11.43)
5. Actuarial loss / (gain) on Obligation	11.71	8.22
6. Closing balance of Present Value of Obligation	139.41	110.52
<b>Reconciliation of opening and closing balance of the fair value of the Plan Assets</b>		
1. Opening balance of Fair value of Plan Assets	116.97	93.52
2. Adjustment to Opening Balance	0.79	0.26
3. Expected Return on Plan assets	9.32	7.01
4. Expenses	-	-
5. Contributions	36.03	29.46
6. Benefits Paid	(13.20)	(11.43)
7. Actuarial gain / (loss) on Plan Assets	(2.86)	(1.85)
8. Closing balance of Fair Value of Plan Assets	147.05	116.97
<b>Profit and Loss – Expenses</b>		
1. Current Service Cost	22.51	17.94
2. Interest Cost	7.87	6.31
3. Expected Return on Plan assets	(9.32)	(7.01)
4. Expenses	-	-
5. Net Actuarial loss recognised in the year	14.57	10.07
6. Expenses recognised in the Profit and Loss account	35.63	27.31
<b>Funded status</b>	100% insurance managed funds	100% insurance managed funds
<b>Actuarial Assumptions</b>		
1. Discount Rate	6.84 - 6.90%	7.50 - 7.68%
2. Expected Rate of Return on Plan Assets	6.48 - 8.00%	4.22 - 8.00%
3. Expected Rate of Salary Increase	5.00%	5.00%
4. Employee Attrition Rate		
- Past Service 0 to 5 years	30.00%	30.00%
- Past Service above 5 years	0.50%	0.50%

Estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**Experience Adjustment**

Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	139.41	110.52	89.48	75.31	61.67
Plan Assets	147.05	116.97	93.52	81.53	65.34
Surplus / (Deficit)	7.64	6.45	4.04	6.21	3.67
Experience Adjustments on Plan Liabilities	(11.71)	(8.22)	0.92	(4.07)	(7.60)
Experience Adjustments on Plan Assets	(2.86)	(1.85)	(4.32)	1.22	(0.80)

Contributions expected to be paid to the plan during the annual period beginning after the Balance Sheet date is ₹ 45 crores (Previous year ₹ 35 crores).

**Compensated Absence**

Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method. The details of the fund and plan assets position are as follows:

	(₹ in crores)	
	March 31, 2020	March 31, 2019
Total actuarial liability	73.49	65.09
Total expense included in Schedule 16(l)	11.67	17.06
<b>Assumptions</b>		
Discount Rate	6.84%	7.68%
Salary escalation rate	5.00%	5.00%

**Provident Fund**

Contributions towards Provident Fund are made to trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable. In accordance with the guidance note on Valuation of Interest Rate Guarantees on Exempt Provident Funds under AS 15 (Revised) issued by the Institute of Actuaries of India, interest shortfall is provided for based on actuarial valuation. The details of the fund and plan assets position are as follows:

	(₹ in crores)	
	March 31, 2020	March 31, 2019
<b>Assets / Liabilities</b>		
Present value of Interest Rate guarantee on Provident Fund	7.77	1.75
Present value of Total Obligation	226.51	195.52
Fair value of Plan Assets	227.06	197.08
Net asset / (liability) recognized in the Balance Sheet	0.55	1.56
<b>Assumptions</b>		
Normal Retirement age	60 years	60 years
Expected guaranteed interest on PF in future	8.65%	8.65%
Discount rate	6.84 - 7.00%	7.60 - 7.80%
Expected average remaining working lives of employees (years)	10.22 - 21.89	11.16 - 24.91
Benefit on normal retirement	Accumulated account balance with interest rate equal to or more than EPFO Rate	Accumulated account balance with interest rate equal to or more than EPFO Rate
Benefit on early retirement / withdrawal / resignation	Same as normal retirement benefit	Same as normal retirement benefit
Benefit on death in service	Same as normal retirement benefit	Same as normal retirement benefit

## 12.2 Segment Reporting (AS 17)

The Bank operates in four business segments, viz. Treasury, Corporate / Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

### Business Segments

(₹ in crores)

Business Segment	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Operation		Total	
	31/03/20	31/03/19	31/03/20	31/03/19	31/03/20	31/03/19	31/03/20	31/03/19	31/03/20	31/03/19
Revenue	5,745.44	4,417.55	10,102.82	9,044.90	20,035.67	15,052.34	118.19	69.69	36,002.12	28,584.48
Inter Segment Revenue									(267.98)	(676.61)
Total Income									35,734.14	27,907.87
Result	806.70	483.58	3,359.53	2,790.64	6,844.08	5,019.61	40.37	23.24	11,050.68	8,317.07
Unallocated Expenses									(277.97)	(228.85)
Operating Profit									10,772.71	8,088.22
Provisions and Contingencies (other than tax)									(4,652.10)	(3,107.65)
Tax Expenses									(1,702.70)	(1,679.47)
Extraordinary profit / loss									-	-
Net Profit									4,417.91	3,301.10
Other Information:										
Segment Assets	72,022.75	69,884.49	90,656.85	83,007.71	1,29,072.20	1,14,130.74	-	-	2,91,751.80	2,67,022.94
Unallocated Assets									15,305.75	10,796.48
Total Assets									3,07,057.55	2,77,819.42
Segment Liabilities	61,424.48	47,955.99	80,730.65	87,976.08	1,22,485.80	1,08,289.81	-	-	2,64,640.93	2,44,221.88
Unallocated Liabilities									42,416.62	33,597.54
Total Liabilities									3,07,057.55	2,77,819.42

### Note:

Fixed Assets, tax paid in advance and tax deducted at source (net of provisions), stationery and stamps, non-banking assets acquired in satisfaction of claims, and others which cannot be allocated to any segments, have been classified as unallocated assets; Depreciation on Fixed Assets has been classified as unallocated expenses. The unallocated liabilities include share capital, employee stock option outstanding, reserves and surplus, dividend and others.

The above information is provided as per MIS for internal reporting purpose and relied upon by the auditors.

### Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets and lending to a few overseas entities through the IFSC Banking Unit at the GIFT City Gujarat. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

**12.3 Related party transactions (AS-18)**

The following is the information on transactions with related parties:

**Key Management Personnel (KMP)**

Mr. Romesh Sobti, Managing Director (upto March 23, 2020)

Mr. Sumant Kathpalia, Managing Director (w.e.f. March 24, 2020)

**Relatives of KMP**

Mrs. Anita Sobti, Mr. Gaurav Sobti, Ms. Aanchal Sobti Mitra, Mrs. Ira Kathpalia, Mr. Karan Kathpalia

**Associates**

IndusInd Marketing and Financial Services Private Limited

**Subsidiaries**

Bharat Financial Inclusion Limited (formerly IndusInd Financial Inclusion Limited) (w.e.f August 6, 2018)

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended March 31, 2020:

Particulars	Parent (as per ownership control)*	Subsidiaries*	Associates / Joint Venture*	Key Management Personnel	Relatives of Key Management Personnel	(₹ in crores)
						Total
Borrowings	-	-	-	-	-	-
Deposits	-	-	-	12.45 (34.68)	10.38 (10.43)	22.83 (45.11)
Placement of deposits	-	-	-	-	-	-
Advances	-	-	-	0.57 (0.57)	-	0.57 (0.57)
Investment	-	-	-	-	-	-
Non-funded commitments	-	-	-	-	-	-
Leasing / HP arrangements availed	-	-	-	-	-	-
Leasing / HP arrangements provided	-	-	-	-	-	-
Purchase of fixed assets	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Interest paid	-	-	-	0.35	0.01	0.36
Interest received	-	-	-	0.00	-	0.00
Rendering of services	-	-	-	-	-	-
Receiving of services	-	-	-	-	-	-
Management contracts	-	-	-	-	-	-

Figures in bracket represent maximum balance outstanding during the year.

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended March 31, 2019:

Particulars	(₹ in crores)					
	Parent (as per ownership control)*	Subsidiaries*	Associates / Joint Venture*	Key Management Personnel*	Relatives of Key Management Personnel*	Total
Borrowings	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Placement of deposits	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Investment	-	-	-	-	-	-
Non-funded commitments	-	-	-	-	-	-
Leasing / HP arrangements availed	-	-	-	-	-	-
Leasing / HP arrangements provided	-	-	-	-	-	-
Purchase of fixed assets	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Rendering of services	-	-	-	-	-	-
Receiving of services	-	-	-	-	-	-
Management contracts	-	-	-	-	-	-

\* In accordance with RBI guidelines dated March 29, 2003, details pertaining to the related party transactions have not been provided where there is only one related party in each of the above categories.

#### 12.4 Operating Leases (AS 19)

The Bank has taken a number of premises on operating lease for branches, offices, ATMs and residential premises for staff. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

	(₹ in crores)	
	March 31, 2020	March 31, 2019
Future lease rentals payable as at the end of the year:		
- Not later than one year	322.34	316.51
- Later than one year but not later than five years	983.10	1,021.65
- Later than five years	379.31	523.24
Total of minimum lease payments recognized in the Profit and Loss account for the year	354.04	298.40
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease	-	-
Sub-lease payments recognized in the Profit and Loss account for the year	-	-

The Bank has not sub-let any of the properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

**12.5 Earnings per share (AS 20)**

The dilutive impact is mainly due to stock options granted to employees by Bank. Details pertaining to earnings per share as per AS 20 are as under:

	For the Year ended	
	March 31, 2020	March 31, 2019
Net Profit after tax (₹ in crores)	4,417.91	3,301.10
Basic weighted average number of equity shares	69,29,66,902	60,13,45,091
Diluted weighted average number of equity shares	69,55,42,990	60,61,87,857
Nominal value of Equity Shares (₹)	10	10
Basic Earnings per Share (₹)	63.75	54.90
Diluted Earnings per Share (₹)	63.52	54.46

The difference between weighted average number of equity shares outstanding between basic and diluted earnings per share in the above mentioned disclosure is on account of effect of potential equity shares for outstanding ESOPs and Share Warrants.

**12.6 Deferred Tax (AS 22)**

The major components of deferred tax assets / liabilities are as under:

	(₹ in crores)			
	March 31, 2020		March 31, 2019	
	Deferred Tax		Deferred Tax	
	Assets	Liabilities	Assets	Liabilities
<b>Timing difference on account of</b>				
Difference between depreciation as per the books of account and depreciation under the Income Tax Act, 1961	-	4.70	-	8.47
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1)(viiia) of the Income Tax Act, 1961	1,145.77	-	976.24	-
Difference between income as per the books of account and income offered under the Income Tax Act, 1961	-	285.67	-	352.76
Others	87.99	-	56.08	-
<b>Sub-total</b>	1,233.76	290.37	1,032.32	361.23
<b>Net Deferred Tax Asset (included in Sch. 11 – Others)</b>	943.39		671.09	

Net Deferred Tax Asset as at March 31, 2020 includes Deferred Tax Asset of ₹ 21.79 crores of e-BFIL which was amalgamated with the Bank under the Scheme described in Note 1.

### 13. Additional Disclosures

#### 13.1 Provisions and Contingencies charged to the Profit and Loss account for the year consist of

Particulars	(₹ in crores)	
	March 31, 2020	March 31, 2019
Depreciation on Investments	474.93	173.47
Provision for non-performing assets including bad debts written off (net of write backs)	3,635.29	2,719.01
Income Tax / Deferred Tax (Refer Note 10.1 of Schedule 18)	1,702.70	1,679.47
Other Provision and Contingencies (includes floating provision, provision towards standard assets and others)	541.88	215.17
<b>Total</b>	<b>6,354.80</b>	<b>4,787.12</b>

#### 13.2 Movement in provisions

##### a) Movement in provision for credit card and debit card reward points

Particulars	(₹ in crores)	
	2019-20	2018-19
Opening provision for Reward Points	41.97	30.97
Provision for Reward Points made during the year	45.99	43.44
Utilisation / write back of provision for Reward Points	(36.31)	(32.44)
Effect of change in rate for accrual of Reward Points	-	-
Closing provision for Reward Points	51.65	41.97

##### b) Provision pertaining to fraud accounts

Particulars	(₹ in crores)	
	2019-20	2018-19
Number of frauds reported	103	66
Amount involved in frauds	1,158.61	14.33
Provisions made during the year	966.32	3.36
Amount of unamortised provision debited from "other reserves" as at the end of the year	480.44	-

During the year two entities with an outstanding of ₹ 960.89 crores were declared fraud and provided in full. In accordance with the RBI circular dated April 18, 2016, the Bank opted to make the provision over four quarters by charging an amount of ₹ 480.44 crores to the Profit and Loss account and the remaining amount was debited to Balance in Profit and Loss account under 'Reserves and Surplus' which would be reversed to Profit and Loss account in the ensuing two quarters during the financial year 2020-21.

#### 13.3 Disclosure relating to Complaints

##### A (i) Customer complaints (other than complaints relating to ATM transactions)

No.	Particulars	2019-20	2018-19
(a)	No. of complaints pending at the beginning of the year	626	734
(b)	No. of complaints received during the year	45,494	34,861
(c)	No. of complaints redressed during the year	45,365	34,969
(d)	No. of complaints pending at the end of the year	755	626

**(ii) Customer complaints relating to transactions on the Bank's ATMs**

No.	Particulars	2019-20	2018-19
(a)	No. of complaints pending at the beginning of the year	14	14
(b)	No. of complaints received during the year	700	339
(c)	No. of complaints redressed during the year	663	339
(d)	No. of complaints pending at the end of the year	51	14

**(iii) Customer complaints relating to transactions on other banks' ATMs**

No.	Particulars	2019-20	2018-19
(a)	No. of complaints pending at the beginning of the year	3	4
(b)	No. of complaints received during the year	54	114
(c)	No. of complaints redressed during the year	56	115
(d)	No. of complaints pending at the end of the year	1	3

**(iv) Customer complaints [Total of (i)+(ii)+(iii)]**

No.	Particulars	2019-20	2018-19
(a)	No. of complaints pending at the beginning of the year	643	752
(b)	No. of complaints received during the year	46,248	35,314
(c)	No. of complaints redressed during the year	46,084	35,423
(d)	No. of complaints pending at the end of the year	807	643

**B. Awards passed by the Banking Ombudsman**

No.	Particulars	2019-20	2018-19
(a)	No. of unimplemented Awards at the beginning of the year	-	-
(b)	No. of Awards passed by the Banking Ombudsman during the year	-	-
(c)	No. of Awards implemented during the year	-	-
(d)	No. of unimplemented Awards at the end of the year	-	-

*(Compiled by management and relied upon by auditors)*

**13.4 Proposed Dividend**

The RBI vide its circular dated April 17, 2020, advised banks not to make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions. Accordingly, the Board of Directors, in their meeting held on April 27, 2020 have not proposed any dividend for the year ended March 31, 2020.

Dividend for the year ended March 31, 2019 paid during the year pursuant to the approval of the shareholders at the 25th Annual General Meeting, at the rate of ₹ 7.50 per equity share amounting to ₹ 544.93 crores including corporate dividend tax, has been considered as an appropriation from the Profit and Loss account during the year.

**13.5 Non-banking Assets acquired in Satisfaction of Claims**

The following table presents details of non-banking assets acquired under bilateral Debt Asset Swap scheme and the provision made therefor in accordance with RBI directions.

Particulars	₹ in crores)	
	March 31, 2020	March 31, 2019
Amount of land held under 'Non-Banking assets acquired in satisfaction of claim'	347.55	347.55
Provision held at the beginning of the year	130.35	-
Provision made during the year	43.44	130.35
Provision held at the end of the year	173.79	130.35
Unamortised provision debited from 'Balance in profit and loss account' under 'Reserves and Surplus'	-	54.30

### 13.6 Letters of Comfort

The Bank has not issued any letters of comfort during the year ended March 31, 2020 (Previous year Nil).

### 13.7 Disclosure on Remuneration

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) presently comprises five members, four of whom are Independent Directors. On aspects relating to remuneration, the mandate of the NRC is to establish, implement and maintain remuneration policies, procedures and practices that help to achieve effective alignment between remuneration and risks. The NRC is also mandated to oversee framing, implementation and review of the Compensation Policy of the Bank as per RBI guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk Takers and Control function staff. The NRC is also required to ensure that the cost to income ratio of the Bank supports the remuneration expense of the Bank consistent with the objective of maintaining sound capital adequacy ratio. The Nomination and Remuneration Committee also reviews compensation policies of the Bank with a view to attract, retain and motivate employees.

#### Compensation Policy

The Compensation Policy is formulated by the Board in alignment with the RBI guidelines and covers all components of compensation including fixed pay, variable pay, perquisites, retirement benefits as Provident Fund and Gratuity and Employee Stock Options.

The key objectives of the policy are:

- (i) Benchmark employee compensation for various job positions and skills with that of the market.
- (ii) Maintain an optimal balance between fixed and variable pay
- (iii) Pay for 'Position, Performance and Person'.
- (iv) Build employee ownership and long term association through long term incentive plans (ESOPs)

Some of the important features of the Compensation Policy are as follows:

- (i) The Bank has identified "Risk Takers and Risk Controllers" separately. Risk Takers includes all employees in Grades Senior Vice President 3 (SVP3) and above belonging to the business line functions of Corporate & Commercial Banking Group, Global Markets Group, Transaction Banking Group, Gems and Jewellery business, Consumer Banking and Consumer Finance Division, whose functioning and decisioning impacts the Bank materially on tangible financial performance aspects of revenues, costs, and profits. Risk Controllers are employees in Grades SVP3 and above belonging to the business support functions of Operations, Finance & Accounts, Information Technology, Secretarial, Credit, Risk, Financial Restructuring & Reconstruction Group, Credit Quality Loan Assurance Review, Human Resources, Inspection and Audit, Investor Relations, Marketing, Client Experience and Quality etc., who support the business line functions through back office processes and activities and their functioning does not have a revenue impact through business generation on the Bank's financial performance.

- (ii) The Nomination and Remuneration Committee will oversee the framing, implementation and review of the Compensation Policy.
- (iii) In respect of WTDs / CEO / Risk Takers / Control function staff of the Bank, the Compensation policy provides for a reasonable annual increase in fixed pay in line with the market benchmarks. Their individual increments are linked to their annual performance rating and increment percentages at various performance rating levels, are decided on the basis of the financial performance of the Bank. Exceptions are restricted to a select few high performers to reward performance, motivate and retain critical employees.
- (iv) The quantum of overall variable pay to be disbursed in a year for all eligible employees including the Risk Takers and Risk Controllers as defined above would vary from year to year on the basis of the financial performance of the Bank measured through various parameters such as Net Interest Margin, Net Interest Income, Return on Assets, Profit After Tax and Return on Equity.
- (v) Employee Compensation is linked to performance. Increments and variable pay are linked to their annual performance rating. Annual Performance Rating for an employee is arrived on the basis of tangible performance against pre-set Key Results Areas (KRAs) / measurable objectives set at the beginning of the financial year.
- (vi) The individual variable pay is linked to the annual performance rating, and based on variable pay grids that outline variable pay as a percentage of Annual Guaranteed cash at various rating levels for a grade band. Exceptional increments and variable pay may be paid to select high performers, but in no case they would violate the stipulated RBI guidelines. The Bank also makes a distinction between Risk Takers and Risk Controllers and incorporates separate parameters on variable pay for these segments in its Compensation Policy.
- (vii) The individual variable pay would not exceed 70% of the fixed pay. Wherever variable pay exceeds a substantial portion of fixed pay as defined by the Bank, (currently set at 65% of fixed pay), the variable pay will be deferred over a period of 3 years in a ratio to be decided by the management in accordance with the RBI guidelines.
- (viii) The Bank will implement *malus* / claw-back arrangements with the concerned employees in case of deferred variable pay as defined above. The criteria would be negative contributions to the bank and / or relevant line of business in any year. As applicable, *malus* arrangement would adjust deferred remuneration before vesting and claw-back arrangement would adjust deferred remuneration after vesting.
- (ix) The Compensation Policy does not provide for guaranteed bonus or sign on bonus in cash. However, in case of select critical hires, sign on bonus can be granted in form of pre-hiring ESOPs (a one-time grant made at the time of joining). The Compensation Policy does not provide for severance pay for any employee of the Bank, irrespective of the reasons for severance.
- (x) Retirement benefits in the form of Provident Fund and Gratuity are as per the Bank's HR policies which are in line with the statutory norms.
- (xi) Perquisites are laid down in HR Policies of the Bank.
- (xii) At present, the Bank uses cash based form of variable compensation. Cash based form of variable compensation is easy to administer and leads to an instant reward to the concerned employees.
- (xiii) ESOPs do not form a part of the variable pay and are kept outside the computation of total compensation of an employee. They are very selectively granted to attract and retain talent. ESOPs are not granted with a defined periodicity. ESOP grant criteria include grade of the employee, criticality of the position in terms of business contribution, market value of the position, performance and behavioural track record of the employee.
- (xiv) The Bank would be implementing the new Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff, issued by the Reserve Bank of India on November 4, 2019, vide its circular RBI/2019-20/89 DOR. Appt.BC. No.23/29. 67.001/2019-20 from FY 2020-21 onwards.

**Other Disclosures**

	<b>Year ended March 31, 2020</b>	<b>Year ended March 31, 2019</b>
Number of meetings held by NRC during the financial year and remuneration paid to its members	During the year, eight meetings of the NRC were held and the members were paid aggregate sitting fees of ₹ 5,80,000 for the eight meetings	During the year, six meetings of the NRC were held and the members were paid aggregate sitting fees of ₹ 3,60,000 for the six meetings
Number of employees having received a variable remuneration award during the financial year	125 employees belonging to the category of WTD / CEO / Risk Takers / Other Control function staff had received a variable remuneration award	116 employees belonging to the category of WTD / CEO / Risk Takers / Other Control function staff had received a variable remuneration award
Number and total amount of 'sign on' awards made during the financial year	-	-
Details of guaranteed bonus if any paid as sign on bonus	-	-
Details of severance pay in addition to the accrued benefits	-	-
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms	The outstanding deferred remuneration is ₹ 1.54 crores to be paid as cash in FY 2020-21 and FY 2021-22	The outstanding deferred remuneration is ₹ 2.15 crores to be paid as cash in FY 2019-20 and FY 2020-21
Total amount of deferred remuneration paid out in the financial year	The deferred remuneration paid during the year 2019-20 was ₹ 2.01 crores	The deferred remuneration paid during the year 2018-19 was ₹ 1.72 crores
Breakdown of amount of remuneration awards for the financial year	<p>Breakup of remuneration awards for the 138 employees defined as WTD / CEO / Risk Takers / Other control function staff</p> <p>(a) Fixed pay - ₹ 183.14 crores</p> <p>(b) Variable pay - ₹ 64.98 crores for FY 2018-19</p> <p>(c) Deferred remuneration - ₹ 1.54 crores</p> <p>(d) Non-deferred remuneration - ₹ 63.44 crores</p>	<p>Breakup of remuneration awards for the 126 employees defined as WTD / CEO / Risk Takers/ Other control function staff</p> <p>(a) Fixed pay - ₹ 166.86 crores</p> <p>(b) Variable pay - ₹ 64.94 crores for FY 2017-18</p> <p>(c) Deferred remuneration - ₹ 2.15 crores</p> <p>(d) Non-deferred remuneration - ₹ 62.79 crores</p>
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments.	-	-
Total amount of reductions during the FY due to ex – post explicit adjustments	-	-
Total amount of reductions during the FY due to ex – post implicit adjustments	-	-

## Disclosure on remuneration to Non-Executive Directors

The Non-Executive Directors are paid Sitting Fees for attending meetings of the Board at the rate of ₹ 1,00,000/- per meeting, at the rate of ₹ 50,000/- per meeting of the Audit Committee of the Board, the Committee of Directors (CoD), and the Risk Management Committee, and at the rate of ₹ 20,000/- per meeting, in respect of all the other Committees. An amount of ₹ 1.28 crores was paid as sitting fees to the Non-Executive Directors during the year ended March 31, 2020 (Previous year ₹ 1.44 crores). In accordance with RBI guidelines and the approval accorded at the 23rd Annual General Meeting, an amount of ₹ 0.82 crores (Previous year ₹ 0.86 crores) has been paid as remuneration to Non-Executive Directors during the year ended March 31, 2020.

14. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.
15. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date.

**For INDUSIND BANK LIMITED**

**For Haribhakti & Co. LLP**

*Chartered Accountants*

Firm Registration No: 103523W/W100048

**per Purushottam Nyati**

*Partner*

Membership No: 118970

Place : Mumbai

Date : April 27, 2020

**Arun Tiwari**

*Chairman*

DIN: 05345547

**Sanjay Asher**

*Director*

DIN: 00008221

**S. V. Zaregaonkar**

*Chief Financial Officer*

**Sumant Kathpalia**

*Managing Director*

DIN: 01054434

**Bhavna Doshi**

*Director*

DIN: 00400508

**Haresh Gajwani**

*Company Secretary*

M. No. ACS - 18225