MANAGEMENT'S DISCUSSION & ANALYSIS

OPERATING ENVIRONMENT

In fiscal 2021, the Covid-19 pandemic impacted most economies and banking systems globally, including India. The nation-wide lockdown in April-May 2020 substantially impacted economic activity. The easing of lockdown measures subsequently led to gradual improvement in economic activity and progress towards normalcy. For the banking sector, these developments resulted in lower demand for loans and fee-based services and regulatory measures like moratorium on payment of dues and standstill in asset classification to mitigate the economic consequences on borrowers. It also resulted in increase in provisioning reflecting higher actual and expected additions to non-performing loans following the cessation of moratorium and asset classification standstill. In March-April 2021, the second wave of the Covid-19 pandemic, where the number of new cases has increased significantly across India in both urban and rural areas, has resulted in re-imposition of localised/ regional lock-down measures in various parts of the country.

Growth

As a result of the sharp reduction in economic activity during April-May 2020, and gradual revival later in the year, India's Gross Domestic Product (GDP) contracted by 10.4% during the nine months ended December 31, 2020, compared to a growth of 4.4% in the corresponding nine months ended December 31, 2019. Investments as measured by gross fixed capital formation declined by 17.6% during the nine months ended December 31, 2020 compared to a growth of 6.5% during the nine months ended December 31, 2019 and private final consumption expenditure declined by 13.1% in the nine months ended December 31, 2020 compared to a growth of 6.8% in the nine months ended December 31, 2019. On a gross value added basis, the agriculture sector grew by 3.5% during the nine months ended December 31, 2020 compared to a growth of 3.4% during the nine months ended December 31, 2019, reflecting the relative resilience of the rural economy in the pandemic. The industrial sector declined by 12.4% during the nine months ended December 31, 2020 compared to a decline of 0.9% during the nine months ended December 31, 2019 and the services sector declined by 11.5% during the nine months ended December 31, 2020 compared to a growth of 7.5% during the nine months ended December 31, 2019. The Government of India and Reserve Bank of India (RBI) announced several measures during the year including moratorium on loan repayments, credit guarantee schemes, support to economically weaker sections of the population, and liquidity and interest rate measures to maintain financial stability and support economic recovery.

According to government estimates, India's GDP is expected to decline by 8.0% during fiscal 2021 compared to a growth of 4.0% in fiscal 2020.

Inflation

Inflation, as measured by the Consumer Price Index (CPI), remained high during the early part of fiscal 2021. The CPI inflation increased from 5.8% in March 2020 to 7.6% in October 2020. However, inflation subsequently eased during the latter part of the year to a low of 4.1% in January 2021 before rising to end the year at 5.5% in March 2021. The movement in inflation was largely determined by food and fuel prices.

Interest rates

RBI reduced the repo rate by an aggregate 115 basis points with a 75 basis points reduction to 4.40% in March 2020 and further 40 basis points to 4.00% in May 2020, as a measure to combat the impact of the Covid-19 pandemic. The policy rate was kept unchanged for the rest of the year. The Monetary Policy Committee maintained an accommodative stance through the year with a view to sustain growth and mitigate the impact of Covid-19 on the economy. During the year, Indian banks reduced the interest rate on savings deposits and term deposits, given the excess systemic liquidity. Lending rates of banks also moderated with the median one-year marginal cost of fund-based lending rate of scheduled commercial banks declining by about 90 basis points during the year.

Financial markets

During fiscal 2021, the Rupee appreciated by 3.2% from ₹ 75.54 per US dollar at March 31, 2020 to ₹ 73.11 per US dollar at March 31, 2021. Yields on the benchmark 10-year government securities remained moderate in the range of 5.0%-6.0% for most part of the year, supported by comfortable systemic liquidity maintained by RBI through the year. Bond yields, however, increased towards the end of the year following higher government borrowing estimates in the Union Budget for fiscal 2022. The benchmark 10-year government yields were at 6.17% at March 31, 2021 compared to 6.14% at end-March 2020.

Banking sector trends

Non-food credit growth of the banking system remained muted in the range of 5.0-7.0% through the year following the slowdown in economic activity due to the Covid-19 pandemic. Non-food credit growth was 5.5% year-on-year at March 26, 2021. As per data on sector-wise deployment of credit as of February 26, 2021 released by RBI, retail loans grew by 9.6%, credit to the services sector by 9.3% and credit to the agriculture sector by 10.2% while credit to industry declined by 0.2%. Deposit growth was higher compared to credit growth during fiscal 2021. Growth in total deposits remained above 10.0% throughout fiscal 2021, with year-on-year growth of 11.4% at March 26, 2021.

According to RBI's Financial Stability Report of December 2020, non-performing assets (NPA) of scheduled commercial banks declined during the first six months of fiscal 2021, with gross NPA ratio at 7.5% and net NPA ratio at 2.1% at September 30, 2020 compared to a gross NPA ratio of 8.5% and net NPA ratio of 3.0% at March 31, 2020. However, the level of NPAs at September 2020 did not reflect the actual stress in the banking sector due to the moratorium and standstill in asset classification permitted by RBI as part of measures related to the Covid-19 pandemic. Lending institutions were allowed to extend a moratorium on term loan instalments and interest on working capital facilities for six months from March 1, 2020 to August 31, 2020 in case of qualifying borrowers, along with a standstill in asset classification as standard. According to RBI, as on August 31, 2020, customers accounting for 40.0% of outstanding bank loans had availed the benefit of the moratorium. Further, the Supreme Court through an interim order had directed that accounts which were not classified as non-performing till August 31, 2020 should not be declared non-performing after August 31, 2020 till further orders. This interim order was in force till the pronouncement of the final judgement by the Supreme Court in March 2021, following which accounts were classified as per applicable RBI guidelines.

Several private sector banks, including us, strengthened their capital position by raising equity capital during the year. Banks also generally maintained additional liquidity buffers and made additional provisions to address actual and expected increases in non-performing loans as a result of the pandemic and consequent economic disruption.

Measures announced by RBI during the year in response to the Covid-19 pandemic were:

Monetary measures

- The repo rate was reduced by 115 basis points with the last reduction of 40 basis points to 4.0% in May 2020; policy rate kept unchanged for the rest of the year.
- The cash reserve ratio (CRR) requirement of banks was reduced by 100 basis points from 4.00% of net demand and time liabilities (NDTL) to 3.0% of NDTL. This was effective from March 28, 2020 for a period of one year up to March 26, 2021. This would be gradually restored to the earlier 4.0% in a phased manner with banks required to maintain the CRR at 3.50% of their NDTL effective from the fortnight beginning March 27, 2021 and at 4.00% of their NDTL effective from fortnight beginning May 22, 2021.
- The minimum daily CRR balance requirement was reduced from 90.0% to 80.0% effective from the fortnight beginning March 28, 2020. This was allowed up to September 25, 2020.
- The limit for borrowing overnight under the marginal standing facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) was raised to 3.0% of NDTL from the earlier 2.0%, up to June 30, 2020. This dispensation was subsequently extended till March 31, 2021. Following the onset of the second wave of Covid-19, RBI extended it further till September 30, 2021.

Regulatory measures

- Banks and other lending institutions were allowed to provide a moratorium on all term loans (including agriculture term loans, retail and crop loans). Initially the moratorium was permitted for three months on payment of instalments falling due between March 1, 2020 to May 31, 2020, which was subsequently extended by another three months to August 31, 2020. Interest would continue to accrue on the outstanding portion of the term loan during the moratorium period. Instalments include principal and/or interest component, bullet repayments, equated monthly instalments and credit card dues.
- A stand-still in asset classification for accounts where the borrower availed of the moratorium on payments for term loans was available from March 1, 2020 to August 31, 2020. For all accounts classified as standard as of February 29, 2020, even if overdue, the moratorium period, if applicable, was required to be excluded by the lending institutions from the number of days past-due for the purpose of asset classification. Similarly, in respect of working capital loans, if deferment was granted, all facilities classified as standard, including special mention accounts, as of February 29, 2020, were required to be excluded for the determination of out of order status. Banks were required to make general provisions of not less

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than 10.0% of the total outstanding amount of such accounts. This provision could be made over the two quarters ending at March 31, 2020 and June 30, 2020, at a minimum 5.0% per quarter. This provision was not permitted to be deducted from gross non-performing assets while calculating the net non-performing assets.

- Banks and other lending institutions were allowed to defer the recovery of interest on working capital facilities during the period March 1, 2020 to August 31, 2020.
- Banks were permitted to convert the accumulated interest for the deferment period, from March 1, 2020 to August 31, 2020, on working capital facilities into a funded interest term loan, which would be repayable by March 31, 2021.
- Banks were required to disclose details pertaining to special mention accounts and overdue accounts where moratorium or deferment had been granted, amounts where asset classification benefits were extended and provisions for losses in the financial statements for fiscal 2020, the six months ending September 30, 2020 and fiscal 2021.
- For stressed assets, where a resolution plan was underway under extant RBI guidelines and that were within the review period as of March 1, 2020, the period from March 1, 2020 to August 31, 2020 could be excluded from the calculation of the 180-day review period for resolution.
- As a one-time measure to facilitate flow of financing to corporate entities, the level of permissible exposure of a bank to a group of connected counterparties was increased from 25.0% to 30.0% of the capital base of the bank. This is applicable until June 30, 2021.
- In August 2020, RBI permitted banks and other lenders to implement a resolution plan in respect of loans to corporates and individuals, along with the assets being classified as standard subject to specific conditions. Lenders had to ensure that the resolution facility was provided only to borrowers impacted by Covid-19. The resolution facility was applicable for accounts that were classified as standard and not in default for more than 30 days at March 1, 2020, and continued to remain standard till the invocation of the resolution plan. The resolution plan had to be finalised and invoked by December 31, 2020, and implemented within 90 days from the date of invocation in case of personal loans and 180 days for corporate loans.
- Banks were restricted from making dividend payouts from the profits pertaining to fiscal 2020.
- Implementation of the last tranche of 0.625% of the Capital Conservation Buffer was deferred from March 31, 2020 to October 1, 2020 and then to April 1, 2021, and has been further deferred to October 1, 2021.
- The implementation of the net stable funding ratio has been deferred to October 1, 2021.
- The liquidity coverage ratio to be maintained by banks was lowered from 100% to 80.0% until September 30, 2020, thereafter increasing to 90.0% from October 1, 2020, and further to 100.0% from April 21, 2021.
- Banks were granted a special dispensation of enhanced held-to-maturity (HTM) limit of 22.0% of NDTL, from the earlier 19.5%, for SLR securities acquired between September 1, 2020 and March 31, 2021, until March 31, 2022. The enhanced limit was required to be restored in a phased manner over three quarters beginning with the quarter ending June 30, 2022. This dispensation was extended to March 31, 2023 for SLR securities acquired between April 1, 2021 to March 31, 2022. With this, banks could exceed the HTM limit from 19.5% to up to 22.0% till March 31, 2023, provided the excess is on account of SLR securities acquired between September 1, 2020 to March 31, 2022.

In September 2020, the Supreme Court, in a writ petition seeking waiver of interest on loans during the moratorium, directed that accounts which were not declared as non-performing till August 31, 2020 should not be declared as NPA till further orders. This interim order was in force till the pronouncement of the final judgement by the Supreme Court in March 2021, following which accounts were classified as per applicable RBI guidelines. In October 2020, the Government of India announced a "Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts". As per the scheme, lending institutions would credit the difference between the compound interest and simple interest to the account of eligible borrowers reckoned for a period of six months between March 1, 2020 and August 31, 2020. Banks and other lending institutions could subsequently claim reimbursement of the amount

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credited to borrowers from the central government. The scheme was applicable for borrowers having aggregate sanctioned limit and outstanding amount not exceeding ₹ 20.0 million from lending institutions as on February 29, 2020. In March 2021, the Supreme Court in its judgement ordered a waiver of the interest on interest charged to borrowers during the moratorium period from March 1, 2020 to August 31, 2020. The methodology for calculation of the amount to be refunded/adjusted for different facilities was finalised by the Indian Banks' Association (IBA) in consultation with industry participants/bodies. The banks have made provision for the estimated refund amounts in their financial statements for fiscal 2021 and are in the process of refunding the applicable amounts to borrowers.

The Government of India announced certain measures to ease the impact of the pandemic. At the beginning of the year, the Government announced the Emergency Credit Line Guarantee Scheme (ECLGS) for collateral-free loans with an aggregate value of up to ₹ 3.0 trillion to small and medium enterprises (MSMEs). Subsequently, the coverage of the ECLGS scheme was expanded from MSMEs to include entities in 26 stressed sectors identified by the Expert Committee set up by RBI for resolution of stressed assets, and the healthcare sector. The ECLGS was extended till March 31, 2021. Other measures included an employment scheme to incentivise job creation, a production-linked incentive scheme for promoting the domestic manufacturing sector, income tax relief for developers and home buyers and support to the agriculture sector.

Other major announcements by RBI pertaining to the banking sector were:

- In November 2020, RBI released the report of the Internal Working Group to review the extant ownership and corporate structure guidelines for Indian private sector banks and sought feedback on the recommendations by January 15, 2021. The recommendations for licensing of private banks include allowing large corporate houses as promoters of banks subject to necessary amendments to the Banking Regulations Act, 1949 to deal with connected lending and strengthening of the supervisory mechanism. Other recommendations include an increase in minimum initial capital requirement for licensing new banks from ₹ 5.00 billion to ₹ 10.00 billion, requirement of Non-Operative Holding Company Structure (NOFHC) for of all new licenses and banks licensed before 2013 could move to an NOFHC structure at their discretion, on attaining a tax-neutral status but within five years from announcement of tax-neutrality.
- The RBI announced rules for opening of current accounts by banks. Banks are not permitted to open current account for customers availing only cash credit or overdraft facilities from the banking system. For borrowers who have credit facilities from the banking system and have not availed cash credit or overdraft facilities, non-lending banks are not permitted to open a current account. Further, rules have been given for lenders eligible for opening a current account subject to the exposure of the banking system to the borrower. Banks will have to monitor all current accounts and cash credit/overdraft facilities at least on a quarterly basis.
- To improve credit flow to certain sectors, RBI announced two measures in October 2020. The limit on aggregate retail exposure to a single counterparty was enhanced from ₹ 50.0 million to ₹ 75.0 million. Further, the risk weights on individual housing loans were rationalised. All new housing loans sanctioned on or after October 16, 2020 and up to March 31, 2022, a loan-to-value (LTV) ratio of less than or equal to 80% would attract a risk weight of 35% and for LTV between 80%-90%, the risk weight would be 50%. This is irrespective of the loan amount. A standard asset provision of 0.25% on these loans would continue.

During the year, the merger of 10 public sector banks into four big banks, announced by the government in fiscal 2020, became effective from April 1, 2020. In November 2020, RBI announced the amalgamation of a private sector bank, that was under prompt corrective action, with a foreign bank. Further, in the Union Budget for fiscal 2022, the Finance Minister indicated that the government would divest its stake in two public sector banks.

Outlook

Estimates of India's GDP for fiscal 2022, by various agencies and analysts, indicate a strong growth in GDP. However, in March-April 2021, the second wave of the Covid-19 pandemic, where the number of new cases has increased significantly in India, has resulted in re-imposition of localised/regional lock-down measures in various parts of the country. Going forward, economic activity will depend on the trajectory of the second wave of Covid-19, the progress of the vaccination programme

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and the restrictions on activity and the period for which they continue.

A prolonged period of economic weakness caused by the second wave of the pandemic and uncertainty regarding normalisation could continue to impact banking sector loan growth, revenues, margins, asset quality and credit costs in fiscal 2022.

STRATEGY

During fiscal 2021, the Bank continued to focused on its strategic objective of risk calibrated profitable growth. The core operating profit of the Bank grew by 16.9% during fiscal 2021. The profit after tax increased from ₹ 79.31 billion in fiscal 2020 to ₹ 161.93 billion in fiscal 2021. The profit after tax in fiscal 2021 includes the impact of net Covid-19 related provision amounting to ₹ 47.50 billion. The Bank maintained a healthy provisioning coverage ratio on NPAs, Covid-19 related provision of ₹ 74.75 billion at March 31, 2021 and a strong capital position with capital adequacy ratios significantly above regulatory requirements.

The Bank focuses on creating holistic value propositions for its customers by having a 360-degree customer-centric approach and capturing opportunities across customer ecosystems, leveraging internal synergies, building partnerships and decongesting processes. Cross-functional teams have been created to tap into key customer and market segments, enabling 360-degree coverage of customers and increasing wallet share. The Bank has also delayered its organisation structure and empowered teams at the local level to create flexibility and agility in capturing business opportunities. This improves the ability of the Bank to connect with customers and respond to their needs.

Technology is core to the Bank's business strategy. Using ICICI STACK, the Bank creates digital journeys and aims to offer personalised and customised solutions to customers to suit their life-stage and business needs. The Bank partners with technology companies and platforms to leverage opportunities for growth and enhancing service delivery and customer experience. The Bank leverages technology and analytics for deeper insights into customer needs and behaviour. The Bank continues to invest in technology to enhance its offerings to customers as well as the scalability, flexibility and resilience of its technology architecture.

The Bank aims to be the trusted financial services provider of choice for its customers and deliver products and services that create value. The twin principles of "One Bank, One RoE" emphasising the need to maximize the Bank's share of the target opportunity across all products and services, and "Fair to Bank, Fair to Customer" emphasising the need to deliver fair value to customers while creating value for shareholders, guide the Bank's operations. The Bank seeks to sell products and offer services which meet societal needs and are in the interest of our customers.

In view of the continuing uncertainties and risks in the operating environment, the Bank continues to focus on ensuring a resilient balance sheet and maintaining strong capital levels. The Bank will focus on maintaining and further enhancing its deposit franchise, closely monitoring credit trends and growing its business in identified areas in a risk-calibrated manner. The Bank's long-term strategic approach of maximizing its core operating profit within the guardrails of compliance and risks will continue. The Bank will focus on creating sustainable value for all its stakeholders.

STANDALONE FINANCIALS AS PER INDIAN GAAP

Summary

Core operating profit increased by 16.9% from ₹ 268.08 billion in fiscal 2020 to ₹ 313.51 billion in fiscal 2021 primarily due to an increase in net interest income by ₹ 57.22 billion, offset, in part, by a decrease in fee income by ₹ 10.52 billion. Income from treasury-related activities increased from ₹ 12.93 billion in fiscal 2020 to ₹ 50.46 billion in fiscal 2021. Operating expenses decreased from ₹ 216.15 billion in fiscal 2020 to ₹ 215.61 billion in fiscal 2021 and provisions and contingencies (excluding provision for tax) increased by 15.4% from ₹ 140.53 billion in fiscal 2020 to ₹ 162.14 billion in fiscal 2021. Profit after tax increased from ₹ 79.31 billion in fiscal 2020 to ₹ 161.93 billion in fiscal 2021.

Net interest income increased by 17.2% from ₹ 332.67 billion in fiscal 2020 to ₹ 389.89 billion in fiscal 2021 reflecting an increase of 18.3% in the average volume of interest-earning assets, offset, in part, by a decrease in the net interest margin by 4 basis points from 3.73% in fiscal 2020 to 3.69% in fiscal 2021.

Fee income decreased by 7.7% from ₹ 137.11 billion in fiscal 2020 to ₹ 126.59 billion in fiscal 2021. Fee income for fiscal 2021 was impacted due to lower borrowing and investment activity by customers and lower consumer spends caused by the nation-wide lockdown for the first two months of fiscal 2021. The easing of lockdown

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measures subsequently led to gradual improvement in economic activity and progress towards normalcy. Dividend from subsidiaries decreased by 3.1% from ₹ 12.73 billion in fiscal 2020 to ₹ 12.34 billion in fiscal 2021.

Income from treasury-related activities increased from ₹ 12.93 billion in fiscal 2020 to ₹ 50.62 billion in fiscal 2021. During fiscal 2021, the Bank had sold 3.96% equity shareholding in ICICI Lombard General Insurance Company Limited (ICICI General), 1.50% equity shareholding in ICICI Prudential Life Insurance Company Limited (ICICI Life) and 4.21% equity shareholding in ICICI Securities Limited (ICICI Securities) and made a net gain of ₹ 36.70 billion.

Provisions and contingencies (excluding provision for tax) increased by 15.4% from ₹ 140.53 billion in fiscal 2020 to ₹ 162.14 billion in fiscal 2021 primarily due to an increase in provision on non-performing and other assets and Covid-19 related provision, offset, in part, by decrease in provision on investments. Provision on non-performing and other assets increased from ₹ 88.15 billion in fiscal 2020 to ₹ 107.49 billion in fiscal 2021 primarily due to change in provisioning policy on non-performing assets to make it more conservative and higher additions to NPAs in retail loans, offset, in part, by lower ageing provision on loans classified as NPAs in earlier years.

The provision coverage ratio increased on NPAs from 75.7% at March 31, 2020 to 77.7% at March 31, 2021.

In addition to Covid-19 related provision of ₹ 27.25 billion made in fiscal 2020, during the first quarter of fiscal 2021, the Bank made Covid-19 related provision of ₹ 55.50 billion. In the third quarter of fiscal 2021, the Bank utilised ₹ 18.00 billion of Covid-19 related provisions made in the earlier periods.

Further, in fourth quarter of fiscal 2021, in view of the second wave of the Covid-19 pandemic across India, the Bank made additional Covid-19 related provision amounting to ₹ 10.00 billion on a prudent basis. Accordingly, at March 31, 2021, the Bank held aggregate Covid-19 related provision of ₹ 74.75 billion.

The income tax expense decreased from ₹ 61.17 billion in fiscal 2020 to ₹ 39.90 billion in fiscal 2021. The effective tax rate decreased from 43.5% in fiscal 2020 to 19.8% in fiscal 2021. In fiscal 2020, there was a one-time additional charge due to re-measurement of accumulated deferred tax asset due to change in income-tax rate.

Net worth increased from ₹ 1,165.04 billion at March 31, 2020 to ₹ 1,475.02 billion at March 31, 2021 primarily due to capital of ₹ 150.00 billion raised in August 2020 through Qualified Institutions Placement (QIP) and retained earnings.

Total assets increased by 12.0% from ₹ 10,983.65 billion at March 31, 2020 to ₹ 12,304.33 billion at March 31, 2021. Cash and cash equivalents increased by 11.7% from ₹ 1,191.56 billion at March 31, 2020 to ₹ 1,331.28 billion at March 31, 2021. Total investments increased by 12.7% from ₹ 2,495.31 billion at March 31, 2020 to ₹ 2,812.87 billion at March 31, 2021. Total advances increased by 13.7% from ₹ 6,452.90 billion at March 31, 2020 to ₹ 7,337.29 billion at March 31, 2021 primarily due to an increase in domestic advances by 17.7%, offset, in part, by a decrease in overseas advances by 30.3%.

The average high-quality liquid assets, after haircut, maintained during the three months ended March 31, 2021 was ₹ 2,767.44 billion (three months ended March 31, 2020: ₹ 1,827.38 billion). The average liquidity coverage ratio was 138.13% for the three months ended March 31, 2021 as against the requirement of 90.0%.

Total deposits increased by 21.0% from ₹ 7,709.69 billion at March 31, 2020 to ₹ 9,325.22 billion at March 31, 2021. Term deposits increased by 18.4% from ₹ 4,231.51 billion at March 31, 2020 to ₹ 5,008.99 billion at March 31, 2021. Current and savings account (CASA) deposits increased by 24.1% from ₹ 3,478.19 billion at March 31, 2020 to ₹ 4,316.23 billion at March 31, 2021. Average CASA deposits increased by 18.9% from ₹ 2,814.37 billion at fiscal 2020 to ₹ 3,346.32 billion at fiscal 2021. Borrowings decreased by 43.7% from ₹ 1,628.97 billion at March 31, 2020 to ₹ 916.31 billion at March 31, 2021.

The Bank had a branch network of 5,266 branches and an ATM network of 14,136 ATMs at March 31, 2021.

The Bank is subject to Basel III capital adequacy guidelines stipulated by RBI. The total capital adequacy ratio of the Bank at March 31, 2021 (after deducting proposed dividend for fiscal 2021 from capital funds) in accordance with RBI guidelines on Basel III was 19.12% with a Tier-1 capital adequacy ratio of 18.06% as compared to 16.11% with a Tier-1 capital adequacy ratio of 14.72% at March 31, 2020. The CET-1 ratio was 16.80% at March 31, 2021 as compared to 13.39% at March 31, 2020.

Impact of Covid-19 on the performance of the Bank

The Covid-19 pandemic has impacted most economies and banking systems globally, including India. The nation-wide lockdown in April-May 2020 substantially impacted economic activity. The easing of lockdown measures subsequently led to gradual improvement in economic activity and progress towards normalcy. For the banking sector, these developments resulted in lower demand for loans and fee-based services and regulatory measures

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like moratorium on payment of dues and standstill in asset classification to mitigate the economic consequences on borrowers. It also resulted in increase in provisioning reflecting higher actual and expected additions to non-performing loans following the cessation of moratorium and asset classification standstill. The current second wave of Covid-19 pandemic, where the number of new cases has increased significantly in India, has resulted in re-imposition of localised/regional lock-down measures in various parts of the country.

The impact of the Covid-19 pandemic, on the Bank and the Group, including credit quality and provision, is uncertain and will depend on the trajectory of Covid-19, the progress of the vaccination programme, the extent of lock-down measures, the effectiveness of current and future steps taken by the government and central bank to mitigate the economic impact, steps taken by the Bank and the Group and the time it takes for economic activities to return to pre-pandemic levels. The Bank's capital and liquidity position is strong and would continue to be a focus area for the Bank during this period.

OPERATING RESULTS DATA

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

₹ in billion, except percentages

Particulars	Fiscal 2020	Fiscal 2021	% change
Interest income	₹ 747.98	**₹ 791.18**	5.8%
Interest expense	415.31	**401.29**	(3.4)
Net interest income	**332.67**	**389.89**	**17.2**
Fee income[1]	137.11	**126.59**	(7.7)
Dividend from subsidiaries	12.73	**12.34**	(3.1)
Other income	1.72	**0.30**	(82.6)
Core operating income	**484.23**	**529.12**	**9.3**
Operating expenses	216.15	**215.61**	(0.2)
Core operating profit	**268.08**	**313.51**	**16.9**
Treasury income	12.93	**50.46**	-
Operating profit	**281.01**	**363.97**	**29.5**
Provisions, net of write-backs	140.53	**162.14**	15.4
Profit before tax	**140.48**	**201.83**	**43.7**
Tax, including deferred tax	61.17	**39.90**	(34.8)
Profit after tax	**₹ 79.31**	**₹ 161.93**	**104.2**

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

KEY RATIOS

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

Particulars	Fiscal 2020	Fiscal 2021
Return on average equity (%)[1]	7.07	**12.21**
Return on average assets (%)[2]	0.81	**1.42**
Net interest margin (%)	3.73	**3.69**
Cost to income (%)[3]	43.50	**37.20**
Provisions to core operating profit[4]	42.26	**36.57**
Earnings per share (₹)	12.28	**24.01**
Book value per share (₹)	179.99	**213.28**

1. *Return on average equity is the ratio of the net profit after tax to the quarterly average equity share capital and reserves.*
2. *Return on average assets is the ratio of net profit after tax to average assets.*
3. *Cost represents operating expense. Income represents net interest income and non-interest income.*
4. *Excluding Covid-19 related provisions of ₹ 27.25 billion in fiscal 2020 and ₹ 47.50 billion in fiscal 2021.*

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

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NET INTEREST INCOME AND SPREAD ANALYSIS

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

₹ in billion, except percentages

Particulars	Fiscal 2020	Fiscal 2021	% change
Interest income	₹ 747.98	**₹ 791.18**	5.8%
Interest expense	415.31	**401.29**	(3.4)
Net interest income	**332.67**	**389.89**	**17.2**
Average interest-earning assets	8,927.74	**10,558.79**	18.3
Average interest-bearing liabilities	₹ 8,151.76	**₹ 9,438.50**	15.8
Net interest margin	**3.73%**	**3.69%**	**-**
Average yield	8.38%	**7.49%**	-
Average cost of funds	5.09%	**4.25%**	-
Interest spread	3.29%	**3.24%**	-

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

Net interest income increased by 17.2% from ₹ 332.67 billion in fiscal 2020 to ₹ 389.89 billion in fiscal 2021 reflecting an increase of 18.3% in the average volume of interest-earning assets, offset, in part, by a decrease in net interest margin by 4 basis points.

Net interest margin decreased by 4 basis points from 3.73% in fiscal 2020 to 3.69% in fiscal 2021. The yield on average interest-earning assets decreased by 89 basis points from 8.38% in fiscal 2020 to 7.49% in fiscal 2021. The cost of funds decreased by 84 basis points from 5.09% in fiscal 2020 to 4.25% in fiscal 2021. The interest spread decreased by 5 basis points from 3.29% in fiscal 2020 to 3.24% in fiscal 2021.

The net interest margin for domestic operations decreased by 17 basis points from 4.01% in fiscal 2020 to 3.84% in fiscal 2021 primarily due to a decrease in yield on interest-earning assets, offset, in part, by a decrease in cost of funds. The yield on domestic interest-earning assets decreased by 107 basis points from 8.76% in fiscal 2020 to 7.69% in fiscal 2021 primarily reflecting the impact of significant monetary easing by RBI post the Covid-19 outbreak. The monetary easing resulted in a decrease in yield on advances and investments and an increase in average investments portfolio and LAF and other short-term lending due to surplus liquidity. The cost of domestic funds decreased by 91 basis points from 5.25% in fiscal 2020 to 4.34% in fiscal 2021 primarily due to the decline in interest rates over the last one year.

The net interest margin of overseas branches decreased marginally from 0.35% in fiscal 2020 to 0.34% in fiscal 2021.

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

Particulars	Fiscal 2020	Fiscal 2021
Yield on interest-earning assets	**8.38%**	**7.49%**
- On advances	9.45	**8.76**
- On investments	7.12	**6.25**
- On SLR investments	7.10	**6.32**
- On other investments	7.19	**5.97**
- On other interest-earning assets	3.31	**3.86**
Cost of interest-bearing liabilities	**5.09**	**4.25**
- Cost of deposits	4.96	**4.12**
- Current and savings account (CASA) deposits	2.71	**2.32**
- Term deposits	6.63	**5.39**
- Cost of borrowings	5.68	**5.04**
Interest spread	**3.29**	**3.24**
Net interest margin	**3.73%**	**3.69%**

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The yield on average interest-earning assets decreased by 89 basis points from 8.38% in fiscal 2020 to 7.49% in fiscal 2021 primarily due to the following factors:

- The yield on domestic advances decreased by 82 basis points from 10.04% in fiscal 2020 to 9.22% in fiscal 2021. The yield on advances decreased primarily due to reduction in repo rate and Marginal Cost of funds based Lending Rate (MCLR) leading to re-pricing of existing floating rate loans to a lower rate and incremental lending at lower rates. At March 31, 2021, the floating rate loan book was 69.5% of total domestic loans, of which 40.7% was linked to MCLR, 45.3% was linked to repo rate and 6.7% was linked to T-bills.

  The Bank's 1-year MCLR decreased by 65 basis points in phases during fiscal 2020. Further, the Bank reduced the 1-year MCLR by 85 basis points during fiscal 2021.

  In accordance with the RBI guidelines, effective from October 1, 2019, for certain loans the Bank shifted from the internal benchmark (MCLR) based lending rate to external benchmark, the repo rate/T-bills. All new floating rate personal loans (such as housing loans, business banking) and loans to small and micro and medium enterprise has been linked to repo rate in a phased manner. The RBI significantly reduced the repo rate by 75 basis points from 5.15% in February 2020 to 4.40% in March 2020 and further reduced the repo rate by 40 basis points to 4.00% in May 2020.

  In accordance with RBI's notification dated April 7, 2021, the Bank is required to refund/adjust 'interest on interest' to borrowers. At March 31, 2021, the Bank created a liability towards estimated interest relief amounting to ₹ 1.75 billion and reduced the same from the interest income, pending implementation of the methodology for calculation of such interest on interest circulated by the Indian Banks' Association.

  The yield on overseas advances decreased by 154 basis points from 4.03% in fiscal 2020 to 2.49% in fiscal 2021 primarily due to a decrease in LIBOR.

  The overall yield on average advances decreased by 69 basis points from 9.45% in fiscal 2020 to 8.76% in fiscal 2021 primarily due to a decrease in yield on domestic advances, offset, in part, by an increase in proportion of domestic advances in total advances.

- The yield on average interest-earning investments decreased by 87 basis points from 7.12% in fiscal 2020 to 6.25% in fiscal 2021. The yield on Statutory Liquidity Ratio (SLR) investments decreased by 78 basis points from 7.10% in fiscal 2020 to 6.32% in fiscal 2021. This was primarily due to significant easing of monetary conditions by RBI post the Covid-19 outbreak, leading to new investment in government securities at lower yield and reset of floating rate bonds at lower levels. The average yield for the benchmark 10-year government securities decreased from 6.69% in fiscal 2020 to 5.99% in fiscal 2021.

  The yield on non-SLR investments decreased by 122 basis points from 7.19% in fiscal 2020 to 5.97% in fiscal 2021 primarily due to a decrease in average investment in pass through certificates, a decrease in yield on bonds and debentures and commercial papers and an increase in average investment in foreign government securities which are relatively lower yielding, offset, in part, by an increase in the average investment portfolio of bonds and debentures which are relatively high yielding.

- The yield on other interest-earning assets increased from 3.31% in fiscal 2020 to 3.86% in fiscal 2021. The increase was primarily due to higher swap premium income on account of surplus Rupee liquidity deployed in foreign currency due to prevailing high forward premia. The increase in yield on other interest-earning assets was, offset, in part, by an increase in average LAF lending with RBI due to surplus liquidity which are relatively lower yielding and a decrease in yield on RIDF and related deposits.

  Interest on income tax refund decreased from ₹ 2.70 billion in fiscal 2020 to ₹ 2.57 billion in fiscal 2021. The receipt, amount and timing of such income depends on the nature and timing of determinations by tax authorities and are hence neither consistent nor predictable.

The cost of funds decreased by 84 basis points from 5.09% in fiscal 2020 to 4.25% in fiscal 2021 primarily due to the following factors:

- The cost of average deposits decreased from 4.96% in fiscal 2020 to 4.12% in fiscal 2021 primarily due to a decrease in cost of domestic term deposits and cost of savings account deposits, offset, in part, by a

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decrease in the proportion of average CASA deposits, which are relatively lower cost, in total deposits. The cost of domestic term deposits decreased by 125 basis points from 6.67% in fiscal 2020 to 5.42% in fiscal 2021. The Bank reduced retail term deposits rates for select maturities in phases during fiscal 2020 and fiscal 2021.

The cost of savings account deposits decreased by 47 basis points from 3.63% in fiscal 2020 to 3.16% in fiscal 2021 primarily due to a reduction in interest rate on savings account deposits by 50 basis points in two tranches during fiscal 2021. The average CASA deposits decreased from 42.7% of total average deposits in fiscal 2020 to 41.4% of total average deposits in fiscal 2021. Average CASA deposits were 35.5% of the total funding (i.e., deposits and borrowings) for fiscal 2021 as compared to 34.5% for fiscal 2020.

- The cost of borrowings decreased by 64 basis points from 5.68% in fiscal 2020 to 5.04% in fiscal 2021 primarily due to decrease in proportion of bond borrowings which are relatively at higher cost, a decrease in cost of call and term money borrowings and refinance borrowings.

The Bank's interest income, yield on advances, net interest income and net interest margin are likely to be impacted by systemic liquidity, the competitive environment, level of additions to non-performing loans, regulatory developments and uncertainties and economic slowdown due to Covid-19 pandemic. The timing and quantum of recoveries and interest on income tax refund is uncertain. Interest rates on about 37.6% of Bank's domestic loans are linked to external market benchmarks. Any movement in the external benchmark rates vis-à-vis cost of funds of the Bank may impact the Bank's net interest income and net interest margin.

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

₹ in billion, except percentages

Particulars	Fiscal 2020	Fiscal 2021	% change
Advances	₹ 6,087.32	**₹ 6,543.26**	7.5%
Interest-earning investments[1]	2,062.09	**2,646.70**	28.4
Other interest-earning assets	778.33	**1,368.83**	75.9
Total interest-earning assets	**8,927.74**	**10,558.79**	**18.3**
Deposits	6,594.13	**8,074.41**	22.4
Borrowings[1]	1,557.63	**1,364.09**	(12.4)
Total interest-bearing liabilities	**₹ 8,151.76**	**₹ 9,438.50**	**15.8%**

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

The average volume of interest-earning assets increased by 18.3% from ₹ 8,927.74 billion in fiscal 2020 to ₹ 10,558.79 billion in fiscal 2021 primarily on account of an increase in average other interest-earning assets by ₹ 590.50 billion due to surplus liquidity, average investments by ₹ 584.61 billion and average advances by ₹ 455.94 billion.

Average advances increased by 7.5% from ₹ 6,087.32 billion in fiscal 2020 to ₹ 6,543.26 billion in fiscal 2021 due to an increase in average domestic advances, offset, in part, by a decrease in overseas advances.

Average interest-earning investments increased by 28.4% from ₹ 2,062.09 billion in fiscal 2020 to ₹ 2,646.70 billion in fiscal 2021 primarily due to an increase in average investment in government securities, bonds and debentures, foreign government securities, offset, in part, by a decrease in pass through certificates.

Average other interest-earning assets increased by 75.9% from ₹ 778.33 billion in fiscal 2020 to ₹ 1,368.83 billion in fiscal 2021 primarily due to an increase in LAF lending with RBI, balance with other banks and term money lent due to surplus liquidity, offset, in part, by a decrease in balance with RBI.

Average interest-bearing liabilities increased by 15.8% from ₹ 8,151.76 billion in fiscal 2020 to ₹ 9,438.50 billion in fiscal 2021 primarily due to an increase in average deposits by ₹ 1,480.28 billion, offset, in part, by a decrease in average borrowings by ₹ 193.54 billion.

Average deposits increased by 22.4% from ₹ 6,594.13 billion in fiscal 2020 to ₹ 8,074.41 billion in fiscal 2021 due to an increase in average term deposits and CASA deposits.

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Average borrowings decreased by 12.4% from ₹ 1,557.63 billion in fiscal 2020 to ₹ 1,364.09 billion in fiscal 2021 primarily due to a decrease in bond borrowings, term money borrowing and refinance borrowing, offset, in part, by an increase in RBI borrowings and call money borrowings.

FEE INCOME

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

Fee income for fiscal 2021 was impacted due to lower borrowing and investment activity by customers and lower consumer spends caused by the nation-wide lockdown announced during April-May 2020 followed by gradual easing of lockdown by the Government of India, after the outbreak of Covid-19 pandemic, significantly impacting the economic activities.

Fee income decreased by 7.7% from ₹ 137.11 billion in fiscal 2020 to ₹ 126.59 billion in fiscal 2021 primarily due to a decrease in fees from credit card business, transaction banking fees and fee income from third party product distribution.

DIVIDEND FROM SUBSIDIARIES

Dividend from subsidiaries decreased by 3.1% from ₹ 12.73 billion in fiscal 2020 to ₹ 12.34 billion in fiscal 2021. In line with the Insurance Regulatory and Development Authority guideline asking insurers to conserve capital, ICICI Lombard General Insurance Company Limited and ICICI Prudential Life Insurance Company Limited did not pay any final dividend for fiscal 2020. As a result, there was a decrease in dividend income from insurance subsidiaries in fiscal 2021.

The following table sets forth, for the periods indicated, the details of dividend received from subsidiaries:

₹ in billion

Name of the entity	Fiscal 2020	Fiscal 2021
ICICI Prudential Asset Management Company Limited	3.76	**4.24**
ICICI Securities Limited	2.54	**3.71**
ICICI Prudential Life Insurance Company Limited	1.78	**-**
ICICI Lombard General Insurance Company Limited	1.78	**0.94**
ICICI Bank Canada	1.63	**0.23**
ICICI Securities Primary Dealership Limited	1.20	**3.19**
ICICI Home Finance Company Limited	0.04	**-**
ICICI Venture Funds Management Company Limited	0.00	**0.03**
ICICI Prudential Trust	0.00	**0.00**
Total	**12.73**	**12.34**

1. 0.00 represents insignificant amount.
2. All amounts have been rounded off to the nearest ₹ 10.0 million.

Other income

Other income decreased from ₹ 1.72 billion in fiscal 2020 to ₹ 0.30 billion in fiscal 2021.

OPERATING EXPENSES

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

₹ in billion, except percentages

Particulars	Fiscal 2020	Fiscal 2021	% change
Payments to and provisions for employees	₹ 82.71	**₹ 80.92**	(2.2%)
Depreciation on owned property (including non-banking assets and leased assets)	9.47	**10.72**	13.2
Other administrative expenses	123.97	**123.98**	0.0
Total operating expenses	**₹ 216.15**	**₹ 215.61**	**(0.2%)**

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

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Operating expenses primarily include employee expenses, depreciation on assets and other administrative expenses. Operating expenses decreased by 0.2% from ₹ 216.15 billion in fiscal 2020 to ₹ 215.61 billion in fiscal 2021.

Payments to and provisions for employees

Employee expenses decreased by 2.2% from ₹ 82.71 billion in fiscal 2020 to ₹ 80.92 billion in fiscal 2021 primarily due to a decrease in provision requirement for retirement benefit obligations and salary cost, offset, in part, by an increase in provision for performance bonus and performance-linked retention pay. Salary cost decreased primarily due to a decrease in average staff strength by 3.3% from 97,682 in fiscal 2020 to 94,480 in fiscal 2021 (number of employees at March 31, 2020: 99,319 and at March 31, 2021: 98,750), offset, in part, by an increase in annual increments in fiscal 2021 for employees in certain grades.

Provision for retirement benefit obligations decreased from ₹ 10.38 billion in fiscal 2020 to ₹ 5.62 billion in fiscal 2021 primarily due to an increase in the discount rate, which is linked to yields on government securities, used for determining the required provision; and lower increase in dearness allowance, resulting in lower provision for pension obligations. The employee base includes sales executives, employees on fixed term contracts and interns.

Depreciation

Depreciation on owned property increased by 13.0% from ₹ 9.49 billion in fiscal 2020 to ₹ 10.72 billion in fiscal 2021 primarily due to higher capitalisation of IT systems and software which attracts higher depreciation rates.

Other administrative expenses

Other administrative expenses primarily include rent, taxes and lighting, advertisements, sales promotion, repairs and maintenance, direct marketing expenses and other expenditure. Other administrative expenses remained at similar level of ₹ 123.98 billion in fiscal 2021 as compared to ₹ 123.97 billion in fiscal 2020 primarily due to a decrease in expenses due to lower business volumes during the lockdown period and lower administrative and infrastructure related expenses, offset, in part, by an increase in technology related expenses.

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

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

Profit from treasury-related activities was ₹ 50.46 billion in fiscal 2021 as compared to ₹ 12.93 billion in fiscal 2020. During fiscal 2021, the Bank sold 3.96% equity shareholding in ICICI General, 1.50% equity shareholding in ICICI Life, 4.21% equity shareholding in ICICI Securities and made a net gain of ₹ 36.70 billion.

PROVISIONS AND CONTINGENCIES (EXCLUDING PROVISIONS FOR TAX)

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

₹ in billion, except percentages

Particulars	Fiscal 2020	Fiscal 2021	% change
Provision for non-performing and other assets[1]	₹ 88.15	**₹ 107.49**	21.9%
Provision for investments (including credit substitutes) (net)	13.11	**(1.58)**	-
Provision for standard assets	4.62	**2.79**	(39.7%)
Covid-19 related provision	27.25	**47.50**	-
Others	7.40	**5.94**	(19.7%)
Total provisions and contingencies (excluding provision for tax)	**₹ 140.53**	**₹ 162.14**	**15.4%**

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

In the case of corporate loans and advances, provisions are made for sub-standard and doubtful assets at rates prescribed by RBI. Loss assets and the unsecured portion of doubtful assets are fully provided. For impaired loans and advances held in overseas branches, which are performing as per RBI guidelines, provisions are made as per the host country regulations. For loans and advances held in overseas branches, which are NPAs both as per the RBI guidelines and host country guidelines, provisions are made at the higher of the provisions required under

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RBI guidelines and host country regulations. Provisions on homogeneous non-performing retail loans and advances, subject to minimum provisioning requirements of RBI, are made on the basis of the ageing of the loan. The specific provisions on non-performing retail loans and advances held by the Bank are higher than the minimum regulatory requirements.

In respect of non-retail loans reported as fraud to RBI the entire amount, is provided for over a period not exceeding four quarters starting from the quarter in which fraud has been detected. In respect of non-retail loans where there has been delay in reporting the fraud to the RBI or which are classified as loss accounts, the entire amount is provided immediately. In case of fraud in retail accounts, the entire amount is provided immediately. In respect of borrowers classified as non-cooperative borrowers or willful defaulters, the Bank makes accelerated provisions as per RBI guidelines.

The Bank holds specific provisions against non-performing loans and advances and against certain performing loans and advances in accordance with RBI directions, including RBI direction for provision on accounts referred to the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code, 2016.

Provision due to diminution in the fair value of restructured/ rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

The Bank makes additional provisions as per RBI guidelines for the cases where viable resolution plan has not been implemented within the timelines prescribed by the RBI, from the date of default. These additional provisions are written-back on satisfying the conditions for reversal as per RBI guidelines.

The Bank granted moratorium towards the payment of principal and/or interest in case of certain borrowers in accordance with RBI guidelines. Further, the RBI guidelines on 'Resolution Framework for COVID-19-related Stress' provide a prudential framework for resolution plan of certain loans. The Bank made general provision on such loans at rates equal or higher than requirements stipulated in RBI circular. The Bank also made additional Covid-19 related provision.

Provisions and contingencies (excluding provisions for tax) increased from ₹ 140.53 billion in fiscal 2020 to ₹ 162.14 billion in fiscal 2021 primarily due to an increase in provision for non-performing and other assets and Covid-19 related provision, offset, in part, by decrease in provision on investments.

Provision for non-performing and other assets increased from ₹ 88.15 billion in fiscal 2020 at ₹ 107.49 billion in fiscal 2021 primarily due to change in provisioning policy on non-performing assets to make it more conservative and higher additions to NPAs in retail loans reflecting Covid-19 related stress offset, in part, by lower ageing provision on loans classified as NPAs in earlier years.

The provision coverage ratio (excluding cumulative technical/prudential write-offs) increased from 75.7% at March 31, 2020 to 77.7% at March 31, 2021.

Provision for investments decreased from ₹ 13.11 billion in fiscal 2020 to a write-back ₹ 1.58 billion in fiscal 2021. Provision on investments in fiscal 2020 included provision on preference shares, equity shares and debentures. During fiscal 2020, the Bank made provision of ₹ 8.45 billion towards preference shares on conversion of non-performing loans of a borrower as part of restructuring. The Bank was already holding this provision on the loan before conversion to preference shares. During fiscal 2021, there was a write-back of provision on equity shares, offset, in part, by provision on debentures and preference shares.

Provision for standard assets decreased from ₹ 4.62 billion in fiscal 2020 to ₹ 2.79 billion in fiscal 2021. The cumulative general provision (excluding Covid-19 related provision) held at March 31, 2021 was ₹ 36.34 billion (March 31, 2020: ₹ 33.75 billion).

In addition to Covid-19 related provision of ₹ 27.25 billion made in fiscal 2020, during the first quarter of fiscal 2021, the Bank made Covid-19 related provision of ₹ 55.50 billion. In the third quarter of fiscal 2021, the Bank utilised ₹ 18.00 billion of Covid-19 related provisions made in the earlier periods.

Further, in fourth quarter of fiscal 2021, in view of the second wave of the Covid-19 pandemic in India, the Bank made additional Covid-19 related provision amounting to ₹ 10.00 billion on a prudent basis. Accordingly, at March 31, 2021, the Bank held aggregate Covid-19 related provision of ₹ 74.75 billion.

Other provisions and contingencies (other than Covid-19 related provision) decreased from ₹ 7.40 billion in fiscal 2020 to ₹ 5.94 billion in fiscal 2021.

TAX EXPENSE

The income tax expense decreased from ₹ 61.17 billion in fiscal 2020 to ₹ 39.90 billion in fiscal 2021. The effective tax rate decreased from 43.5% in fiscal 2020 to 19.8% in fiscal 2021. During fiscal 2020, there was a one-time additional charge due to re-measurement of accumulated deferred tax asset due to change in income-tax rate.

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FINANCIAL CONDITION

Assets

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

₹ in billion, except percentages

Assets	At March 31, 2020	At March 31, 2021	% change
Cash and bank balances	₹ 1,191.56	**₹ 1,331.28**	11.7%
Investments	2,495.31	**2,812.87**	12.7
- Government and other approved investments[1]	1,883.32	**2,136.21**	13.4
- Equity investment in subsidiaries	98.03	**97.57**	(0.5)
- Other investments	513.96	**579.09**	12.7
Advances	6,452.90	**7,337.29**	13.7
- Domestic	5,913.23	**6,961.39**	17.7
- Overseas branches	539.67	**375.90**	(30.3)
Fixed assets (including leased assets)	84.10	**88.78**	5.6
Other assets	759.78	**734.11**	(3.4)
- RIDF and other related deposits[2]	287.57	**311.78**	8.4
Total assets	**₹ 10,983.65**	**₹ 12,304.33**	**12.0%**

1. Banks in India are required to maintain a specified percentage, currently 18.00% (at March 31, 2021), of their net demand and time liabilities by way of investments in instruments referred as SLR securities by RBI or liquid assets like cash and gold.

2. Deposits made in Rural Infrastructure Development Fund and other related deposits pursuant to shortfall in the amount required to be lent to certain specified sectors called priority sector as per RBI guidelines.

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

Total assets of the Bank increased by 12.0% from ₹ 10,983.65 billion at March 31, 2020 to ₹ 12,304.33 billion at March 31, 2021, primarily due to a 13.7% increase in advances and a 12.7% increase in investments and 11.7% increase in cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with RBI and other banks, including money at call and short notice. Cash and cash equivalents increased by 11.7% from ₹ 1,191.56 billion at March 31, 2020 to ₹ 1,331.28 billion at March 31, 2021 primarily due to an increase in foreign currency term money placement, balances with banks outside India and balance with RBI, offset, in part, by a decrease in liquidity adjustment facility (LAF) lending with RBI. The liquidity maintained by the Bank continued to be high through the year reflecting the easy monetary conditions and healthy growth in deposits.

Investments

Total investments increased by 12.7% from ₹ 2,495.31 billion at March 31, 2020 to ₹ 2,812.87 billion at March 31, 2021. Investments in Indian government securities and other approved investments increased from ₹ 1,883.32 billion at March 31, 2020 to ₹ 2,136.21 billion at March 31, 2021. Investment in Indian government securities and other approved investments increased significantly primarily due to robust deposit growth post Covid-19 and consequent lockdowns. Other investments increased from ₹ 612.11 billion at March 31, 2020 to ₹ 676.77 billion at March 31, 2021 primarily due to an increase in investment in foreign government securities by ₹ 122.71 billion and bonds and debentures by ₹ 98.20 billion, offset, in part, by a decrease in investment in commercial papers by ₹ 86.97 billion and pass through certificate by ₹ 40.04 billion.

At March 31, 2021, the Bank had an outstanding net investment of ₹ 17.29 billion in security receipts issued by asset reconstruction companies compared to ₹ 19.25 billion at March 31, 2020.

Advances

Net advances increased by 13.7% from ₹ 6,452.90 billion at March 31, 2020 to ₹ 7,337.29 billion at March 31, 2021 primarily due to an increase in domestic advances. Domestic advances increased by 17.7% from ₹ 5,913.23

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billion at March 31, 2020 to ₹ 6,961.39 billion at March 31, 2021. Net retail advances increased by 19.9% from ₹ 4,080.03 billion at March 31, 2020 to ₹ 4,892.20 billion at March 31, 2021. SME advances increased by 32.5% from ₹ 228.51 billion at March 31, 2020 to ₹ 302.84 billion at March 31, 2021. The performing domestic corporate portfolio increased by 13.2% year-on-year. Net advances of overseas branches decreased by 30.3% from ₹ 539.67 billion at March 31, 2020 to ₹ 375.90 billion at March 31, 2021.

Fixed and other assets

Fixed assets (net block) increased by 5.6% from ₹ 84.10 billion at March 31, 2020 to ₹ 88.78 billion at March 31, 2021.

Other assets decreased by 3.4% from ₹ 759.78 billion at March 31, 2020 to ₹ 734.11 billion at March 31, 2021 primarily due to a decrease in receivable on account of forex and derivative transactions, offset, in part, by an increase in Rural Infrastructure Development Fund and related deposits.

LIABILITIES

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

₹ in billion, except percentages

Liabilities	At March 31, 2020	At March 31, 2021	% change
Equity share capital	₹ 12.98	**₹ 13.86**	6.8%
Reserves	1,152.06	**1,461.23**	26.8
Deposits	7,709.69	**9,325.22**	21.0
- Savings deposits	2,455.91	**2,954.53**	20.3
- Current deposits	1,022.28	**1,361.70**	33.2
- Term deposits	4,231.51	**5,008.99**	18.4
Borrowings (excluding subordinated debt)	1,410.80	**743.85**	(47.3)
- Domestic	811.27	**444.42**	-
- Overseas branches	599.53	**299.43**	(50.1)
Subordinated debt (included in Tier-1 and Tier-2 capital)	218.17	**172.46**	(21.0)
- Domestic	218.17	**172.46**	(21.0)
Other liabilities	479.95	**587.71**	22.5
Total liabilities	**₹ 10,983.65**	**₹ 12,304.33**	**12.0%**

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

Total liabilities (including capital and reserves) increased by 12.0% from ₹ 10,983.65 billion at March 31, 2020 to ₹ 12,304.33 billion at March 31, 2021 due to a 21.0% increase in deposits, 26.6% increase in net worth and 22.5% increase in other liabilities, offset, in part, by 43.7% decrease in borrowings.

Deposits

Deposits increased by 21.0% from ₹ 7,709.69 billion at March 31, 2020 to ₹ 9,325.22 billion at March 31, 2021 reflecting Bank's strong deposit franchise, benefits of offering convenient digital platforms to customers and easy monetary conditions in the banking system.

Term deposits increased by 18.4% from ₹ 4,231.51 billion at March 31, 2020 to ₹ 5,008.99 billion at March 31, 2021. Savings account deposits increased by 20.3% from ₹ 2,455.91 billion at March 31, 2020 to ₹ 2,954.53 billion at March 31, 2021 and current account deposits increased by 33.2% from ₹ 1,022.28 billion at March 31, 2020 to ₹ 1,361.70 billion at March 31, 2021. CASA deposits increased by 24.1% from ₹ 3,478.19 billion at March 31, 2020 to ₹ 4,316.23 billion at March 31, 2021. Average CASA deposits increased by 18.9% from ₹ 2,814.37 billion in fiscal 2020 to ₹ 3,345.96 billion in fiscal 2021. The average current account deposits increased by 25.5% from ₹ 710.16 billion in fiscal 2020 to ₹ 891.21

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billion in fiscal 2021. The average savings account deposits increased by 16.7% from ₹ 2,104.21 billion in fiscal 2020 to ₹ 2,454.75 billion in fiscal 2021. Average CASA deposits were 35.5% of the total funding (i.e., deposits and borrowings) for fiscal 2021 as compared to 34.5% for fiscal 2020.

Deposits of overseas branches increased by 5.6% from ₹ 72.27 billion at March 31, 2020 to ₹ 76.34 billion at March 31, 2021.

Total deposits at March 31, 2021 formed 91.1% of the funding (i.e., deposits and borrowings) as compared to 82.6% March 31, 2020.

Borrowings

Borrowings decreased by 43.7% from ₹ 1,628.97 billion at March 31, 2020 to ₹ 916.31 billion at March 31, 2021 primarily due to a decrease in repo borrowings, foreign currency term money borrowings, bond borrowings and LAF borrowing with RBI. Borrowings decreased significantly primarily due to decline in overseas loan book and change in funding mix for domestic book. Net borrowings of overseas branches decreased from ₹ 599.53 billion at March 31, 2020 to ₹ 299.43 billion at March 31, 2021.

Other liabilities

Other liabilities increased by 22.5% from ₹ 479.95 billion at March 31, 2020 to ₹ 587.71 billion at March 31, 2021 primarily due to an increase in general provision on standard assets (including Covid-19 related provision) and bills payable, offset, in part, by a decrease in mark-to-market amount on forex and derivative transactions.

Equity share capital and reserves

Equity share capital and reserves increased from ₹ 1,165.04 billion at March 31, 2020 to ₹ 1,475.09 billion at March 31, 2021 primarily due to capital of ₹ 150.00 billion raised in August 2020 through qualified institutional placement and accretion to reserves out of retained profit.

OFF BALANCE SHEET ITEMS, COMMITMENTS AND CONTINGENCIES

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

₹ in billion

	At March 31, 2020	At March 31, 2021
Claims against the Bank, not acknowledged as debts	₹ 63.24	**₹ 73.77**
Liability for partly paid investments	0.01	**0.01**
Notional principal amount of outstanding forward exchange contracts	7,441.46	**8,152.79**
Guarantees given on behalf of constituents	1,088.13	**995.02**
Acceptances, endorsements and other obligations	347.12	**324.24**
Notional principal amount of currency swaps	509.59	**481.72**
Notional principal amount of interest rate swaps and currency options and interest rate futures	15,698.50	**16,428.13**
Other items for which the Bank is contingently liable	90.20	**30.74**
Total	**₹ 25,238.25**	**₹ 26,486.42**

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

MANAGEMENT'S DISCUSSION & ANALYSIS

The Bank enters into foreign exchange contracts in its normal course of business, to exchange currencies at a prefixed price at a future date. This item represents the notional principal amount of such contracts, which are derivative instruments. With respect to the transactions entered into with its customers, the Bank generally enters into off-setting transactions in the inter-bank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower. The notional principal amount of outstanding forward exchange contracts increased from ₹ 7,441.46 billion at March 31, 2020 to ₹ 8,152.79 billion at March 31, 2021 primarily due to increase in trading and market making activities in forwards to facilitate client flow and capture opportunities in the forward market.

The Bank is an active market participant in the interest rate and foreign exchange derivative market for trading and market making purposes, which are carried out primarily for customer transactions and managing the proprietary position on interest rate and foreign exchange risk. The notional amount of interest rate swaps and currency options increased from ₹ 15,698.50 billion at March 31, 2020 to ₹ 16,428.13 billion at March 31, 2021 primarily due to an increase in outstanding position of overnight index swaps. These transactions are done for trading and market-making purposes with a view to manage the interest rate risk.

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

The Bank has issued guarantees to support regular business activities of clients. These generally represent irrevocable assurances that the Bank will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation, including advance payment guarantee. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally issued for a period not exceeding ten years. The credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. Cash margins available to reimburse losses realised under guarantees amounted to ₹ 171.60 billion at March 31, 2021 as compared to ₹ 163.75 billion at March 31, 2020. Other property or security may also be available to the Bank to cover potential losses under guarantees.

Guarantees given on behalf of constituents decreased by 8.6% from ₹ 1,088.13 billion at March 31, 2020 to ₹ 995.02 billion at March 31, 2021. Acceptances, endorsements and other obligations decreased by 6.6% from ₹ 347.12 billion at March 31, 2020 to ₹ 324.24 billion at March 31, 2021.

The Bank is obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. Estimated amounts of contracts remaining to be executed on capital account aggregated to ₹ 8.60 billion at March 31, 2021 as compared to ₹ 7.57 billion at March 31, 2020.

CAPITAL RESOURCES

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

Regulatory capital

The Bank is subject to the Basel III guidelines issued by RBI, effective from April 1, 2013, to be implemented in a phased manner by March 31, 2019 as per the transitional arrangement provided by RBI for Basel III implementation. On January 10, 2019, RBI had extended the transition period for implementing the last tranche of 0.625% under Capital Conservation Buffer (CCB) to March 31, 2020. Since then, it has been further extended to October 1, 2021.

At March 31, 2021, the Bank was required to maintain a minimum Common Equity Tier-1 (CET1) capital ratio of 7.575%, minimum Tier-1 capital ratio of 9.075% and minimum total capital ratio of 11.075%. The minimum total capital requirement includes a capital conservation buffer of 1.875% and capital surcharge of 0.20% on account of the Bank being designated as a Domestic Systemically Important Bank (D-SIB). Under Pillar 1 of the RBI guidelines on Basel III, the Bank follows the standardised approach for measurement of credit risk, standardised duration method for measurement of market risk and basic indicator approach for measurement of operational risk.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following table sets forth, for the periods indicated, the capital adequacy ratios computed in accordance with Basel III guidelines of RBI:

₹ in billion, except percentages

Basel III	At March 31, 2020[1,2]	At March 31, 2021[1,2]
CET1 capital	1,016.65	**1,319.40**
Tier-1 capital	1,117.85	**1,418.72**
Tier-2 capital	106.00	**82.75**
Total capital	**1,223.85**	**1,501.47**
Credit Risk - Risk Weighted Assets (RWA)	6,299.20	**6,467.36**
On balance sheet	5,380.55	**5,650.84**
Off balance sheet	918.65	**816.52**
Market Risk - RWA	593.66	**589.68**
Operational Risk - RWA	702.04	**797.00**
Total RWA	**7,594.90**	**7,854.03**
Total capital adequacy ratio	**16.11%**	**19.12%**
CET1 capital adequacy ratio	13.39%	**16.80%**
Tier-1 capital adequacy ratio	14.72%	**18.06%**
Tier-2 capital adequacy ratio	1.39%	**1.06%**

1. *Including retained earnings, post proposed mandatory appropriations and proposed dividend.*
2. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

At March 31, 2021, the Bank's Tier-1 capital adequacy ratio was 18.06% as against the requirement of 9.08% and total capital adequacy ratio was 19.12% as against the requirement of 11.08%.

Movement in the capital funds and risk weighted assets from March 31, 2020 to March 31, 2021 as per Basel III norms

Capital funds (net of deductions) increased by ₹ 277.61 billion from ₹ 1,123.86 billion at March 31, 2020 to ₹ 1,501.47 billion at March 31, 2021 primarily due to inclusion of retained earnings for fiscal 2021, raising of equity capital of ₹ 150.00 billion, offset, in part, by progressive discounting of Tier 2 capital instruments as per the RBI extant guidelines.

Credit risk RWA increased by ₹ 168.16 billion from ₹ 6,229.20 billion at March 31, 2020 to ₹ 6,467.36 billion at March 31, 2021 primarily due to an increase of ₹ 270.35 billion in RWA for on-balance sheet assets, offset, in part, by a decrease of ₹ 102.13 billion in RWA for off-balance sheet assets. On-balance sheet RWA increased primarily due to growth in advances during the year and off-balance sheet RWA decreased primarily due to decrease in notional value of guarantees and acceptances.

Market risk RWA decreased by ₹ 3.98 billion from ₹ 593.66 billion at March 31, 2020 to ₹ 589.68 billion at March 31, 2021 primarily due to decrease in fixed income position.

Operational risk RWA increased by ₹ 94.96 billion from ₹ 702.04 billion at March 31, 2020 to ₹ 797.00 billion at March 31, 2021. The operational risk capital charge is computed based on 15% of the average of the previous three financial years' gross income and is revised on an annual basis at June 30. RWA is arrived at by multiplying the capital charge by 12.5.

Internal assessment of capital

The capital management framework of the Bank includes a comprehensive internal capital adequacy assessment process conducted annually, which determines the adequate level of capitalisation necessary to meet regulatory norms and current and future business needs. Adequate stress testing, as determined by several stress scenarios is also done. The internal capital adequacy assessment process is undertaken at both the standalone bank level and the consolidated group level. The internal capital adequacy assessment process encompasses capital planning for a four-year time horizon, assessment of material risks and the relationship between risk and capital.

MANAGEMENT'S DISCUSSION & ANALYSIS

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

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

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

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

LOAN CONCENTRATION

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

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

₹ in billion, except percentages

Industry	March 31, 2020		March 31, 2021	
	Total exposure	% of total exposure	Total exposure	% of total exposure
Retail Finance[1]	₹ 5,038.82	40.5%	**₹ 6,227.36**	**43.8%**
Services – finance	1,042.33	8.4	**1,407.26**	**9.9**
Banks	792.11	6.4	**1,122.22**	**7.9**
Crude petroleum/refining and petrochemicals	732.51	5.9	**697.65**	**4.9**
Electronics and engineering	740.57	6.0	**617.25**	**4.3**
Road, ports, telecom, urban development and other infrastructure	529.31	4.3	**489.81**	**3.5**
Wholesale/retail trade	412.62	3.3	**361.36**	**2.6**
Power	380.28	3.1	**358.59**	**2.5**
Services – non-finance	340.15	2.7	**354.83**	**2.5**
Construction	312.64	2.5	**309.21**	**2.2**

MANAGEMENT'S DISCUSSION & ANALYSIS

₹ in billion, except percentages

Industry	March 31, 2020		March 31, 2021	
	Total exposure	% of total exposure	Total exposure	% of total exposure
Iron and steel (including iron and steel products)	218.71	1.8	**211.99**	**1.5**
Mutual Funds	199.84	1.6	**189.35**	**1.3**
Metal and metal products (excluding iron and steel)	150.36	1.2	**172.89**	**1.2**
Chemical and Fertilisers	168.90	1.4	**171.40**	**1.2**
Automobiles	143.60	1.2	**162.62**	**1.1**
Other industries[2]	1,243.70	9.7	**1,369.16**	**9.6**
Total	**₹ 12,446.45**	**100.0%**	**₹ 14,222.95**	**100.0%**

1. Includes home loans, automobile loans, commercial business loans, dealer financing and small ticket loans to small businesses, personal loans, credit cards, rural loans and loans against securities.

2. Other industries primarily include developer financing portfolio, gems and jewellery, mining, cement, food & beverages, textile, shipping, manufacturing products (excluding iron and steel and metal and metal products), drugs and pharmaceuticals, Asset Reconstruction Company, Venture capital Funds and FMCG.

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

The exposure to services-finance increased from ₹ 1,042.33 billion at March 31, 2020 to ₹ 1,407.26 billion at March 31, 2021 primarily due to increase in lending to government owned entities.

The exposure to top 20 non-bank borrowers as a percentage of total exposure increased from 11.0% at March 31, 2020 to 12.1% at March 31, 2021. All top 20 borrowers as of March 31, 2021 are rated A- and above internally. The exposure to top 10 borrower groups decreased from 12.1% at March 31, 2020 to 11.6% at March 31, 2021.

₹ in billion

Particulars	March 31, 2020	March 31, 2021
Advances	6,452.90	**7,337.29**
- Domestic book	5,913.23	**6,961.39**
- Retail	4,080.03	**4,892.20**
- SME	228.51	**302.84**
- Corporate	1,604.70	**1,766.35**
- Overseas book	539.67	**375.90**

The Bank's capital allocation framework is focused on growth in granular retail and rural lending and selective lending to corporate sector with focus on an increase in lending to higher rated corporates. Net retail advances increased by 19.9% in fiscal 2021 compared to an increase of 13.7% in total advances. As a result, the share of net retail advances increased from 63.2% of net advances at March 31, 2020 to 66.7% of net advances at March 31, 2021. Including the non-fund based outstanding, the proportion of retail in the portfolio was 55.0% at March 31, 2021.

The overseas loan portfolio declined by 27.9% year-on-year at March 31, 2021. The overseas loan portfolio was 5.1% of the overall loan book at March 31, 2021. The non-India linked corporate portfolio (excluding exposures to banks and retail lending against deposits, the corporate fund and non-fund outstanding at March 31, 2021, net of cash/financial institutions/insurance backed lending) reduced by 44.6% year-on-year to USD 4.14 billion at March 31, 2021. Out of USD 4.14 billion, 70.1% of the outstanding was to Indian corporates and their subsidiaries and joint ventures and 15.8% of the outstanding was to non-India companies with Indian or India-linked operations and activities. The portfolio in this segment is well-rated and the Indian operations of these companies are target customers for the Bank's deposit and transaction banking franchise. The Bank would continue to pursue risk-calibrated opportunities in this segment. Out of USD 4.14 billion, about 6.3% was to companies owned by NRIs/PIOs and 7.8% of the outstanding was to other non-India companies which is less than 1.0% of the total portfolio of the Bank.

MANAGEMENT'S DISCUSSION & ANALYSIS

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

₹ in billion, except percentages

Particulars	March 31, 2020		March 31, 2021	
	Total retail advances	% of total retail advances	Total retail advances	% of total retail advances
Home loans	₹ 2,011.34	48.3%	**₹ 2,460.43**	**48.7%**
Rural loans	582.84	14.0	**738.98**	**14.6**
Personal loans	458.53	11.0	**507.43**	**10.1**
Business banking[1]	301.83	7.3	**413.51**	**8.2**
Automobile loans	326.25	7.8	**371.14**	**7.4**
Commercial business	252.01	6.1	**278.11**	**5.5**
Credit cards	163.42	3.9	**182.94**	**3.6**
Others[2,3]	65.95	1.6	**96.13**	**1.9**
Total retail finance portfolio[3]	**₹ 4,162.17**	**100.0%**	**₹ 5,048.67**	**100.0%**

1. *Includes dealer financing and small ticket loans to small businesses.*
2. *Includes loans against securities*
3. *Includes loans against FCNR deposits of ₹ 67.77 billion at March 31, 2021 (March 31, 2020: ₹ 36.23 billion).*
4. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

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

₹ in billion, except percentages

Ratings category[1,2]	March 31, 2020	March 31, 2021
AA- and above	44.4%	**50.2%**
A+, A, A-	25.8	**23.0**
A- and above	**70.2**	**73.2**
BBB+,BBB, BBB-	26.6	**23.8**
BB and below[3]	2.9	**2.7**
Unrated	0.3	**0.3**
Total	**100.0%**	**100%**
Total net advances	**6,452.90**	**7,337.29**

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

MANAGEMENT'S DISCUSSION & ANALYSIS

DIRECTED LENDING

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

Priority Sector Lending and Investment

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

As prescribed by RBI's Master Direction on 'Priority Sector Lending - Targets and Classification' dated September 4, 2020, the priority sectors include categories such as agriculture, micro, small and medium enterprises, education, housing, social infrastructure, renewable energy, export credit and others. Out of the overall target of 40.0%, banks are required to lend a minimum of 18.0% of their ANBC to the agriculture sector. Sub-targets of 8.0% for lending to small & marginal farmers (out of agriculture) and 7.5% lending target to micro-enterprises are applicable from fiscal 2016. RBI has directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, failing which banks will attract penalties for shortfall. RBI would notify the banks of the banking system's average level at the beginning of each year. RBI notified a target level of 12.14% of ANBC for this purpose for fiscal 2021. The banks are also required to lend 10.0% of their ANBC to certain borrowers under the "weaker section" category. Priority sector lending achievement is evaluated on a quarterly average basis from fiscal 2017.

The Bank is required to comply with the priority sector lending requirements prescribed by RBI. The shortfall in the amount required to be lent to the priority sectors and weaker sections may be required to be deposited in funds with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India, the National Housing Bank, Micro Units Development and Refinance Agency Limited (MUDRA) and other financial institutions as decided by the RBI from time to time. These deposits have a maturity of up to seven years and carry interest rates lower than market rates. At March 31, 2021, the Bank's total investment in such funds was ₹ 311.78 billion, which was fully eligible for consideration in overall priority sector lending achievement.

As prescribed in the RBI guideline, the Bank's priority sector lending achievement is computed on a quarterly average basis. Total average priority sector lending for fiscal 2021 was ₹ 2,448.37 billion (fiscal 2020: ₹ 2,153.37 billion) constituting 40.9% (fiscal 2020: 40.3%) of ANBC, against the requirement of 40.0% of ANBC. The average lending to the agriculture sector was ₹ 1,019.54 billion (fiscal 2020: ₹ 834.63 billion) constituting 17.0% (fiscal 2020: 15.6%) of ANBC against the requirement of 18.0% of ANBC. The average advances to weaker sections were ₹ 641.59 billion (fiscal 2020: ₹ 443.88 billion) constituting 10.7% (fiscal 2020: 8.3%) of ANBC against the requirement of 10.0% of ANBC. Average lending to small and marginal farmers was ₹ 514.25 billion (fiscal 2020: ₹ 321.50 billion) constituting 8.6% (fiscal 2020: 6.0%) of ANBC against the requirement of 8.0% of ANBC. The average lending to micro enterprises was ₹ 448.46 billion (fiscal 2020: ₹ 408.72 billion) constituting 7.5% (fiscal 2020: 7.7%) of ANBC against the requirement of 7.5% of ANBC. The average lending to non-corporate farmers was ₹ 731.61 billion (fiscal 2020: ₹ 531.01 billion) constituting 12.2% (fiscal 2020: 9.9%) of ANBC against the requirement of 12.14% of ANBC (12.11% for fiscal 2020). The above includes the impact of PSLCs purchased/sold during fiscal 2021 by the Bank.

CLASSIFICATION OF LOANS

The Bank classify its assets as performing and non-performing in accordance with the RBI guidelines. Under the RBI guidelines, an asset is generally classified as non-performing if any amount of interest or principal remains overdue for more than 90 days, in respect of term loans. In respect of overdraft or cash credit, an asset is classified as non-performing if the account remains out of order for a period of 90 days; and in respect of bills, if the account remains overdue for more than 90 days. The RBI guidelines also require an asset to be classified as non-performing based on certain other criteria like restructuring of a loan, inability of a borrower to complete a project funded by us within stipulated timelines and certain other non-

MANAGEMENT'S DISCUSSION & ANALYSIS

financial parameters. In respect of borrowers where loans and advances made by overseas branches are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the RBI guidelines, the amount outstanding in the host country is classified as non-performing.

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

The RBI also has separate guidelines for restructured loans. Loans restructured after April 1, 2015 (excluding loans given for implementation of projects in the infrastructure sector and non-infrastructure sector and which are delayed up to a specified period) by re-scheduling of principal repayments and/or the interest element are classified as non-performing. For such loans, the diminution in the fair value of the loan, if any, measured in present value terms, has to be provided for in addition to the provisions applicable to non-performing loans. RBI has issued guidelines for restructuring of loans to micro and small enterprises borrowers while continuing asset classification as standard, subject to specified conditions. Further, RBI through its guideline on 'Resolution Framework for COVID-19-related Stress' dated August 6, 2020, has provided a prudential framework to implement a resolution plan in respect of eligible corporate borrowers and personal loans, while classifying such exposures as standard, subject to specified conditions.

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

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

₹ in billion

Particulars	At March 31, 2020	At March 31, 2021
Non-performing assets		
Sub-standard assets	₹ 64.09	**₹ 128.09**
Doubtful assets	307.24	**237.92**
Loss assets	42.76	**47.72**
Total non-performing assets[1]	**₹ 414.09**	**₹ 413.73**

1. Include advances, lease receivables and credit substitutes like debentures and bonds. Excludes preference shares.
2. All amounts have been rounded off to the nearest ₹ 10.0 million.

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

₹ in billion, except percentages

Year ended	Gross NPA[1]	Net NPA	Net customer assets	% of net NPA to net customer assets[2]
March 31, 2018	₹ 540.63	₹ 278.86	₹ 5,848.78	4.77%
March 31, 2019	₹ 462.92	₹ 135.77	₹ 6,580.34	2.06%
March 31, 2020	₹ 414.09	₹ 101.14	₹ 7,166.74	1.41%
March 31, 2021	**₹ 413.73**	**₹ 91.80**	**₹ 8,025.90**	**1.14%**

1. Net of write-offs, interest suspense and derivatives income reversal.
2. Include advances, lease receivables and credit substitutes like debentures and bonds. Excludes preference shares.
3. All amounts have been rounded off to the nearest ₹ 10.0 million.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following table sets forth, for the periods indicated, the composition of gross non-performing assets (net of write-offs) by industry sector.

₹ in billion, except percentages

Particulars	March 31, 2020		March 31, 2021	
	Amount	%	Amount	%
Retail finance[1]	₹ 83.32	20.1%	**₹ 151.30**	**36.6%**
Construction	54.33	13.1	**55.98**	**13.5**
Power	51.98	12.6	**46.07**	**11.1**
Crude petroleum/refining and petrochemicals	28.37	6.9	**27.58**	**6.7**
Road, ports, telecom, urban development and other infrastructure	33.05	8.0	**21.76**	**5.3**
Electronics and engineering	19.64	4.7	**17.48**	**4.2**
Services – non-finance	26.13	6.3	**16.85**	**4.1**
Mining	16.08	3.9	**8.07**	**2.0**
Iron/steel and products	14.24	3.4	**8.04**	**1.9**
Services – finance	9.67	2.3	**7.39**	**1.8**
Wholesale/retail trade	17.44	4.2	**6.48**	**1.6**
Shipping	8.77	2.1	**5.79**	**1.4**
Food and beverages	12.54	3.0	**4.67**	**1.1**
Manufacturing products (excluding metal)	6.22	1.5	**4.38**	**1.1**
Metal & products (excluding iron & steel)	0.19	-	**0.20**	**-**
Other industries[2]	32.12	7.9	**31.69**	**7.6**
Total	**₹ 414.09**	**100.0%**	**₹ 413.73**	**100.0%**

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

In fiscal 2021, the Indian economy was impacted by Covid-19 pandemic with contraction in industrial and services output across small and large businesses. The nation-wide lock down in April-May 2020 substantially impacted economic activity. The easing of lock-down measures subsequently led to a gradual improvement in economic activity and progress towards normalcy. For the banking sector, these developments resulted in regulatory measures like moratorium on payment of dues and standstill in asset classification to mitigate the economic consequences on borrowers. There was an increase in additions to NPAs in fiscal 2021. The impact of Covid-19 pandemic continues as a second wave since the latter part of March 2021, has resulted in re-imposition of localised/regional lock-down measures in various parts of the country. A prolonged period of economic weakness caused by the second wave of the pandemic and uncertainty regarding normalization could continue to impact banking sector and result in higher addition to NPAs.

The gross additions to NPAs were ₹ 287.30 billion in fiscal 2018 and declined sharply to ₹ 110.39 billion in fiscal 2019. The gross additions to NPAs were ₹ 142.95 billion in fiscal 2020 and increased ₹ 161.23 billion in fiscal 2021. In fiscal 2021, the Bank recovered/upgraded non-performing assets amounting to ₹ 64.63 billion, wrote-off non-performing assets amounting to ₹ 96.08 billion and sold non-performing assets amounting to ₹ 0.88 billion. As a result, gross NPAs (net of write-offs) of the Bank marginally decreased from ₹ 414.09 billion at March 31, 2020 to ₹ 413.73 billion at March 31, 2021.

Net NPAs decreased from ₹ 101.14 billion at March 31, 2020 to ₹ 91.80 billion at March 31, 2021. The ratio of net NPAs to net customer assets decreased from 1.41% at March 31, 2020 to 1.14% at March 31, 2021.

At March 31, 2021, gross non-performing loans in the retail portfolio were 3.04% of gross retail loans compared to 2.02% at March 31, 2020 and net non-performing loans in the retail portfolio were 1.28% of net retail loans compared

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to 0.90% at March 31, 2020. The provision coverage ratio at March 31, 2021 was 77.7% as compared to 75.7% at March 31, 2020.

The total non-fund based outstanding to borrowers classified as non-performing was ₹ 44.05 billion at March 31, 2021 (March 31, 2020: ₹ 50.63 billion). The Bank held a provision of ₹ 14.92 billion at March 31, 2021 (March 31, 2020: ₹ 11.82 billion) against these non-fund based outstanding.

The gross outstanding loans to borrowers whose facilities have been restructured increased from ₹ 3.09 billion at March 31, 2020 to ₹ 32.69 billion at March 31, 2021. The net outstanding loans to borrowers whose facilities have been restructured increased from ₹ 2.86 billion at March 31, 2020 to ₹ 31.79 billion at March 31, 2021. The aggregate non-fund based outstanding to borrowers whose loans were restructured was ₹ 4.38 billion at March 31, 2021 (March 31, 2020: ₹ 0.80 billion).

In addition to the above, at March 31, 2021, the outstanding loans and non-fund facilities to borrowers in the corporate and small and medium enterprises portfolio rated BB and below were ₹ 131.39 billion.

The Bank, in its Annual Report for 2018, had reported on the various steps and measures taken pursuant to its becoming aware in March 2018 of an anonymous whistleblower complaint alleging incorrect asset classifications stemming from claimed irregular transactions in borrower accounts, incorrect accounting of interest income and NPA recoveries as fees, and overvaluation of collateral securing corporate loans. As previously reported, the Bank, at the direction of the Audit Committee and with the assistance of external counsel investigated all of the allegations made in the complaint, considered all of the various processes and measures that are operative, and all necessary and appropriate actions have been concluded, with no impact on financial statements. The Bank had also been responding to requests for information from United States Securities and Exchange Commission ('SEC') investigatory staff, regarding inter alia the above allegations. During the year ended March 31, 2021, the SEC has notified the Bank of the conclusion of its investigations without any enforcement action against the Bank.

SEGMENT INFORMATION

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

The standalone segmental report for fiscal 2021, based on the segments identified and defined by RBI, has been presented as follows:

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

Framework for transfer pricing

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

Retail banking segment

The profit before tax of the segment decreased by 13.9% from ₹ 89.93 billion in fiscal 2020 to ₹ 77.40 billion in fiscal 2021 primarily due to an increase in provisions and a decrease in non-interest income, offset, in part, by an increase in net interest income and a decrease in non-interest expenses.

Net interest income increased by 15.2% from ₹ 193.90 billion in fiscal 2020 to ₹ 223.46 billion in fiscal 2021 primarily due to growth in average loan portfolio, an increase in net interest margin and an increase in average deposits.

Non-interest income decreased by 5.9% from ₹ 89.70 billion in fiscal 2020 to ₹ 84.44 billion in fiscal 2021 primarily due to a decrease in fee income from credit card portfolio, lending linked fees and income from third party products distribution. Fee income for fiscal 2021 was impacted due to lower borrowing and investment activity by customers and lower consumer spends caused by the nation-wide lockdown during April-May 2020 followed by gradual

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easing of lockdown by the Government of India, after the outbreak of Covid-19 pandemic, significantly impacting the economic activities.

Non-interest expenses decreased by 3.4% from ₹ 166.47 billion in fiscal 2020 to ₹ 160.85 billion in fiscal 2021.

The provisions (net of write-back) increased from ₹ 27.20 billion in fiscal 2020 to ₹ 69.65 billion in fiscal 2021. The provision was impacted due to higher additions to NPAs in fiscal 2021. Further, during fiscal 2021, the Bank has changed its provisioning policy on non-performing assets for certain loan categories to make it more conservative resulting in higher provisions.

Wholesale banking segment

The profit before tax of the segment increased from ₹ 9.27 billion in fiscal 2020 as compared to ₹ 58.20 billion in fiscal 2021 primarily due to a decrease in provisions and an increase in net interest income, offset, in part, by a decrease in non-interest income and an increase in non-interest expenses.

Net interest income increased by 12.0% from ₹ 98.83 billion in fiscal 2020 to ₹ 110.69 billion in fiscal 2021 primarily due to an increase in net interest margin and growth in the average loan portfolio and an increase in average term deposits and average current account deposits.

Non-interest income decreased by 18.2% from ₹ 44.00 billion in fiscal 2020 to ₹ 36.00 billion in fiscal 2021 primarily due to a decrease in transaction banking fees, income from forex and derivatives products and lending linked fees.

Provisions decreased from ₹ 93.95 billion in fiscal 2020 to ₹ 44.99 billion in fiscal 2021. This decline reflected, in part, lower additions to NPAs and lower ageing provision on existing NPAs.

Treasury segment

The profit before tax of the segment increased from ₹ 50.55 billion in fiscal 2020 to ₹ 110.80 billion in fiscal 2021 primarily due to an increase in interest income on investments, increase in non-interest income and a decrease in borrowing cost.

Non-interest income increased from ₹ 30.05 billion in fiscal 2020 to ₹ 68.48 billion in fiscal 2021. In fiscal 2021, the Bank made a net gain of ₹ 36.70 billion on sale of equity shares of ICICI General, ICICI Life and ICICI Securities. Gain on government securities and other fixed income positions decreased from ₹ 16.30 billion in fiscal 2020 to ₹ 14.64 billion in fiscal 2021.

Non-interest expenses increased from ₹ 8.95 billion in fiscal 2020 to ₹ 9.86 billion in fiscal 2021.

Provisions decreased from ₹ 4.48 billion in fiscal 2020 to a write-back of ₹ 1.48 billion in fiscal 2021.

Other banking segment

Profit before tax of other banking segment decreased from ₹ 5.83 billion in fiscal 2020 to ₹ 2.93 billion in fiscal 2021 primarily due to an increase in provisions and a decrease in net interest income.

In fiscal 2021, Covid-19 related provision amounting to ₹ 47.50 billion (fiscal 2020: ₹ 15.10 billion), was not allocated to any segment and included in unallocated.

CONSOLIDATED FINANCIALS AS PER INDIAN GAAP

The consolidated profit after tax increased from ₹ 95.66 billion in fiscal 2020 to ₹ 183.84 billion in fiscal 2021 primarily due to an increase in the profit of ICICI Bank, ICICI Securities, ICICI Securities Primary Dealership, ICICI General and ICICI Prudential Asset Management Company, offset, in part, by a decrease in profit of ICICI Life, ICICI Bank Canada and ICICI Bank UK. Consolidated return on equity increased from 8.1% for fiscal 2020 to 13.0% for fiscal 2021.

The consolidated assets of the Bank and its subsidiaries and other consolidating entities increased from ₹ 13,772.92 billion at March 31, 2020 to ₹ 15,738.12 billion at March 31, 2021. Consolidated advances increased from ₹ 7,062.46 billion at March 31, 2020 to ₹ 7,918.01 billion at March 31, 2021.

At March 31, 2021, the consolidated Tier-1 capital adequacy ratio was 17.81% as against minimum requirement of 9.075% and total consolidated capital adequacy ratio was 18.87% as against minimum requirement of 11.075%.

ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED (ICICI LIFE)

The Annualised Premium Equivalent (APE) was ₹ 64.62 billion for fiscal 2021 as compared to ₹ 73.81 billion for fiscal 2020. The Value of New Business (VNB) margin was 25.1% for fiscal 2021 compared to 21.7% for fiscal 2020. The company's VNB increased from ₹ 16.05 billion for fiscal 2020 to ₹ 16.21 billion for fiscal 2021. ICICI Life's total premium grew by 6.9% from ₹ 334.31 billion in fiscal 2020 to ₹ 357.33 billion in fiscal 2021. The total assets under management of ICICI Life stood at ₹ 2,142.18 billion at March 31, 2021.

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Net premium earned increased from ₹ 328.79 billion in fiscal 2020 to ₹ 349.73 billion in fiscal 2021. The profit after tax decreased from ₹ 10.69 billion in fiscal 2020 to ₹ 9.60 billion in fiscal 2021 primarily due to additional reserves made for potential Covid-19 claims and increase in tax expenses.

ICICI LOMBARD GENERAL INSURANCE COMPANY (ICICI GENERAL)

The Gross Domestic Premium Income of ICICI General increased by 5.2% year-on-year to ₹ 140.03 billion in fiscal 2021. The profit after tax increased from ₹ 11.94 billion in fiscal 2020 to ₹ 14.73 billion in fiscal 2021 primarily due to an increase in investment income and premium income, offset, in part, by increase in commission expense and operating expense. The company's combined ratio improved to 99.8% in fiscal 2021 as compared to 100.4% in fiscal 2020.

ICICI PRUDENTIAL ASSET MANAGEMENT COMPANY (ICICI PRUDENTIAL AMC)

As per Indian GAAP, the profit after tax of ICICI Prudential AMC increased from ₹ 10.49 billion in fiscal 2020 to ₹ 11.79 billion in fiscal 2021 primarily due to increase in other income and decrease in brokerage and fund related expenses.

ICICI SECURITIES LIMITED (ICICI SECURITIES)

As per Indian GAAP, the consolidated profit after tax of ICICI Securities increased from ₹ 5.53 billion in fiscal 2020 to ₹ 10.94 billion in fiscal 2021 primarily due to an increase in brokerage income, offset, in part, by increase in administrative expenses.

ICICI SECURITIES PRIMARY DEALERSHIP (I-SEC PD)

As per Indian GAAP, the profit after tax of I-Sec PD increased from ₹ 2.66 billion in fiscal 2020 to ₹ 6.47 billion in fiscal 2021 primarily due to higher trading gains.

ICICI HOME FINANCE COMPANY LIMITED (ICICI HFC)

Under Indian GAAP, ICICI HFC made a profit after tax of ₹ 0.81 billion in fiscal 2021 compared to a loss after tax of ₹ 1.17 billion in fiscal 2020 primarily due to an increase in net interest income and a decrease in operating expenditure and provisions. Provisions were higher in fiscal 2020 primarily due to provision on NPAs under construction realty finance portfolio, additional general provision on overdue loans where moratorium benefit was given and provision on investment in security receipts.

As per Indian GAAP, net NPAs increased from ₹ 2.33 billion at March 31, 2020 to ₹ 5.59 billion at March 31, 2021 primarily due to increase in retail NPAs pursuant to the impact of Covid-19 pandemic

ICICI VENTURE FUNDS MANAGEMENT COMPANY (ICICI VENTURE)

The profit after tax of ICICI Venture decreased from ₹ 0.13 billion in fiscal 2020 to ₹ 0.04 billion in fiscal 2021 primarily due to lower income from venture capital funds and increase in other administrative expenses.

ICICI BANK CANADA

The core operating income of ICICI Bank Canada decreased from CAD 69.8 million in fiscal 2020 to CAD 21.3 million in fiscal 2021 primarily due to reduction in net interest income and fee income. The profit after tax of ICICI Bank Canada decreased from CAD 40.6 million (₹ 2.17 billion) in fiscal 2020 to CAD 20.0 million (₹ 1.13 billion) in fiscal 2021 primarily due to decrease core operating income, offset, in part, by write-back of provision.

The total assets decreased from CAD 6.56 billion at March 31, 2020 to CAD 5.96 billion at March 31, 2021. Loans and advances decreased from CAD 5.73 billion at March 31, 2020 to CAD 5.08 billion at March 31, 2021. The net impairment ratio decreased from 0.08% at March 31,2020 to 0.02% at March 31, 2021. ICICI Bank Canada had a total capital adequacy ratio of 24.1% at March 31, 2021 as against 19.1% at March 31, 2020.

ICICI BANK UK PLC (ICICI BANK UK)

The core operating income of ICICI Bank UK decreased from USD 40.2 million in fiscal 2020 to USD 21.8 million in fiscal 2021 primarily due to a decrease in net interest income, fees income and other income, offset, in part, by decrease in operating expenses. Profit after tax of ICICI Bank UK decreased from USD 23.2 million (₹ 1.64 billion) in fiscal 2020 to USD 14.8 million (₹ 1.10 billion) in fiscal 2021 primarily due to lower core operating profits, offset, in part, by lower impairment provision.

Total assets decreased from USD 3.54 billion at March 31, 2020 to USD 2.96 billion at March 31, 2021. Net advances decreased from USD 2.09 billion at March 31, 2020 to USD 1.57 billion at March 31, 2021. The net impairment ratio decreased from 3.8% at March 31, 2020 to 2.2% at March 31, 2021. ICICI Bank UK had a capital adequacy ratio of 28.3% at March 31, 2021 compared to 18.6% at March 31, 2020.

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

₹ in billion

Company	Profit after tax		Total assets[1]	
	Fiscal 2020	Fiscal 2021	At March 31, 2020	At March 31, 2021
ICICI Prudential Life Insurance Company Limited	₹ 10.69	₹ 9.60	**₹ 1,558.62**	**₹ 2,170.35**
ICICI Lombard General Insurance Company Limited	11.94	14.73	**370.42**	**392.59**
ICICI Prudential Asset Management Company Limited[2]	10.49	11.79	**14.79**	**18.52**
ICICI Securities Limited (consolidated)[2]	5.53	10.94	**42.83**	**80.58**
ICICI Bank Canada	2.17	1.13	**350.18**	**346.59**
ICICI Venture Funds Management Company Limited	0.13	0.04	**2.89**	**2.91**
ICICI Securities Primary Dealership Limited[2]	2.66	6.47	**171.55**	**193.32**
ICICI Home Finance Company Limited[2]	(1.17)	0.81	**151.19**	**153.99**
ICICI Bank UK PLC	₹ 1.64	₹ 1.10	**₹ 269.32**	**₹ 217.51**

1. *Total assets are as per classification used in the consolidated financial statements and hence the total assets as per subsidiary's financial statements may differ.*
2. *These companies prepare their financial statements based on accounting guidelines issued under Ind AS. However, for preparation of consolidated financial statement of the Bank, financial statements as per Indian GAAP of these entities have been considered.*
3. *See also "Financials- Statement pursuant to Section 129 of the Companies Act, 2013".*
4. *All amounts have been rounded off to the nearest ₹ 10.0 million.*

MIGRATION TO INDIAN ACCOUNTING STANDARDS (IND AS)

In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), converged with International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). However, currently the implementation of Ind AS for banks has been deferred by RBI till further notice pending the consideration of some recommended legislative amendments by the Government of India. The Bank is in an advanced stage of preparedness for implementation of Ind AS, as and when these are made applicable to the Indian banks. Further, there may be regulatory guidelines and clarifications in some critical areas of Ind AS application, which the Bank will need to suitably incorporate in its implementation.