

ANNUAL REPORT
2019-20



Utkarsh Small Finance Bank

Aapki Ummeed Ka Khaata

(A Scheduled Commercial Bank)

DELIVERING
SUSTAINABLE
& RESPONSIBLE
BANKING

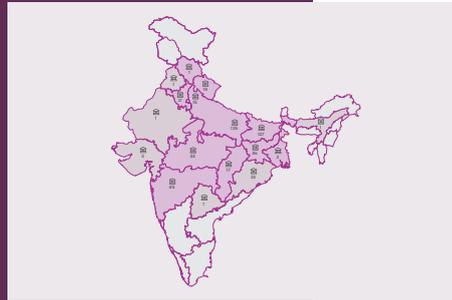


Contents

01-38

CORPORATE OVERVIEW

- 01 Delivering Sustainable and Responsible Banking
- 02 Knowing Utkarsh Small Finance Bank Limited
- 04 Our Journey of Evolution
- 05 Our Growing National Presence
- 06 Delivering Growth Across Key Metrics
- 07 Our Financial Scorecard
- 08 From The Desk of Chairman to Shareholders
- 10 Message to Shareholders from MD & CEO
- 14 Our Board of Directors
- 18 Committees of The Board
- 26 Our Leadership Team
- 31 Our Diversified Product Portfolio
- 32 Winning Accolades and Certifications
- 33 Building The Bank's Culture
- 35 Putting Humanity First
- 37 Case Studies



» pg# 05
Our Growing National Presence



» pg# 14
Our Board of Directors



» pg#33
Building the Bank's Culture

39-102

STATUTORY REPORTS

- 39 Management Discussion & Analysis
- 57 Basel Disclosures
- 71 Directors' Report
- 97 Annual CSR Report



» pg# 35
Putting Humanity First

103-165

FINANCIAL STATEMENTS

- 103 Independent Auditor's Report
- 110 Audited Financial Statements
- 165 CEO & CFO Certificate

166-167

PARTNERS IN PROGRESS

168-169

UTKARSH IN NEWS



To view this report online,
please visit:
www.utkarsh.bank

Delivering Sustainable and Responsible Banking

We are a retail-focussed small finance bank offering last-mile credit to the unserved and underserved segments in India's urban and semi-urban areas. We are committed to the mission of financial inclusion and to that of being a complete banking partner. Our key focus is to help customers experience banking products and services through our asset-based and liability-based products, as we leverage technology to penetrate deeper into India's hinterlands.

Our prime objective is to provide services that are process centric, technology enabled and people oriented resulting in a reliable, scalable and sustainable institution and facilitating socio-economic change. We are accelerating our growth pace by expanding our frontiers, enriching our bouquet of loan and deposit products, foraying into newer credit areas and strengthening our capital base.

Moving forward, our endeavour is to be a scalable and sustainable, and the best Small Finance Bank in India. We are not only facilitating our customers gain financial and digital literacy, but also achieve self-sufficiency and sustainable livelihoods.

25 lakh+
Assets Customer Base

₹9,404 crore
Total Assets

₹1,019 crore
Capital & Reserves

₹6,660 crore
Assets Under Management

₹5,235 crore
Total Deposits

507
Branches across India

KNOWING UTKARSH SMALL FINANCE BANK LIMITED

We are a leading rural focussed bank with a highly respected professional management team. Our founder, Govind Singh, has more than three decades of experience in financial services.

WHO WE ARE

Based at Varanasi, in Uttar Pradesh, Utkarsh Small Finance Bank Limited (USFBL) has been established with the mission to financially empower low-income groups. We are the only bank headquartered in the State.

WHAT WE DO

With over 10 years of experience in the financial services segment and strong governance practices, we serve the under-penetrated low-income to middle-income groups in rural, semi-urban and urban areas.

OUR KEY FOCUS

We encourage people excluded from the formal banking sector to start banking with our affordable and accessible banking services.

OUR MISSION

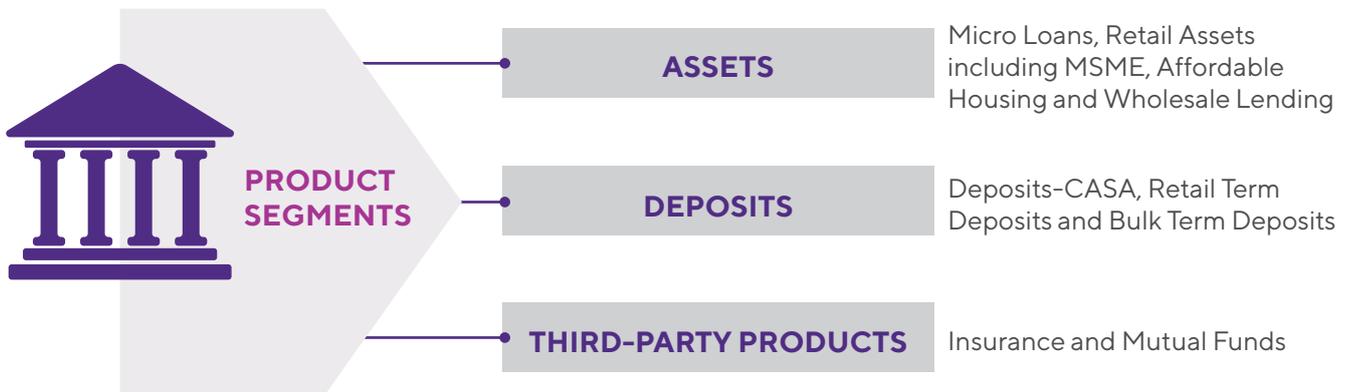
To provide affordable & accessible banking services which are process centric, technology enabled and people oriented resulting in reliable, scalable and sustainable institution facilitating socioeconomic change.

GIVING UMMEED

The objective of our Bank is to give hope to our customers for fulfilling their dreams and needs.

OUR CORE VALUES

- ▶ Customer and Employee Centric
- ▶ Transparency and Fair Practice
- ▶ Responsible and Responsive Service
- ▶ Integrated Social Values
- ▶ Striving for Excellence



DIVERSIFIED STAKEHOLDER BASE AT OUR HOLDING COMPANY UTKARSH COREINVEST LIMITED

At our holding company (HoldCo), Utkarsh CoreInvest Limited (UCL), we count CDC Group Plc, a development finance institution, as the largest shareholder with 14.1% stake. The other major shareholders include RBL Bank and Faering Capital, each holding 9.96% stake; followed by Norwegian Microfinance Initiative Frontier Fund, Aavishkaar Goodwell & its affiliates, Hero Enterprise Partner Ventures, responsibility Participations Mauritius, Sarva Capital & Lok Capital Growth Fund, Shriram Life Insurance Co. Ltd., Small Industries & Development Bank of India (SIDBI), ICICI Prudential Life Insurance Ltd., Jhelum Investment Fund, HDFC Life Insurance Co. Ltd., HDFC Ergo General Insurance Co. Ltd., HDFC Ltd., International Finance Corporation and Sustainability Finance Real Economies SICAV-SIF (Triodos).

Our Marquee Investors

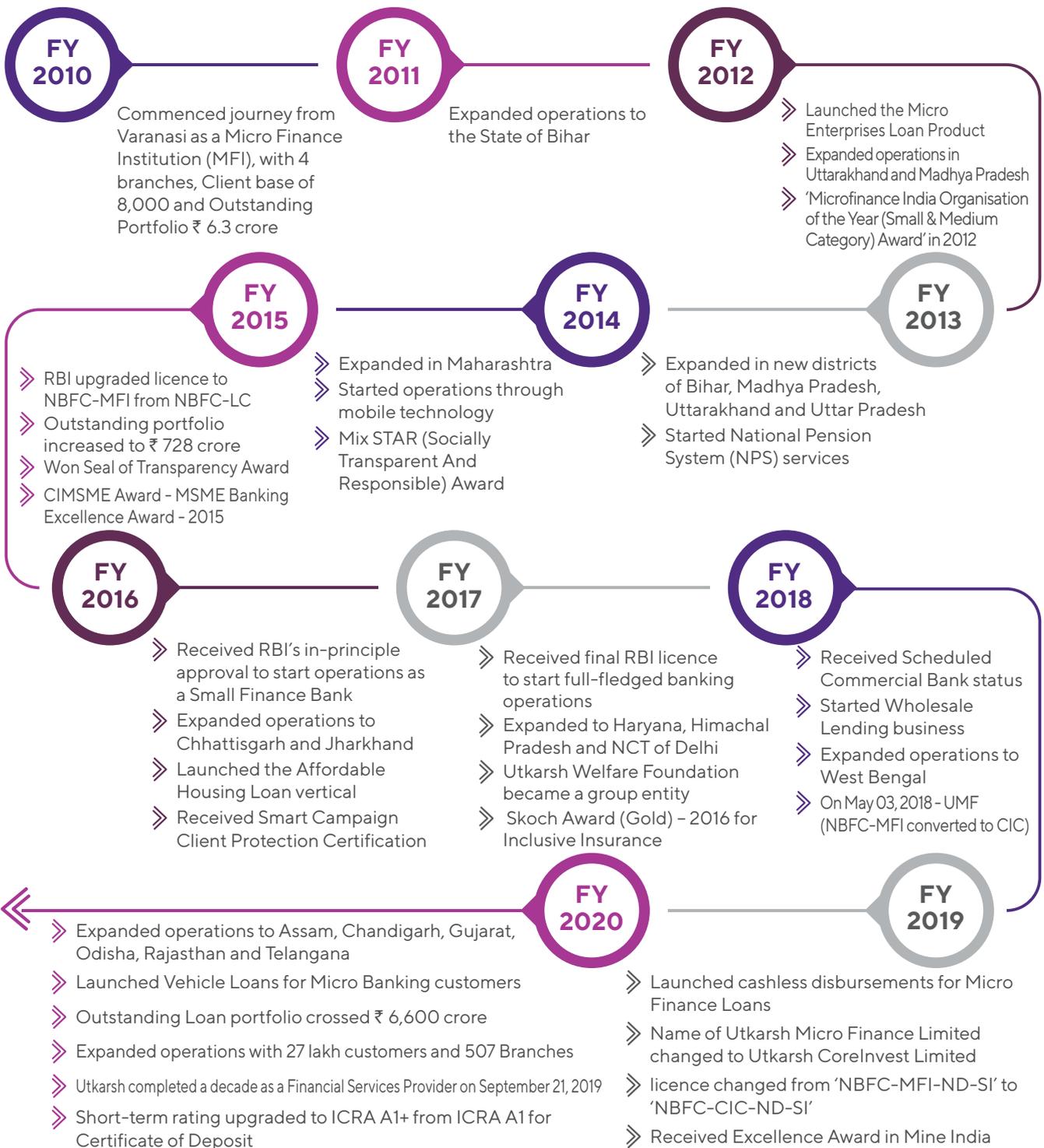


IMPROVED CORPORATE RATINGS

CD	ICRA A1+
Tier II	ICRA A
NCD	CARE A
Tier II	CARE A
Long Term Loan	CARE A

OUR JOURNEY OF EVOLUTION

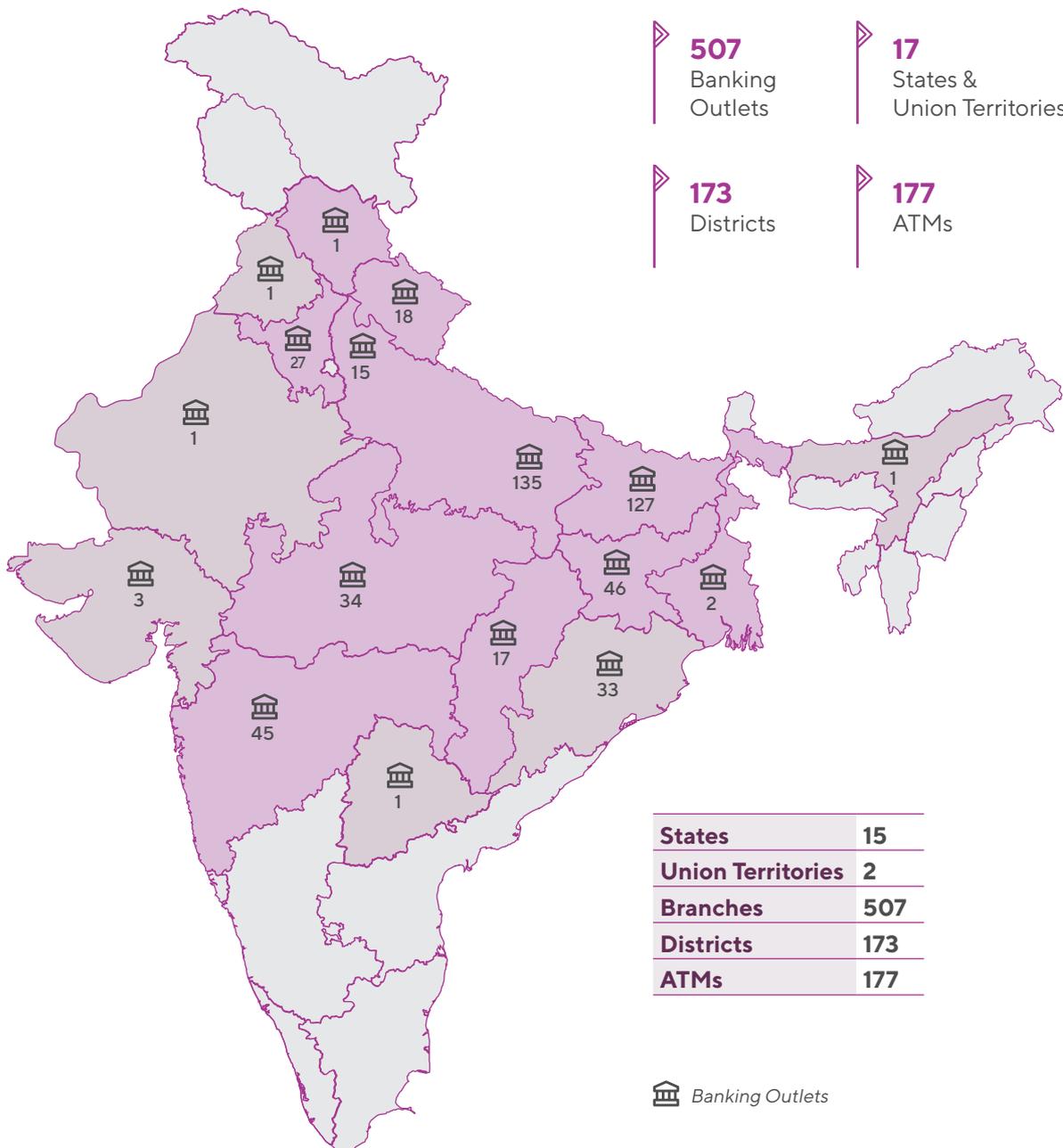
We commenced our journey from being a Microfinance Institution empowering rural women with micro credit and helping them build sustainable livelihoods for themselves. Today, as a Small Finance Bank, we provide all the basic services of a Bank to India’s unserved and underserved population through our brick-and-mortar banking and get them integrated into the formal banking system.



OUR GROWING NATIONAL PRESENCE

We operate in the core geographies of Uttar Pradesh, Bihar and Jharkhand and hinterlands of those states. With a singular aim to provide last-mile connectivity to our customers, we are gradually expanding our presence in several states of India.

Over the years, we have extended our banking services to 173 districts in 15 States and 2 Union Territories. Today, we have a base of more than 27 lakh satisfied customers, with 507 Banking Outlets.



*Map not to scale.

For illustrative purpose only.

DELIVERING GROWTH ACROSS KEY METRICS

Our continued focus led our assets and liabilities base to grow. During the year, we also grew our scale of operations, asset quality, customer base, portfolio and our capabilities.

OUTREACH

507

Total number of banking outlets

15 States + 2 Union Territories

173 Districts

8,831

Employees

ASSETS

₹6,660 crore

AUM

40.46%

AUM growth

26 Lakh

Number of Customers on the asset side

LIABILITIES

₹5,235 crore

Deposits

121%

Credit to Deposit Ratio

48.16%

Retail to Deposit Ratio

FINANCIALS

21.18%

ROAE

2.47%

ROAA

57.63%

Cost to Income Ratio

CAPITAL STRUCTURE

₹1,019 crore

Capital & Reserves

22.19%

CRAR

19.42%

Tier I Capitalisation

ASSET QUALITY

0.71%

GNPA

0.18%

NNPA

99.39%

Collection Efficiency

OUR FINANCIAL SCORECARD

An understanding of core customer and a one-to-one connect with each of them helps us build relationships and deliver growth. During the year, our core business of general and micro banking products and services continued to perform well. Total business grew by 39.40% at ₹ 11,895 crore, while capital adequacy ratio was at a healthy 22.19%.



FROM THE DESK OF CHAIRMAN TO SHAREHOLDERS



Dear Shareholders,

At the outset, I thank you for your continuous support. We are privileged to share with you our Annual Report for the FY2019-20.

The FY2019-20 has been a good year for the Bank on operational as well as on financial parameters. The Bank has expanded its operations in the states & union territories of Assam, Chandigarh, Gujarat, Odisha, Rajasthan and Telangana. The Bank achieved a growth of 39.40% in its business to ₹ 11,895 crore as of March 2020 from ₹ 8,533 crore as of March 2019. The Profit After Tax (PAT) almost doubled to ₹ 186.7 crore in FY2019-20 from ₹ 93.9 crore achieved in FY2018-19. The Bank has also created a specific ₹ 49.9 crore COVID-19 standard assets provision on prudential basis in excess of RBI prescribed norms. The Bank's Capital to Risk Assets

Ratio (CRAR) stays strong at 22.19%, as against the stipulated 15% by Reserve Bank of India (RBI).

We write to you in the middle of the challenges COVID-19 has thrown globally. The ongoing lockdown, induced by the pandemic, is expected to weaken domestic consumption. However, we remain confident that India's economy will not only face these challenging times, but also come out stronger than ever.

As we all know, India has a large proportion of people still unserved and underserved, with no access to the formal financial ecosystem. Rural India has been the missing piece in the banking landscape. There is a need for banking to be expanded into India's hinterlands to include those who are economically weaker and do not come under the purview of the formal financial marketplace.

Utkarsh is derived from the Sanskrit word advancement or progress and spells out what we want to achieve. Ever since the entity was established, our focus has been on fostering financial inclusion. Utkarsh Small Finance Bank Limited ('the Bank') is among the 10 entities to have received the in-principle approval from the Reserve Bank of India (RBI) to start SFB operations in September 2015 and lend to small businesses.

The Bank, which commenced its operations in January 2017, has been founded with the very mission to provide financial access to the unserved and underserved, furthering financial inclusion and last-mile delivery of banking services. We serve the unbanked and neglected sections of the society through our brick-and-mortar branches and through our banking correspondent network.

DIFFERENTIATED BANKING

As we serve individuals and enterprises with little or no access to the formal finance system and credit products, we are proud of our experienced senior management team, full-compliance with corporate governance, stable liquidity profile, established track record, comfortable capitalisation and healthy deposit mobilisation. We have a diversified institutional equity investor base and comfortable capitalisation levels. We are not only strengthening our product portfolio, but also expanding into newer geographies.

As a Small Finance Bank, we offer all that a universal bank provides. We provide them with general banking and micro banking services, including deposit taking, fund transfer, and microfinance. We offer them savings accounts, small credit, deposit services, credit and debit cards, and other

banking & financial services. Having embedded customer-centricity at the heart of our organisation, we cater to all types of customer segments. Functioning as a bank is enabling us to increase the scale of lending.

As we serve those who are unserved and underserved in the society, customer service becomes our strong differentiator. We take pride in our financial flexibility, resulting from our diversified funding mix, strong investor base and robust management information systems (MIS) as well as the effective internal control and monitoring systems.

SUSTAINABLE BANKING AND RESPONSIBLE LENDING

We understand the needs of the consumers in this segment, with unpredictable and erratic inflows. As we continue to be guided by our core values, we remain committed to develop and provide sustainable and responsible banking and financial solutions to millions of unbanked and under-banked people in India. Going by our values, we conduct business in a sustainable and responsible manner.

We engage in responsible lending to our customers, about 95% of whom are women. Our loans are mostly not for consumption, but for income generation. As long as there is an

activity that is sustainable, scalable, and requires funding, we are here to support that. It can be anything from animal husbandry to loom businesses or loans to micro, small and medium enterprises (MSMEs), loan against property, and others.

MAKING AN IMPACT

We are a retail-centric bank providing a wide-level impact on the society's broad stakeholders – our local communities and people. We are serving our mission of touching the lives of the underserved households of India and providing them with the required access to banking and financial services. Our key objective is to enable our customers to become financially self-sufficient, to empower them and help them become financially literate. With a deep understanding of this customer segment, our purpose continues to not only serve them, but also help them take control of their economic destiny.

OUR STRATEGIC PRIORITIES

With our operations spread over 15 States and two Union Territories through 507 branches in 173 districts, our objective is two-fold – to reach out to more and more customers, and to drive low-cost deposits. Our aim is to serve our customers at their doorstep by offering them banking services and last-mile credit. We are strategically improving our reach to cater to all segments – General banking,

Micro banking, MSME, Housing (including affordable), and Two-wheeler loans.

REDUCING PROMOTER STAKE

Within five years of commencement of our operations, we will need to bring down promoter shareholding to 40%. Our goal is to obtain a stock market listing before June 2021. This is based on RBI's norms which mandates SFBs to list within three years of achieving net worth of ₹ 500 crore or more. We have already started the process of dilution in promoter shareholding and preparatory work for stock market listing.

FUTURE OUTLOOK

As we set on this exciting and remarkable journey, our aim is to become a scalable, sustainable and efficient bank and be the champions in financial inclusion. We are proud to have been associated with you as we continue on our voyage of sustainable and responsible banking and value creation. We endeavour to build on this momentum and create further value for all our stakeholders.

Regards

Dr. V. S. Sampath
Chairman

MESSAGE TO SHAREHOLDERS FROM MD & CEO



Dear Shareholders,

We are happy to share the Bank's Annual Report for FY2019-20 with you. The Bank achieved several milestones in the year including the Bank crossing ₹ 10,000 crore business, Deposits base exceeding ₹ 5,000 crore mark, Capital & Reserves exceeding ₹ 1,000 crore, Microfinance outreach crossing 25 lakh active clients base and overall banking outlets count being more than 500 pan India. Alongside these and several other milestones, the Bank has reported significant growth in Profit After Tax and profitability ratios, good asset quality profile and healthy capital adequacy during FY2019-20.

This year, the Bank has also crossed three (3) years of our banking journey which had started on January 23, 2017. The banking platform provides us huge opportunity in the form of penetrating the banking

and financial services to the underserved and unserved sections and geographies of the country and at the same time offering our unique products and services to the customers across the country. While I believe that the period of three (3) years is relatively short in building a strong bank network which is trusted by masses, with every passing year we have been strengthening our banking infrastructure, product offerings and service quality and building a strong foundation for a new-age bank.

Headquartered in Varanasi, Uttar Pradesh, we have deep rooted presence and experience of operating in hinterlands of the country which are also relatively underserved geographies from the banking and financial perspective. We are the only Small Finance Bank licensed from this geography and the only non-cooperative, non-RRB

based bank, which hails from this geographical area. Currently, the Bank has a total customer base of more than 25 lakhs on asset side and more than 4 lakhs on liability side with total business size of ₹ 11,895.2 crore as on March 31, 2020.

On the macroeconomic front, the Indian economy, while still being one of the fastest growing economies of the world, has also been impacted from the global economic shock as the spread of COVID-19 and the subsequent national lockdown has paralysed most economic and commercial activities in the country towards the end of FY2019-20 and beginning of Q1, FY2020-21. India's real GDP growth moderated to 4.2% in FY2019-20 as compared to 6.1% in FY2018-19. Furthermore, GDP growth is expected to weaken in FY2020-21. As is the case globally, the Indian Government and the Reserve Bank of India have announced several unprecedented measures to support and revive economic activity. Also, the economic activity in agriculture sector and rural parts of India has been relatively less affected and is likely to support the economic growth during FY2020-21. Once the impact of COVID-19 starts fading, Indian economy is expected to bounce back faster, supported by strong fundamentals, several measures and reforms announced by the Government of India; and with having relatively less impact on agriculture and rural activities and favourable demographics.

From Small Finance Banks' (SFB) perspective, FY2019-20 has been a year of healthy growth with SFBs' loan portfolio growing by around 30% and deposits growing by more than 45% during FY2019-20, while the credit and deposits growth for overall banking sector has been moderate at 6.1% and 7.9%, respectively (during FY2019-20).

The growth of SFBs has been supported by their deep rooted presence specifically in the rural and semi-urban locations and their retail focussed banking activities.

FINANCIAL AND OPERATIONAL PERFORMANCE

I am happy to report that the Bank has registered healthy financial performance as reflected in our Profit after Tax (PAT) growing by 98.9% to ₹ 186.7 crore in FY2019-20 vis-à-vis ₹ 93.9 crore in FY2018-19, despite impact of COVID-19 towards end of FY2019-20. The Bank has created COVID-19 specific provision of ₹ 49.96 crore during FY2019-20, which is over and above the regulatory requirement. The Bank's operating income increased by 48.4% during FY2019-20 to ₹ 826.8 crore vis-à-vis ₹ 557.2 crore during FY2018-19. The Bank has also been able to maintain an efficient cost structure with our cost-to-income ratio at 57.6%, lower than most of our SFB peers. The Bank has reported good asset quality as reflected in Gross and Net NPAs at 0.71% and 0.18% respectively as on March 31, 2020 which is better than most of SFB peers. The Bank's return on average assets (ROA) was 2.47% and return on average net-worth was 21.18% during FY2019-20.

The Bank recorded healthy business growth during FY2019-20 with our Gross advances (Assets Under Management) increasing by 40.46% to ₹ 6,660 crore as on March 31, 2020 and deposits growing by 38.08% to ₹ 5,235 crore as on March 31, 2020. Our healthy deposits growth was, despite some degree of risk aversion, seen in general among depositors following regulatory actions on one Private Bank and one Cooperative Bank in FY2019-20, which shows improving customer connect of our

Bank. The Bank has added large number of new customers this year on both deposits and lending side. The Bank's focus on CASA and retail deposits also yielded results, as reflected in, CASA deposits ratio increasing to 13.5% of our total deposits and retail term deposits together with CASA deposits accounted for around 48% of total deposits as on March 31, 2020. As our CASA and retail term deposits base increases, our ability to cross sell other products to customers will also increase.

Our cost of funds is also on a declining trend as we are bringing down our cost of deposits. The Bank has also retired most of the liabilities which were raised earlier as NBFC-MFI at higher cost. Our current cost of funds is 9.26%, which has declined from 9.81% in FY 2018-19. Our higher lending yield gives us the ability to offer relatively more attractive interest rates on our deposits to our customers while maintaining healthy net interest margin (NIM) and give a good savings proposition to the depositor. As our funding cost goes further down driven by CASA and retail deposits, we aim to pass on the benefits to our borrowers.

On the lending side, microfinance lending remains the focus area for the Bank and accounted for 89.60% of our total Gross Loan Book as on March 31, 2020. Our microfinance lending empowers borrowers to start their own businesses and build sustainable livelihoods for themselves. At the same time, the Bank is focussing on expanding its lending to other retail assets, like housing loans, personal loans and loans to small and medium enterprises (MSMEs). During the year, the Bank launched a two-wheeler loan product for its existing microfinance clients on pilot basis. During the year, the Bank also launched an individual business

loan product for its existing matured microfinance clients who have good repayment track record with the Bank under JLG business. We are also in the advanced stage of launching "wheels" products and different variants of working capital financing solutions to the customers. The Bank endeavours to launch several other retail loans products in the years to come.

The Bank's capital position remains comfortable with CRAR and Tier 1 capital at 22.19% and 19.42%, respectively as on March 31, 2020 against the regulatory minimum requirement of 15% and 7.5%, respectively. In September 2019, the Bank raised fresh equity capital of ₹ 60 crore through Rights Issue.

EXPANDING GEOGRAPHIC FOOTPRINTS

During FY2019-20, the Bank expanded its geographical footprint by opening 71 new banking outlets taking the total banking branches count to 507 as on March 31, 2020. With the addition of new banking outlets, the Bank has marked its presence in five (5) new States (Assam, Gujarat, Odisha, Rajasthan & Telangana) and one (1) Union Territory (UT of Chandigarh), taking the Bank's presence to total 15 States and 2 UTs as on March 31, 2020. The Bank's branches are spread across 173 districts of the country. The Bank also has a well spread ATM network across 177 locations. During FY2019-20, the Bank also launched micro ATMs on a pilot basis to provide doorstep banking services.

On the microfinance lending side, Bihar and Uttar Pradesh along with a few other States have been the core operating geography for the Bank, with focus in the hinterland geographies. While on the back of relatively lower

MESSAGE TO SHAREHOLDERS FROM MD & CEO

financial penetration and strong demand for microfinance lending, Bihar and Uttar Pradesh are likely to remain key geographies for the Bank, though at the same time the Bank is expanding its microfinance lending to other geographies offering good growth potential and stable asset quality environment. During FY2019-20, the Bank expanded its microfinance lending in the State of Odisha. The Bank will be looking for geographical penetration into newer States as well as strengthening its presence in existing States by opening new branches in uncovered Districts.

The Bank has significant presence in rural and a semi-urban locations; out of 507 branches as on March 31, 2020, more than two-thirds are located in rural and semi-urban areas. On deposits mobilisation front, we have also expanded our presence in top deposits mobilisation locations of the country which are primarily metropolitan and urban locations.

Our geographical presence through brick and mortar is also supplemented with our digital offerings like Internet Banking, Mobile Banking and Call Centres. In some of the geographies where the Bank does not have a direct presence through its branches, the Bank has expanded through Business Correspondent partner model.

FINANCIAL INCLUSION

Financial inclusion remains at the forefront for our Bank. On the lending side, microfinance (including through Business Correspondents) accounted for 89.78% of total loan book which is small ticket lending. As on March 31, 2020, out of our Gross loan book (Assets Under Management) of ₹ 6,660 crore, around 90% was in the ticket size of less than ₹ 1 lakh which reflects granularity of our loan book as well as financial

inclusion impact of our Bank. As on March 31, 2020, the Bank has 25 lakh plus customer base for microfinance.

On the liability side as well, the Bank has opened more than 4 lakh savings bank accounts, a large number of which are opened through our micro banking branches which are primarily operating in rural and semi-urban locations.

Our commitment towards financial inclusion is also reflected in our lending towards priority sectors being substantially higher at 91.79% of loan portfolio as on March 31, 2020 vis-à-vis regulatory requirement of 75%. Similarly, our lending to ticket size of less than ₹ 25 lakh comprised 93.61% of our loan portfolio as against the regulatory minimum requirement of 50%. Higher than minimum regulatory required PSL portfolio has also offered us the opportunity to earn other income through sale of PSL certificates (PSLCs).

CREDIT RATINGS

I am pleased to share that in April 2019, our short-term credit rating was upgraded by ICRA Limited from [ICRA]A1 to [ICRA]A1+ (highest credit rating in the short term). Bank's long-term credit rating is "A" with stable outlook by ICRA and CARE Ratings.

COVID-19 IMPACT

The COVID-19 pandemic has presented unprecedented health and financial challenges to the global and domestic economy. At the Bank, we made sure that our banking services continued normally during the lockdown, as permitted under Government guidelines. All our branches and ATMs remained open during this time, with there being adequate liquidity for our customers. We remain proud of our

employees who provided consistent services to our customers during these adverse times.

During this more difficult and challenging period, the Bank is maintaining sufficient liquidity to meet the requirement of its depositors and customers as well as for any exigencies. The Bank's Liquidity Coverage Ratio remains significantly above the regulatory minimum requirement. While the impact of pandemic on the financial position of Bank's customer is yet to be ascertained, the Bank has created a COVID-19 specific provision of ₹ 49.96 crore during FY2019-20, which is over and above the regulatory requirement, as a prudent practice. The Bank's capital position is also significantly higher than the regulatory minimum requirement.

MOVING AHEAD

We are a purely retail-focused, value-based bank, with good management quality and pedigree of the Board. We are leveraging technology to better serve the underserved and unserved hinterlands of India, particularly those at the bottom of the pyramid. Our key differentiating factor continues to be the attention paid for catering to the rural and small business segments. With further addition to the product bouquet, we plan to increase our business size multifold, in the next four to five years.

The Bank intends to continue its focus on retail lending segments i.e. Microfinance, Housing Finance, Wheels amongst and along with other retail loans to customers and loans to small and medium size business and MSMEs. The Bank intends to increase the share of secured lending in overall portfolio in the years to come. The financial inclusion space is expected to

remain the mainstay of the Bank. On the deposits mobilisation,, the Bank intends to deepen its presence in all geographies and customers. Going forward, we will be launching new products and services to our customers.

In the medium term, the Bank also aspires to become a Universal Bank, as and when the Regulators allow for such conversion.

CORPORATE ACTIONS

As per SFB licensing requirement of RBI, an SFB is required to get itself listed within three (3) years of it crossing the net-worth of ₹ 500 crore and reduce the promoter shareholding in the SFB entity to less than 40% within five (5) years of commencement of banking operations. Going forward, Public listing of the SFB entity (the Bank) as mandated by RBI licensing guidelines will be the focus area for the Bank. For this, Corporate processes have already been started and different verticals are in sync towards readiness for the Initial Public Offering (IPO) launch. This will not only enable us to meet the capital requirements for future growth of the Bank but also would lead to a much diverse ownership of the Bank. Our Bank is taking steps to meet both these guidelines well within the regulatory timelines.

BUILDING OUR CULTURE

As our book size grows, we expect to increase our workforce too and have been building a

unique Utkarsh culture, one that is process-driven and growth-oriented. Our key focus is to hire local employees and fresh graduates / under-graduates in every location we foray into, as their stickiness is higher, and a fresher can be moulded easily with proper training. We highly appreciate and respect the value of our human resources, and we continue to expand, nurture and retain our pool of human ability.

As we grow our topline and bottom line, we will continue to identify our target audience in the underserved and unserved regions, and deliver our banking and financial services to them in an honest, timely and efficient manner. We will continue to work towards realising our vision to turn into a financially sustainable and value-based retail bank for the masses.

As a part of Corporate Social Responsibility (CSR) initiatives, our CSR partner-Utkarsh Welfare Foundation (UWF) expanded its scope and scale of Financial Awareness, Health Initiative, Skill/Vocational Training and other welfare activities, during the current financial year. The CSR and Welfare activities of UWF are currently operational in five (5) States across 31 districts and covers over 4,500 villages. The programme has benefited more than 2.2 lakh lives across the operational geographies, so far.

ACKNOWLEDGEMENT

It is a wonderful experience for me to lead a young Bank which is focussed fully on becoming a truly retail bank for masses. I would like to thank our Board of Directors for their guidance and support. I express my gratitude to Reserve Bank of India and other regulatory authorities for creating an enabling environment for the development and regulation of banking sector in India.

I am thankful to all our shareholders, investors, refinancing institutions viz. NABARD, SIDBI & MUDRA and all our partners for their continued association with the Bank.

I thank all our esteemed customers for their continued patronage and belief in our services. I would also like to submit my sincere appreciation of the continued efforts put in by all the employees of our Bank, in further expansion, while achieving milestones one after another.

I look forward to the continued support of all our Stakeholders, and reiterate the commitment on behalf of all employees, for a robust and well balanced growth in the coming years.

Best Regards

Govind Singh
Managing Director & CEO

OUR BOARD OF DIRECTORS



Dr. V. S. Sampath

*Part-time Chairman of the Board
and Non-Executive Independent Director*

Dr. V. S. Sampath is a former Chief Election Commissioner of India and a 1973 Batch IAS Officer. He has held several key positions in the Central Government, including a term in the Union Ministry of Rural Development. As Chief Election Commissioner, Dr. Sampath has been instrumental in pioneering several reforms in poll management that include expenditure monitoring, setting up of flying squads and surveillance teams.

Dr. Sampath formerly held the position of Director General, National Institute of Rural Development. Thereafter, he held the post of Secretary, Chemicals and Petrochemicals, where he was pivotal in conceptualising and implementing the Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) policy by facilitating massive investments in the identified regions and supporting the growth of the petrochemical sector in India.

Additionally, Dr. Sampath has served as Secretary, in the Central Power Ministry, where he played a key role in implementing several forward-thinking policies that aided the sector. One such policy includes the Restructured-Accelerated Power Development and Reforms Programme (R-APDRP), a mega-package for the renovation and modernisation of Indian power utilities, to help them improve their performance.



Ms. Anita Ramachandran

Nominee Director - Utkarsh CoreInvest Limited

Ms. Anita Ramachandran has more than 35 years of consulting experience in Corporate Strategy and Human Resource Consulting and currently heads Cerebrus Consultants.

Ms. Ramachandran set up Cerebrus Consultants in 1995 armed with a passion of making a difference in the HR environment with a focus on diversity and women's relevance in the workplace. Ms. Ramachandran is an expert in the rewards area in the country and has worked with many multinationals and major Indian companies across a wide range of sectors.

She is an alumna of Jamnalal Bajaj Institute of Management Studies, Mumbai and commenced her career with AF Ferguson & Co, where she spent 19 years in management consulting.

**Mr. G. Sampath Kumar**

Nominee Director – SIDBI

Mr. G. Sampath Kumar is the Chief General Manager of SIDBI, at Head Office, Lucknow heading the Audit and Fraud Management Vertical since April 2018. He has over 28 years of extensive experience in Development Banking encompassing refinance, project appraisal, venture capital, Infrastructure finance, forex, business development, NPA management, promotional and developmental activities, micro finance, resources management, energy efficiency and asset reconstruction areas.

Prior to his posting at Lucknow, he was Regional Head of SIDBI for Telangana and Andhra Pradesh States and handled business portfolios of more than ₹ 10,000 crores including the Microfinance portfolio. Mr. Sampath Kumar was a Director on the Boards of Andhra Pradesh State Financial Corporation (APSFC), Telangana State Financial Corporation (TSFC), Andhra Pradesh Industrial Technical Consultancy Organization (APITCO), Future Financial Services Pvt. Ltd (FFSL), HITVEL Fund, Cyberabad Fund (Chairman of both the Funds), Madhya Pradesh State Financial Corporation and Madhya Pradesh Technical Consultancy Organization.

He has attended and made presentations at various international seminars and workshops organized by ADFIAP, Manila, Philippines, Euromoney Training Centre, Paris, France, Regional Seminar on ASEAN Economic Community (AEC) on Sharing perspective, Knowledge and Experience at Khon Kaen, Thailand. Mr. Sampath Kumar holds an MBA in Finance, and has also completed his PGDFM, PGDBA and PGDCA.

**Mr. Kajal Ghose**

Non-Executive Independent Director

Mr. Kajal Ghose is a career banker, with more than 38 years of banking experience with SBI. He has rich experience in State Bank of India and retired as the CGM. During his career, he had varied experience, including heading retail operations at Branches. He has also handled key positions in Planning Assignments, Inventory Management and Information Technology.

During the last decade of his career, he managed ATM Operations of the Bank and also worked in the Rural Business Group. During his career, he has handled the Debit and Prepaid Cards and Mobile Banking Services division also. He headed Lucknow and Delhi Zone of State Bank of India.

Mr. Ghose also led the Business Intelligence Department of SBI in addition to running the Country's biggest Banking Data Warehouse.

Since retiring from SBI in October 2016, Mr. Ghose has been appointed as a Director, Utkarsh Small Finance Bank, a Member of the Board of Supervisors in Afghan United Bank, a Senior Advisor to Pay U, as well as an advisor/ Consultant to companies like GLG, Third Bridge, Kovid India, Datavise, Stratosphere IT Services Limited among others.

Mr. Ghose holds a Bachelor's Degree in Commerce, Certified Associate of Indian Institute of Bankers and PGDM Diploma in Management. He is also continuing with his academic pursuits and is a visiting faculty at several institutes including IIM Ahmedabad, Raipur, Jammu as well as IIBF and NIBM. He has also published articles in professional magazines like Quest and Vinamaya etc. He has also participated in various learning programmes and obtained certifications in areas like Cyber Security, Risk Management etc. during this period.

OUR BOARD OF DIRECTORS



Ms. Kalpana Prakash Pandey

*Additional Director (Non-Executive & Independent)**

Ms. Kalpana Prakash Pandey is a seasoned Information Technology Management professional with over 28 years of experience in designing and managing many 'Time & Business' critical set-ups in key organisations such as State Bank of India, IDBI Principal Asset Management Company Ltd., HDFC Bank Ltd. and CRIF High Mark Credit Bureau.

She has held the position of Managing Director and CEO at CRIF High Mark till March 31, 2020. During her tenure of over 7 years at CRIF High Mark, the Bureau has transformed into a successful credit information company serving more than 5,500 financial institutions as its members.

She started her career with State Bank of India in C&I Project in 1991 and then worked with IDBI Principal Asset Management Company as Head-Technology. Thereafter, in 2001, she served in HDFC Bank Information Technology department for over 11 years in various capacities. During her stint at HDFC Bank, she conceptualised and transformed many challenges into business opportunities and served as Senior Vice President-IT.

An M. Tech (Computer Science & Technology) & P. G. Diploma (Electronics & Communication) from IIT Roorkee, she is also certified on various internationally accepted Best Practices, Frameworks and Standards on Enterprise Architecture, Governance, Risk, Compliance & other Management practices.

*With effect from April 29, 2020



Mr. PH Ravikumar

Non-Executive Independent Director

Mr. PH Ravikumar is a seasoned Banker having 48 years of Financial Sector Professional experience with exposure at Top/Senior Management Levels which included 33 years of Banking experience at Bank of India (22 years) and ICICI Bank (11 years). He has been the founding MD & CEO of NCDEX Ltd, the premier derivatives commodity exchange of India with focus on agro commodities. He was subsequently the founding MD & CEO of Invent Assets Securitisation & Reconstruction Co. Ltd., an ARC regulated by RBI. He was then a co-founder of Vastu Housing Finance Corporation Limited and its Chairperson till July 2017. He has been a member of Board of Directors of Federal Bank, L&T MF., BOB Capital Markets Limited and a few other companies; currently he also serves as a member of Board of Directors of companies like Aditya Birla Capital Ltd., Bharat Forge Ltd., Escorts Ltd., ICICI Prudential Trust Ltd., NSE Data & Analytics Ltd., and UTI Retirement Solutions Ltd.

Mr. Ravikumar holds an Bachelor's Degree in Commerce, Certified Associate of London Institute of Bankers, Certified Associate of Indian Institute of Bankers, Fellow of Securities Investments Institute, London (honorary) and Senior Diploma in French. He is also a member of the Board of Directors of Chartered Institute of Securities and Investments (CISI) U.K. (the first non-European to be a Director on this Board).



Mr. Tantra Narayan Thakur

*Non-Executive Independent Director**

Mr. Tantra Narayan Thakur has over 39 years of extensive experience, in Treasury Management, Financial Management (including Resource Mobilization, Investment decisions and Appraisal of Projects Financing), Accounts, Cash Management, Budgeting and Budgetary Control, Human Resource Management etc.

He worked for seven years in the offices of the Accountant General of three states in India, for four years in the Office of the Comptroller and Auditor General of India, for three years as Dy. Secretary/Director in the Government of India, for one year as Secretary to Chief Minister of a major State, for five years as Principal Director of Audit under the Comptroller & Auditor General of India, for over five years as Director (Finance) in Power Finance Corporation of India Ltd. and for twelve years as CMD, Power Trading Corporation (PTC) India Ltd.

He was earlier deputed to the United Nations High Commissioner for Refugees (UNHCR) at Geneva, for performance audit of that organisation, on behalf of the United Nations Board of Auditors. He was a member of the Prime Minister's Task Force on Socio-Economic Development of Jammu & Kashmir, headed by Dr. C. Rangarajan.

** Mr. Thakur has resigned w.e.f. March 25, 2020 after completing his full term of directorship.*



Mr. Govind Singh

Managing Director & CEO

Mr. Govind Singh has an overall experience of more than 30 years in Banking & Finance Sector, with wide range of experience at different levels.

He is the founder of Utkarsh CoreInvest Ltd. (Erstwhile-Utkarsh Micro Finance Ltd.), the promoting institution of Utkarsh Small Finance Bank Ltd. Currently, Mr. Govind Singh is the MD & CEO of Utkarsh Small Finance Bank Ltd.

Prior to setting up Utkarsh, he was with ICICI Bank Ltd. in Rural, Micro & Agri- Business Group as the Business Head for Micro Banking. He also worked in Retail Liabilities Group with ICICI Bank.

Before ICICI Bank, he had worked with UTI Bank Ltd. (Axis Bank), Bank Internasional Indonesia, Surya Roshni Group (Financial Services). He also had stints with Allahabad Bank and State Bank of Patiala.

Mr. Govind Singh, also served as a member of the working group to review the Business Correspondent (BC) Model in India. The committee was set up by RBI to examine the ways for improving BC Model.

COMMITTEES OF THE BOARD

as on June 12, 2020

Audit Committee

The composition & major responsibilities of the Committee are given below:

Members	Mr. PH Ravikumar Ms. Anita Ramachandran Mr. G Sampath Kumar Mr. Kajal Ghose
Major Responsibilities	<ul style="list-style-type: none"> • Recommendation for appointment, remuneration and terms of appointment of auditors of the Bank. • Review and monitoring the auditor's independence and performance, and effectiveness of audit process. • Examination of the financial statement and the auditors' report thereon. • Approval or any subsequent modification of transactions of the Bank with Related parties. • Scrutiny of inter-corporate loans and investments. • Valuation of undertakings or assets of the Bank, wherever it is necessary. • Evaluation of internal financial controls and risk management systems. • Monitoring the end use of funds raised through public offers and related matters. • Providing direction and to oversee the operation of the audit function. • Review of the internal audit system with special emphasis on its quality and effectiveness. • Review of internal and concurrent audit reports of large branches with a focus on all major areas of housekeeping, particularly inter branch adjustment accounts, arrears in the balancing of the books, un-reconciled entries in inter-Company accounts and frauds. • Discussion on the matters related to frauds. • Discussion and follow-up for the audit observations relating to Long Form Audit Report. • Discussion and follow-up for the observations relating to Inspection Report / Risk Assessment Report of the RBI. • Review the system of appointment of concurrent auditors and external auditors. • Review of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible. • Approval of payments to statutory auditors for other services rendered by them. • Review with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval with particular reference to. • Review and Approval of matters required to be included in the Director's Responsibility Statement in the Board's report in terms of clause (5) of section 134 of the Companies Act, 2013 & Changes, if any, in accounting policies & practices and reasons for the same. • Review of major accounting entries involving estimates based on the exercise of judgement by the management. • Review of significant adjustments made in the financial statements arising out of audit findings. • Review of compliance with statutory and legal requirements relating to financial statements. • Review of disclosure of any related party transactions. • Review and discuss qualifications in the draft audit report. • Review, with the management, the quarterly financial statements before submission to the Board for approval.

- Review, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus/ notice and the report submitted by the agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board for taking steps in the matter.
- Review with the management, performance and independence of statutory and internal auditors, adequacy of the internal control systems and effectiveness of audit process.
- Obtain and review quarterly / half yearly reports of the Compliance Officer.
- Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing, seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discuss with internal auditors any significant audit findings and follow-up thereon.
- Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discuss with Statutory Auditors, before the commencement of audit, the nature and scope of audit as also conduct post-audit discussion to ascertain any area of concern.
- Analysis of the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Review of the functioning of the Whistle Blower-cum-Vigil Mechanism.
- Approval of the appointment of the Head of Internal Audit / Chief Internal Audit Officer before finalisation of the same by the management. While approving the appointment, Audit Committee shall assess the qualifications, experience & background etc. of the candidate.
- Approval or any subsequent modification of transactions of the Bank with related parties.
- Evaluation of internal financial controls and risk management system.
- Valuation of undertakings or assets of the Bank, wherever it is necessary.
- Review of Information System audit and Cyber Security audit reports.
- Discussion and follow-up for audit observations relating to Information System audit and Cyber Security Audit.

Frequency

Quarterly

Nomination & Remuneration Committee

The composition & major responsibilities of the Committee are given below:

Members	Mr. Kajal Ghose Ms. Anita Ramachandran Mr. PH Ravikumar Dr. V. S. Sampath
Major Responsibilities	<ul style="list-style-type: none"> • Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon. • Evaluate the skills that exist, and those that are absent but needed at the Board Level, and search for appropriate candidates who have the profile to provide such skill sets. • Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action. • Advise criteria for evaluation of Independent Directors and the Board and carry out evaluation of every Directors' performance.

	<ul style="list-style-type: none"> Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
	<ul style="list-style-type: none"> Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
	<ul style="list-style-type: none"> Review and recommend to the Board for approval of the appointment of Managing Director & CEO and other Whole-Time Directors and the overall remuneration framework and associated policy of the Bank (including remuneration policy for Directors and Key Managerial Personnel), the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank including the Managing Director & CEO, other Whole-Time Directors and senior managers one level below the Board.
	<ul style="list-style-type: none"> Review and recommend to the Board for approval of the total increase in manpower cost budget of the Bank as a whole, at an aggregate level, for the next year.
	<ul style="list-style-type: none"> Recommend to the Board the compensation payable to the Chairman of the Bank.
	<ul style="list-style-type: none"> Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any fundamental changes in organisation structure which could have wide ranging or high risk implications.
	<ul style="list-style-type: none"> Review and recommend to the Board for approval the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of MD & CEO, the other Whole-Time Directors, senior managers one level below the Board and other key roles and their progression to the Board.
	<ul style="list-style-type: none"> Review and recommend to the Board for approval: <ul style="list-style-type: none"> the creation of new positions one level below MD & CEO appointments, promotions and exits of senior managers one level below the MD & CEO
	<ul style="list-style-type: none"> Set the goals, objectives and performance benchmarks for the Bank and for MD & CEO, the other Whole-Time Directors for the financial year and over the medium-to-long term;
	<ul style="list-style-type: none"> Review the performance of the MD & CEO and other Whole-Time Directors at the end of each year;
	<ul style="list-style-type: none"> Review organisation health through feedback from employee surveys conducted on a regular basis;
	<ul style="list-style-type: none"> Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, Reserve Bank of India or by any other regulatory or statutory body.
Frequency	<ul style="list-style-type: none"> As and When Required

Stakeholders' Relationship Committee

The composition & major responsibilities of the Committee are given below:

Members	Ms. Kalpana Prakash Pandey Mr. PH Ravikumar Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> • Considering and resolving grievances of Shareholders, Debenture Holders and other Security Holders. • Redressal of grievances of the security holders of our Bank, relating to non-receipt of dividend / interest, refund order / redemption, transfer / transmission, non-receipt of annual report and all other grievances as may arise. • Allotment of Equity Shares, approval of transfer or transmission of Equity Shares, Debentures or any other securities; • Issue of duplicate certificates and new certificates on split / consolidation / renewal etc. • Overseeing requests for dematerialisation of Securities. • Spreading awareness amongst security holders for protection of their rights and interest(s) and; • Carrying out any other function as assigned by the Board from time to time related with security holders of the Bank.
Frequency	As and When Required

Risk Management Committee

The composition & major responsibilities of the Committee are given below:

Members	Dr. V. S. Sampath Ms. Kalpana Prakash Pandey Mr. PH Ravikumar Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> • To perform the role of Risk Management in pursuance of the Risk Management Guidelines issued periodically by RBI and Board. • To oversee and advise the Board on: <ul style="list-style-type: none"> o defining risk appetite, tolerance thereof and review the same, as appropriate; o the systems of risk management framework, internal control and compliance to identify, measure, aggregate, control and report key risks; o the alignment of business strategy with the Board's risk appetite; o the maintenance and development of a supportive culture, in relation to the management of risk, appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organisation of their actions and decisions. • To advise the Board on all high level risk matters. • To require regular risk management reports from management which enable the Committee to assess the risks involved in the Bank's business and how they are controlled and monitored by management; and give clear focus to current and forward-looking aspects of risk exposure. • To review the effectiveness of the Bank's internal control and risk management framework, in relation to its core strategic objectives, and to seek such assurance as may be appropriate. • To review the asset liability management (ALM) of the Bank on a regular basis.

- To consider any major regulatory issues that may have bearing on the risks and risk appetite of the Bank.
- To provide to the Board with such additional assurance as it may require regarding the quality of risk information submitted to it.
- To decide the policy and strategy for integrated risk management containing various risk exposures of the Bank including the credit, market, liquidity, operational and reputation risk.
- To review risk return profile of the Bank, capital adequacy based on the risk profile of the Bank's balance sheet, Basel-II implementation, assessment of Pillar II risk under Internal Capital Adequacy Assessment Process (ICAAP), business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures.

Frequency Quarterly

Corporate Social Responsibility Committee

The composition & major responsibilities of the Committee are given below:

Members	Dr. V. S. Sampath Ms. Kalpana Prakash Pandey Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> • Formulate, review and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act 2013. • Recommend the amount of expenditure to be incurred on the activities. • Referred to in clause (a); and • Monitor the Corporate Social Responsibility Policy of the Bank from time to time. • To consider and review the CSR initiatives of the Bank as per Section 135 of the Companies Act, 2013, Schedule VII of the Act and related circulars issued by the Ministry of Corporate Affairs from time to time. • To review annual CSR policy of the Bank and suggest changes within the purview of section 135 of the Companies Act, schedule VII of the Act and related circulars issues by Ministry of Corporate Affairs. • To undertake the CSR activities to be undertaken by the Bank through Utkarsh Welfare Fund/ Identified CSR Implementing Partner. • To undertake CSR programme / projects with the approval of the Boards on the recommendations of their CSR Committees. Changes, if any, in the programme / project should also be undertaken only with the approval of the Committee / Board. • Performing such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations, notifications etc. enacted or issued by Ministry of Corporate Affairs, Government of India, Reserve Bank of India or by any other regulatory or statutory body applicable to Bank. • To consider and review the thematic areas under CSR initiatives of the Bank which currently comprises of Financial Awareness, Primary Education, Health Camps, Health Awareness Programme, Skill Development and Vocational Training, Supporting Orphanages and Support to Elderly Care.
Frequency	Half Yearly & As and When Required

IT Strategy Committee

The composition & major responsibilities of the Committee are given below:

Members	Mr. Kajal Ghose Mr. G. Sampath Kumar Ms. Kalpana Prakash Pandey Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> • Approving IT strategy and policies. • Ensuring that management has an effective strategic planning process in place. • Ensuring that the business strategy is aligned with the IT strategy. • Ensuring that the IT organisational structure serves business requirements and direction • Oversight over implementation of processes and practices that ensures IT delivers value to businesses • Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources • Ensuring proper balance of IT investments for sustaining Company's growth • Assess exposure to IT risks and its controls and evaluating effectiveness of management's monitoring of IT risks • Assessing management's performance in implementing IT strategies • Assessing if IT architecture has been designed to derive maximum business value • Reviewing IT performance measurement and contribution to businesses • To approve capital and revenue expenditure in respect of IT procurements • To ensure that IT resources and infrastructure is available to meet required strategic business objectives and that a process is in place to record the resources available/potentially available to the bank. • To monitor performance of IT function towards ensuring delivery on time and within budget, with appropriate functionality and with intended benefits
Frequency	Quarterly

Review Committee for Identification of Wilful Defaulters

Details of Committee are as follows:

Members	Mr. Govind Singh Mr. G. Sampath Kumar Mr. Kajal Ghose
Major Responsibilities	<ul style="list-style-type: none"> • To review, confirm and take decision with regard to classifying a borrower as "Wilful Defaulter" based on the inputs / decisions of Wilful Defaulters Identifying Committee, classifying a borrower as Wilful Defaulter. • To set up and review the policies and process of the Bank vis-à-vis regulatory guidelines with regard to identification of "wilful defaulter".
Frequency	As and When Required

Customer Service Committee

The composition & major responsibilities of the Committee are given below:

Members	Ms. PH Ravikumar Mr. G. Sampath Kumar Ms. Kalpana Prakash Pandey Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> Overseeing functioning of the Bank's Customer Service Standing Committee set up for customer service. To review level of customer service in the Bank including customer complaints and the nature of their resolutions. Provide guidance in improving customer service. Review any award passed by the Banking Ombudsman in response to any customer complaint filed with the Ombudsman. The Committee may address formulation of a Comprehensive Deposit. Policy, incorporating issues such as the treatment of death of a depositor for operations of his account, product approval process, the annual survey of depositor satisfaction and the triennial audit of such services. The Committee may also examine any other issues having a bearing on the quality of customer service rendered. To ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank.
Frequency	Once every Quarter

Special Committee to Monitor Large Value Frauds

The composition & major responsibilities of the Committee are given below:

Members	Mr. Govind Singh Ms. Anita Ramachandran Mr. G. Sampath Kumar Mr. PH Ravikumar Dr. V. S. Sampath
Major Responsibilities	<ul style="list-style-type: none"> The major functions of the Special Committee is to monitor and review all the frauds of ₹ 10.00 Lakh and above. Identify systemic lacunae, if any, that allowed perpetration of the fraud; and put in place measures to plug the same. Identify reasons for delay, if any, in detection and reporting to top management of the Bank and RBI. Monitor progress of CBI/Police investigation and recovery position. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff related action, if required, is completed quickly. Review efficacy of the remedial action taken to prevent recurrence of frauds, such as, strengthening of internal controls. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.
Frequency	Half Yearly and as when a fraud involving an amount of ₹ 10.00 Lakh and above comes to light.

Credit Approval Committee

The composition & major responsibilities of the Committee are given below:

Members	Mr. PH Ravikumar Mr. Kajal Ghose Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> To provide approvals for loans above certain stipulated limits, discuss strategic issues in relation to credit policy, and deliberate on the quality of credit portfolio. To monitor credit exposures of the Bank.
Frequency	As and When Required

Special Committee for Corporate Office Building Project

Members	Mr. Kajal Ghose Mr. PH Ravikumar Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> To receive, shortlist, reject proposals from land-owners for the proposed purchase of land by the Bank. To meet and negotiate with the land-owners regarding proposed acquisition of land; To finalise the terms of land purchase including but not limited to cost of acquisition, manner of payment, etc. To authorise official(s) of the Bank to do certain acts, deeds and things in relation to purchase of land by the Bank. To deal with all matters related to award of contracts, obtaining requisite approvals and monitoring progress of the Corporate Office Building project.
Frequency	As and When Required

Capital Structuring & Fund Raise Committee

Members	Mr. PH Ravikumar Ms. Kalpana Prakash Pandey Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> Be a forum to consult and report in relation to the capital structure and ongoing financing strategy. Review and recommend to the Board in relation to setting strategy for capital structuring management, equity fund raise and debt financing. Review and monitor the Bank's financing strategy and advise the Board whether the financing arrangements have been entered into on appropriate terms, at an appropriate cost and are appropriate financing arrangements for their purpose. Advise the Board of any matters identified during the course of carrying out its duties that might have a significant impact on the ability of the Bank to raise financing in the future or place restrictions on equity. Appointment of advisers as required for advice and /or execution of the Bank's capital structuring and fund raise strategy. Review and recommend to the Board regarding terms of debt financing proposals/offers.
Frequency	As and When Required (with minimum one meeting in each half year)

OUR LEADERSHIP TEAM



Mr. Govind Singh

Managing Director & Chief Executive Officer (MD & CEO)

Mr. Govind Singh is the founder of Utkarsh CoreInvest Ltd. (Erstwhile Utkarsh Micro Finance Ltd.), the promoting institution of Utkarsh Small Finance Bank Limited. Currently, Mr. Govind Singh is the MD & CEO of Utkarsh Small Finance Bank Limited (USFBL). He has vast experience of over 3 decades in different domains of banking & financial services.

His mission to establish a reliable, scalable and sustainable institution for providing affordable & accessible financial services facilitating socioeconomic change resulted in setting up 'Utkarsh Micro Finance Limited' in September 2009. In November 2016, Reserve Bank of India (RBI) granted licence to Utkarsh for setting up a Small Finance Bank. Today 'Utkarsh Small Finance Bank Limited' is operating as a Scheduled Commercial Bank.

Mr. Govind Singh also served as member of the Working Group to review the Business Correspondent (BC) Model in India. The committee was setup by RBI to examine the ways of improving the BC Model.

Prior to setting up Utkarsh, he worked with ICICI Bank Ltd. in Rural, Micro & AgriBusiness Group as the Business Head for Micro Banking. He also worked in Retail Liabilities Group with ICICI Bank. During this ICICI Bank stint, he got extensive exposure in Microfinance, Business Correspondent, Jewel Loans, Liabilities, Infra and Channel Management, Branch Licencing and various products & processes of related functions.

Earlier to ICICI Bank, he had worked with UTI Bank Ltd. (Axis Bank), wherein he was responsible for budgeting and control, new products development, developing business strategies, maintaining agency arrangements with banks, planning of Branch expansion & launching the Cash Management Services for the Bank.

With Bank International Indonesia, he was entrusted mainly with the task of boosting the sale of assets & liabilities products. He also had a stint with Surya Roshni Group (Financial Services) as a Branch Head, setting up the Mumbai Branch & started its operations, along with Fixed Deposits mobilization and Stock Exchange Operations.

At the beginning of his career, he had also stints with Allahabad Bank and State Bank of Patiala, wherein he got hands on experience in various general banking functions as well as liabilities and assets for Commercial and Institutional segments.

He is a Certified Associate of Indian Institute of Bankers (CAIIB) and a Commerce Graduate from Delhi University.

Business Teams



Mr. Mohit Wahi

Head - Wholesale Banking

Mr. Mohit Wahi has over 24 years of rich experience in the FMCG & BFSI domain. He has worked extensively in Retail & SME Banking across liabilities, working capital finance, trade finance and commercial banking departments. He has also had a stint with FMCG majors such as Hindustan Unilever Ltd and Godfrey Philips (I) Ltd., prior to his banking stint with ICICI Bank Ltd, DCB Bank Ltd and IDFC Bank Ltd. He holds a Bachelor's degree from College of Vocational Studies - Delhi University.



Mr. Peeush Jain

Head - Liabilities

Mr. Peeush Jain has over 23 years of experience in Retail Banking, Assets & Liabilities, Product & Channel Development, Client Life Cycle Solution Management and Planning and Budget Management. His last assignment was with Lakshmi Vilas Bank as Head of Retail Banking. Prior to that, he also had stints with Royal Bank of Scotland, ABN AMRO Bank & HSBC, among others. He has a Bachelor of Science (B.Sc) from Kurukshetra University and completed the Harvard Manage Mentor Executive programme.



Mr. Rahul Sinha

Head - Retail Assets

Mr. Rahul Sinha has over 23 years of experience in Banking and Financial Services, spreading across Retail Assets, Liabilities, Branch Banking and Trade Services. Prior to joining the Bank, he was heading the Rural MSME vertical for Bajaj Finance Ltd. He has also worked with Tata Motors, ICICI Bank, Reliance Capital and Bajaj Finance Ltd. He is a graduate from Delhi University and MBA from NMIMS, Mumbai.



Mr. Trilok Nath Shukla

Head - Micro Banking

Mr. Trilok Nath Shukla heads the Micro Banking Business of the Bank, with an experience of over two decades in Microfinance Sector, especially in the northern, eastern, central & western parts of India. He has been one of the founding member of Utkarsh Micro Finance, wherein he had set up the microfinance vertical. Prior to the Bank, he was with Cashpor since September 1997 and he was a part of head office operations team. He handled various responsibilities in CASHPOR in the role of Department Head including HR, Training, Administration & Internal Audit. He has attended several training programmes in and outside India, including a visit to Grameen Bank, ASA, BRAC in Bangladesh, MFT Program held at Torino Italy conducted by Boulder University, Colorado, USA and different MDPs at IIM Ahmedabad, Bangalore & Lucknow. As part of his training, he got exposure to different MFIs in southeast Asia. He is a Postgraduate from Purvanchal University, UP and holds Advance Diploma in Rural Technology Development and Management from IERT Allahabad.

Support Teams



Mr. Adhip Ranjan Syamroy

Chief Operating Officer (COO)

Mr. Adhip Ranjan Syamroy has more than 25 years of experience in Banking and Financial sector. Prior to joining the Bank, he worked with Axis Bank for nearly 21 years and held senior leadership roles in Customer Service, Operations, Corporate Real Estate and Employee Experience, including HR Operations. He also worked with SBI Home Finance Ltd. handling housing loans to individuals and real estate developers. He is an engineer from the Indian Institute of Engineering, Science and Technology, Shibpur (erstwhile Bengal Engineering & Science University).

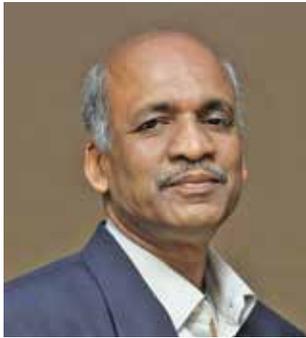


Mr. Birendra Kumar Sahu

Head - Corporate Centre

Mr. Birendra Kumar Sahu has an experience of 29 years in various functions of Banking and Financial services, such as Marketing, Business, Operations & Technology. His last assignment was with IDFC First Bank, prior to which he worked with HDFC Bank, GE Consumer Finance/GE Money and Eicher Ltd. He has done his PGDM (Post Graduate Diploma in Management) from Indian Institute of Management, Lucknow and Bachelor of Engineering (Mechanical) from G.E.C. Jabalpur.

OUR LEADERSHIP TEAM



Mr. Gopireddy Srinivasa Reddy

Head - Treasury

Mr. Gopireddy Srinivasa Reddy has over 34 years of banking experience and for the past 27 years he has been with Treasury. Prior to joining Utkarsh Small Finance Bank Limited in 2016, he was with Kotak Mahindra Bank Ltd as Senior Vice-President, Treasury Operations having handled foreign exchange, domestic and derivative operations. He also served ICICI Bank handling Treasury Forex operations, and was deputed to set up forex settlement operations at Clearing Corporation of India Ltd. He began his career as a Probationary Officer in Corporation Bank. He is an M. Sc. (Bio Sciences) from Nizam College, Hyderabad with a Post Graduate Diploma in Advanced Bank Management from NMIMS, Mumbai.



Mr. Hitain Sharma

Chief Human Resources Officer (CHRO)

Mr. Hitain Sharma has over 19 years of experience in the domains of Human Resources (HR) and Industry Relations (IR) with focus on change management, developing human capital best practices, building enterprises with scale and quality and managing Industrial Relations in the manufacturing & financial services industries. Prior to joining the Bank, he was heading the Talent Acquisition practice for the Aditya Birla Capital Group along with the Head HR role for their Digital Business, Private Equity Business, Shared Service and the Holding Company. He has previously worked with organizations such as Kotak Mahindra Bank, Tata AIG General Insurance and Shaw Wallace and Company. He is a Post Graduate in Human Resources from Symbiosis Institute of Business Management, Pune.



Mr. Mukund Barsagade

Chief Financial Officer (CFO)

Mr. Mukund Barsagade has an overall experience of 25+ years in Financial Management. His last assignment was with FINO Payments Bank as Chief Financial Officer. Prior to that, he worked with multinationals like India Factoring (a subsidiary of FIM Bank, Malta), Experian GE Capital and Transamerica Apple in various roles. He is a Chartered Accountant (ICAI) and Commerce Graduate from Nagpur University, Maharashtra. He has also done Diploma in IFRS (DipIFRS) from ACCA, UK.



Ms. Nutan Anand Rane

Company Secretary (CS)

Ms. Nutan Anand Rane has over 24 years of experience in Banking and Finance sector. Her last assignment was with SBI Capital Markets Limited, an Investment Banking arm of State Bank of India in Legal and Compliance team. She handled varied roles for SBI Capital Markets Ltd. and its 5 Wholly Owned Subsidiaries in different areas. She is a Commerce Graduate from Narsee Monjee College of Commerce and Economics and a qualified Company Secretary from ICSI; and has done Chartered Financial Analyst (CFA) from ICFAI University, Executive Master of Business Administration (EMBA) from IIBMTR.

Control Teams**Mr. Alok Pathak***Chief Risk Officer (CRO)*

Mr. Alok Pathak has over 21 years of banking experience in Risk Management, Retail Lending, Corporate Lending, Liabilities, Forex and Treasury area. Prior to joining the Bank, he was with Yes Bank as Executive Vice President and in various capacities with Axis Bank, including Risk Department and Governance Risk & Compliance (GRC) framework implementation. He also worked at State Bank of Mysore for over 9 years as a Dealer in the area of Credit & Forex. He is a Science Graduate from Kanpur University, PGDCA, CAIIB and he is also a Certified Banking Compliance (IIBF & ICSI) and Certified Risk Management professional.

**Mr. Rahul Dey***Head - Internal Audit*

Mr. Rahul Dey has over 17 years of experience in Banking and Microfinance sector. As a part of the senior management team at Utkarsh since 2012, he has led different functions like Information Technology, Micro Enterprise Loan, Administration, Risk and Internal Audit. He is also a Director in the Board of Utkarsh Welfare Foundation (UWF). During his tenure at Utkarsh Micro Finance Limited, he was instrumental in establishing Micro Enterprise Loan business and for the introduction of Mobile Technology in Group Lending (JLG) business and played a key role during transition of Utkarsh Micro Finance Limited to Utkarsh Small Finance Bank Limited in 2017. Prior to this, he was with Ujjivan Financial Services Private Limited as Regional Business Manager, responsible for their Individual lending business in Eastern part of India. He also worked with organisations such as Ballarpur Industries, ICICI Bank, Spandana Spoorthy Financial Limited and Anjali Microfinance Private Limited. At ICICI Bank, he was responsible for wholesale Micro Finance business for more than 3 years and was an Accounts Manager - Commercial Banking for a year, taking care of Bank's Corporate Clients' relationship in Kolkata. He is a Post Graduate Diploma in Rural Management from Xavier Institute of Management, Bhubaneswar (XIMB) and a Junior Associate of Indian Institute of Bankers (JAIIB) from IIBF.

**Mr. Sachin Shamkant Patange***Chief Compliance Officer (CCO)*

Mr. Sachin Shamkant Patange has over 30 years of experience in the domain of RBI Regulations, Regulatory Compliance, Anti Money Laundering, Banking Operations and IT Systems implementation. Prior to joining the Bank, he worked with DCB Bank Limited and Australia & New Zealand Banking Group Limited as Chief Compliance Officer and Head of Compliance - India, respectively. He was earlier with Reserve Bank of India as Deputy General Manager. He is a Commerce Graduate from University of Mumbai, CAIIB from Indian Institute of Banking and Finance (IIBF), Mumbai and MBA from Symbiosis Institute of Business Management (SIBM), Pune.

OUR LEADERSHIP TEAM



Mr. Shashi Kant Singh

Chief of Internal Vigilance (CIV)

Mr. Shashi Kant Singh has more than 34 years of rich experience in banking as he worked with State Bank of India, with over a decade in Senior Management Grade handling various assignments including in Reconciliation, Inspection & Management Audit Departments. He worked in different set-ups like large sized Branches, Local Head Office, Administrative Offices, and others. He has worked in different districts of Uttar Pradesh and other States like Andhra Pradesh, Assam, Bihar, Jharkhand, Karnataka, Madhya Pradesh, Manipur, Telangana and Tripura including some overseas countries. He also worked with the International Banking Division and Overseas Branch at Varanasi, and handled Forex Business including Forex Sales/Purchases, in charge (Imports & Exports), Import Letters of Credit, International Bank Guarantees and payment of Import Bills received under Foreign Letter of Credits and Bills on Collection basis. He is a Graduate from Gorakhpur University and CAIIB (IIBF).



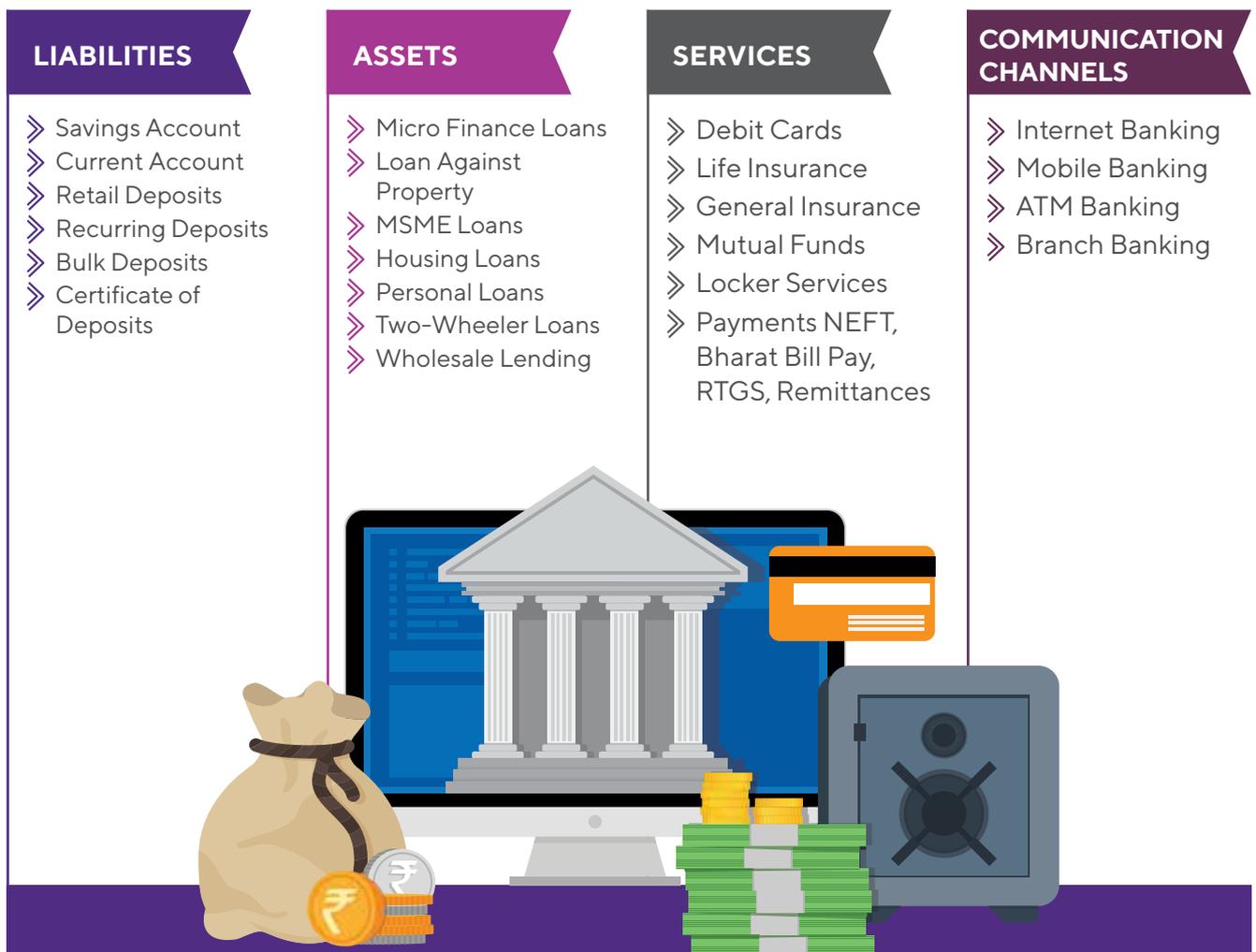
Mr. T. M. N. V. R. Subbanna

Chief Information Security Officer (CISO)

Mr. Subbanna has over 30 years of banking experience. He joined State Bank of India as a Probationary Officer and handled assignments in General Banking, Foreign Exchange, Commercial Banking and Information Technology. At Axis Bank, his responsibilities included Operational Risk Management, Branch Connectivity Project and Information Security. He also served as a Management Trainee in Punjab National Bank. He is a Mathematics Graduate from Osmania University. He is also a CAIIB, PGDIM, FRM, CISA, CISM, CRISC, DCCPP and DCPLA.

OUR DIVERSIFIED PRODUCT PORTFOLIO

Our wide portfolio of assets and liabilities, products and services are especially designed for our target audiences in urban, semi-urban and rural areas of India. We are constantly working towards strengthening our product portfolio, ensuring a multi-product delivery capability and maintaining the quality of our assets.



WINNING ACCOLADES AND CERTIFICATIONS

Winning awards is a testament to our continued commitment to deliver high-quality banking products and services. We have been awarded at various industry platforms for our excellence in various spheres and for our progress and performance since inception.



**2019
MINE MEDIA EXCELLENCE
AWARD**



**2019
SOCIAL IMPACT
INITIATIVE**



**2018
MFIN MICROFINANCE
AWARDS**



**2016
SKOCH AWARD**



**2015
CIMSME BANKING
EXCELLENCE AWARD**



**2015
THE SMART CAMPAIGN
AWARD**



**2013-14
PRICING TRANSPARENCY
AWARD**



**2013
S.T.A.R. RECOGNITION
BY MIX**



**2012
BEST MF1-SMALL &
MEDIUM CATEGORY**

BUILDING THE BANK'S CULTURE

We are the fifth-largest small finance bank in India and the only bank headquartered in Varanasi. Our employees are our biggest assets and valuable associates. We are not only building a unique culture, one that is process-driven and growth-oriented, but also taking forward our customer-centric values.

Our aim is to create a work environment which fosters growth as a way of life. We empower our employees to work towards creating a culture of excellence in a people-oriented organisation. At Utkarsh Small Finance Bank Limited, we provide a collaborative work culture and strongly believe in the creation of a people-oriented, reliable, scalable and sustainable organisational structure. We provide a conducive and inclusive work environment with good working conditions, contributing to sustainable economic growth.

Today, we are a 8,800 plus strong employee base, up from 2,300 when we first received the banking licence. More than 12% of our total workforce, i.e., around 1,100 employees are females. We provide equal opportunities to every employee, irrespective of age, gender or background, thereby ushering in diversity among our employees.

EXPANDING AND NURTURING

We continue to expand, nurture and retain our pool of human ability. Being a relatively newly setup bank, we provide qualified and skilled banking jobs to experienced bankers as well as to graduates recruited straight after completing their training. We believe in talent development through training and right skilling of the employees. We train the new recruits internally and bring them up to speed with the latest systems and technology. This way, we are slowly growing our talent pool to be able to constantly move to a higher orbit.

Being a growing entity, we have hired more than 5,700 employees during FY2019-20. As we go about hiring at least 450 plus new employees every month – mostly fresh college graduates. Our key focus remains to hire local employees and fresh graduates/under-graduates from rural, urban and semi-urban sections of each state that we foray into as the stickiness of local employees is higher. This helps us create job opportunities for youth in major states, besides giving employment opportunities to those in the hinterlands of India.



AIMING AT CAREER PROGRESSION

We believe in cultivating talent and providing growth opportunities to our employees through adequate learning, development and career progression programmes. We develop our internal human resources to help them meet the organisational goals, besides also offering individual progression and growth for competent employees. Initiatives such as Talent Management, Competency Mapping, Training and Development, Assessment Centre, Succession Planning, Internal Job Posting, Performance Management System have been implemented by us for the career enhancement of the employees.

ENABLING WORK-LIFE BALANCE

We are committed to providing our employees with a work-life balance so that they remain committed to work, along with leading a healthy and stress-free life. Initiatives such as weekly off on second and fourth Saturday, staff picnics, annual functions, sports day and festival celebrations help our employees rejuvenate themselves.



LEARNING & DEVELOPMENT

We are continually enhancing the intellectual capability and competency of our human resources by empowering them through various programmes and forums. By providing robust training and development opportunities, we focus on building our work culture and business development.

By way of a well-defined and exhaustive training programmes such as induction training, functional training, coaching and mentoring, we enhance the technical, functional and soft skills of our employees. We also provide online learning platforms for an effective and enhanced learning experience. Our internal and external publications such as Monthly Updates and Utkarsh Voice are vital tools for knowledge building of our employees.

EMPLOYEE RECOGNITION

We have a vibrant reward and recognition policy to boost employee morale, reward best performers and retain the best talent. We have an efficient compensation programmes, besides employee benefits like Housing Loan, Bike Loan, Mobile Loan, Recognition for best performers and innovators. Our periodic employee satisfaction survey is an important tool to gauge our employees' satisfaction level and expectations.



PUTTING HUMANITY FIRST

While we continually innovate to face the challenges of tomorrow, we answer the call of those who aspire a better tomorrow. Through impact-oriented interventions, the Bank seeks to mainstream economically, physically and socially challenged groups and draw them into the cycle of growth, development and empowerment.

The Bank's CSR philosophy is based on cardinal principles to make a meaningful and measurable impact in the lives of economically, physically and socially challenged communities of the country. The Bank promotes initiatives that preserve, restore and enhance environment, ecological balance, and natural resources, and improve sanitation and hygiene.

The CSR initiatives are carried out through the Utkarsh Welfare Foundation (UWF). The activities are implemented in four states – Bihar, Madhya Pradesh, Uttarakhand and Uttar Pradesh, and are largely focussed on education, health, promoting livelihoods through skill building and vocational training.

FINANCIAL AWARENESS

Financial awareness initiatives are aligned with our mission to support the underserved by providing financial and non-financial services in a socially responsible, sustainable and scalable manner. These programmes are aimed at building financial decision making and capabilities of the targeted beneficiaries through right information, instructions and advices.

1,84,989

Total beneficiaries

FINANCIAL LITERACY

Through this programme, we adopt an intensive approach towards the delivery of financial literacy to the targeted population. We organise training in small batches and use interactive learning aids such as audio-visuals, posters, banners, group discussion, role plays, exercises, games, and other participatory training tools. The course covers modules on financial planning, budgeting, savings, borrowings, investments, insurance, banking services and targeted government schemes.

The programme was conducted across 7 locations across 2 districts in Bihar, 1 district in Madhya

Pradesh and 2 districts in Uttar Pradesh. In FY2019-20, total 28,540 beneficiaries successfully completed the 3-day classroom training in 2,199 batches, which included outreach of 14,721 beneficiaries in 1,355 batches through CRPs.

28,540

Total beneficiaries



DIGITAL FINANCIAL LITERACY

Aim: To educate targeted populations on digital finance.

14,276

Total beneficiaries

801

batches during FY2019-20



HEALTH INITIATIVES

Health initiatives are intended to provide free Primary Health Services and awareness to the low income households in the targeted geographies. Outpatient diagnostic services with free medicine are being provided as a part of the initiative. Regular Poly Clinics through locations as well as Mobile Poly Clinics with route plan are being adopted to deliver Outdoor Patient Diagnosis (OPD) services in the underserved and under-privileged geographies.

During FY2019-20, the programme was run across 20 locations covering 4 districts in Bihar, 2 in Madhya Pradesh and 3 in Uttar Pradesh. Total beneficiaries under this initiative stood at 32,088 through 155 mobile OPDs.

32,088

Total beneficiaries



SKILL AND VOCATIONAL TRAINING PROGRAMME

We supported the SIDBI-PSIG pilot project for establishing, upscaling and diversifying women-led Micro & Small business enterprises. The pilot project is intended to create opportunities for women entrepreneurs to diversify and take up new enterprises and scale up the existing ones. The initiative is supported by Udyogini, a reputed institute in the field of micro enterprise development. A total of 8,000 women-led enterprises are supported with business development services such as credit and market linkage support, skill and vocational trainings for building techno-managerial skills.

8,000+
Total beneficiaries



MICRO-ENTERPRISE PROMOTION PROGRAMME

The programme aims to identify, motivate and guide the entrepreneurs in setting up micro enterprises leading to

employment generation in semi-urban and rural India. SIDBI is currently implementing MEPP in 126 districts in 26 States promoting about 43,000 enterprises. UWF has partnered with SIDBI for the promotion of two Micro Enterprise Promotion Centre launched in December 2018 in Varanasi and Ghazipur in Uttar Pradesh. In FY2019-20, the project plans to train and facilitate credit linkages for 960 entrepreneurs for setting up enterprises, against which 988 entrepreneurs were supported.

988
Total beneficiaries

VILLAGE DEVELOPMENT PROGRAMME

This programme aims towards integrated and holistic development in the identified villages of Karnadadi, Dholapur, Bhimchandi, Mehmedpur, Deendaspur under Arajiline block in Varanasi district. The learning enhancement programme has been conducted for 120 school children. It also aimed at building financial capabilities through financial literacy and providing access to banking & financial services. On the occasion of World Environment Day, plantation activities were carried out in the above-mentioned villages, with 1,000 horticulture plant saplings distributed.

786
Beneficiaries underwent classroom training in financial literacy

1,000
Plant saplings distributed

SUPPORTING ORPHANAGES AND ELDERLY CARE CENTRE

We continued our support to special homes for children and senior citizens by sponsoring meals and providing them with daily needs items. To engage better with them and understand their needs, we organise monthly visits to these special homes. During FY2019-20, we organised a picnic at Sarnath, Varanasi, which was attended by 20 children and 3 caretakers from Nirmala Shishu Bhawan (Missionaries of Charity).



BLOOD DONATION CAMPS

A blood donation camp was organised in association with Pandit Deen Dayal Upadhy Government Hospital, where 39 Utkarsh volunteers donated blood. The initiative strengthened the noble cause that blood donation saves life.

39
Utkarsh volunteers who donated blood



CASE STUDIES

BINA

Parshurampur, Varanasi

Unable to meet the daily expenses and with no support from relatives, life was getting tough for Bina till she learnt about Utkarsh's financial assistance programme to women aimed at income generation. With an initial loan of ₹ 20,000, she opened a small grocery shop initially. Having decided to scale it up with more items, she applied for another loan of ₹ 25,000. This slowly helped her to earn an income, accumulate savings and provide financial help to her family. She later decided to go a step further and install a photocopier machine in the shop to earn additional income. For this, she applied for a subsequent loan of ₹ 40,000. Today, the business provides her adequate monthly savings, which helps in meeting her family's daily needs.



₹20,000

First Loan Amount

₹25,000

Second Loan Amount

₹40,000

Third Loan Amount



PINKY

Hukulganj, Nayi Basti, Varanasi

Pinky's husband drove an autorickshaw for a living, but was unable to meet the daily needs of seven members in their family. To provide assistance, she and her son decided to put up an eatery stall during festival. However, they also lacked funds to arrange for the ingredients to make the food items to be sold. After they learnt about Utkarsh, they applied for an initial loan of ₹ 6,000 to open a small general store, which they soon repaid from the earnings. They then applied for a second loan of ₹ 20,000 which was used to purchase a weaving machine for stitching and making cotton threads. Today, not only can they meet our daily expenses, but can also save for the family's better future. All her children are not only attending school, but also she is able to support her in-laws financially.

₹6,000

First Loan Amount

₹20,000

Second Loan Amount



SHIV DEVI
Prayagraj

Shiv Devi’s household earnings were adversely affected after an unforeseen drought ruined her entire agriculture crops and her cows stopped giving milk. A friend informed her about Utkarsh’s income generating loans for taking up business activities. She took a ₹ 10,000 loan to start a grocery shop. Later, she increased the stock in the shop with an additional ₹ 15,000 loan. To further increase her earnings, she purchased a milk cow with a subsequent loan of ₹ 18,000 from Utkarsh, following which the two businesses fetched her earnings of ₹ 9,000 a month. A year later, she availed another ₹ 20,000 loan to buy agriculture inputs and crop seeds for cultivation. This increased her aggregate household earnings to ₹ 20,000 a month. Today, both her daughters are pursuing school education, and she has also built our own pakka house.



₹10,000

First Loan Amount

₹18,000

Third Loan Amount

₹20,000

Earnings per month

MANAGEMENT DISCUSSION & ANALYSIS

MACROECONOMIC ENVIRONMENT

Global economic growth was initially weak but was stabilising until the advent of the Covid-19 global pandemic which has led to a dramatic health and economic crisis in the Jan-Mar quarter of FY2019-20. As per IMF estimates, due to the Covid-19 pandemic, the global economy would shrink by 3% in the calendar year 2020. However, the Governments across the world have been taking unprecedented steps to inject liquidity in the financial systems and support the economies to reduce impact of Covid-19 pandemic. As per IMF, the global economic growth is expected to revive significantly in the calendar year 2021 supported by policy measures.

The Indian economy, while being one of the fastest growing economies of the world, has also been impacted from the global economic shock and from the spread of COVID -19. As per the estimates released by the National Statistics Organisation (NSO), the growth in real GDP during FY2019-20 is estimated at 4.2% as compared to 6.1% in FY2018-19. Furthermore, the economic growth is expected to weaken in FY 2020-21. As is the case globally, the Indian Government and the Reserve Bank of India have also announced several unprecedented measures to support and revive economic activities. Additionally, the economic activities in agriculture sector and rural parts of India have been relatively less affected and is likely to support the economic growth during FY2020-21.

Unlike other economies, India has the ability to bounce back faster backed by strong fundamentals, several measures and reforms announced by the Government of India, relatively less impact on agriculture and rural activities and favourable demographics. Once the Covid-19 impact subsides, the Indian economy is expected to remain one of the fastest growing economies across the world.

INDIAN BANKING INDUSTRY

The banking industry plays a vital role in mobilising savings and stimulating the economic development of a nation. A new wave of change, more powerful and widespread than we have seen in recent years is expected to unfold the banking sector in the coming decade. The Banks' overall credit growth moderated to 6.8% in FY2019-20 primarily on account of sluggishness in credit to industries and large corporates while retail credit growth remained healthy at 15% during FY2019-20. The Banks' aggregate deposits grew by 7.9% in FY2019-20 to ₹ 135.71 lakh crore as against ₹ 125.73 lakh crore in FY2018-19.

The Reserve Bank of India has taken several measures to inject significant liquidity in the financial systems and ensuring stability in the financial markets. These measures include reduction in cash reserve ratio (CRR), reduction policy repo rate, allowed banks and other financial institutions to offer moratorium up to six months to their borrowers, LTRO and TLTRO schemes and Emergency Credit Line Guarantee Scheme for MSMEs up to ₹ 3 lakh crore etc. RBI has reduced policy repo rate to 4.4% in March 2020 and further by 40 bps in May 2020 to 4.0% to stimulate the economy.

SMALL FINANCE BANKS (SFBs) PENETRATING AND GROWING FASTER ON THE BACK OF DEEP-ROOTED PRESENCE AND WIDER PRODUCT OFFERINGS TO CUSTOMERS

Financial inclusion plays a major role in comprehensive growth of the country. In September 2015, RBI granted licenses to set up Small Finance Banks to ten entities. These entities included eight Microfinance Institutions (MFIs), one NBFC and one local area bank. The prime objective of SFBs is to provide basic banking services to the underserved and unserved sections of the society.

Within three-four years of commencing the banking operations, SFBs have performed well on expanding the banking services to the underserved and unserved customers supported by their deep-rooted presence specifically in the rural and semi-urban locations and wider product offerings. While credit growth for the banking sector as a whole moderated in FY2019-20, the credit growth for SFBs remained healthy at around 30% during FY2019-20. Total deposits of SFBs have also grown by more than 45% in FY2019-20.

SFBs are uniquely positioned to maintain healthy growth while also meeting financial inclusion agenda supported by following:

- SFB's track record of operating in rural and semi-urban locations and deep presence in these locations, a key competitive advantage over other banks.
- Better understanding of local markets and ability to understand informal sector gives competitive advantage.
- Offers full bouquet of financial products and services to serve low to middle income group which gives competitive advantage over NBFCs.
- Core competency of assessing the credit profiles of the 'underbanked'.
- Low cost of client acquisition over the long term due to wider reach, customer-centric approach and technology usage. Leverage on digitalisation for superior customer engagement simultaneously bringing down the operating expenses.

OPPORTUNITIES FOR SFBs:

- Formalisation of the economy and structural changes caused by demonetisation and implementation of GST will drive a gradual shift towards the organised sector.
- Opportunity for vertical penetration with an expanded range of products, unlike the MFIs/NBFCs that expand horizontally with limited number of products.
- Gradual formalisation of credit channels with focussed marketing strategies and growing branch network.
- Mobilising deposits at costs lower than debt with customer-centric offerings.
- Diversifying advances mix and focussing on retail and corporate lending businesses:
 - Recent liquidity crisis for NBFCs is expected to drive market share gains for SFBs owing to better access to retail and wholesale deposits.
 - Cautious foray in to micro and small and medium enterprises segment of the economy which, with its granular spread across the country, contributes well over 30% of the GDP of India.

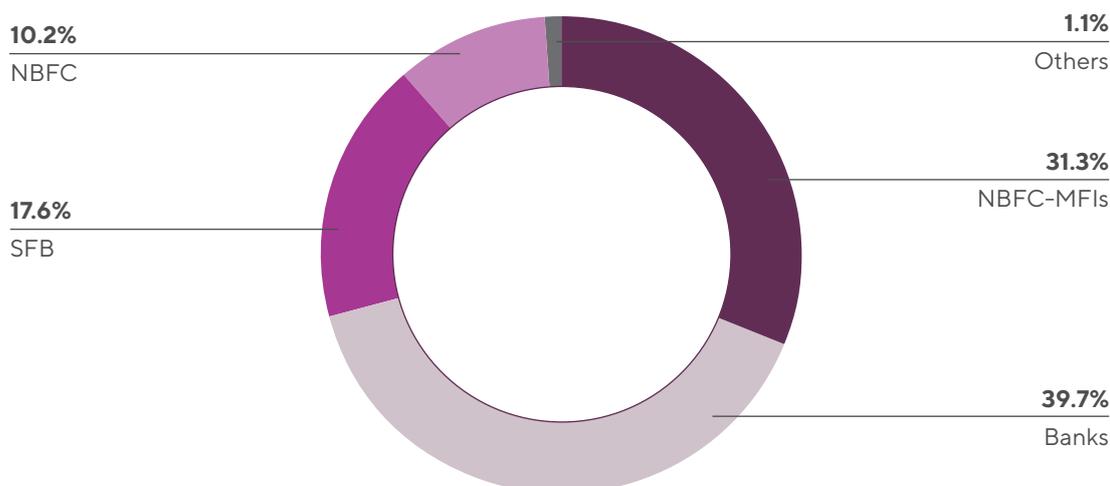
KEY LENDING SECTORS FOR SFBs

SFBs growing faster than NBFC-MFIs in microfinance lending

The microfinance industry plays an important role in promoting financial inclusive growth by providing credit to entrepreneurs and small businesses lacking access to banking and related services. The industry has recorded a healthy growth in the past few years. As of December 31, 2019, the MFI's total Gross Loan Portfolio (GLP) i.e. loan amount outstanding stood at ₹ 2.11 lakh crore, registered growth of 24.2% on YoY basis. The number of MFI loan accounts increased by 16.6% YoY to 10.11 crore. This growth can be attributed to increasing geographical penetration of microfinance lending institutions including SFBs, supportive regulatory regime, strengthening of credit bureaus data, increase in digital payments and several initiatives by the government and regulatory authorities.

SFBs, which account for close to 17.6% of total microfinance credit in India, registered higher credit growth of 45% YoY in MFI sector as on December 31, 2019 vs. overall MFI portfolio growth of 24.2% during the same period. SFBs growth to the microfinance sector is supported by their increasing penetration, more diversified funding profile and consequent liquidity position and enhanced ability post conversion to bank to offer multiple products. As a result, share of SFBs in MFI loans increased to 17.6% as on December 31, 2019 from 15.1% as on December 31, 2018.

MFI's credit loan outstanding across lenders as on 31-Dec-19

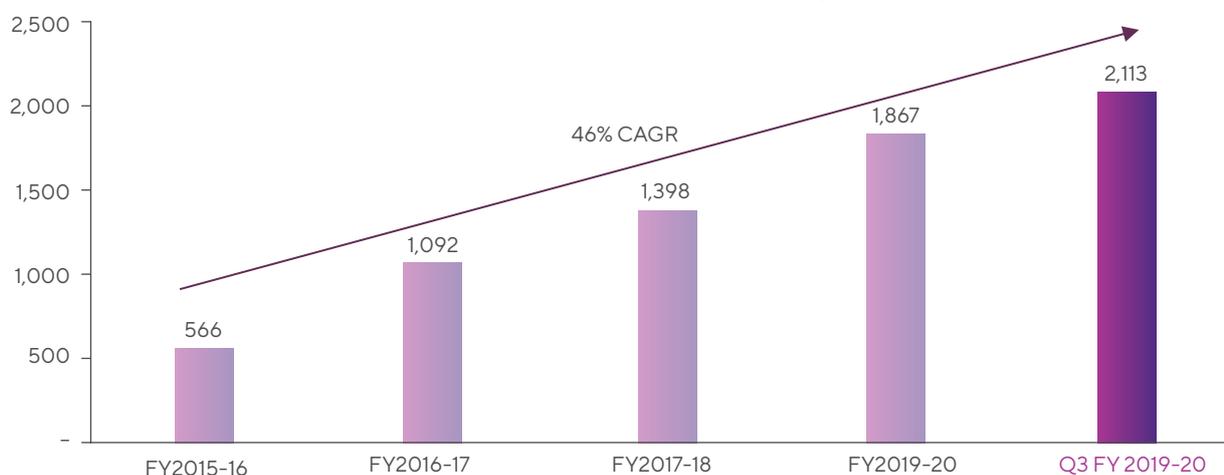


Source: MFIN Micrometer

Despite the presence of multiple players in the microfinance landscape and mature models of micro lending, with a significant portion of its population in the low-income band, India represents a huge opportunity for the microfinance sector. As per Microfinance Institutions Network (MFIN) estimates, microfinance currently reaches less than 20% of potential households. So, there is still a large gap to be met in terms of the reach of microfinance.

Also, as per a survey carried out by PwC, (PwC's Microfinance Lenders Survey 2019) 71% of the financial institutions believe that Eastern India offers the maximum potential for growth in future due to relative saturation in the southern markets. The Bank has a very strong presence in the eastern India (Eastern UP, Bihar and Jharkhand) and it presents a significant strategic advantage.

GLP of the Microfinance Industry (₹ bn)



Source: CRISIL Research; Kotak Institutional Research & MFIN Micrometer

Despite being an unsecured product, the asset quality of microfinance portfolio is at par with the secured product due to the effective utilisation of social collateral by way of forming Joint Liability Groups (JLG). As per MFIN report, the industry level PAR>30 and PAR>90 of microfinance portfolio is 1.56% and 0.53% respectively as on December 31, 2019.

MSMEs

The Micro, Small and Medium Enterprises (MSMEs) continue to be an engine and critical pillar of India's economic growth. MSME sector contributed nearly 31% to India's GDP, 45% to exports and provide employment opportunities to more than 11.1 crore skilled and semi-skilled people. There are approximately 6.33 crore MSMEs in the country.

MSMEs are widening their domain across sectors of the economy, producing a diverse range of products and services to meet demands of domestic as well as global markets. While the MSME sector is expected to be hit severely by the COVID-19 pandemic, the Government of India has announced several reforms, including change in definition of MSMEs, and financial measures to support the MSMEs.

In addition, the Government currently runs multiple schemes for funding to MSMEs including Credit Guarantee Trust Fund for Micro & Small Enterprises, Prime Minister’s Employment Generation Programme, Interest Subsidy Eligibility Certificate, Credit Linked Capital Subsidy for Technology Upgradation, etc.

As on January 2020, MSME Segment has a loan amount outstanding of approximately ₹ 17.8 lakh crore. In January 2020, MSME accounted for around 28% of the total commercial lending in India. As per a study carried out by IFC, the overall debt demand of MSME sector is ₹ 69.3 lakh crore and as of now less than 25% is being financed through formal sources indicating huge untapped potential for financing.

HOUSING FINANCE

With the population of more than 1.3 billion and relatively low mortgage credit to GDP ratio in India, housing finance offers significant growth opportunities for the Banks.

The housing industry has also received a boost from the increased growth in the affordable housing segment in the last few years, which has been driven by the Government’s vision of ‘Housing for All by 2022’ under the Pradhan Mantri Awaas Yojna (PMAY). Policies and structural reforms, such as RERA and GST are playing a transformational role in opening opportunities, improving transparency and enhancing consumer trust.

Bank’s housing loan portfolio has been growing at a healthy pace and registered growth of 15.4% in FY2019-20.

CORPORATE & SME LENDING / WHOLESALE LENDING

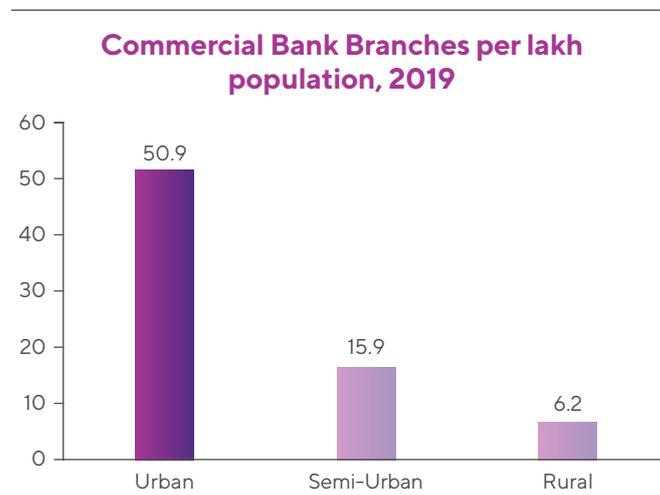
Microfinance lending and lending to other retail assets and MSME sector has been and is likely to remain the main focus area for SFBs. However, with the transition as a bank and to achieve sectoral diversification of the loan portfolio, SFBs have ventured into providing loans to financial sector entities like NBFCs / HFCs / NBFC-MFIs and other corporates. The lending to HFCs / NBFCs / NBFC-MFIs is supported by SFBs deep understanding of these sectors and ensure geographical / sectoral diversification of their portfolio and their wider product offerings. Institutional / corporate lending still accounts for relatively small share of SFBs loan book.

FINANCIAL INCLUSION

Financial inclusion is increasingly being recognised as a key driver of economic growth, reducing poverty and creating income equality at the national level. Informal employment, lack of collateral, inability of rural populations to approach the formal financial institutions and lack of financial literacy has been preventing full-scale implementation of financial inclusion. SFBs and Micro Finance Institutions have been able to overcome these challenges and are playing key role in achieving financial inclusion objective.

The Government has also implemented various reforms and national schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT) and issue of RuPay cards coupled with a strong payments network system, among others. To meet the objective, the RBI has also implemented the National Strategy for Financial Inclusion (NSFI) 2019-24 Vision.

A vast geographical base and large population makes it difficult for banks and other financial institution to reach out to every individual. Although a huge emphasis is being laid on financial inclusion, the increase in number of bank branches and increasing customer reach in rural areas remains limited. Additionally, bank branches are largely concentrated in urban parts of the country. As a result, the rural population remains largely underserved. Hence, the need for small finance banks is inevitable to broaden the reach of financial services to small businesses, low-income households, small and marginal farmers among others.



Source: Financial Inclusion in Rural India January 2020 Report by Grant Thornton IN

THE BANK OVERVIEW

About the Bank

Utkarsh Small Finance Bank Limited (hereafter referred as USFBL / the Bank), incorporated on April 30, 2016 in India, is a Small Finance Bank and is engaged primarily in providing banking and financial services to its customers with focus on underserved and unserved sections of the country. The Bank's lending activities are primarily focussed in rural and semi-urban locations of the country while its deposit mobilisations and other services are spread across the country. The Bank commenced its banking operations from January 23, 2017, pursuant to the small finance banking licence received from RBI on November 25, 2016. Before conversion to SFB, Utkarsh (as Utkarsh Micro Finance Limited) was engaged in providing microfinance lending primarily to the customers in rural and semi-urban segments and has a track record of more than 10 years.

USFBL is a wholly-owned subsidiary of Utkarsh CoreInvest Limited (formerly Utkarsh Micro Finance Limited – UMFL, operating since September 2009). The Bank extends microfinance loans based on Joint Liability Group (JLG) models to individuals, other retail asset loans including Micro, Small and Medium Enterprise (MSME) Loans, Housing Loans (HL), Personal Loans and Wholesale Lending to borrowers. The AUM of the Bank stood at ₹ 6,660 crore as on March 31, 2020.

The Bank is headquartered at Varanasi, Uttar Pradesh and its operations are currently spread across 15 States & 2 Union Territories through 507 branches in 173 districts of the country.

In line with the objective of providing financial services to the customers in underserved and unserved sections of the society, USFBL has deep presence in relatively less financially penetrated states of Bihar and Uttar Pradesh, which together accounted for 76% of the portfolio as on March 31, 2020. These geographies offer good growth potential on microfinance business. The Bank outlets provide a full range of banking services as permissible for small finance banks, ranging from Savings & Current Accounts, Fixed and Recurring Deposits, Microcredit, Retail Loans and distribution of third party products including insurance.

Apart from the Bank outlets, USFBL provides access to customers through other multiple channels like 24*7 ATMs, Internet Banking, Mobile Banking and Call Centre. USFBL has a well spread ATM network across 177 locations with 36 off-site ATMs and 141 on-site ATMs.

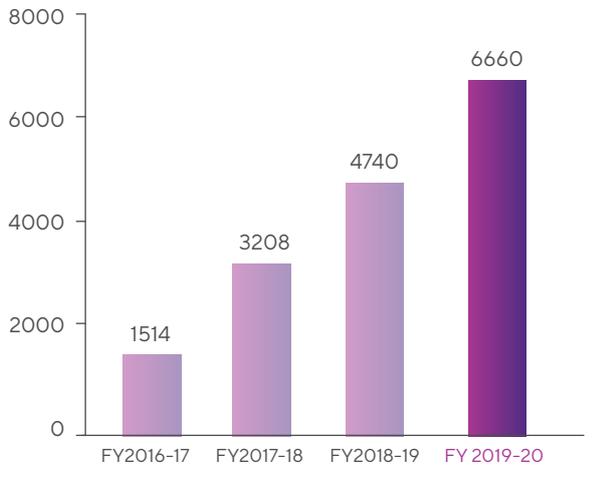
Particular	March 31, 2020	March 31, 2019	Additions
States	15 States & 2 UT	10 States & 1 UT	5 States & 1 UT
Districts	173	139	34
General Banking Outlets	103	61	42
Micro Banking Outlets	404	375	29
Total Banking Outlets	507	436	71
Number of ATMs			
On-site ATMs	141	88	53
Off-site ATMs	36	36	-
TOTAL	177	124	53

The Bank is offering MSME and housing loan product through its select General Banking (GB) and Micro Banking Branches. As of March 31, 2020, MSME lending vertical is operating out of 40 locations and Housing Loan vertical is operating out of 22 locations.

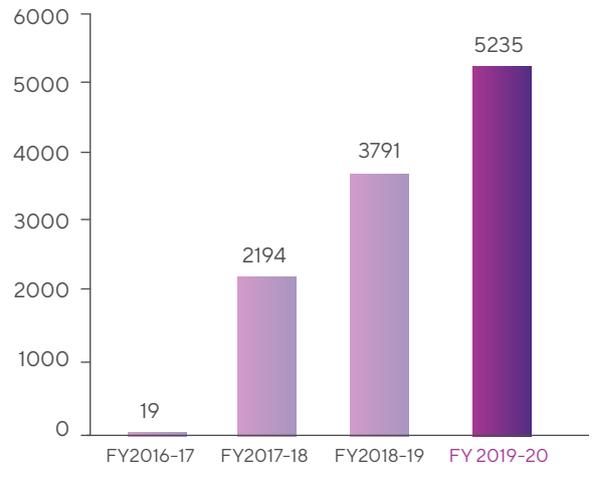
BUSINESS PERFORMANCE

USFBL is one of the youngest entrants in India's banking space. The Bank has strong rural and semi-urban presence with around 68% branches in semi-urban and rural locations. The Bank has clearly laid out strategy of continuous focus on rural and semi-urban segment for asset side build-up while equal focus on rural, semi-urban, urban and metropolitan locations for its liabilities franchise strength. Since inception, the Bank's advances as well as deposits have grown significantly year on year basis. Despite disruptions on account of demonetization and GST implication, the Bank's Asset under management has grown at a CAGR of 64% since March 31, 2017. Similarly, deposits of the Bank also grew multifold at a CAGR of 551% over last 3 years.

Asset under Management



Deposits

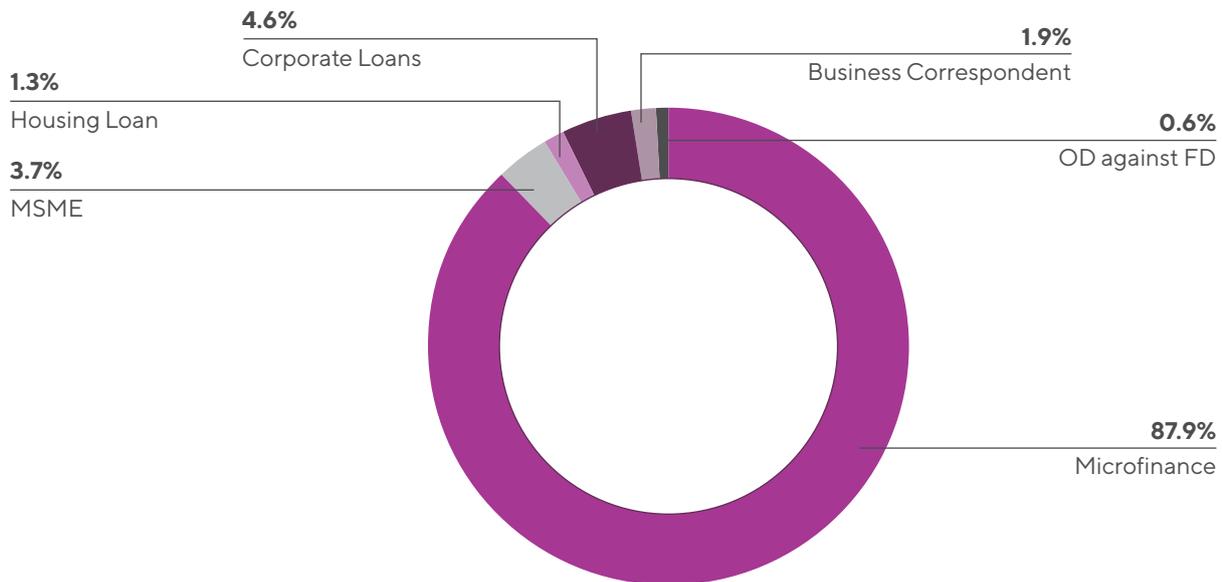


ASSETS - LENDING PRODUCTS

The Bank has been a retail focussed bank primarily engaged in microfinance lending through Joint Liability Group (JLG) product, loans to MSME, housing and other retail loans.

As on March 31, 2020, the Bank’s outstanding loan portfolio increased by 40.46% YoY to ₹ 6,660 crore.

Loan Portfolio Composition as on March 31, 2020



1. MICROFINANCE

Microfinance provides a comprehensive package of financial inclusion products and business development services to underprivileged or low-income individuals or groups who otherwise would have no other access to financial services. Microfinance Loans comprised about 90% of the Bank’s loan portfolio including loans mobilised through BC channel. While the USFBL’s core geography of Bihar and Uttar Pradesh remain the mainstay of Bank’s microfinance portfolio, the Bank has been increasing its microfinance footprints to newer states. During FY2019-20, USFBL expanded its microfinance presence to state of Odisha, increasing overall microfinance reach to 11 states as on March 31, 2020.

During the year, the Bank’s microfinance loan client number extended to more than 25 lakh spread over 135 districts of 11 states and served through 404 Micro Banking Outlets. Microfinance segment continues to be very diversified, lending from the individual customer exposure perspective with average ticket size of Microfinance Loans is ₹ 21,252 on AUM. Microfinance loans are provided with tenor of 12 to 24 months. Microfinance loan portfolio (AUM) of the Bank mobilised through own network increased by 44% in FY2019-20 from ₹ 4,077 crore as on March 31, 2019 to ₹ 5,856 crore as on March 31, 2020.

USFBL also provides microfinance loans through BC partners to enhance its reach. As of FY2019-20, the Bank is servicing JLG customers through the network of three BC partners. USFBL has also plans to extend this BC model to other products such as MSME & HL.

Microfinance Outreach	March 31, 2020	March 31, 2019	Change
No. of States	11	10	1
No. of Districts	135	120	15
No. of Micro Banking (MB) Outlets	404	375	29
Total No. of Centres	1,56,020	1,23,039	32,981
Active Client Base (in lakh)	25	20	5
Loan Portfolio Outstanding* (₹ in crore)	5,979	4,138	44.49%

*This includes ₹ 123 crore of portfolio mobilised through Business Correspondent (BC) Channel

In the microfinance vertical, the Bank offers loans through Joint Liability Group (JLG), Individual Business Loans to existing matured customers of JLG and two-wheeler loans to its existing JLG customers.

While most MFIs were trying to compete in South, the Bank's Holding Company Utkarsh CoreInvest Limited was amongst the first to focus on Bihar and Eastern UP. Post the Business Transfer from its Holding Company to the Bank, the Bank continued to focus in these geographies by penetrating deeper. The Bank continues to maintain its strong foothold in the state of Bihar and UP and has 262 branches as of March 31, 2020.

The Bank has always emphasised and focussed on originating and maintaining high quality portfolio. The Gross NPA for Microfinance portfolio as of March 31, 2020 is 0.63%.

a. Joint Liability Group (JLG) Loans

The Bank offers Micro Loans ranging from ₹ 6,000 to ₹ 1,00,000 to its clients through Joint Liability Group (JLG) model. This represents the peer-guarantee loan model, which enables individuals to take loans without having to provide collateral or security on an individual basis. It mainly comprises business loan, family loan, agricultural loan, education loan etc. The microfinance loans to women clients on a joint liability basis constitute 90% of overall loan portfolio. More than 60% of microfinance borrowers are engaged in Agri and allied activities. Animal Husbandry is the largest category with Agri and allied services that caters to around 35% of microfinance borrowers. Services and trading is the second largest category accounting for around 28% of the Bank's microfinance borrowers.

In addition, the Bank also offers Swachhata loans of ₹ 25,000 for construction/repair/renovation of toilet to its existing JLG clients.

The Bank has achieved complete cashless disbursement in the micro banking segment. The Bank disburses all the loans in the Bank account of the client. The Bank intends to and taking steps to move to digital modes of collections in the micro banking segment which will significantly reduce the operational risk pertaining to physical cash as well as improve the efficiency of the field staff.

b. Individual Business Loans

USFBL has been providing microfinance JLG over the years and have large number of borrowers who have completed multiple loan cycles and are matured borrowers from financial discipline perspective. The Bank, in a bid to meet the increasing funding requirement of these clients, introduced Individual business loan product. USFBL provides individual loans especially to those who have begun their formal credit under JLG. The Bank identifies a subset from its JLG customers, who are eligible for individual loans through good credit behaviour. Under this product, the Bank disburses the loan in the Bank account of the customer and the collection is also routed through the Bank account of the customer.

c. Two-Wheeler Loans

During FY2019-20, USFBL has initiated two-wheeler loan product for its Micro Banking customers on pilot basis. The results have been encouraging and the Bank will scale up this loan product in FY2020-21. The Bank provides two-wheeler loans to existing Micro Banking Customers, who have completed their two JLG Loan cycles with a minimum repayment of 24 months. Such clients can either be a Borrower or a Co-borrower.

2. RETAIL ASSETS (INCLUDING MSME AND HOUSING LOAN)

Under the Retail Assets vertical, the Bank offers MSME loans, Housing Loans and Personal loans. USFBL offers a combination of secured and unsecured loans to the small and medium size businesses catering to manufacturing and services sector.

The total loan portfolio of MSME vertical that also includes personal loans grew by 49.28% from ₹ 164.93 crore in FY2018-19 to ₹ 246.21 crore in FY2019-20. In order to expand its outreach to MSME borrowers, the Bank is strengthening its Direct Sales Agent (DSA) network. The DSA network will enable the MSME vertical to reach out to the places and to the new set of borrowers without adding much to the fixed cost.

The Bank has launched affordable housing loan products in FY2015-16 with the focus to provide small ticket size housing loans to salaried individuals. The average ticket size of the loan is ₹ 8.59 lakh on AUM with loan duration of 3 to 30 years with an average rate of interest at 12% per annum across customers. Housing loan portfolio of the Bank grew by 123.80% to ₹ 85.49 crore in FY2019-20. The Bank has started catering to mainstream housing segment, where ticket size ranges from ₹ 25.00 lakh to ₹ 1.00 crore and tenure ranges from 3 to 30 years.

3. WHOLESALE LENDING

While Retail lending and lending to MSME sector has been and is likely to remain the main focus area for USFBL, however, with the transition as a Bank and to achieve more diversification of the loan portfolio activity, USFBL has ventured into providing wholesale / corporate lending.

The Wholesale Lending Business has an active client base of 30. The Loan Portfolio grew by 13.56% to ₹ 309.51 crore in FY2019-2020 and mainly includes lending to NBFC-MFIs, NBFCs engaged in Vehicle Financing, School Financing, Housing Finance Companies, Small & Medium Enterprises, and others.

Product/Particulars	Wholesale Lending
Average Ticket Size	₹ 11 crore
Tenor	Up to 7 years
Interest Rate Range (%)	10.0% - 14.5%

4. LIABILITIES - DEPOSITS

Within around three years of the commencement of banking operations, USFBL has been able to mobilise significant amount of deposits from its customers which include both retail and institutional customers. The Bank expanded its physical footprint by opening 42 new General Banking outlets and increased its outreach in 5 states and 1 union territory in FY 2019-20. Physical presence continues to be critical for deposit customer acquisition and the Bank intends to tap urban locations and top-100 Deposits locations of the country for deposits mobilization. These locations will also be tapped for high-ticket retail loans sourcing.

The Bank's total deposit base increased by 38.08% during FY2019-2020 to ₹ 5,235.21 crore as on March 31, 2020 from ₹ 3,791.39 crore as on March 31, 2019. The Bank focussed on building its retail deposits book and consequently CASA (Current Account & Savings Account) grew by 86.24% to ₹ 706.66 crore as on March 31, 2020 from ₹ 379.44 crore as on March 31, 2019. Retail Term Deposits grew by 119.73% to ₹ 1,814.52 crore as on March 31, 2020 from ₹ 825.78 crore as on March 31, 2019. The growth in retail term deposits was supported by the Bank's competitive interest rate offerings and improving stickiness of our customers with enhanced upselling and cross selling efforts. During the year the Bank also focussed on ease of banking for the customers through our digital channels.

(₹ in crore)

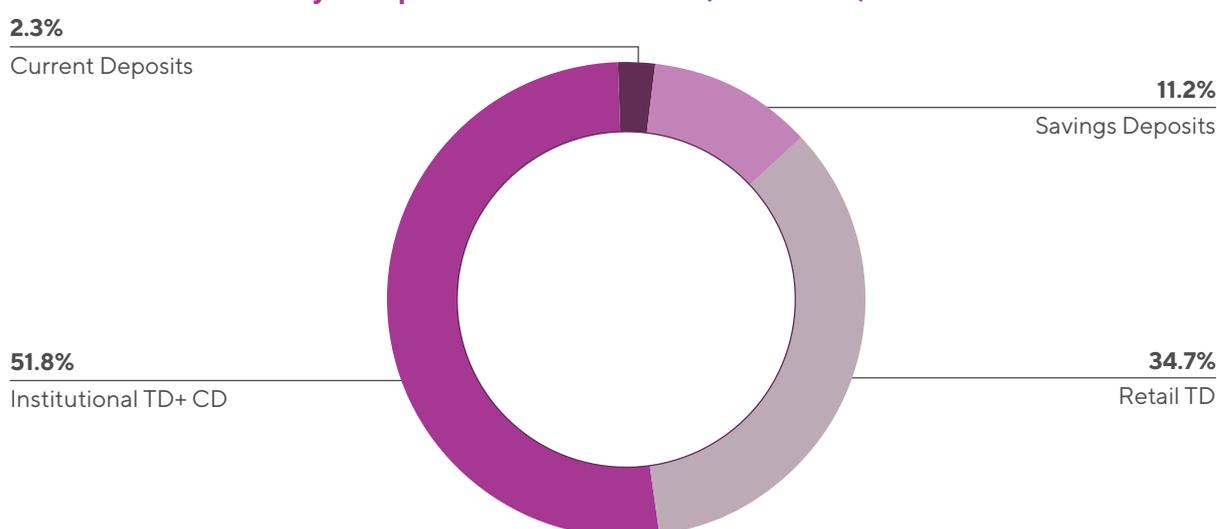
Particulars	As on March 31, 2020	As on March 31, 2019	Change YoY
No. of States / UT	15/2	10/1	5/1
No. of Operational Districts	81	48	33
No. of General Banking Outlets	103	61	42
Total Deposits	5,235.21	3,791.39	1,443.82
Current Deposits	119.16	86.23	32.93
Savings Deposits	587.50	293.21	294.29
CASA Balance	706.66	379.44	327.22
Term Deposits	4,528.55	3,411.95	1,116.60
Retail TD	1,814.52	825.78	988.74
Wholesale Term Deposits (including Certificate of Deposits)	2,714.03	2,586.17	127.86

(₹ in crore)

Particulars	As on March 31, 2020	As on March 31, 2019	Change YoY
CASA Ratio	13.50%	10.01%	3.49%
No. of Savings Accounts	4,10,842	1,64,696	2,46,146
Of these, No. of BSBDAs	2,54,018	96,383	1,57,635
No. of Current Accounts	14,199	8,616	5,583
No. of Term Deposits	89,825	28,648	61,177

Under the Retail Segment, the Bank is currently offering Retail Savings Account, Current Account, Retail Term Deposit (TD) and Salary Account. The Bank is also broad basing its deposit profile by raising deposits from wholesale and institutional clients.

Liability Composition as on March 31, 2020 - ₹ 5,235 crore



In FY2019-20, the Bank continued to focus on enlarging the retail franchise, including the HNI segment for Current Account - Savings Account (CASA) and Retail Term Deposits (RTD). Consequently, the ratio of CASA to overall Deposits has grown to 13.50% as on March 31, 2020 from 10.01% as on March 31, 2019, whereas Retail Deposits (CASA+RTD) ratio improved to 48.16% during the same period. In addition, 2 lakh plus New to Bank (NTB) customers were on-boarded, taking the total number of active accounts to 4 lakh, an increase by more than 2 times YoY. Also, the Bank is using its vast network of micro banking outlets to reach out rural and semi urban customers for deposit mobilisation.

Currently, the Bank offers Rupay Debit Card to all its customers. Also, the Bank plans to offer global co-branded Debit Card to the customers in the near future. The Bank also taking steps for faster and convenient onboarding of customers through our digital channels.

Other Products and Offerings

USFBL also provides various other products and services. These include offering debit cards to the customers, locker services, distribution of third party products like life insurance, general insurance and mutual funds etc. The internet banking platform offers basic remittance services like NEFT and RTGS. In addition, the Bank has also extended Bharat Bill Pay System to aid digital transactions.

Customer Services and Digitalisation

Going forward, in order to accelerate retail expansion and diversification of customer base, the Bank will target Point of Sale (POS) business and enhance customer convenience by offering services such as Doorstep Banking and Corporate Internet Banking. USFBL has already taken steps to put in place suitable technology driven processes and systems that will help deliver superior customer experience. With the aim of embracing digital banking, the Bank is committed to building a strong technological infrastructure with high availability and a robust architectural foundation for overall deposit growth.

Providing superior customer experience is an integral part of the Bank functioning, the Bank continues to enhance customer experience with digital channels such as Debit Cards, POS, ATM's, Internet Banking, Mobile Banking and a well-served customer care call centre along with increase in the branch network.

With a focus on customer-centricity, the Bank aims to provide a differentiated banking experience through an entire gamut of digital touchpoints through the following initiatives:

- Providing ease of payments through Digital channels like internet and mobile banking.
- The Rupay debit card as being offered is currently having good traction and growth. Additionally, the Bank is planning for new arrangements with International card network such as MasterCard.
- Providing transactional ease to the MSME segment, planning for MPOS implementation.
- Implementing Tab Banking and Self on-boarding, will be a paradigm change in NTB client experience.
- In process to set up partnership with E-commerce players to use USFBL Debit Card on their portals.

The Bank's thrust on utilising digital channels can be validated by the fact that, USFBL has secured third rank amongst all SFBs in terms of nos. of transactions NEFT and RTGS (source RBI data) in FY2019-20 digital channel. USFBL application has seen a jump in rating on Play Store to 4.2 in FY2019-20 from 3.9 in FY2018-19, demonstrating improvement in customer satisfaction. The Bank is focussing on further enhancing the Retail Banking digital application with much more advanced features such as Fingerprint Login, Self on-boarding, Spend analyser analytics to name a few.

To provide easy access to the rural and remote customers, the Bank has pivoted the Micro-ATM project in some of the branch areas. These ATMs are easy to install and mobile in nature that may be carried as per suitable requirement. The device looks like similar to POS terminal with additional feature such as card reader/bar code scanner and fingerprint scanner. This terminal can connect to banking network via GPRS to perform banking transactions. The Micro-ATMs are very similar to ATMs in terms of functionality viz. Balance Enquiry, Mini Statement, Cash withdrawal and Fund transfer, but it will be operated by a staff of the Bank.

Business Strength and Development Strategies

Strong Group Investor Profile:

USFBL is a wholly-owned subsidiary of Utkarsh CoreInvest Limited (UCL), which has a marquee investor base profile. CDC Group (formerly Commonwealth Development Corporation) is UCL's largest shareholder followed by NMI Frontier Fund. Other shareholders include International Finance Corporation, SIDBI, responsAbility Participations Mauritius, Aavishkaar Goodwell India Microfinance Development Company, Faering Capital India, Hero Enterprise, Shriram Life Insurance Co. Ltd., ICICI Prudential Life Insurance, Jhelum Investment Fund, Raag Family Trust, HDFC Life Insurance, Sustainability Finance - Real Economies SICAV, RBL Bank Ltd. and Sarva Capital LLC, etc.

Experienced Management Team:

The professional management team has a collective experience of around 400 years in the banking and microfinance sector. The management team has garnered this experience by working with various organisations such as Banks, NBFCs, MNCs and Regulators. The senior management comprises functional heads (core team members) and Business heads for each product verticals. As per the Bank's strategy to expand non-microfinance business segments, the Bank is continuously strengthening the senior management team to drive growth in these segments.

Ability to raise funds from diverse sources:

USFBL's liquidity profile remains comfortable due to a conservative liquidity policy, high cash balances and diverse source of funding especially from the promoter and investors. The Bank has successfully raised refinance loans from SIDBI, NABARD, MUDRA and other banks to cushion liquidity while it garners sizeable retail deposits.

Institutional Funding Sources

As a reliable source of funding on need basis, the Bank has a line of refinance facility with NABARD and SIDBI.

The facility supports the liability profile of the Bank as follows:

1. Diversification of the sources of liquidity
2. Flexibility in tenor and repayment schedules
3. De-risking in any liability mismatch

Expanding geographic presence:

USFBL intends to further expand its geographical presence by focussing on under-penetrated segments with low to middle income group in rural, semi-urban & urban areas. The Bank is exploring new regions for its liability base and aims to expand into other states.

Expanding product offerings:

By leveraging its wide network, USFBL is well-positioned to cater to entire life cycle needs of their clients with their innovative products across the segments viz. microfinance segments - JLG Loans, two-wheeler loans personal loans, business loans, MSME loans, housing loans, LAP, wholesale loans, etc.

Improving customer relationship and service:

The Bank's deep understanding of customer requirements and wide reach, has enabled it to establish a strong liability franchise and consequently the asset quality. Apart from offering the better interest rates, USFBL focusses on better services especially door-to-door services for customers over and above the age of 60 years. The Bank's superior services to rural customers augurs well for building strong and lasting relationships. The Bank is further leveraging right technology to identify opportunities and deliver products and services to the target customer segment.

Financial inclusion & Priority Sector Lending

Expanding further the microfinance outreach of the Bank during the FY2019-20 period, the Bank had over 25 Lakh active Joint Liability Group clients (with an outstanding of ₹ 5,968.38 crore) that comprises for 89.78% of total loan book as at the close of FY19-20. Majority of the micro finance loans are for agriculture, livestock and small businesses.

Since the start of the banking operations, the Bank is opening Basic Savings Bank Deposit Account (BSBDA) for its customers, the active accounts under which were more than 2.50 Lakh as at the close of FY2019-20, thereby further deepening the Financial Inclusion initiatives.

The financial inclusion narrative also gets reflected in our lending towards priority sectors being substantially higher at 91.79% of loan portfolio as on March 31, 2020. After factoring a substantial Priority Sector Lending Certificate (PSLC) sale, the Bank's PSL achievement 77.93% vis-a-vis regulatory requirement of 75%. Similarly, Our lending to ticket size of less than ₹ 25 lakhs comprised 93.61% of our loan portfolio as against the regulatory minimum requirement of 50%.

Branch Banking and Operations**a. Collection Mechanism**

USFBL is continuously strengthening its underwriting, collection processes and systems. The Bank continued to work on a taskforce-based model in-house for collections from its overdue clients which achieved good results during FY2019-20. Despite lending to low and mid income groups, the Bank has been able to maintain strong asset quality, which is demonstrated by healthy collection efficiency. An aggregate amount of ₹ 9.01 crore was collected in FY2019-20 from written-off clients, resulting a positive impact on the overall collections. USFBL achieved 99.39% collection efficiency in FY2019-20.

b. Central Processing Centre (CPC)

CPC was launched in FY2018-19 with the opening of liability accounts for the Bank's Micro Banking customers. With the help of twin locations of CPC i.e. Mumbai and Varanasi, USFBL has been able to scale up the account processing capacity. The CPC has taken over and centralised the disbursement activities of Housing Loan (HL). It also provides support in Bharat Bill Payment System (BBPS) and overseas remittance business with the Bank's strategic tie-up under Money Transfer Service Scheme (MTSS). Consequently, volumes are gradually picking-up on these segments.

c. Internal Ombudsman (IO)

The Bank is complied with the directions of RBI on implementation of Internal Ombudsman Scheme 2018. The office of Internal Ombudsman of the Bank is functioning within the SOP approved by the Board of Directors of the Bank as per RBI Scheme of IO 2018. The Internal Ombudsman of the Bank is actively monitoring the grievances through the access provided in (Customer Relationship Management) CRM, escalation of open cases through alerts and in close coordination with CRM team, which has strengthened the internal grievance redressal system in minimising TAT. The office

of Internal Ombudsman is closely associated with training system of the Bank in creating awareness and sensitisation of field functionaries. The Internal Ombudsman has maintained close coordination and liaison with Principal Nodal Officer (PNO) of the Bank and all the business verticals for speedy redressal of grievances.

GRIEVANCES CLOSED BY INTERNAL OMBUDSMAN DURING THE YEAR 2019-20

No. of grievances received by the Bank during FY2019-20	No. of cases rejected by Bank partly/fully during FY2019-20	Cases reviewed by Internal Ombudsman during FY2019-20	No. of grievances closed by Internal Ombudsman during FY2019-20	No. of grievances outstanding as on March 31, 2020
27,632	13	13	13	0

DISPOSAL OF GRIEVANCES BY BANK DURING THE YEAR 2019-20

No. of grievances at the beginning of FY2019-20	No. of grievances received by the Bank during FY2019-20	No. of grievances disposed by the Bank during FY2019-20	No. of grievances outstanding/open as on March 31, 2020
280	27,632	27,861	51

d. Credit Operations

The Bank believes in the philosophy of proactively thinking and taking preventive measures before a crisis occurs. The Credit Risk Department, implements policies and processes for credit risk identification, assessment, measurement, monitoring and control. The Credit Risk Management Committee (CRMC) manages implementation of credit risk management framework across the Bank and provides recommendations to the Risk Management Committee of Board (RMCB).

e. Treasury

The Treasury department of the Bank conducts its business with the twin goal of compliance with regulatory and liquidity management. The department meticulously adheres to regulatory and liquidity of management criteria viz. SLR, Non-SLR, CRR, HTM portfolio, Investment limits etc.

The Treasury has access to the PSLC platform for the sale, if any, of excess portfolios under priority sector. The Bank is a member of the infrastructure of the financial market viz. Segment Settlement of CCIL shares, NDS-OM, NDS-Call, FTRAC, C-BRICS, e-kuber etc.

In its role to manage liquidity, the Treasury ensures availability of adequate liquidity to meet the needs of asset growth, operational expenses and payment obligations. In order to manage liquidity mismatches Treasury actively participates in money market operations like Call/Notice/Term Money, Certificate of Deposits, Commercial Papers, IBPC etc. Treasury raises liability resources through refinance, IBPC, Issue of Certificate of Deposits, bulk FDs.

The value of the investment book outstanding as on March 31, 2020 stood at ₹ 1,192.39 crore with a portfolio yield of 6.69% and average duration of 2.88 years. The outstanding investment book comprises of SLR portfolio of ₹ 1,192.39 crore and Non-SLR Portfolio of Nil.

RATING

During FY2019-2020, ICRA has upgraded rating of USFBL's certificates of deposits of ₹ 1,000 crore to A1+ from A1 based on the Bank's experienced management team, strong investor profile and adequate systems and processes. The rating also considers the USFBL's improvement in profitability in FY2019-20 with an increase in the scale of operations, an improvement in the net interest margin and the comfortable asset quality. Further, USFB has been able to maintain adequate capitalisation with CRAR reported at 22.19%. In addition, the bank has been successfully diversifying its borrowing profile while increasing the share of funds raised from financial institutions (FIs) through long term refinance lines and deposits. ICRA also assigned a rating of ICRA A (Stable) to Tier II bonds of ₹ 200 crore. CARE Ratings Limited has reaffirmed the rating as CARE A (Single A; outlook: stable) for Long Term Bank Facilities Non-Convertible Debentures and Long Term Tier II Bonds. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

Instruments	Ratings	Rating Agency
Certificate of Deposit	ICRA A1+	ICRA
Tier II	ICRA A (Stable Outlook)	ICRA
NCD	CARE A (Stable Outlook)	CARE
Tier II	CARE A (Stable Outlook)	CARE
Bank Loan Rating	CARE A (Stable Outlook)	CARE

FINANCIAL PERFORMANCE

Income statement (₹ Crore)	FY2019-20	FY2018-19	Change (YoY)
Deposits	5,235.21	3,791.39	38.08%
Investments	1,192.39	862.21	38.29%
Advances (Net)	6,281.60	4,668.17	34.56%
Net Worth	954.55	742.68	28.53%
Net Interest Income	728.22	498.75	46.01%
Non-Interest Income	98.55	58.05	69.77%
Total Income	1,406.24	939.09	49.75%
Operating Expenses	476.48	326.27	46.04%
Operating Profit	350.29	230.53	51.95%
Provisions	99.88	81.72	22.22%
PBT	250.41	148.81	68.27%
TAX	63.67	54.92	15.93%
PAT	186.74	93.89	98.89%
Assets under Management (AUM) / Gross Advances	6,660.00	4,741.55	40.45%
Net Interest Margin	10.73%	10.63%	
Cost to Income	57.63%	58.65%	
Return on Average Total Assets (ROAA)	2.47%	1.83%	
Return on Average Net-worth (RONW)	21.18%	13.54%	
Gross Non-Performing Assets (GNPA)	0.71%	1.39%	
Net Non-Performing Assets (NNPA)	0.18%	0.12%	
AuM/Capital & Reserves	6.53	6.14	

- INCOME:** The growth in portfolio along with robust portfolio quality yielded higher income. Net interest income grew by 46.01% to ₹ 728.22 crore in FY2019-20 from ₹ 498.75 crore in FY2018-19 while other income grew by 69.77% to ₹ 98.55 crore from ₹ 58.05 crore.
- PAT:** Despite making a substantial provision of ₹ 99.88 crore (including ₹ 51 crore provision on COVID-19), the Bank posted Profit After Tax (PAT) of ₹ 186.74 crore. PAT increased significantly around two-fold to ₹ 186.74 crore from ₹ 93.89 crore. The higher profitability is attributed to maintaining the NIM and portfolio quality and improving on cost of funds and cost to income ratio.
- AUM:** The Bank demonstrated superior portfolio growth with good asset quality. Assets under management (AUM) increased to ₹ 6,660.00 crore as at March 31, 2020 from ₹ 4,741.55 crore as at March 31, 2019, up by 40.45% YoY on account of scaled-up Business Activities.
- NET ADVANCES:** Total net advances grew 34.56% YoY to ₹ 6,281.60 crore from ₹ 4,668.17 crore, owing to satisfactory performance of Core banking products, higher proportion of JLG disbursements and a pickup in retail and newly launched products.
- DEPOSITS:** The aggregate deposit of the Bank at the end of the year stood at ₹ 5,235.21 crore, which represents a growth of 38.08% over previous financial year. The CASA deposits grew by 86.24% from ₹ 379.44 crore to ₹ 706.67 crore in FY2019-20 and Retail Term Deposits grew by 119.73% from ₹ 825.78 crore to ₹ 1,814.52 crore in FY2019-20.

- **NPAs:** USFBL's asset quality improved considerably during the year under review. The reduction in GNPA from 1.39% to 0.71% is on account of improved collections along with technical write off during FY2019-20.
- **CRAR:** Despite its high pace of loan portfolio growth, the Bank has been able to maintain good capitalisation indicators supported by regular capital infusion from promoter. The Bank's capital to risk weighted asset ratio (CRAR) and Tier-I CRAR stood at 22.19% and 19.41%, respectively as on March 31, 2020 vis-à-vis 24.14% and 20.34%, respectively as on March 31, 2019.

Particulars	FY2019-20	FY2018-19
CRAR	22.19%	24.14%
Tier I	19.41%	20.34%
Tier II	2.78%	3.80%

- **RETURN RATIOS:** USFBL continues to generate strong Return on Average Assets (ROAA) which has improved to 2.47% in FY2019-20 from 1.86% in FY2018-19. Return on Average Net worth (RONW) increased significantly to 21.18% for FY2019-20 from 13.49% for FY2018-19. This has been achieved by clocking growth, maintaining yield on assets, improving cost to income ratio and by reducing the cost of funds.

OUTLOOK

The banking platform provides us huge opportunity in the form of penetrating the banking and financial services to the underserved and unserved sections and geographies of the country and at the same time offering our unique products and services to the customers across the country.

On the lending business, micro finance is expected to remain the focus area for the Bank. Within microfinance, Bihar and Uttar Pradesh along with few other states in the hinterlands of India have been core operating geography for the Bank. While on the back of relatively lower financial penetration and strong demand for microfinance lending, Bihar and Uttar Pradesh are likely to remain key geographies for the Bank, though at the same time the Bank is expanding its microfinance lending to other geographies offering good growth potential and stable asset quality environment. The Bank will be looking for geographical penetration into newer states as well as strengthen its presence in existing states by opening new branches in uncovered districts.

At the same time, the Bank is focusing on expanding its lending to other retail asset customers like housing loans, personal loans and loans to small and medium enterprises (MSME). The Bank is also in the advance stage of launching "wheels" products and different variants of working capital financing solutions to the customers. The Bank endeavors to launch several other retail loans products in the years to come. From products perspective, the strategy would be to do penetration of new products like secured portfolio of MSME and housing loans, as well as enhancing the penetration and productivity of existing microfinance products. The Bank intends to increase the share of secured lending in overall portfolio in the years to come. Supported by planned high growth in our other segments, our product portfolio would be expected to be well balanced in the next few years.

On deposits mobilization front, the Bank has expanded presence in top deposits mobilizations locations of the country along with focus on our existing core geographies. Going forward, we will be launching new products and services to our customers. To reduce the cost of funds further and build a profitable entity on long-term basis, we will continue to focus on increasing our CASA ratio and retail term deposits.

Our long-term plan is to build a profitable franchise and reputation through technology, brand and customer service. Financial inclusion being the mainstay of the Bank, paying special attention to rural and small business clients will stay at the forefront. The Bank is well placed to leverage its deep-rooted franchise and large asset client base of more than 25 lakh clients for upselling and cross-selling various products. A large part of Bank's customers is engaged in Agriculture & allied activities (more than 57% of our Assets Under Management) and in micro enterprises (around 26%) which coupled with our presence in rural and semi urban locations (68% of the Bank's banking outlets) makes the Bank relatively immune to macroeconomic shocks. Furthermore, Agriculture & allied activities and micro enterprises sector as well as rural geographies are financially underpenetrated and offers significant potential of high-quality credit growth for the Bank. We intend to be one of the best SFBs going forward by focussing on profitable growth, innovative products and improving return ratios. We endeavour to consistently build trust and wealth for our shareholders by efficiently deploying capital, in order to maximise return on equity.

UPDATE ON COVID-19

The Bank had invoked Business Continuity Planning (BCP) and formed a Crisis Management Team chaired by MD & CEO. Primary goal was to effectively provide the banking services to its clients without comprising on health of employees. During the pandemic period, the Bank efficiently managed to run its branches though with the reduced manpower strength and also managed its other banking channels such as ATMs, Internet and Mobile Banking and Call Centre without any issues. The Central Processing Unit at Mumbai and Varanasi continued its daily operations with staff being rostered on daily basis to ensure timely settlement of all transactions.

The Bank had taken appropriate measures for health and safety of its employees during this period. Employees were educated from time to time to maintain social distancing and using appropriate methods for avoiding any health issues. During this period, the Bank ensured all regulatory reporting on timely basis. The special efforts were made to reach out to customers to check their well-being and sharing advise to tide over this difficult situation.

RISKS AND MITIGATION STRATEGIES

USFBL has a risk management structure that proactively identifies the risks faced by the Bank and helps in mitigating them. The risk management framework is steered through the Risk Management Committee (RMC) and Asset Liability Committee (ALCO) for enabling liquidity. The Board approves the overall risk management policy including risk framework, limits, etc.

- 1. Concentration Risk:** USFBL is largely dependent on the microfinance segment; the segment contributed 90% of outstanding loan portfolio as on March 31, 2020. Further, the Bank's portfolio is largely concentrated in Uttar Pradesh and Bihar with a share of 31% and 46% respectively of the overall portfolio as on March 31, 2020. The Bank's portfolio is fairly diversified with respect to its exposures at the district level, which is important risk measurement unit in microfinance business. As on March 31, 2020, the Bank's exposure to any single district was not more than 4.0% of the Bank's total asset under management.

Mitigation Measures: USFBL intends to bring down the share of the JLG loan book in the medium term while expanding into other segments like MSME loans, wholesale lending book, affordable housing loans, business correspondent book, two-wheeler loans. During the year under review, the Bank has expanded its operations in 5 states and 1 union territories. Going forward, the Bank targets to further diversify its operations into retail business and enter into new territories.

- 2. Operational Risk:** The Bank is exposed to various types of operational risks such as inadequate or failed internal processes, people and systems.

Mitigation Measures: USFBL has implemented a comprehensive operational risk management policy with a framework to identify, assess and monitor risks, strengthen controls, improve services and minimise operational losses.

The Board approved Business Continuity Policy (BCP) is in place to ensure that the Banking operations continue with minimum disruption. A Crisis Management Team has been constituted to take suitable decisions during business disruptions.

- 3. Fraud Risk:** The Bank is exposed to various types of error and fraud risks such as cyber threats, scam, processing errors, document mishandling, etc.

Mitigation Measures: The Bank's Fraud Risk Management (FRM) Unit manages fraud prevention, monitoring, investigation, reporting and awareness creation as an independent group in the Bank. The Bank also has a dedicated Risk Containment Unit (RCU), which ensures that all loan files are thoroughly checked online. Currently, USFBL is using the Transaction Monitoring - NPCI Fraud Risk Management (FRM) Tool for monitoring fraudulent Debit Card transactions on ATM channels. The Bank is also working towards digital initiatives to prevent fake identification / forged documents during loan processing.

- 4. IT Risk:** Information and cyber security risks may arise from the failure to respond to security and privacy requirements, internal fraud through software manipulation, external cyber fraud, obsolescence in applications and machines, reliability issues (including software malfunctions) or mismanagement.

Mitigation Measures: The Bank has a dedicated team to manage the information systems security. In order to protect the Bank's assets, the Security Operations Centre is operating on a 24x7 basis. As per RBI

guidelines and approved by the Board, USFBL has successfully implemented a Cyber Crisis Management Plan. Further, the Bank has a Computer Incident Response Team (CIRT), responsible to promptly and correctly handle a cyber-security incident, so that it can be quickly contained, investigated and recovered.

- 5. Credit Risk:** Lenders are exposed to default risk in virtually all forms of credit extensions to Individuals, Non-Corporate, Corporate, Bank, Financial Institutions, etc.

Mitigation Measures: The Bank assesses the credit risk at each customer, product, enterprise, geography at bank levels. Standardised credit approval process including a comprehensive credit risk assessment is in place.

- 6. Market Risk:** Market risk is the risk of fluctuation in the Bank's income and/or valuation of financial instruments because of the market volatility.

Mitigation Measures: The Investment Committee and Asset Liability Committee (ALCO) of the Bank oversee the investment and market risks; accordingly approve the framework for market risk and its thresholds. A monthly comprehensive Market risk & Liquidity risk dashboard is circulated to senior management, which provides all relevant information related to investment portfolio, liquidity position, depositors and borrowing.

- 7. Liquidity Risk:** Liquidity risk is caused by an asset-liability mismatch resulting from a difference in the maturity profile of the assets and liabilities. The cost of such liquidity risk would be in terms of either raising fresh liabilities at higher cost or liquidating its assets at a higher discount rate.

Mitigation Measures: Liquidity profile of USFBL is supported by access to diverse sources of funding. The Bank has set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowing, deposits, placements, etc. ALCO reviews treasury operations, interest rate; cash flows etc. on monthly basis and provide internal guidelines. The Bank has adopted Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing framework, to provide detailed information of the Bank's entire spectrum of risks on the on-going assessment evaluation methods and sanction from respective authorities, credit approvals and follow-ups.

VIGILANCE MECHANISM

The Vigilance & Security Department has been formed in the Bank since inception. It undertakes Investigation of fraud, corruption cases and grievances, including those issued under the Bank's whistle-blower policy. The Department educates staff on Preventive Vigilance, Punitive actions, Surveillance & Identification areas. The Vigilance & Security team conducted a variety of inquiries related to fraud, cash theft, serious employee abuse, etc., and performed branch visits, surprise visits, and liaisons with local governments.

INFORMATION TECHNOLOGY (IT)

The Bank acknowledges that Information Technology (IT) is one of the key differentiators for improving customer experience. Customer-Centricity, Operational Efficiency and Regulatory requirements have been categorised as the three main themes for driving technology initiatives. The Bank is concentrating on stabilising its core banking framework (Enabling Active – Active for core banking application and database layer) in addition to developing new platforms such as CCIL, LAMS, Control Measures interface etc. and enhancing existing functionalities such as FD, RD development, Green PIN, e-statement etc. Robotics Process Automation (RPA) was also introduced to increase efficiency and reduce rising manpower costs.

The IT team has unveiled new Big-Data analytics and automation projects for process management and decision taking in real time. It is expected to boost the Bank's ability to deliver improved customer support and facilitate the execution of sales and operations activities. For infrastructural enhancement, scalability and efficiency in cost aspects, it plans to launch cloud-based technology.

COMPLIANCE

The Indian banking industry has recently witnessed the advent of new set of players with the rollout of Payments Banks and Small Finance Banks. Small Finance Banks have fared well on various parameters including achieving their major objective of furthering financial inclusion in the society in last three years and are displaying a strong positive outlook for the next decade.

Reserve Bank of India has released the final guidelines to set up Small Finance Banks (SFBs) under the 'on tap' licence regime to expand the banking services through high technology-low cost operations.

In the initial years of the evolution of SFBs, especially in light of their non-bank legacy, setting up a robust compliance structure and building a compliance culture at par with new generation Private Sector Banks would be challenging. Hence, the role of Compliance Department in these early years is critical.

COMPLIANCE ARCHITECTURE AT UTKARSH SMALL FINANCE BANK LIMITED:

Compliance is an integral feature of a well-managed business that would create value through enhanced reputation, investor confidence and lower cost of capital. Being a Bank, the expectations and stringency of applicability of RBI guidelines are higher. While majority of the regulatory requirements would emanate from RBI circulars, there are other regulators who would have an impact on the banking business.

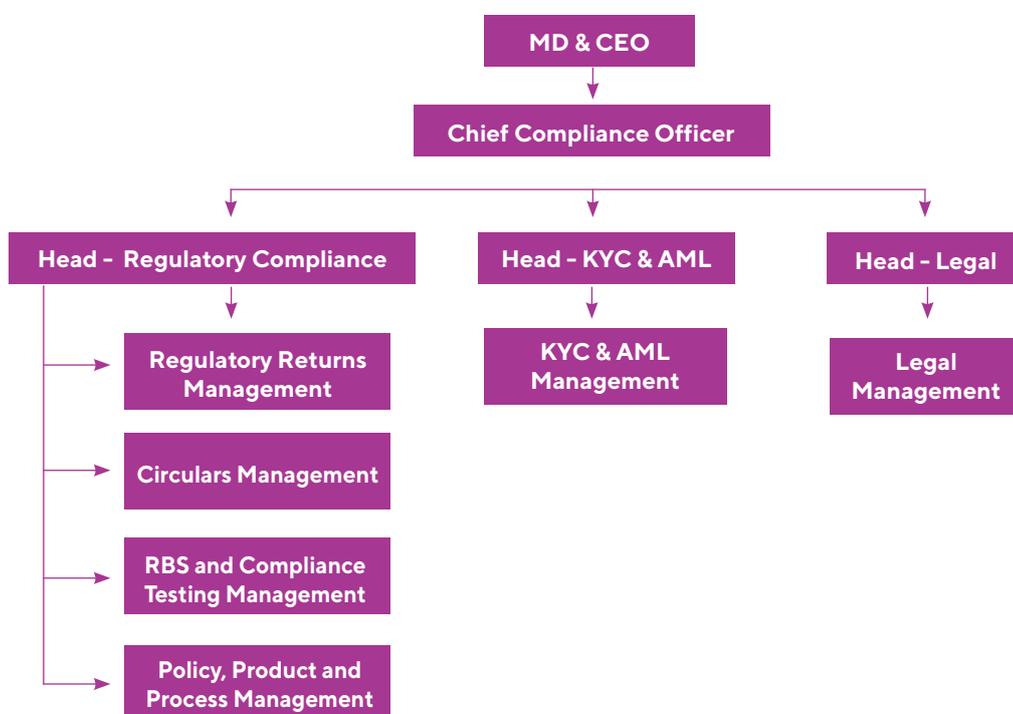
Further, Compliance Department of a bank should act as an important interface between regulators and regulations on one hand, and business on the other. In this connection, Compliance Department of a bank communicates any new regulation or guidance issued by the regulator to the relevant departments in the bank.

To summarise, the role of the Compliance Department is as follows:

1. Facilitate the development and maintenance of Right Compliance culture
2. Advise on Regulatory issues
3. Monitoring Compliance Risks
4. Dissemination of guidelines
5. Handling regulatory issues

An Independent Compliance Function in Utkarsh SFB strives for best in class Compliance practices to be followed in the Bank. The Compliance Department of the Bank acts as a focal point for receipt and dissemination of all statutory, regulatory and internal guidelines and instructions in the matters of compliance among all Business departments / Operations units.

Compliance Architecture in Utkarsh SFBL:



PROCESS FRAMEWORK WITHIN COMPLIANCE DEPARTMENT:

Compliance Department has instituted a process for dissemination of regulatory changes to the various departments and also for updating policies, informing timely submission of returns to regulatory/ statutory authorities, correspondence with regulatory authorities and ensure that the requirements of regulatory changes are effectively met.

Following is the key process framework of Compliance Department:

1. Circular Management Process
2. Returns Management Process
3. Policy Management Process
4. AML/Transaction Monitoring Process
5. Compliance Risk Assessment Framework (Compliance Testing)
6. Risk Based Supervision (RBS) Data Management
7. Legal Management

HUMAN RESOURCES & TRAINING

As a progressive organisation, the Bank's HR & Training programmes have been centred on hiring the best talent, retaining them and provide learning and development environment. The Bank takes concerted efforts to increase the representation of women in the workforce of the Bank. During FY2019-2020, there has been a net addition of 2,008 employees in the Bank, including 383 female employees. As of March 31, 2020, the Bank has a 8,800 plus strong employee base, up from 2,300 when USFBL received the banking licence. More than 12% of the Bank's total workforce, i.e. around 1,100 employees are females.

Employee capacity-building is at the root of the Bank's human resources growth. Numerous workplace training programmes were implemented including Refresher Trainings, Promotion Trainings, Capacity Building Certification Programmes, Mandatory Certification Programmes, Soft Skill Programmes, and Train-The-Trainers. Throughout the year, more than 4,000 staff were educated under various programmes.

At the aggregate level, the Bank strives to build and imbibe its unique culture in the employees. To achieve this the Bank adopted the following mantra:

1. Expand, Nurture and Retain
2. Chart Career Progression
3. Enable Work-Life Balance
4. Learning and Development
5. Reward and Recognition

AUDIT AND INTERNAL CONTROL SYSTEMS

The Bank's Department of Internal Audit has switched to the Risk-Based Internal Audit process since FY2017-18. The Bank has developed audit checklists based on RBI's Framework for Risk-Based Internal Audit and internal audits were performed using these checklists in FY2019-20. The Bank has used "Pentana" integrated end-to-end audit programme software for preparation and execution of internal audits. The Audit MIS team has been given responsibility for systematically reviewing the audit results and their enforcement and reporting various audit-related MIS on a monthly basis to the management.

Internal audit department has performed different forms of audits viz. from its own staff like comprehensive branch audit of all branches and central roles, concurrent account audit, centralised retail loan disbursement and concurrent audit of the Bank's assets and liabilities and outsourced vendor audit. The Bank has also employed professional firms to perform concurrent Treasury audit, centralised account opening procedure, properties of branches, audit of information protection, audit of cyber security and audit of management.

CAUTIONARY STATEMENT

Statements included in this MD&A describing the Bank's priorities, forecasts, predictions, general market conditions, expectations, etc., can constitute 'forward-looking statements' within the scope of applicable legislation. Statements contained in this MD&A describing the Bank's goals, estimates, projections, general market conditions, aspirations, etc., can constitute 'forward-looking statements' within the reach of applicable legislation. Such factors and uncertainties include, but are not limited to, our ability to execute plans for development and expansion, variation between anticipated and actual non-performing advances, credit loss reserve, technological change, investment income and various risk profiles.

BASEL – PILLAR 3 DISCLOSURES AS ON MARCH 31, 2020

Utkarsh Small Finance Bank Limited (hereafter referred as the “The Bank” or “USFBL”), is a wholly owned subsidiary promoted by Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Limited) incorporated on April 30, 2016 under the provision of the Companies Act, 2013. The Bank is licensed by the Reserve Bank of India to operate as a Small Finance Bank under the Banking Regulation Act, 1949 on November 25, 2016. As per the Business Transfer Agreement, almost entire balance sheet of Utkarsh Micro Finance Ltd. (now known as Utkarsh CoreInvest Limited) was transferred to Utkarsh Small Finance Bank Limited as at the close of business on January 21, 2017. Subsequently, soft launching of banking operations commenced on January 23, 2017 with the opening of five branches in Delhi, Patna, Nagpur and Varanasi and full-fledged launching of the banking operations commenced on September 22, 2017. The Bank has entered its third full year of business operations. It was included in the second schedule of the RBI Act, 1934 vide a notification dated November 16, 2017 and was accorded the status of a Scheduled Commercial Bank.

The Bank aims to provide affordable & accessible banking services which are process centric, technology enabled and people oriented resulting in reliable, scalable and sustainable institution facilitating socioeconomic change. The purpose is to provide banking products to the unserved and underserved sections of the country, which includes small and marginal farmers, micro and small industries, and other organized sector entities, at an affordable cost.

USFBL has prepared this disclosure document in compliance with the directions of Reserve Bank of India (RBI) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. The document provides a review of key observations pertaining to the Bank’s capital adequacy, credit quality, key business highlights and a review of its key risks as at March 31, 2020.

I. SCOPE OF APPLICATION

The framework of disclosures applies to USFBL. The Bank does not have any subsidiary nor does it have any interest in any insurance entity. All the information in this document are made as a standalone entity.

II. CAPITAL ADEQUACY FRAMEWORK AND CAPITAL STRUCTURE

Framework

The Bank is subject to the capital adequacy framework as per the “Operating Guidelines for Small Finance Bank” from Reserve Bank of India (RBI). As per capital adequacy framework, the Bank is required to maintain a minimum Capital to Risk Weighted Assets (CRAR) of 15% with minimum Tier I capital as 7.5%. As of now, capital conservation buffer and counter cyclical buffer are not applicable for Small Finance Banks (SFBs).

For the purpose of capital adequacy, only credit risk is covered since there is no separate capital charge prescribed for market risk and operational risk as per the direction of RBI. For computation of capital for credit risk of SFBs, RBI has prescribed Basel II Standardized Approach and has permitted the use of external rating based risk weights for rated exposure and regulatory retail approach for small retail loans.

Assessment

For better assessment of the capital, the Bank is having Internal Capital Assessment Process (ICAAP) with Simplified Approach, considering its balance sheet size and requisite risk management practices.

The Bank’s ICAAP focuses to ensure that the Bank has sufficient capital to support all the risks inherent to its business and an adequate capital buffer based on the business profile. The change in the level of credit risk, market risk and interest rate risk along with the changes in on- balance sheet and off- balance sheet exposures are assessed under different stress scenarios by the Bank to have better assessment of the capital requirement.

Besides computing CRAR under the Pillar I requirement, the Bank has set up sound governance and control practices to identify, assess and manage risks.

(a) Capital Funds

(₹ in crore)

Sl. No.	Particulars	Amount as on March 31, 2020
A	Tier I Capital	
	Paid-up Share Capital	759.27
	Reserves	254.99
	Innovative Tier 1 Capital instruments	-
	Minority Interest	-
B	Deductions	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/ associates	-
	Securitisation exposures including credit enhancements	-
	Deferred Tax Assets	37.51
	Good will and Adjustments for less liquid position	-
	Deferred revenue expenditure	10.08
	Intangible assets	12.11
C	Net Tier 1 Capital	954.55
D	Tier II Capital	
	General Provisions	31.07
	Upper Tier 2 capital instruments	-
	Lower Tier 2 capital instruments	100.0
	Investment fluctuation reserve	5.24
E	Deductions	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/ associates	-
	Securitisation exposures including credit enhancements	-
F	Net Tier 2 Capital	136.31
	Total Eligible Capital	1,090.86

(b) Capital Requirement for various Risks and Risk Weighted Assets:

Capital required for Credit Risk given below is arrived at after multiplying the risk weighted assets by 15%.

(₹ in crore)

Sl. No.	Particulars	Amount as on March 31, 2020
(a)	Capital Requirement for Credit Risk:	
	Portfolios subject to Standardized Approach	737.54
	Securitization	-
(b)	Capital Requirement for Market Risk:	
	Interest Rate Risk	-
	Foreign exchange Risk (including Gold)	-
	Equity Risk	-
(c)	Capital Requirement for Operational Risk:	
	Basic Indicator Approach	-
(d)	Total Capital Requirement (a+b+c)	737.54
(e)	Total Risk Weighted Assets	4,916.95
(f)	Total Capital Fund	1,090.86
(g)	Capital Adequacy Ratio	
	Common Equity Tier-1	19.41%
	Tier-1	19.41%
	Tier-2	2.78%
(h)	Total CRAR	22.19%

(c) Leverage ratio

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

Leverage Ratio = Capital Measure (Tier I Capital)/Exposure Measure

As per operating guidelines for SFBs, the Bank is required to maintain leverage ratio of 4.50%.

The Bank's leverage ratio, calculated in accordance with RBI guidelines under consolidated framework, is as follows:

		(₹ in crore)
Sl. No.	Items	Amount as on March 31, 2020
On-Balance sheet exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	9,404.32
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	9,404.32
Derivative exposure		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
12	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Total securities financing transaction exposures (sum of lines 12 to 15)	-
16	Other off-balance sheet exposures	-
17	Off-balance sheet exposure at gross notional amount	-
18	(Adjustments for conversion to credit equivalent amounts)	-
19	Off-balance sheet items (sum of lines 17 and 18)	-
Capital and total exposures		
20	Tier 1 capital	954.55
21	Total exposures (sum of lines 3, 11, 16 and 19)	9,404.32
Leverage ratio		
22	Basel III leverage ratio	10.15%

(a) Reconciliation of total published balance sheet size and on balance sheet exposure

(₹ in crore)

Sl. No.	Particulars	Amount as on March 31, 2020
1	Total consolidated assets as per published financial statements	9,404.32
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	-
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
4	Adjustment for entities outside the scope of regulatory consolidation	-
5	On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)	9,404.32

(b) Summary Comparison of accounting assets and leverage ratio exposure

(₹ in crore)

Sl. No.	Particulars	Amount as on March 31, 2020
1	Total consolidated assets as per published financial statements	9,404.32
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
7	Other adjustments	-
8	Leverage ratio exposure	10.15%

III. RISK EXPOSURE AND ASSESSMENT

The Bank encourages calculated risk-taking, where risks are known, and are within the risk limits arising from the approved risk appetite. Also while evaluating the risks, the associated returns are also considered.

The Bank has an evolving and robust risk management model of proven effectiveness, aligned with regulatory standards and best practices, and proportional to the scale and complexity of its activities. Bank is exposed to various risks that are an inherent part of any banking business. The major risks are credit risk, market risk, liquidity risk and operational risk which includes IT related risk. Bank has policies and procedures in place to measure, assess, monitor and manage these risks systematically across all its portfolios. RBI Guidelines on Basel III Capital Regulations have been implemented and the Bank is adequately capitalized as per the current requirements under Basel III. An independent Risk Governance Structure, in line with best practices, has been put in place, in the context of segregation of duties and ensuring independence of Risk Measurement, Monitoring and Control functions.

Employees at all levels are responsible for the management and escalation of risks. This is within a framework of risk limits and risk strategy as approved by the Board of Directors of the Bank and communicated by the Bank's senior management.

Risk transparency is fostered through reporting, disclosure, sharing of information and open dialogue about the risks arising from different activities across the Bank.

(a) Risk Governance Model

The Bank has established a system for directing and controlling the management of risk within the Bank. This governance model defines three key roles:

- Businesses that take, manage and monitor risk;
- Risk Management to provide policy, guidance and analysis; and
- Internal Audit to provide independent assurance.

Risk Management Department is responsible for setting up the appropriate risk control mechanism, quantifying and monitoring risks.

(b) Risk Governance Framework

The Bank believes that the role of risk management should not be biased by consideration of profits or performance evaluation of units. It should be in line with regulatory guidelines and international good practices. The risk governance framework has been designed taking this into account. All new processes and products introduced in the Bank have a rigorous due diligence process that includes a risk review before these are formally introduced.

(c) Governance Committees

- **Board of Directors**

The Board of Directors (“the Board”) is the ultimate authority in the Bank to lay down the policies. The Board can, however, form committees to oversee the risk management processes, procedures and systems in the Bank.

- **Risk Management Committee of the Board (RMC)**

The Risk Management Committee of the Board is a Board level sub-committee. The primary role of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to Risk Management.

RMC constitutes:

- Four members of the Board of Directors, as nominated by the Board, including Managing Director & CEO
- Chief Risk Officer - Permanent Invitee
- The Chief Financial Officer- Permanent Invitee
- The Company Secretary – Convener and Secretary

- **Management Level Committees**

At management level, three separate committees for Credit Risk Management, Operational Risk Management, Asset Liability Management, Information System Security committees and Fraud Risk Council meet at regular intervals to support the Board level committees in executing its responsibilities.

IV. CREDIT RISK

Credit risk is the risk of loss that may occur due to default of the counterparty or from its failure to meet its obligations as per the terms of the financial contract. Any such event will have an adverse effect on the financial performance of the Bank.

The framework provides a clear definition of roles as well as allocation of responsibilities with regard to ownership and management of risks. Allocation of responsibilities is further substantiated by defining clear hierarchy with respect to reporting relationships and Management Information System (MIS) mechanism.

(a) Structure and Organization

The Bank faces credit risk through its lending, investment and contractual arrangements. To mitigate the effects of credit risks faced by the Bank, a robust risk governance framework is in place.

The organizational structure for Credit Risk Management is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Credit Risk Management Committee (CRMC)
- Chief Risk Officer (CRO)
- Head - Credit Risk Department
- Credit Risk Department
- Business Units

The Bank has an approved delegation of authorities including various credit committees for credit approvals. The Credit Risk Management Committee at the management level proactively assess portfolio quality, prudential limits and inherent risks. It also frames policies and sets limits to mitigate identified risk. Governance control is vested with the Risk Management Committee (RMC) of the Board, which monitors and provides guidance on the risk assessment and capital adequacy as well as ensures timely and effective implementation of policies. Policies such as the credit risk management policy, investment policy, credit risk policy, product specific credit policies, NPA policy and collection policy are defined to effectively manage credit risk.

(b) Strategies and Processes

The Bank has defined and implemented various risk management policies, procedures and standards with an objective to build, sustain and maintain a high quality credit portfolio by proper measurement, monitoring and control of the credit exposures. These policies also address more granular factors such as diversification of the portfolio across companies, business groups, industries, geographies and sectors. The policies reflect the Bank's approach towards lending to borrowers in light of prevailing business environment and regulatory stipulations. All these policies are approved by the Board of Directors of the Bank and are reviewed regularly.

The product specific credit policy details the credit norms to be adhered to for each customer segment within specific products. Credit Committees, comprising of various senior officials from the Bank including representation from the Risk Department, are constituted for approval of various loan proposals. All credit proposals other than Micro Finance loans are approved by various committee as per authority matrix approved by the Board.

Large value exposures are assessed based on qualitative and quantitative parameters. An internal rating model uses these quantitative and qualitative inputs to assess the risk profile of the borrower. Internal rating is reviewed periodically.

The Bank manages concentration risk by adopting the prudential limits as directed by the RBI as well as by putting in place various internal limits. The Bank has put in place internal guidelines on exposure norms in respect of single borrower, groups, industry exposure, etc. based on various guidelines issued by regulators.

(c) Credit Risk Measurement

Quantitative dimension of risk management involves measuring risk in credit portfolio, making provisions as per "Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" and holding capital as per "Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF)".

Total Net credit risk exposure by facility including others (SLR Investment, Current and fixed asset):

		(₹ in crore)
Sl. No.	Facility Type	Credit Exposure as on March 31, 2020
1	Loans & Advances	6,281.60
	Add: Non SLR Investments	-
	Total Fund Based	6,281.60
2	Non-Fund Based	-
3	Others (SLR Investment, Current and fixed asset)	3,083.02
Total		9,364.62

Total Net credit risk exposure by geography:

(₹ in crore)

Sl. No.	Facility Type	Credit Exposure as on March 31, 2020
1	Domestic	9,364.62
2	Overseas	-
Total		9,364.62

Total Net credit risk exposure between secured, unsecured businesses and SLR Investment, Current and fixed asset):

(₹ in crore)

Sl. No.	Facility Type	Credit Exposure as on March 31, 2020
1	Secured	523.64
2	Unsecured	5,757.96
3	Others	3,083.02
Total		9,364.62

Industry wise Distribution

(₹ in crore)

Sl. No.	Facility Type	Exposure as on March 31, 2020	% of Total Exposure
1	Agriculture and Allied Activities	3,440.89	54.78%
2	Micro and Small	177.57	2.83%
3	Professional Services	100.52	1.60%
4	Retail Trade	994.15	15.83%
5	NBFCs	309.51	4.93%
6	Other Services	952.57	15.16%
7	Housing Loans (incl. priority sector Housing)	90.76	1.44%
8	Consumer Durables	0.26	0.00%
9	Vehicle/Auto Loans	0.09	0.00%
10	Education Loans	0.13	0.00%
11	Advances against Fixed Deposits (incl. FCNR(B), etc.)	39.13	0.62%
12	Other Retail Loans	176.02	2.80%
Total		6,281.60	100.00%

Residual maturity breakdown of Assets and Liabilities:

(₹ in crore)

Particulars	As on March 31, 2020					
	Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR)**	Foreign currency Assets	Foreign currency Liabilities
1 day	8.57	23.06	30.64	-	-	-
2 to 7 days	0.39	27.98	205.73	0.05	-	-
8 to 14 days	0.00	34.29	252.14	0.06	-	-
15 to 30 Days	14.29	36.05	265.42	0.13	-	-
31 Days to 2 months	16.45	43.64	210.72	110.25	-	-
Over 2 months to 3 months	391.49	23.07	169.42	0.25	-	-
Over 3 months to 6 months	854.02	146.40	827.29	249.40	-	4.73
Over 6 months to 1 year	2,018.93	235.38	1,352.42	297.81	-	4.73
Over 1 year to 3 years	2,845.82	528.93	1,885.72	1,364.48	-	9.46
Over 3 years to 5 years	80.97	87.67	32.84	611.92	-	-
Over 5 years	50.67	5.92	2.87	40.69	-	-
Total	6,281.60	1,192.39	5,235.21	2,675.04	0.00	18.92

*Amount disclosed are net off provision for NPA

**Includes foreign currency liabilities

Classifications of Non-Performing Assets & Provisioning

Advances are classified as Performing Assets (Standard) and Non-performing Assets (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. The advances are stated net of specific provisions made towards NPAs, unrealized interest on NPAs, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognized in the Profit and Loss Account until received.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies.

Position of Non-performing Assets (NPA):

(₹ in crore)

Particulars	Amount as on March 31, 2020
Gross Advances	6,308.95
Net Advances	6,281.60
Gross NPA	44.65
Sub-standard	41.01
Doubtful 1	3.34
Doubtful 2	0.30
Doubtful 3	-
Loss	-
NPA Provision	27.35
Floating Provision	6.21
Net NPA	11.09
Gross NPA to Gross Advances (%)	0.71%
Net NPA to Net Advances (%)	0.18%

Movement of Non-performing Assets (NPA Gross):

(₹ in crore)

Particulars	Amount as on March 31, 2020
Opening Balances (As on April 01, 2019)	65.57
Additions	41.19
Write Offs	56.01
Reductions	6.10
Closing Balances	44.65

Movement of NPA Provisions:

(₹ in crore)

Particulars	Amount as on March 31, 2020
Opening Balances (As on April 01, 2019)	59.88
Add: Provisions made during the period	28.35
Less : Write offs	56.01
Add : Write Back of excess provision	1.34
Closing Balances	33.56

Including floating provision of ₹ 6.21 crore (March 31, 2019: ₹ 2.45 crore)

Movement of provisions for depreciation on investments:

(₹ in crore)

Particulars	Amount as on March 31, 2020
Opening Balance (As on April 01, 2019)	-
Add: Provisions made during the period	0.06
Less : Write offs	-
Less : Write Back of excess provision	-
Closing Balance	0.06

V. CREDIT RISK-DISCLOSURES FOR PORTFOLIOS SUBJECT TO STANDARDIZED APPROACH

In line with the RBI licensing guidelines on Small Finance Banks, Bank ensures that at least 50 per cent of its loan portfolio constitutes loans and advances of upto ₹ 25 lakh.

The Bank has used the Standardized Approach under the RBI's Basel capital regulations for its credit portfolio.

(₹ in crore)

Category	Amount as on March 31, 2020
Below 100% Risk Weight	4,502.40
100% Risk Weight	406.34
More than 100% Risk Weight	8.21
Closing Balance	4,916.95

VI. CREDIT RISK MITIGATION- DISCLOSURES FOR STANDARDIZED APPROACHES

Collaterals & Guarantees

Borrower's financial strength and debt-servicing capacity shall be the primary consideration while granting credit limits and Bank shall not rely, solely on collateral or guarantees as the primary source of repayment or as a substitute for evaluating the borrower's creditworthiness.

Nevertheless, collateral and guarantees, if obtained and managed properly, play important role in credit risk management.

Collateral Acceptance Criteria

Assets accepted as collateral shall satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified;
- The asset is marketable and there exists a readily available secondary market for disposing of the asset;
- Bank's right to repossess the asset is legally enforceable and without impediment;
- Bank is able to secure control over the asset if necessary. In the case of a movable asset, bank have either physical custody of the asset (e.g. gold, precious metal) or have the means of locating its whereabouts (e.g. vehicle, machinery or equipment); and bank has the expertise & systems to manage the asset concerned.

VII. LIQUIDITY RISK QUALITATIVE DISCLOSURES

Liquidity refers to the Bank's ability to fund the increase in assets or withdrawals of liabilities and meet both expected and unexpected cash and collateral obligations at reasonable cost without adversely affecting its financial condition. Liquidity risk arises when the Bank finds it difficult to meet such obligations. The Bank's Asset Liability Management Committee (ALCO) is responsible for overseeing the management and governance of liquidity risk.

Liquidity Risk Management in the Bank (standalone) is governed by the Board approved Asset Liability Management (ALM) Policy which provides the framework for its monitoring & management. The Bank actively manages its liquidity risk covering both market funding risk and market liquidity risk. The Bank maintains a diversified funding profile with emphasis on building retail franchise to increase customer deposits. The Bank ensures that there is sufficient liquidity headroom available, including liquid assets, at all times to manage any contingency. Liquidity risk is assessed from both structural and dynamic perspective. The Bank uses liquidity gap analysis to measure cash flow mismatches at different time bands. The cash flows are bucketed based on the residual maturity or expected behavior of assets, liabilities and off-balance sheet items. Bank also manages its liquidity on a dynamic basis to supplement the liquidity gap analysis by estimating net cash outflow or inflows for business units considering their business projection for the next 3 months.

VIII. MARKET RISK QUALITATIVE DISCLOSURES

Market Risk may be defined as the possibility of loss to a bank caused by changes in the market variables such as interest rates, credit spreads, equity prices, etc. The market risk for the Bank is governed by 'Market Risk Management Policy' and 'Treasury & Investment Policy', which are approved by the Board. These policies ensure that transactions in debt and capital markets are conducted in accordance with acceptable business practices and are as per the extant regulatory guidelines.

(a) Structure and Organization

The organizational structure for Market Risk Management is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Asset Liability Management Committee (ALCO)
- Chief Risk Officer (CRO)
- Head - Market Risk Department
- Market Risk Management Unit

Market Risk Management unit is independent of the dealing and settlement functions and reports directly to the Chief Risk Officer.

(b) Strategies and Processes

Risk identification entails ensuring all instruments that result in Market Risk both on-balance sheet and off-balance sheet of the Bank are identified and monitored centrally. To achieve this objective, all new instruments/products in which the Bank engage should be assessed. The Asset Liability Management Committee (ALCO) reviews all new instruments to evaluate whether they result in market risk. Modifications to existing instruments are reported to the ALCO to enable such evaluation.

The Market Risk Division of the Risk Management Department is responsible for the design and implementation of the Bank's market risk management/ALM system. The Division is independent from business and trading units, and provides an independent risk assessment, which is critical to the ALCO's key function of controlling and managing market risks in accordance with the mandate established by the Board and Risk Management Committee. Mid Office of the Bank's Treasury function is attached to the Market Risk Division of Risk Management Department. Mid Office prepares and analyses daily reports on various activities of the Bank's Treasury. The Mid Office, which is responsible for the critical functions of independent market risk monitoring, measurement and analysis, reports to the Bank's Chief Risk Officer through the Head of Market Risk Division.

(c) Market Risk Measurement

Adverse movements in interest rates can affect both interest earnings and fair or economic value of the financial instruments. The very nature of the financial intermediation business makes the Bank susceptible to interest rate risk and unmanaged risk could potentially pose a significant threat to the Bank's earnings and capital. Interest rate risk results from both trading book and banking book. The impact of interest rate risk on trading book is actively measured using trading book risk metrics like PV01, duration, etc. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items.

For SFBs, Reserve Bank of India has not prescribed capital charge for market risk. Since market risk framework also covers specific risk charge, therefore, to assess the credit risk in the trading book, an external rating based approach is used and risk weighted assets so computed are included under credit risk.

IX. OPERATIONAL RISK QUALITATIVE DISCLOSURES

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, which includes but is not limited to legal risk. It is inherent in all activities arising out of a bank's business and operations and could result in financial losses, litigation, regulatory fines or other damage to the Bank. The severity of impact on the Bank, its employee and customers is dependent on the efficacy with which operational risk is managed by the Bank. The goal is to keep operational risk at

appropriate levels, in light of the Bank's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment in which it operates.

(a) Structure and Organization

The operational risk management governance structure is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Operational Risk Management Committee (ORMC)
- Chief Risk Officer (CRO)
- Head - Operational Risk Department
- Operational Risk Unit

Additionally, with a view to ensuring sound practices in respect of governance of the overall Operational Risk, the Bank has outlined policies and processes in respect of Information Security, Business Continuity Planning, Disaster Recovery, Fraud Risk Management Control and Customer Services.

(b) Strategies and Processes

The business units and supporting operational functions are accountable for operational risks and controls in their respective areas, which they manage as per the policies, standards, processes, procedures; and operational risk management framework laid down by the independent operation risk management (ORM) function.

ORM along with product and process managers facilitates the business and operation groups for carrying out risk and control self-assessments on a periodic basis. All the new products and processes including modifications thereof are reviewed by the control groups such as risk, compliance, legal and audit.

The Bank has an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement.

The Bank also has a Whistle blower policy, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event. The Bank has separate Risk containment unit to prevent fraudulent applications from entering into the system at the on boarding stage and Fraud Risk Management unit for external fraud investigations.

There is an independent information security group, which addresses information and cyber security related risks. The function is governed by a Board approved policies on information security and cyber security. The Bank carries out periodical awareness exercise to ensure employees are updated on information security practices. The information security function is driven by both technology and process driven controls.

Disaster recovery and Business Continuity Plan (BCP) has also been established by the Bank for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness.

X. INTEREST RATE RISK IN BANKING BOOK (IRRBB)

Qualitative Disclosure

Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. The immediate impact of changes in interest rates is on bank's earnings through changes in its Net Interest Income (NII). A long-term impact of changes in interest rates is on bank's Market Value of Equity (MVE) or Net worth through changes in the economic value of its, liabilities and off-balance sheet positions. The interest rate risk, when viewed from these two perspectives, is known as 'earnings perspective' and 'economic value' perspective, respectively.

The interest rate risk is measured and monitored through two approaches:

Earning at Risk (EAR): Earnings perspective involves analysing the impact of changes in interest rates on accrual or reported earnings in the near term. This is measured using TGA whose focus is to measure the level of a bank's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over the horizon of analysis which is usually one year. It involves bucketing of all RSA and RSL and off balance sheet

items as per residual maturity/ re-pricing date in various time bands and compute Earnings at Risk (EaR) i.e. loss of income under different interest rate scenarios over a time horizon of one year.

Market Value of Equity (MVE): This approach analyses the dynamic behaviour of economic value of equity with response to varying interest rate scenarios. Broadly, the MVE is defined as the difference between the market value of assets and market value of liability in response to a change in the interest rate. The linkage between the two is established via modified duration of rate sensitive assets and liabilities.

The Duration Gap Analysis (DGA) would involve bucketing of all on- and off- balance sheet Risk Sensitive Assets (RSA) and Risk Sensitive Liabilities (RSL) as per their residual maturity / re-pricing dates in various time bands and computing the Modified Duration Gap (MDG). MDG would be used to evaluate the impact on the Market Value of Equity (MVE) of the Bank under different interest rate scenarios.

Modified Duration of an asset or liability measures the approximate percentage change in its value for a 100 basis point change in the rate of interest.

Quantitative disclosure:

Earning at Risk (EAR):

(₹ in crore)

Change in interest rate	Amount as on March 31, 2020
EaR @ 100 bps	8.66
EaR @ 200 bps	17.32
EaR @ 300 bps	25.99

Market Value of Equity (MVE):

(₹ in crore)

	Amount as on March 31, 2020
% Change in MVE when there is 100 bps change in interest rates	1.35%
% Change in MVE when there is 200 bps change in interest rates	2.70%
% Change in MVE when there is 300 bps change in interest rates	4.06%

XI. MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Disclosure template for main features of regulatory capital instruments

	Equity Shares
1	Issuer
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)
3	Governing law(s) of the instrument
	Regulatory treatment
4	Transitional Basel III rules
5	Post-transitional Basel III rules
6	Eligible at solo/group/ group & solo
7	Instrument type
8	Amount recognised in regulatory capital (₹ in crore, as of most recent reporting date)
9	Par value of instrument
10	Accounting classification
11	Original date of issuance
12	Perpetual or dated
13	Original maturity date
14	Issuer call subject to prior supervisory approval
15	Optional call date, contingent call dates and redemption amount
16	Subsequent call dates, if applicable

Equity Shares	
Coupons / dividends	
17	Fixed or floating dividend/coupon
18	Coupon rate and any related index
19	Existence of a dividend stopper
20	Fully discretionary, partially discretionary or mandatory
21	Existence of step up or other incentive to redeem
22	Noncumulative or cumulative
23	Convertible or non-convertible
24	If convertible, conversion trigger(s)
25	If convertible, fully or partially
26	If convertible, conversion rate
27	If convertible, mandatory or optional conversion
28	If convertible, specify instrument type convertible into
29	If convertible, specify issuer of instrument it converts into
30	Write-down feature
31	If write-down, write-down trigger(s)
32	If write-down, full or partial
33	If temporary write-down, description of write-up mechanism
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)
35	Non-compliant transitioned features
36	If yes, specify non-compliant features

XII. TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS

Full Terms and Conditions of Equity Shares of the Bank

Sr. No.	Particulars	Full Terms and Conditions
1	Voting shares	
2	Limits on Voting Shares	
3	Position in Subordination hierarchy	
4	Perpetuity	
5	Accounting Classification	
6	Distributions	
7	Approval for Issuance	

DIRECTORS' REPORT

Dear Members,

Your Directors take great pleasure in presenting the 4th Annual Report of the Bank, together with the Audited Statement of Accounts, Auditor's Report and the Report on the business and operations of the Bank, for the financial year ended March 31, 2020.

Your Bank has completed three (3) full years of operations this financial year and opened its 500th branch in Vashi, Mumbai. While the Bank continued its focus on financial inclusion in rural and semi-urban areas, the Bank is rapidly spreading its branch network in the urban areas. The Bank is currently present in 15 States and 2 Union Territories through a network of 507 branches. Your Bank has impacted the lives of over 25 million customers, lakhs of people through its social initiatives and families of its over 8,800 employees.

In the year under review, your Bank delivered a strong financial performance on the back of an improvement in a majority of its key parameters. The Bank has recorded a Net Profit of ₹ 186.74 crore (grew by 98.89%), Liabilities franchise grew by 38.08% & Assets Under Management by 34.63%. Gross Non-Performing Assets (GNPAs) at 0.71% and Net Non-Performing Assets (NNPAs) at 0.18% are among the lowest in the industry.

Towards the end of the financial year, the world came across the COVID-19 pandemic. Though the situation is still unfolding and the likely impact is still being analysed, the Bank has made higher provisions to protect the book against the impact of COVID-19 in addition to the provisions for SMA accounts which availed the moratorium as prescribed by RBI.

FINANCIAL PERFORMANCE

The financial highlights for the year under review, are presented below:

(Amount in ₹ Crores)

Particulars	As on March 31, 2020	As on March 31, 2019	Change in %
Deposits	5,235.21	3,791.39	38.08%
Investments	1,192.39	862.21	38.29%
Advances (Net)	6,281.60	4,668.17	34.56%
Net Worth*	954.55	742.68	28.53%
Net Interest Income	728.22	498.75	46.01%
Other Income	98.55	58.05	69.78%
Net Total Income	826.77	556.80	48.49%
Operating Expenses	476.48	326.27	46.04%
Provisions and Contingencies	163.55	136.64	19.69%
Net Profit	186.74	93.89	98.89%
Gross NPA Ratio	0.71%	1.39%	
Net NPA Ratio	0.18%	0.12%	
Capital Adequacy Ratio	22.19%	24.14%	
Business (Deposit plus Net Advance) per employee	1.26	1.15	
Business Per Branch	22.8	19.6	
Appropriations			
Transfer to Statutory Reserve	46.69	23.47	
Transfer to Capital Reserve	0.36	-	-

(Amount in ₹ Crores)

Particulars	As on March 31, 2020	As on March 31, 2019	Change in %
Transfer to Investment Reserve	3.92	1.32	
Dividend for the year, Including Tax Thereon	-	-	-
No. of Branches			
General Banking Branches	103	61	42.00
Micro Banking Branches	404	375	29.00
Assets Branches	40	46	(6.00)
No. of Employees	8,831	6,382	2,449.00
No. of Clients	Over 25 lakh	Over 20 lakh	-

* Net worth computed as per RBI guidelines

BUSINESS UPDATE AND STATE OF BANK'S AFFAIRS

The details on the state of affairs of the Bank and the business update are separately provided in the Management Discussion and Analysis Report which forms an integral part of this Report. However, the summary performance of the Bank is covered hereunder:

Liabilities Business

The Liabilities Business of your Bank, served through the Branch network and alternate channels like Internet Banking & Mobile Banking (IBMB) and ATM's is a key focus area. The Bank has built a stable and diversified deposits portfolio during the financial year. The aggregate deposit of the Bank at the end of the year stood at ₹ 5,235.21 crore. While the total deposit of the Bank grew by 38.08% on a YoY basis, the CASA has witnessed a growth of 86.24% (YoY). The share of CASA & Retail Term Deposit (RTD) stood at 48.15% of Total Deposit. This has helped the Bank to retire some high-cost debt during the year, thus further bringing down the overall cost of funds of the Bank. The Bank expects branches to continue playing a crucial role in deposit mobilisation, customer acquisition and providing localised services and with a digital agnostic thrust, the Bank continue to invest more in Retail franchise not only to mobilise deposits but also to engage clients and serve their entire life cycle in coming years.

Assets Business

Presently, the Asset Products of the Bank include portfolio under Micro Banking (Joint Liability Group) Loans; MSME Loans, Housing Loans and Wholesale Banking Loans (including through Business Correspondent Model). The businesses have recorded sustainable growth during the year with the support of business processes.

Micro Banking

Joint Liability Group (JLG) Loans through Micro Banking (MB) and Business Correspondent (BC) branches remained the core business of the Bank. It is an enabler to achieve the Bank's goal of Financial Inclusion. JLG business through Micro Banking branches in FY2019-20 recorded growth of 43.63% over the previous financial year. The overall reach of the MB branches also increased from 1.97 million customers from the last FY2018-19 to 2.5 million in FY2019-20. Further, MB also expanded into a new state Odisha during the FY2019-20 by opening 32 new branches. During FY2019-20, two new individual loan products, i.e. Business Loan and Two-Wheeler Loan were also launched to meet the growing needs of the existing JLG customers. The total JLG portfolio of Micro Banking stood at ₹ 5,844.19 crore as on March 31, 2020 with a total base of over 2.5 million active clients. The Micro Banking business is spread across 139 Districts covering 11 States.

The JLG portfolio through Business Correspondents reached ₹ 123.17 crore in FY2019-20. Five (5) Business Correspondents are operating in 5 states, 29 districts, 53 branches.

Micro Small & Medium Enterprises (MSME) and Housing Loans (HL)

The Micro, Small & Medium Enterprises (MSME) Loan business has started finding momentum. The DSA channel has been activated to source high-ticket size Loan against Property (LAP). The MSME business is now operative in 11 States through 40 Branches. The net MSME portfolio grew by 49.28% over the previous financial year and stood at ₹ 246.21 crore as on March 31, 2020.

Housing Loan business continued its focus on the affordable housing segment. Housing Loan portfolio grew at more than 123.28% over the previous financial year and stood at ₹ 85.49 crore as on March 31, 2020.

The Loan Against Property portfolio through Business Correspondents reached ₹ 0.17 crore in FY2019-20. The portfolio growth in Housing Loan and Loan Against Property is expected in the next financial year. Sourcing of Housing Loan and Loan Against Property through Business Correspondents was launched in 2020 operating in 1 state, 2 districts, 2 branches.

Wholesale Banking Business

The Bank launched the Wholesale Banking business in FY2017-18. It has further two business verticals- Wholesale Lending (WSL) and Business Correspondent (BC). The combined portfolio of Wholesale Banking stood at ₹ 432.85 Crore as on March 31, 2020.

Wholesale Lending

The Wholesale Lending Business vertical offers term loan to SME and Corporate customers of more than ₹ 1 crore facility across India. The portfolio under this segment stood at ₹ 309.51 crore as on March 31, 2020 with a base of 30 Active Clients.

Business Correspondent

Business Correspondent (BC) Model was launched in FY2018-19 with a primary focus on reaching out in geographies where the Bank does not have its presence. Business Correspondents support the acquisition and servicing of customers as an extended arm of the Bank by following all the policies and procedures laid out as per the governance structure of the Bank. These Business Correspondents are experienced and well established in the market place. During FY2019-20, the Bank has a partnership with Five Business Correspondents in the states of Madhya Pradesh, Chhattisgarh, Haryana, Rajasthan & West Bengal. The portfolio under this segment stood at ₹ 123.34 crore as of March 31, 2020 (reported under the respective business line).

A. FINANCIAL DISCLOSURES

Capital Raising and Capital Adequacy Ratio

During the year, the Bank allotted 2,22,22,222 equity shares of ₹ 10 at a premium of ₹ 17 to its Holding Company Utkarsh CoreInvest Limited pursuant to the Rights Issue undertaken by the Bank. Pursuant to the said allotment, the total issued and paid-up equity share capital of the Bank, as on March 31, 2020 increased by ₹ 22.22 crore to ₹ 759.27 crore.

The Bank is well capitalised with a healthy Capital Adequacy Ratio of 22.19% as on March 31, 2020. The Bank is required to maintain Capital Adequacy Ratio of 15% as per the regulations applicable to the Small Finance Banks (SFB).

The Tier II Capital (which includes all Non-Convertible Debenture) as on March 31, 2020 which stood at ₹ 136.31 crore.

Ratings

Instruments	Ratings	Rating Agency	Rating Description
Certificate of Deposit	ICRA A1+	ICRA	Considered to have a very strong degree of safety regarding timely payment of financial obligations. Such instruments carry the lowest credit risk
Tier II	ICRA A	ICRA	Instruments with this rating are considered to have an adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. The outlook of the long term rating is stable.
NCD	CARE A	CARE	Instruments with this rating are considered to have an adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.
Tier II	CARE A	CARE	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.
Bank Loan Rating	CARE A	CARE	Instruments with this rating are considered to have an adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

Dividend

In line with the RBI guidelines dated April 17, 2020 advising banks not to make any further dividend payouts from the profits pertaining to financial year ended March 31, 2020 till further instructions, in light of the heightened uncertainty caused by COVID-19, and with a view to conserve the profits as well as to support the Bank's future growth by investing in the business of the Bank, your Directors do not recommend any dividend for FY2019-20.

Transfer to Reserves

As required under RBI regulations, the Bank has transferred the following amount to various reserves during financial year ended March 31, 2020:

Amount transferred to	(Amount in ₹ Crores)
Statutory Reserve	46.69
Investment Fluctuation Reserve	3.92
Capital Reserve	0.36

Net Worth

The Bank's net worth, as on March 31, 2020 stood at ₹ 954.55 crore. It comprises paid-up Equity Capital of ₹ 759.27 crore and Reserves ₹ 195.28 crore excluding Revaluation Reserve, Intangible assets and deductions of ₹ 59.71 crore (Net worth computed as per RBI guidelines).

CORPORATE GOVERNANCE

The Bank's Philosophy

The Bank's philosophy on corporate governance is aimed at supporting the top management to efficiently conduct its business operations and meet its obligations towards its stakeholders. The Bank is committed to the transparent and merit-based organisation and ensures fairness, transparency and responsiveness in all transactions. The Bank has a Corporate Governance framework that lays out various requirements of Corporate Governance as set out under various regulations and best practices.

Constitution of the Board of Directors

The Board of Directors is constituted in accordance with the provisions of the Companies Act, 2013 (CA 2013), the Banking Regulation Act, 1949 (the BR Act, 1949) and the Articles of Association of the Bank. The Board consists of eminent persons with considerable professional expertise in Business Administration, Audit, Banking, Compliance, Finance, Human Resource, Risk, Strategy, Technology and other related fields. Their experience and professional credentials have helped the Bank to gain insights for strategy formulation, monitoring Control framework and direction setting for the Bank, thus adding value to set a strong foundation enabling the overall growth objectives of the Bank.

As on March 31, 2020, the Board comprises Six (6) Directors consisting of Three (3) Independent Directors, Two (2) Nominee Directors and One (1) Managing Director & CEO.

All the Independent Directors have given the declarations that they meet the criteria of independence laid down under Section 149(6) of the Companies Act, 2013. Based on the declaration of independence provided by them, and based on the applicable RBI guidelines and circulars, all aforesaid three Independent Directors would qualify to be classified as Independent Directors under Section 149 of the Companies Act, 2013.

In terms of Section 152 of the Companies Act, 2013, Ms. Anita Ramachandran shall retire at the ensuing Annual General Meeting (AGM) and being eligible, offers herself for re-appointment.

Further, the Board at its meeting held on April 29, 2020 had appointed Ms. Kalpana Prakash Pandey (Director Identification No 06715713) as Additional Director (in Independent Category) of the Bank to hold office up to the date of the ensuing Annual General Meeting of the Bank. The appointment of Ms. Kalpana Prakash Pandey as Independent Director is also proposed at the ensuing Annual General Meeting of the Bank.

Ms. Kalpana Prakash Pandey holds M. Tech (Computer Science & Technology) degree from IIT-Roorkee, University of Roorkee along with Post Graduate Diploma (Electronics & Communications) from IIT-Roorkee, University of Roorkee, Master of Science (Physics) from Garhwal University and Bachelor of Science from Garhwal University. With her appointment the Bank is fulfilling the Gopalkrishna Committee recommendations and RBI Circulars dated April 29, 2011 & November 24, 2016 of having an Independent Director with substantial IT expertise.

Committees of the Board of Directors

For effective decision making, the Board acts through various Committees which oversee specific operational or strategic matters falling within the ambit of the specific terms of reference of that Committee. The Board has constituted 12 Committees. All the Board Committees have a specific charter and these Committees monitor activities falling within their terms of reference. More details on these Board Committees are separately provided in the Annual Report.

Composition of the Committees and attendance of the Directors at the Board and Committee Meetings held during the financial year under review have been given as an Annexure – “A” to this report.

Board Evaluation and Nomination and Remuneration Policy

A meeting of Independent Directors of the Bank was held during the year. Independent Directors carried out an annual performance evaluation of the performance of the entire Board, the performance of the Chairman, all the Directors individually as well as the evaluation of the working of its Committees.

The Nomination & Remuneration Policy, which inter alia deals with remuneration structure, and criteria for selection and appointment of Directors was considered by the Board at its Meeting held on May 22, 2020. The Policy on Board Evaluation and the Board Diversity is under development and is expected to be in place by September 2020. The Bank has a Policy on Risk Alignment of Compensation for the MD, Whole-time Directors (if any) and employees in control functions and remuneration to these employees are carried out in line with the policy.

B. STATUTORY DISCLOSURE

Extract of Annual Return to be mandatorily attached to the Directors' Report

As required by the provisions of Sections 92(3) and 134(3)(a) of the Companies Act, 2013 read with the rules framed thereunder, the extract of the annual return of the Bank in Form MGT-9 is attached as Annexure “B” to this Report. Further, the Annual Return of the Bank in the prescribed Form MGT-7 for the year under review is available on the website of the Bank i.e. www.utkarsh.bank.

Conservation of Energy and Technology Absorption

The particulars to be disclosed under Section 134(3)(m) of the Companies Act, 2013, relating to conservation of energy and technology absorption do not apply to the Bank. The Bank is constantly pursuing its goal of upgrading technology to deliver quality services to its customers in a cost-effective manner.

Foreign Exchange Earnings / Outgo

The Bank has no foreign exchange earnings during the financial year under review. However, during the financial year, the total foreign exchange outgo was ₹ 9.86 crore which includes interest payment of ₹ 1.93 crore and principal repayment of ₹ 7.93 crore External Commercial Borrowings.

Changes in Directors and Key Managerial Personnel

The details about the changes in the Directors and Key Managerial Personnel (KMP) by way of appointment, re-designation, resignation, death or disqualification, variation made or withdrawn etc. are as follows:

Sl.	Name of Director / KMP	Designation	Date of Appointment	Date of Cessation
1	Mr. Somnath Juran Kumar Sengupta	Independent Director	August 24, 2016	May 25, 2019
2	Mr. Arup Kumar	Nominee Director, SIDBI	February 17, 2018	May 25, 2019
3	Mr. Prakash Kumar	Nominee Director, SIDBI	May 25, 2019	July 05, 2019
4	Mr. Puranam Hayagreeva Ravikumar	Independent Director	May 25, 2019	-
5	Mr. Govindasamy Sampath Kumar	Nominee Director, SIDBI	August 28, 2019	-
6	Mr. Anang Shandilya	Company Secretary	October 01, 2016	April 04, 2019
7	Mr. Vinay Prakash Tripathi	Company Secretary	May 25, 2019	October 12, 2019
8	Ms. Nutan Anand Rane	Company Secretary	October 15, 2019	-
9	Mr. Tantra Narayan Thakur	Independent Director	April 30, 2016	March 25, 2020
10	Ms. Kalpana Prakash Pandey	Independent Director (Additional Director)	April 29, 2020	-

Whistle Blower Policy (Vigil Mechanism)

The Bank, as a part of the prudent practice, established Vigilance Department to develop and execute a comprehensive strategy to deal with instances of fraud and mismanagement, if any, and as a preventive mechanism with active oversight to ensure holistic and smooth operations of the Bank on an ongoing basis. The Department is adequately staffed and conducts investigations for matters related to frauds committed and references received through whistle blower complaints.

Pursuant to the provisions of Section 177(9) of the Companies Act, 2013 and RBI Guidelines and other applicable laws, the Bank has established the Vigil Mechanism, as part of the Whistle Blower Policy, for the Directors and Employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Bank's Code of Conduct or ethics policy. Additionally, the Bank places zero tolerance for any incidents of doubtful integrity and corruption by employees. Towards this end, all employees after joining are trained to maintain high standards of integrity in their work area. The Bank also has a Whistle Blower policy enabling the staff to escalate instances of doubtful integrity, mismanagement, abuse/misuse of power, undue influence/coercion exercised for indulging in undesirable practices, violation of the Bank's Code of Conduct, ethics and corruption. It also provides adequate safeguards against the victimisation of employees who avail of this mechanism and allows direct access to the Chairperson of the Audit Committee of the Board (ACB), in exceptional cases.

The ACB oversees the Vigil Mechanism. The Whistle Blower Policy has been periodically communicated to the employees and the highlights of the Policy is also posted on the Bank's website www.utkarsh.bank. The Bank's website also has the email and contact details of the Chairperson of ACB to enable complainants to reach out with their complaints under the Whistle Blower Policy.

In addition to the above, the Bank has formulated Vigilance Policy for effectively managing the risks arising on account of possible corruption, malpractices and frauds.

Auditors

M/s Haribhakti & Co. LLP has been the Statutory Auditors of the Bank for a period of one year and they hold office till the conclusion of the ensuing Annual General Meeting (4th AGM).

Being eligible for re-appointment, the Board has upon recommendation of the Audit Committee, proposed the re-appointment of M/s Haribhakti & Co. LLP for a period of one year as Statutory Auditors from the conclusion of the 4th AGM till the conclusion of 5th AGM of the Bank.

The Statutory Auditors have confirmed their eligibility to the effect that their re-appointment, if made would be within prescribed limits, under Section 139 of the Companies Act, 2013 and eligible to continue as Statutory Auditors of the Bank, as required under Section 141 of the Companies Act, 2013.

The Bank has already obtained the approval from RBI dated May 18, 2020 for reappointment of M/s Haribhakti & Co. LLP as a Statutory Auditor of the Bank for FY2020-21.

Employees Stock Option Plan (ESOP)

The Holding Company of the Bank, Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited) has offered Stock Options to certain employees of the Bank, being an integral part of the group, and in line with the approved ESOP policy of the Holding Company. While the Holding Company approved the overall options, Employee level allocation of options was based on the performance of the respective employees, and was duly approved by the Nomination and Remuneration Committee of the Board of the Bank.

During the year, the Bank has introduced Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 for grant of Stock Options to MD & CEO, subject to the approval of Reserve Bank of India.

Deposits

Being a Banking Company, the disclosures required as per Rule 8(5)(v) &(vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

Awards & Recognition

The Bank received Social Impact Initiatives Award, 2019 :- The Bank won the "Social Impact Initiatives Award", 2019 in the 5th Eastern India Microfinance Summit 2019.

Particulars of Employees

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of subsection 12 of Section 197 of Companies Act 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are given below :-

- (i) the ratio of the remuneration of each Director to the median remuneration of the employees of the Bank for the financial year :-

Name of Director / KMP	Designation	Ratio
Dr. V. S. Sampath	Chairperson	4:1
Mr. Govind Singh	MD & CEO	86:1

Apart from sitting fees, the Bank is not paying any remuneration to any Non-Executive Directors. Chairman is entitled to a remuneration, as approved by RBI

The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Name of Director/KMP	Designation	Percentage Increase
Dr. V. S. Sampath	Chairperson	No increment
Mr. Govind Singh	MD & CEO	30
Mr. Mukund Barsagade	Chief Financial Officer	12
Ms. Nutan Anand Rane	Company Secretary	Not Applicable

*Apart from sitting fees, the Bank is not paying any remuneration to any Non-Executive Directors. Chairman is entitled to a remuneration, as approved by RBI

The percentage increase in the median remuneration of employees in the financial year was 10.16%.

- (ii) The number of permanent employees on the rolls of the Bank, as on March 31, 2020 was 8,831.
- (iii) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;

Average increase in remuneration is 10.16% for employees other than managerial personnel and 8.59% for managerial personnel (Executive Directors including Managing Director & CEO, Chief Financial Officer and Company Secretary).

- (iv) the key parameters for any variable component of remuneration availed by the directors is as specified in the Remuneration Policy.

The statement containing particulars of employees as required under Section 197(12) of Companies Act 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. In terms of Section 136 of Companies Act 2013, the Annual Reports are being sent to the members, excluding the information as required under Rule 5(2) as mentioned aforesaid and the same is open for inspection at the Registered Office of the Bank. A copy of this statement may be obtained by the members by writing to the Company Secretary of the Bank.

Remuneration Policy

Remuneration Policy for Directors

In terms of the provisions of Companies Act 2013, Listing Regulations and applicable provisions of the Banking Regulation Act, 1949, the Board on the recommendation of the Nomination & Remuneration Committee ("NRC"), formulated Remuneration Policy for the remuneration of Directors, KMPs & Senior Management Officials.

Remuneration of Executive Directors

The Board considers the recommendations of NRC and approves the remuneration of Managing Director & CEO, with or without modifications, subject to members and regulatory approvals.

The remuneration payable to Managing Director & CEO is subject to prior approval of the RBI. Therefore, the remuneration or any revision in the remuneration is payable only after receipt of the approval from the RBI.

Remuneration of Chairperson

The NRC recommends the remuneration of the Chairperson to the Board which is considered and approved by the Board in the same manner subject to the members and regulatory approvals.

The remuneration payable to the Chairperson is subject to prior approval of the RBI. Therefore, the remuneration or any revision in remuneration of the Chairperson is payable only after receipt of the approval from the RBI.

Remuneration of Non-Executive Directors (NEDs)

The NEDs are paid sitting fees for attending each meeting of the Board of Directors or any Committee thereof. The NEDs are also entitled to reimbursement of expenses for participation in the meeting of the Board and Committees thereof.

RBI vide Circular No. DBR. No.BC.97/29.67.001/2014-15 dated June 1, 2015 issued Guidelines on Compensation of Non-Executive Directors of Private Sector Banks emphasising that in order to enable banks to attract and retain professional Directors, it is essential that such Directors are appropriately compensated.

Pursuant to the aforesaid RBI Circular, the maximum amount that can be paid as Commission was capped at ₹ 10.00 Lakh per Director per annum. Also, Section 197 of Companies Act 2013 permits payment of profit-based commission to the Directors who are neither Managing Directors nor Whole-time Directors not exceeding One percent (1%) of the net profits of the Bank, if there is a Managing or Whole-time Director or Manager in any other case three percent (3%) of the net profits.

During FY2019-20, the Bank has not paid any commission on profit to any NED.

The Bank does not grant any Stock Options to NEDs.

Other Statutory Disclosures:

- The Bank has not changed its nature of business during FY2019-20;
- Pursuant to Section 186(11) of the Companies Act, 2013 loans made, guarantees given or securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from disclosure in the Annual Report;
- All related party transactions that were entered into during FY2019-20 were on an arm's length basis and were in the ordinary course of business and accordingly, AOC 2 is not applicable to the Bank. There are no materially significant related party transactions made by the Bank with Directors, Key Managerial Personnel or other designated persons, which may have a potential conflict with the interest of the Bank at large. The Bank has a Related Party Transactions Policy in place for identification and monitoring of any potential Related Party Transactions;
- There were no significant/material orders passed by the Regulators / a Court / Tribunal etc. during FY2019-20, which would impact the going concern status of the Bank and its future operations;
- The details of Risk Management Policy & its framework are separately provided in the Management Discussion and Analysis Report;
- The Bank is a wholly-owned subsidiary company of Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited);
- There are no adverse observations/qualifications in the Statutory Auditors' Report.
- During the Secretarial Audit for FY2019-20, the Secretarial Auditors observed that there were certain lapses in compliances under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 applicable to Debt Securities. The management has taken necessary rectificatory steps to

ensure compliance on an ongoing basis and informed that no notices, or any such regulatory correspondence, has been received by the Bank to this effect

- All recommendations of the Audit Committee were approved by the Board;
- Proper internal financial controls are in place, and that the financial controls have been adequate and operating effectively;
- There are no material changes and commitments, affecting the financial position of the Bank that have occurred between the end of the financial year of the Bank i.e. FY2019-20 and the date of the Directors' Report.

C. OTHER DISCLOSURES

Code of Conduct

Transparency and the highest standards of corporate governance for a financial institution are one of the pre-requisites for establishing a Compliance-oriented Bank. Towards this end, the Bank endeavours to ensure that all its activities are fairly aligned with the highest standards of personal and professional integrity and the highest level of ethical conduct. The Bank has adopted a Code of Conduct and norms for the avoidance of Conflict of Interest, which applies to Senior Management of the Bank, KMPs, Employees with Loan Sanctioning Authority, Employees directly related with sourcing/servicing Corporate or Wholesale Banking Relationships and Employees directly involved in the procurement of goods and services for the Bank. All the Senior Management officials, KMPs, Employees with Loan Sanctioning Authority, Employees directly related with sourcing/servicing Corporate or Wholesale Banking Relationships and Employees directly involved in the procurement of goods and services, conduct duties according to the aforesaid Code. Some of the areas which are covered by the Code of Conduct are fairness of employment practices, protection of intellectual property, integrity, customer confidentiality and conflict of interest.

Vigilance & Security

Your Bank has a Vigilance & Security Department for investigating frauds, bribery cases, complaints including complaints received under the whistle-blower policy of the Bank.

During FY2019-20, Vigilance & Security team has completed 432 investigations related to frauds, cash loots, cash snatchings, dacoity, Branch visits, surprise visit and liaison with local administration.

Vigilance & Security Department is making all-out efforts to reduce fraud, forgery, burglary, incident in the Bank with the help of new ideas, technology, previous experiences and with appropriate tools.

Corporate Social Responsibility (CSR)

Your Bank strives to proactively encourage inclusive growth and development, thereby participating in building a sustainable future.

The Bank has a duly constituted Corporate Social Responsibility Committee (CSR Committee) of the Board consisting of the majority of Independent Directors.

The Bank has carried out CSR spend of ₹ 1.00 Crore during the financial year under review. The contributions were made to Utkarsh Welfare Foundation, Section 8 Company, specially formed by the Holding Company to carry out CSR activities.

The CSR spend was carried out in the fields of Financial literacy, Health initiatives, Skill and Entrepreneurship development programmes and other philanthropic initiatives (supported elderly care centre and orphanages). The Bank's CSR spend is carried out in line with the Board approved policy, with the approval of the Corporate Social Responsibility Committee of the Bank in line with the provisions of Section 135 of the Companies Act 2013.

More details on the above are separately provided in the 'Report on CSR Activities' which forms an integral part of this Report as Annexure "D".

Know Your Customer (KYC) / Anti-Money Laundering (AML)

Your Bank adheres to the RBI's KYC / AML Guidelines issued from time to time. The Bank's KYC / AML Policy is prepared in accordance with the Prevention of Money Laundering Act, 2002 and RBI / IBA (Indian Banks' Association) guidelines. Various regulatory reporting requirements, as set out by the Financial Intelligence Unit (FIU) of the Government of India, are complied with, by the Bank. The Bank has a transaction monitoring process with an automated system solution closely monitored by the centralised AML team. Further, a dedicated team carries out the transaction monitoring process in line with the regulatory requirements. Bank's employees are being imparted training on KYC / AML aspects regularly. Executives of the Bank also attend periodic workshops/seminars organized by FIU, RBI, IBA and NIBM (National Institute of Bank Management) to enhance their awareness in these aspects. Recent changes as contained in the PMLA notifications and RBI guidelines have been followed and embedded in the customer acquisition processes of the Bank.

Prevention of Sexual Harassment

Your Bank is committed to creating a safe environment where all employees are treated with respect and dignity. The Bank takes a strong stand and has zero-tolerance policy on the issue of sexual harassment in the workplace. The Bank follows all the guidelines prescribed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and seeks to protect women from sexual harassment at the place of work. The POSH Policy is implemented for all employees and other stakeholders/ partners and any complaint of sexual harassment made against any individual working on the Bank's premises, including third-party vendors, is investigated in line with this policy.

The Internal Complaint Committee (ICC) is constituted and all the complaints of sexual harassment are dealt with by them with the laid down processes and guidelines. Any form of sexual harassment is strictly prohibited at the Bank and all individuals are responsible to ensure a workplace free of harassment.

POSH Policy is applicable to all employees (permanent/ fixed term/ contract) of the Bank across the Board and is equally applicable to all genders grades and stakeholders of the groups.

The POSH Policy is periodically communicated to all employees and is available on the Bank's Website for information and compliance thereof.

For FY2019-20 a total of 10 cases were reported under POSH and all have been resolved.

Human Resources

The Bank has formulated a sound HR policy and adopted HR strategy to effectively align with business requirements and various HR activities pertaining to recruitment, deployment, training, talent retention and motivational strategies are directed to seamlessly support the achievement of your Bank's vision and mission. In this direction, your Bank has been making constant efforts to motivate its employees for excellence in performance, and at the same time endeavors to provide a better work-life balance through various employee welfare activities. Your Bank has consistently made efforts to increase the participation of women employees in the workforce. In FY2019-20, the percentage of women employees in the total workforce has increased from 10% to 13%.

In its constant endeavor to promote digital initiatives, the Bank has launched its own "Learning Management System (Utkarsh U-Learn)" to ensure continuous learning and capacity building of all its employees.

Technology

In the financial industry, technology has become a key enabler & differentiator, and your Bank is constantly working to improve simplicity, speed and security in all our services to customers. Bank has taken several initiatives for improving our customers, employees and other stakeholders experience by adopting latest technological changes and innovations. The Bank's technology strategy is based on serving the underserved populace with appropriate technology that would bring about faster adoption of digital tools thereby expanding financial inclusion footprint.

Secretarial Auditors

Pursuant to the Section 204 of Companies Act, 2013 and relevant provisions of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Bank has appointed

M/s S. N. Ananthasubramanian & Co., Company Secretaries as the Secretarial Auditors for FY2019-20. The Secretarial Auditors have carried out an audit and the audit report along with their opinion is provided as Annexure - "C" to the report.

Prospects

Despite the challenges faced by the world economy and the Indian Banking Industry due to the impact of COVID - 19, the Directors expect a sustained level of growth of the business of the Bank in the coming financial year. Your Directors are of the view that there is immense opportunity to cater to the unserved and underserved section of client base in the country, particularly the area in which your Bank is currently operating. Your Bank, in the coming years, would serve this segment with the innovative tech-enabled products and services aligned with the needs of the prospective clients of the area.

Composite Scheme of Arrangement between the Bank (USFBL), the Holding Company (UCL) and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013.

Application for approval of the composite scheme of arrangement was filed with the National Company Law Tribunal, bench at Allahabad ("NCLT") on October 25, 2019.

The proposed arrangement envisages the reduction in the face value of the equity share capital of the USFBL and for the issuance and allotment of fully paid-up equity shares of USFBL to the shareholders of UCL from the reserves created from such reduction in the face value of the equity share capital of USFBL.

The Proposed Scheme is expected to:

- a. Achieve partial satisfaction in the process of compliance of the conditions laid down by RBI in relation to the shareholding of the USFBL (i.e., by dilution of UCL's shareholding in USFBL from one hundred per cent. (100%) to fifty per cent. (50%)); and
- b. Provide shareholders of UCL with direct shareholding in USFBL, which is presently held through UCL. Consequently, the shareholders of UCL can take independent decisions with respect to their holdings in UCL and USFBL.

The Scheme is currently under review of NCLT, Allahabad.

Directors' Responsibility Statement

As per the requirements of Section 134(3) (c) of the Companies Act, 2013, your directors hereby confirm and declare that:

- in the preparation of the annual accounts for the financial year ended March 31, 2020, the applicable accounting standards have been followed, and there is no material departure from the same;
- the Directors have opted such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss of the Bank for that year;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts for the financial year ended March 31, 2020 on a going concern basis;
- the Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and operating effectively;
- the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws, and that such systems were adequate and operating effectively.

Acknowledgement

Your Directors place on record their sincere appreciation to the Central and State Governments, Reserve Bank of India, Ministry of Corporate Affairs, SEBI, NABARD, SIDBI, MUDRA and all other Regulatory Authorities for the continuous support and guidance provided to the Bank.

Your Board of Directors would also like to place on record, sincere gratitude towards customers for posing their continuous faith in the Bank.

The Directors would also like to thank the investors and shareholders of the Bank for their assistance and co-operation extended.

The Directors also express their gratitude to all stakeholders and partners for extending their support.

The Directors would like to thank and appreciate all the employees of the Bank for their continuous support and contribution to the growth of the Bank.

For and on behalf of the Board of Directors

Place: Varanasi/Mumbai
Date: May 22, 2020

Sd/-
Kajal Ghose
Director
DIN - 07702190

Sd/-
Govind Singh
Managing Director & CEO
DIN - 02470880

ANNEXURE - 'A'**Attendance of the Board of Directors**

Details of attendance of the Directors at Board Meetings, Committee Meetings and Annual General Meeting held during FY2019-20 along with the number of other Directorships and Committee Membership(s)/ Chairmanship(s) held by them, are given below:

Sl.	Name of Director	DIN	Category	BOD	ACB	NRC	SRC	RMC	CSRC	ITSC	RCIOWD	CSC	SCMLVF	SCCOBP*	CAC	AGM	EOGM	CSFRC	No of Directorship (as per disclosure received on April 01, 2020)	Public	Pvt.
Number of meetings held during FY2019-20				9	7	7	1	4	3	6	1	2	1	3	5	1	2	4			
1	Dr. V. S. Sampath	07594524	Part-time Chairman/ Independent Director	9	-	7	-	4	3	-	-	-	1	-	-	-	-	-	-	-	1
2	Ms. Anita Ramachandran	00118188	Nominee Director, UCL	8	7	7	1	-	-	-	-	-	1	-	-	-	-	-	-	8	4
3	Mr. Arup Kumar	07682113	Nominee Director, SIDBI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
4	Mr. Kajal Ghose	07702190	Independent Director	9	5	7	-	3	-	6	-	2	-	3	5	1	-	-	-	1	-
5	Mr. Somnath Sengupta	02150691	Independent Director	1	2	1	-	1	-	-	-	1	-	-	-	-	-	-	-	-	-
6	Mr. Tantra Narayan Thakur	00024322	Independent Director	9	7	-	-	-	3	6	1	1	1	3	-	1	-	-	-	5	5
7	Mr. Govind Singh	02470880	Managing Director & CEO	9	-	-	1	4	3	6	1	2	1	3	5	1	2	4	1	-	-
8	Mr. PH Ravikumar	00280010	Independent Director	8	5	6	1	3	-	-	1	1	-	-	3	-	-	4	9	4	-
9	Mr. Prakash kumar	06758416	Nominee Director, SIDBI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Mr. G Sampath Kumar	03020254	Nominee Director, SIDBI	7	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-

*the Committee "Special Committee for Land Acquisition" was renamed to "Special Committee for Corporate Office Building Project" in the Board Meeting dated November 14, 2019.

BOARD MEETINGS

The Board of Directors of the Bank met nine times during FY2019-20. The maximum gap between any two (2) Board meetings was not more than one hundred and twenty days at any point of time. Details of the Board Meetings conducted are as under:

Members	Category	Date of Meeting	No of Meetings
Dr. V.S. Sampath	Chairperson	May 25, 2019	
Ms. Anita Ramachandran	Nominee Director, UCL	August 5, 2019	
Mr. Arup Kumar	Nominee Director, SIDBI	August 28, 2019	
Mr. G Sampath Kumar	Nominee Director, SIDBI	October 15, 2019	
Mr. Kajal Ghose	Independent Director	November 14, 2019	9
Mr. Prakash Kumar	Nominee Director, SIDBI	January 10, 2020	
Mr. PH Ravikumar	Independent Director	January 14, 2020	
Mr. Somnath Sengupta	Independent Director	February 15, 2020	
Mr. Tantra Narayan Thakur	Independent Director	March 14, 2020	
Mr. Govind Singh	Managing Director & CEO		

COMMITTEES OF BOARD OF DIRECTORS

The Board functions either as a full Board or through various Committees which oversee specific operational or strategic matters.

The Board has constituted various such Committees of Directors to monitor the activities falling within their terms of reference. Composition, date of meetings and name of members of these Committees as on March 31, 2020 are given below:

Sl.	Name of the Committee	Members	No. of Meetings held During FY2019-20	Date of Meetings
1	Audit Committee	Mr. Tantra Narayan Thakur (Chairperson)* Mr. PH Ravikumar Ms. Anita Ramachandran Mr. Kajal Ghose	7	April 30, 2019 May 24, 2019 August 27, 2019 October 15, 2019 November 13, 2019 January 10, 2020 February 14, 2020
2	Nomination & Remuneration Committee	Mr. Kajal Ghose (Chairperson) Dr. V. S. Sampath Ms. Anita Ramachandran Mr. PH Ravikumar	7	May 24, 2019 August 27, 2019 October 15, 2019 November 13, 2019 January 10, 2020 January 14, 2020 March 14, 2020
3	Stakeholders' Relationship Committee	Mr. PH Ravikumar (Chairperson) Ms. Anita Ramachandran Mr. G Sampath Kumar Mr. Govind Singh	1	September 18, 2019
4	Risk Management Committee	Dr. V. S. Sampath (Chairperson) Mr. PH Ravikumar Mr. Kajal Ghose Mr. Govind Singh	4	May 20, 2019 August 27, 2019 November 13, 2019 February 14, 2020
5	Corporate Social Responsibility Committee	Dr. V. S. Sampath (Chairperson) Mr. Tantra Narayan Thakur* Mr. Govind Singh	3	May 20, 2019 August 5, 2019 February 14, 2020
6	IT Strategy Committee	Mr. Kajal Ghose (Chairperson) Mr. G Sampath Kumar Mr. Tantra Narayan Thakur* Mr. Govind Singh	6	April 30, 2019 August 5, 2019 August 28, 2019 November 14, 2019 December 17, 2019 February 14, 2020
7	Review Committee for Identification of Willful Defaulters	Mr. Govind Singh (Chairperson) Mr. PH Ravikumar Mr. Tantra Narayan Thakur*	1	March 14, 2020
8	Customer Service Committee	Mr. PH Ravikumar (Chairperson) Mr. Kajal Ghose Mr. Tantra Narayan Thakur* Mr. Govind Singh	2	May 24, 2019 November 13, 2019

Sl.	Name of the Committee	Members	No. of Meetings held During FY2019-20	Date of Meetings
9	Special Committee to Monitor Large Value Fraud	Mr. Govind Singh (Chairperson) Dr. V. S. Sampath Ms. Anita Ramachandran Mr. PH Ravikumar Mr. Tantra Narayan Thakur*	1	July 8, 2019
10	Credit Approval Committee	Mr. Kajal Ghose (Chairperson) Mr. PH Ravikumar Mr. Govind Singh	5	June 14, 2019 July 29, 2019 September 13, 2019 January 14, 2020 January 27, 2020
11	Special Committee for Corporate Office Building Project' (earlier Special Committee For Land Acquisition/Infrastructure Development)	Mr. Tantra Narayan Thakur (Chairperson)* Mr. Kajal Ghose Mr. Govind Singh	3	April 10, 2019 August 5, 2019 September 27, 2019
12	Capital Structuring and Fund Raise Committee	Mr. PH Ravikumar Mr. Govind Singh Mr. Mukund Barsagade**	4	August 26, 2019 January 24&25, 2020 February 13, 2020 March 4, 2020

* Mr. T.N. Thakur ceased to be director w.e.f. March 25, 2020

** Mr. Mukund Barsagade is the Chief Financial Officer of the Bank and a member of this Board Constituted Committee during the FY2019-20.

ANNEXURE 'B'

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
(as on the financial year ended on March 31, 2020)

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- CIN: U65992UP2016PLC082804
- Registration Date - April 30, 2016
- Name of the Company - Utkarsh Small Finance Bank Limited
- Category - Public Limited Company (Bank)
- Address of the Registered Office and contact details
S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi- 221 002 (U.P.) India
Ph.: 0542- 2500596
- Whether listed company - No (Debentures are listed with BSE)
- Name, Address and Contact details of Registrar and Transfer Agent, if any

For Shares	For Listed Debentures
M/s. KFIN Technologies Private Limited (formerly known as Karvy Computershare Private Limited till July 15, 2019 & Karvy Fintech Private Limited till December 24, 2019) Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032 Telangana	M/s. NSDL Database Management Limited 4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013 Maharashtra

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated: -

Sl.	Name & Description of Main Products / Services	NIC Code of the Product / Service	% to Total turnover of the Company
1	Banking Services	K1	100

III. PARTICULARS OF HOLDING COMPANIES

Sl.	Name & Address of the Company	CIN	Holding	% of Shares Held	Applicable Section
1	Utkarsh CoreInvest Limited	U65191UP1990PLC045609	Holding	100%	2 (46)

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS A PERCENTAGE OF TOTAL EQUITY)

• Category-wise Share holding

Category of Shareholder	No. of Shares held on March 31, 2019			No. of Shares held on March 31, 2020			% Change during the year
	No. of Shares	Total	% of Total Shares	No. of Shares	Total	% of Total Shares	
A. Promoters							
i. Indian							
a. Individual / HUF							
b. Central Govt.							
c. State Govt.(s)							
d. Bodies Corp.							
e. Banks / FI	73,69,95,406	73,69,95,406	99.99%	759,271,217	759,271,217	100%	+0.01%
f. Any Other							
Sub-total (A) (1):	73,69,95,406	73,69,95,406	99.99%	759,271,217	759,271,217	100%	+0.01%
ii. Foreign							
a. NRIs – Individuals							
b. Other-Individuals							
c. Bodies Corp.							
d. Banks / FI							
e. Any Other							
Sub-total (A) (2):							
Total Shareholding of Promoter (A) = (A) (1) + (A) (2)	73,69,95,406	73,69,95,406	99.99%	759,271,217	759,271,217	100%	+0.01%
B. Public Shareholding							
i. Institutions							
a. Mutual Funds							
b. Banks / FI							
c. Central Govt.							
d. State Govt.(s)							
e. Venture Capital Funds							
f. Insurance Companies							
g. FII Funds							
h. Others (specify)							
Sub-total (B) (1): -							
ii. Non-Institutions							
a. Bodies Corp.							
• Indian							
• Overseas							
b. Individuals							
• Individual shareholders holding nominal share capital upto ₹ 1 lakh	54,594	54,594	0.01%	1005*	1005*	0.00%	-0.01%
• Individual shareholders holding nominal share capital in excess of ₹ 1 lakh							
c. Others (specify)							
Sub-total (B) (2): -	54,594	54,594	0.01%	1005*	1005*	0.00%	-0.01%
Total Public Shareholding (B)=(B) (1) + (B) (2)	54,594	54,594	0.01%	1005*	1005*	0.00%	-0.01%
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-
Grand Total (A+B+C)	73,70,50,000	73,70,50,000	100%*	759,272,222	759,272,222	100%*	-

* shares held by nominee shareholders on behalf of the Holding Company

• Shareholding of Promoters

Sl. Shareholder's Name	Shareholding at the beginning of FY2019-20			Shareholding at the end of FY2019-20			% change in Shareholding during the year
	No. of Shares	% of total Shares of the Company	% of Shares pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares pledged/encumbered to total shares	
1 Utkarsh CoreInvest Ltd. (Holding Company)	73,69,95,406	99.99%	-	759,271,217	100%	-	+0.01%
Total	73,69,95,406	99.99%	-	759,271,217	100%	-	+0.01%

• Change in Promoters' Shareholding (please specify, if there is no change)

	Shareholding at the beginning of FY2019-20		Cumulative Shareholding during FY2019-20	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
At the beginning of the year	73,69,95,406	99.99%	73,69,95,406	99.99%
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	a) 2,22,22,222 Subscription to Rights Issue on September 18, 2019 b) 53,589 equity shares net transferred by other shareholders in September/October 2019.	0.01%	2,22,74,811	0.01%
Total at the end of the year	75,92,71,217	100.00%	75,92,71,217	100.00%

• Shareholding Pattern of top ten Shareholders (other than Directors, Promoters)

Name of Shareholders	Number of shares	%
Ms. Revati Govind	1	0
Mr. Raghvendra Singh	1	0
Mr. Trilok Nath Shukla	1	0
Mr. Abhisheka Kumar	1,000	0
Mr. Ashwani Kumar	1	0
Total Equity Capital*	1,004	0

* The members are holding these shares on behalf of the Holding Company in their capacity as the Nominee Shareholders.

• Shareholding of Directors and Key Managerial Personnel

For Each of the Directors and KMP	Shareholding at the beginning of FY2019-20		Cumulative Shareholding during FY2019-20	
	No. of Shares (Mr. Govind Singh)	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
At the beginning of the year	49,237	0.01%	49,237	0.01%
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	Transferred 49,236 net shares to Utkarsh CoreInvest Limited	0.01%	49,236	0.01%
Total at the end of the year	1	0	1	0

• Indebtedness

Indebtedness of the Bank including interest outstanding / accrued but not due for payment

	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i. Principal Amount	4,58,74,43,598	10,31,09,74,026	21,93,86,67,937	36,83,70,85,561
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	81,47,88,75	95,47,42,40	4,70,42,39,96	6,47,37,71,11
Total (i+ii+iii)	4,66,89,22,473	10,40,64,48,266	22,40,90,91,933	37,48,44,62,672
Change in Indebtedness during the financial year				
i. Addition	-	11,05,00,00,000	54,00,87,28,450	65,05,87,28,450
ii. Reduction	3,83,89,93,598	8,60,68,83,117	36,97,47,07,149	49,42,05,83,864
Net Change (Total (i+ii))	(3,83,89,93,598)	2,44,31,16,883	17,03,40,21,301	15,63,81,44,586
Indebtedness at the end of the financial year				
i. Principal Amount	74,84,50,000	13,37,55,22,159	37,91,38,67,346	52,03,78,39,505
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	2,37,84,311	11,99,32,788	1,17,46,48,391	1,31,83,65,490
Total (i+ii+iii)	77,22,34,311	13,47,40,23,697	39,08,85,15,737	53,35,62,04,995

Note:

- CD has been addition and reduction has been taken on book value
- Addition and reduction of Deposit does not include CASA
- Unsecured borrowing does not include ₹ 22.8 crore payable under lease obligation

V. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and / or Manager:

Particulars of Remuneration	Name of MD/ WTD/ Manager	Total Amount (in ₹)
	Govind Singh	
Gross Salary:		
a. Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,72,80,000* (Annual CTC Salary)	1,72,80,000 (Annual CTC Salary)
b. Value of perquisites u/s 17(2) of the Income-tax Act, 1961	18,07,718#	18,07,718
c. Profits in lieu of salary under Section 17(3) of the Income- tax Act, 1961		
Stock Option	-	-
Sweat Equity	-	-
Commission	-	-
• as % of profit		
• others, specify		
Others, please specify	-	-
Total (A)	1,90,87,718	1,90,87,718
Ceiling as per the Act	-	-

Note: Remuneration as above includes salary, medical allowances, taxable allowances, LTA, value of perquisites incurred by the Bank as per the Income Tax Rules, 1962, Company's Contribution to Provident Fund, Superannuation Fund and Annual Performance Linked Variable Compensation.

*The Annual CTC for FY2019-20 includes notional value of Entertainment allowance ₹ 1,20,000 and arrears of ₹ 39,60,000 pertaining to FY 2019-20 which was paid in April 2020. However, the performance bonus of ₹ 30,70,591 for FY 2018-19 which was paid in April 2020 is not included therein. Both these have been paid in April 2020 post receipt of approval from Reserve Bank of India.

The perquisite is in terms of RBI compensation guidelines for Managing Director & CEO and includes notional value of perquisites ₹ 6,06,578 and arrear of ₹ 3,87,540 pertaining to FY 2019-20 which was paid in April 2020

** Annual CTC is In terms of RBI Compensation guidelines for Managing Director & CEO as per approval received from Reserve bank of India in April 2020.

B. Remuneration to other Directors:

(Amount in ₹)

Particulars of Remuneration	Name of Directors					Total Amount
	Dr. V. S. Sampath	Mr. Tantra Narayan Thakur	Mr. Somnath Sengupta	Mr. P.H. Ravikumar	Mr. Kajal Ghose	
1. Independent Directors						
Fee for attending board & Committee meetings	9,90,000	13,05,000	2,40,000	12,75,000	15,45,000	53,55,000
Commission	-	-	-	-	-	-
Others, please specify						
Non-Executive Part-Time Chairman Remuneration (gross of TDS)	7,20,000	-	-	-	-	7,20,000
Total (1)	17,10,000	13,05,000	2,40,000	12,75,000	15,45,000	60,75,000
2. Other Non-Executive Directors						
• Fee for attending Board committee Meetings	-	-	-	-	-	-
• Commission	-	-	-	-	-	-
• Others, please specify	-	-	-	-	-	-
Total (2)	-	-	-	-	-	-
Gross Total=(1+2)	17,10,000	13,05,000	2,40,000	12,75,000	15,45,000	60,75,000
Total Managerial Remuneration						
Overall Ceiling as per the Act						

C. Remuneration to Key Managerial Personnel Other Than MD / Manager / WTD

(Amount in ₹)

Particulars of Remuneration	Key Managerial Personnel			Total
	#Company Secretary	CFO		
Gross salary	33,68,461#	10,306,932		13,675,393
a. Salary as per provisions contained u/s 17(1) of the Income-tax Act, 1961		(Annual Earned CTC)		
b. Value of perquisites u/s 17(2) Income-tax Act, 1961				
c. Profits in lieu of salary u/s 17(3) Income-tax Act, 1961				
Stock Option	-	-		-
Sweat Equity	-	-		-
Commission	-	-		-
• as % of profit				
• others, specify				
Others, please specify	-	-		-
Total	33,68,461	10,306,932		13,675,393

Note: Remuneration as above includes salary, medical allowances, taxable allowances, LTA, value of perquisites incurred by the Bank as per the Income Tax Rules, 1962, Company's Contribution to Provident Fund, Superannuation Fund and Annual Performance Linked Variable Compensation.

Salary figures (CTC) Company Secretary (for Mr. Anang Shandilya, Mr. Vinay Tripathi and Ms. Nutan Rane)

VI. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

During the year under review, your Bank filed suo-moto applications with Ministry of Corporate Affairs for condonation of delay for the inadvertent non-filing of MGT - 14 forms pertaining to the Board approval for the appointment of Mr. Mukund Barsagade as Chief Financial Officer & for approving the Board Report, Independent Auditor Report, Annual CSR Report, etc. for the year ended on March 31, 2018.

The Ministry has approved the same vide its orders dated November 1, 2019 and did not levy any fine/penalty and the filing since has been completed on November 26, 2019 with an additional fee as applicable for the said filings.

Apart from the above, no penalty / compounding / punishment has been imposed by any regulator on the Bank during FY2019-20.

ANNEXURE - 'C'

10/25-26, 2nd Floor, Brindaban,
Thane (W) - 400 601
T: +91 22 25345648 | +91 22 25432704
E: snaco@snaco.net | W: www.snaco.net
ICSI Unique Code: P1991MH040400

Form No. MR- 3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804
S-24/1-2, First Floor,
Mahavir Nagar, Orderly Bazar,
Varanasi- 221002

We have conducted the Secretarial Audit of the compliance with applicable statutory provisions and the adherence to good corporate practices by **Utkarsh Small Finance Bank Limited** (hereinafter called the "the Bank") for the Financial Year ended **March 31, 2020**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **March 31, 2020**, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on **March 31, 2020** according to the provisions of:

- i. The Companies Act, 2013 ('the Act') and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 2018 and the Regulations and Bye-laws framed thereunder;
- iv. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings: **Not applicable to the extent of Foreign Direct Investment and Overseas Direct Investment.**
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- **Not applicable as the shares of the Company are not listed on any stock exchange;**
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018- **Not applicable as the Company has not listed/has not proposed to list equity shares of the Company on any stock exchange;**
 - d. Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 - **Not applicable as the shares of the Company are not listed on any stock exchange;**
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client- **Not applicable as the Company is not registered as Registrars to an Issue and Share Transfer Agents during the year under review;**
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - **Not applicable as the Equity shares of the Company are not listed on any stock exchange;**
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - **Not applicable as the Company has not bought back / proposes to buy-back its securities during the year under review;**
- vi. The Management has informed that following laws are specifically applicable to the Bank: -
- a. The Banking Regulations Act, 1949;
 - b. Reserve Bank of India Act, 1934 and guidelines made there under;
 - c. Master circulars, directions, guidelines issued to Small Finance Banks by the Reserve Bank of India from time to time
 - d. The Negotiable Instruments Act, 1881.
 - e. The Bankers' Book Evidence Act, 1891;
 - f. The Unlawful Activities (Prevention) Act, 1967.
 - g. The Payment and Settlement Systems Act, 2007;
 - h. The Deposit Insurance and Credit Guarantee Corporation Act, 1961
 - i. The Prevention of Money Laundering Act, 2002 and The Prevention of Money- Laundering (Maintenance of Records, etc.,) Rules, 2005;
- B. We have also examined compliance with the applicable clauses of the following:
- i. Secretarial Standards with regard to Meeting of the Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;
 - ii. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Listing Agreements entered into by the Company with BSE Limited.- **To the extent applicable to the listed debt securities of the Company**

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except the following.

- There were certain lapses in compliances under Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent applicable to listed Debt Securities. The management has taken steps to ensure compliance on an ongoing basis and as informed, no notices, or any such regulatory correspondence, has been received by the Bank to this effect.

We further report that: -

- The Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-Executive Directors, Independent Directors and Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except where consent of directors was received for receiving notice of meetings, circulation of the Agenda and notes on Agenda at a shorter notice. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- As recorded in the minutes, all decisions of the Board and Committees thereof were carried through with requisite majority.

We further report that based on review of compliance mechanism established by the Company, and on the basis of the Compliance Certificate(s) issued by the Managing Director & CEO and Chief Financial Officer and taken on record by the Board of Directors at their meeting(s), we are of the opinion that the Company has systems and

processes and is taking efforts to further strengthen them so as to make them commensurate with the size and operations of the Company, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines;

- as informed, the Company has responded appropriately to notices received from various statutory/regulatory authorities including initiating actions for corrective measures, wherever found necessary
- C. We further report that during the financial year ended March 31, 2020 following events have occurred which has a major bearing on the Company's affairs in pursuance of the laws, rules, regulations, guidelines, standards, etc.:
1. Pursuant to the Board approval on August 28, 2019, the Company issued and allotted 2,22,22,222 equity shares of ₹ 10/- each at a premium of ₹ 17/- per equity share aggregating ₹ 59,99,99,994/- (Rupees Fifty Nine Crore, Ninety Nine Lac, Ninety-nine Thousand, Nine Hundred and Ninety four only) on rights basis on September 18, 2019.
 2. The Directors at their Meeting held on October 15, 2019, approved the Composite Scheme of Arrangement ("Scheme"), between the Bank and Utkarsh CoreInvest Limited ("Holding Company"), which inter alia provides to the Shareholders of the Holding Company, issuance and allotment of 7.798659471 fully paid equity shares of face value of ₹ 5/- each of the Bank for every fully paid up equity share ₹ 10/- each held in the Holding Company as on the Record Date to be fixed by the Board of the Bank. The Bank is in the process of obtaining necessary regulatory approvals to give effect to the Scheme.
 3. Members of the Bank have at their Extra- ordinary General Meeting held on January 12, 2020 approved introduction and implementation of "Utkarsh Small Finance Bank (USFBL) MD & CEO Employee Stock Option Plan 2020- to create, grant, offer, issue and allot/ transfer at any time, to or for benefit of, MD & CEO- USFBL, the stock options, exercisable into not more than 20018918 Equity Shares of ₹ 10 each, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board or the Committee thereof.
 4. The Company has duly redeemed Non-Convertible Debentures, amounting to ₹ 313.2 crore (Rupees Three Hundred and Thirteen crore and twenty lacs only) during the year under review on their respective due dates.
 5. The shareholders at their Annual General Meeting held on August 05, 2019 have authorised the Board of Directors of the Bank :
 - to borrow such sum of money in any manner (apart from temporary loans obtained from bankers banker in ordinary course of business) whether in Indian or any other equivalent foreign currency such that the total amount so borrowed and outstanding at any point of time shall not exceed ₹ 4,500 crore (Rupees Four Thousand Five Hundred crore only)
 - to borrow / raise funds in Indian Rupees or any other permitted foreign currency by issuance of debt securities on private placement basis for a period of one year on such terms and conditions as deemed fit by the Board and permitted by RBI of an amount not exceeding ₹ 600 crore, which is within the overall borrowing limit of ₹ 4,500 crore as per Section 180(1)(c) of the Act

This Report is to be read with our Letter of even date which is annexed as Annexure A and forms an integral part of this Report.

For S. N. ANANTHASUBRAMANIAN & Co.

Company Secretaries
ICSI Unique Code: P1991MH040400

Sd/-

Aparna Gadgil

Partner

ACS:14713 | COP No.:8430

Peer Review Cert. No. : 606/2019

ICSI UDIN: A014713B000269044

Place: Mumbai

Date: May 22, 2020

ANNEXURE-C (A)

To,
The Members,
Utkarsh small Finance Bank Limited
CIN: U65992UP2016PLC082804
S-24/1-2, First Floor, Mahavir Nagar,
Orderly Bazar, Varanasi 221002

Our Secretarial Audit Report for the Financial Year ended March 31, 2020, of even date, is to be read along with this letter.

Management's Responsibility.

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditor's Responsibility

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

Disclaimer

5. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
6. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.

For S. N. ANANTHASUBRAMANIAN & Co.

Company Secretaries
ICSI Unique Code: P1991MH040400

Sd/-

Aparna Gadgil

Partner

ACS:14713 | COP No.:8430

Peer Review Cert. No. : 606/2019

ICSI UDIN: A014713B000269044

Place: Mumbai

Date: May 22, 2020

ANNEXURE - 'D'

Corporate Social Responsibility (CSR) Report

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. A brief outline of the Company's CSR policy: The Bank undertakes CSR initiatives through Utkarsh Welfare Foundation (a Section 25 Company under the Companies Act, 1956) and through the Utkarsh Welfare Foundation aims to provide various services and products for the socio-economic development of and assistance to the underprivileged population in rural & urban sectors by way of market linkage opportunities, education, health and vocational training programme. The details of the CSR initiatives of the Bank are also mentioned at <https://www.utkarsh.bank/csr>.
2. The Composition of the CSR Committee.: Dr. V.S. Sampath (Chairperson), Mr. T.N. Thakur (till March 24, 2020), Ms. Kalpana Prakash Pandey (with effect from May 07, 2020) and Mr. Govind Singh.
3. Average net profit of the Company for the last three financial years: ₹ 22.65 crore
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 0.45 crore. However, considering the vision & mission of the Bank, a higher budget of ₹ 1.00 crore towards CSR initiatives was approved for FY2019-20.
5. Details of CSR spent during the financial year.
 - a. Total amount to be spent for the financial year; ₹ 1.00 crore
 - b. Amount unspent, if any; Nil
 - c. Manner in which the amount spent during the financial year is detailed below.

(Amount in ₹)

Sl.	CSR project or activity identified	Sector in which the Project is covered	Projects/ programme- Specify the state / Union Territory where the Project/ programme were undertaken	Projects/ programme - Specify the district where projects/ programme was undertaken	Amount outlay (budget) Projects/ programme wise	Amount spent on the projects / programme	Expenditure on Administrative overheads	Mode of Amount spent (Direct or Indirect)
1.	Financial Awareness and Primary education initiatives	Promoting Education, Gender equality, Empowering women And Learning Enhancement for primary school children	Bihar Madhya- Pradesh Uttar-Pradesh Uttarakhand	Bihar (Arrah, Buxur, Kaimur, Patna, Purnea) MP (Satna) Uttar Pradesh (Kushinagar, Mirzapur, Varanasi, Uttarakhand (Haridwar)	4,039,733	3,500,000	539,733	Through Utkarsh Welfare Foundation
2	Health Initiatives	Promoting Primary Health care services	Bihar Madhya Pradesh Uttar Pradesh	Bihar (Bhojpur, Buxur Kaimur, Rohtas, Madhya Pradesh (Rewa and Satna) Uttar Pradesh (Kushinagar, Maharjanj, Gorakhpur)	4,500,000	4,100,000	400,000	Through Utkarsh Welfare Foundation

Sl.	CSR project or activity identified	Sector in which the Project is covered	Projects/ programme- Specify the state / Union Territory where the Project/ programme were undertaken	Projects/ programme - Specify the district where projects/ programme was undertaken	Amount outlay (budget) Projects/ programme wise	Amount spent on the projects / programme	Expenditure on Administrative overheads	Mode of Amount spent (Direct or Indirect)
3	Skill & Vocational training	Promoting Education, Gender equality, Empowering women, vocational skills and livelihood enhancement	Uttar Pradesh	Varanasi and Ghazipur	1,148,000	1,148,000	-	Through Utkarsh Welfare Foundation
4	Learning Enhancement Programme for primary school children	Promoting Quality Education	Uttar Pradesh	Varanasi	162,659	162,659	-	Through Utkarsh Welfare Foundation
5	Supporting Orphanage and elderly care centre	Poverty Alleviation	Uttar Pradesh	Varanasi	149,608	149,608	-	Through Utkarsh Welfare Foundation
6	Amount Spent on Local Area				10,000,000	10,000,000	939,733	Through Utkarsh Welfare Foundation
7	Amount Spent on other Area							
	Total Amount Spent on CSR				10,000,000	10,000,000	939,733	Through Utkarsh Welfare Foundation

Sd/-
Govind Singh
 (Managing Director & CEO)

Sd/-
V.S. Sampath
 (Chairperson - CSR Committee)

THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

Financial Year 2019-2020

1. Brief outline of the Bank's CSR Policy, including overview of the projects or programme undertaken and a reference to the web link to the CSR Policy and projects and programmes.

POLICY STATEMENT

The Bank's CSR aims to contribute to the social and economic development of the underprivileged and underserved community in low income geographies. Through impact oriented interventions the Bank seeks to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment. Initiatives will largely focus on education, health, promoting livelihoods through skill building and vocational training. The Bank shall also promote initiatives that preserve, restore and enhance environment, ecological balance, and natural resources, and improve sanitation and hygiene. All the projects or programme activities shall be as per areas or subjects as specified in Schedule VII under Section 135 of the Companies Act, 2013.

The Bank's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations.

CSR PHILOSOPHY & GUIDING PRINCIPLES

CSR policy covers the entire process by which an organization approaches, defines and develops its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate strategies and projects. Thus CSR is not charity or mere donations but a way of giving back to society by going beyond business as usual, creating shared value and contributing to social and environmental good. The Bank's CSR philosophy is based on cardinal principle to make a meaningful and measurable impact in the lives of economically, physically and socially challenged communities of the country.

The Bank is in its continuous efforts to positively impact the society particularly, underserved and unsecured communities in the area of its operations. The Bank has formulated policies for social development based on following guiding principles:

- To be the trusted financial service provider to over 10 million customers by 2021.
- Adopt an approach that aims at achieving a greater balance between social development and economic development.
- Adopt new measures to accelerate and ensure the basic needs of all people.
- Work towards elimination of barriers for the social inclusion of disadvantaged groups- such as the poor and the disabled.
- Support underprivileged and underserved segments by providing financial and non-financial services through a socially responsible, sustainable and scalable institution.

ORGANIZATION SET UP

For the purpose of various development and welfare interventions, a separate entity named Utkarsh Welfare Foundation was incorporated as section 8 company under the provisions of the Companies Act, 2013. This Company is the subsidiary company of Utkarsh CoreInvest Limited (Erstwhile Utkarsh Micro Finance Ltd.). Utkarsh Welfare Foundation has been assigned with responsibility to undertake Corporate Social Responsibility activities on behalf of Utkarsh Small Finance Bank Limited. Utkarsh Welfare Foundation (UWF) aims to make a meaningful and sustainable impact in the lives of the community through a multi-pronged service oriented market led approach. UWF initiatives are focussed on range of issues such as education, health, skill development, environment, micro enterprise training, sustainable livelihoods, water & sanitation. The Bank's all CSR activities are implemented through UWF.

The Bank has constituted a CSR Committee of the Board consisting of three (3) Directors and majority of them are Independent Director. The Committee will meet on half yearly basis or as an when it is required. The following is the terms of reference of the Committee.

- To formulate the Bank's CSR strategy, policy and goals.
- To monitor the Bank's CSR policy and performance.
- To review the CSR projects/initiatives from time to time.
- To ensure legal and regulatory compliance from a CSR viewpoint.
- To ensure reporting and communication to stakeholders on the Bank's CSR. To ensure CSR projects/initiatives are consistent with the CSR policy of the Bank.

SCOPE OF ACTIVITIES

Identified CSR activities are in line with the CSR Rules (Sec.135 of Companies Act, 2013). Under CSR activities the identified thematic areas of interventions are health, financial literacy, environment protection, water, sanitation, skill & vocational training activities. The Bank initiated many such programme through Utkarsh Welfare Foundation. The Bank will provide not less than 2% of average profit before tax for preceding three financial years to UWF to carry out the programme as listed below:

During the financial year 2019-20, CSR Activities were primarily focussed around Financial Awareness, Health Initiatives, Primary Education, Skill & Vocational Training, Supporting Orphanage and Elderly Care Centre and Village Development Programmes.

IMPACT INTERVENTION

There is shift from outreach to outcome based approach in CSR intervention. For better impacts and sustainability Community Resource Person (CRP) model was experimented. The objective is to enhance the learning curve at grassroots level by appointing suitable trained resource from local communities and groom them to become champions and messengers for promoting key messages and learnings on financial literacy, health and enterprise development themes with the support of technological and digital spines (such as tablets, smart phones etc.). It strengthened the narratives of Ideas moving to action and further leading to behavioural change communication process and peer to peer learning.

FINANCIAL AWARENESS (FA)

Financial awareness initiatives are aligned with the Bank's mission to support underprivileged and underserved segments of the population by providing financial and non-financial services in a socially responsible, sustainable and scalable manner. Financial awareness programmes are aimed at building financial decision making and capabilities of the targeted beneficiaries through right information, instructions and advices. As a part of credit plus initiative the total beneficiary outreach under financial awareness supported under USFBL-CSR since its inception is 1,84,989.

For the Financial Year 2019-20, total beneficiary outreach achieved through corporate social responsibility initiative under financial awareness programme are 42,816.

FINANCIAL LITERACY- CLASS ROOM TRAINING INITIATIVES:

This adopts Intensive approach towards the delivery of financial literacy to target population. Trainings are organized in small batch sizes of 20-25 and around 12 hours of inputs are given covering modules on financial planning, budgeting, savings, borrowings, investments, insurance, banking services and targeted govt. schemes. The methodology of training adopted is participatory & interactive. Audio-visuals, poster, banners, group discussion, role plays, exercises, games, and other participatory training tools and other aides used. Trainers effectively communicate and transmit the key messages to the participating women/men beneficiaries. Financial literacy training provided to achieve the desired objectives are delivered in 12 hours' session spread across 3 days for each class room training for each batch.

The programme was conducted across seven (7) locations across two (2) districts in Bihar, one (1) districts in Madhya Pradesh and two (2) districts in Uttar Pradesh. During FY2019-20, total 28,540 beneficiaries have successfully completed the three days' class room training in 2,199 batches.

USFBL's CSR contribution has helped to strengthen the Financial Literacy programme and replicate and scale up the model with the support of new partnerships.

DIGITAL FINANCIAL LITERACY INITIATIVE:

Total 14,276 beneficiaries attended the digital financial literacy programme in 801 batches during FY2019-20.



HEALTH INITIATIVE:

Health initiatives are intended to provide free Primary Health Services and awareness to the low income households in the targeted geographies. Outpatient diagnostic services with free medicine are being provided as a part of the initiative. Programme is implemented in collaboration with select hospitals, ensuring quality health service under the strict supervision of healthcare professionals and practitioners. Two approaches have been adopted to deliver OPD services in the underserved and underprivileged geography such as Regular Polyclinics through locations and Mobile Polyclinics with route plan for extending primary health care services. During FY2019-20, the programme ran across 20 locations covering four (4) districts in Bihar, two (2) districts in Madhya Pradesh and three (3) districts in Uttar Pradesh. Total beneficiaries outreach under health initiative is 32,088 beneficiaries through 155 mobile OPDs.



SKILL AND VOCATIONAL TRAINING PROGRAMME

Women Entrepreneurship and Empowerment (WEE): USFBL's CSR fund supported SIDBI-PSIG pilot project for establishing / upscaling / diversifying women led micro and small business enterprises. The pilot project intended to create opportunities for women entrepreneurs to diversify / take up new enterprises and scale up existing enterprises. Technical support provided by Udyogini, an institution of repute in the domain of micro enterprise development. Total 8,000 women led enterprises were supported under the project with business development services, credit and market linkage support. Relevant skill and vocational trainings were provided under the project. Under intensive approach, the project was implemented in two (2) districts of Uttar Pradesh namely Ghazipur and Varanasi. Project timeline was for 18 months starting from August 2018 and completed on January 31, 2020. At the completion of project, total 8,000 women entrepreneurs were on-boarded for the project and 100% of them were provided with 12 hours of enterprise development training and credit linkage facilitated were for 5,000 beneficiaries.



Highlight: Business Development Support to Women Entrepreneurs.

The two day event Swavalamban Utsav - Pragati ki Udaan organized by Utkarsh Welfare Foundation concluded successfully at Sanskriti Sankul, Varanasi. Over 1,200 women entrepreneur participated in the event. The event featured handicraft and other products including jute items, wooden crafts, moti mala, etc. made by 500 women micro entrepreneurs. Total Sales value generated during two days Swavalamban Utsav through 60 stalls was ₹ 4.17 Lakh. Average sales value generated per stall from two day event was around ₹ 7,000. In normal course per day sale is around ₹ 500- ₹ 600. Around 10 women entrepreneurs from "Swavalamban Utsav" were selected by SIDBI as Swavalamban role model. These role models will receive certificate of appreciation and grant from SIDBI for strengthening and scaling up their enterprises. Swavalamban Utsav got appreciation from Prime Minister's Office, Govt. of India. Around **32 women were enrolled with Samsung Technical School promoted by Ministry of MSME under Skill Development Programme on electronic repair and maintenance.**

MICRO-ENTERPRISE PROMOTION PROGRAMME

The programme aims to identify, motivate and guide the entrepreneurs in setting up micro enterprises leading to employment generation in semi urban/ rural India. SIDBI is currently implementing MEPP in 126 districts in 26 States promoting about 43,000 enterprises. UWF has partnered with SIDBI under USFB CSR support for the promotion of two Micro Enterprise Promotion Centre launched in December 2018 in the districts of Varanasi & Ghazipur (U.P.). The programme is being implemented with the support of four project staffs, two each in Ghazipur & Varanasi. For FY2019-20 the project targeted to train and facilitate credit linkages for 960 entrepreneurs for setting up enterprise, against which 988 entrepreneurs were supported.

VILLAGE DEVELOPMENT PROGRAMME

Village adoption plan envisages integrated and holistic development of identified villages in consultation with village community.

Emphasis under this programme is on participatory planning amid convergence of various development programme for overall development of the selected villages.

Five Villages namely Karnadadi, Dholapur, Bhimchandi, Mehmedpur, Deendaspur under Arajiline block in Varanasi district have been identified for the intensive development programme.

Updates on Activities conducted under Village development Programme during FY2019-20

Learning Enhancement Programme for School Children: Total 120 children in the age group of 5-12 years identified and enrolled for the programme under which UWF is organizing tutorial classes on Language skills (English and Hindi), Numeracy skills, Science and Drawing with the use of various creative learnings tools, audio-visuals, games and participatory tools. Further, the programme was extended to four villages namely Karnadadi, Bhimchandi, Mehmedpur, Deendaspur covering 120 children under Arajiline block in Varanasi with the support of community resource persons at field level.

World Environment Day: On the occasion of world environment day on June 05, 2019, Plantation activities were carried in the selected five (5) villages under VDP. During FY2019-20, around 1,000 horticulture plant saplings were distributed.

- 1. Building Financial Capability through Financial Literacy:** During FY2019-20, total 786 beneficiaries trained under class room training through 45 batches.
- 2. Access to Banking & Financial services:** Four Kirana shops identified for kiosk model BC.

SUPPORTING ORPHANAGE AND ELDERLY CARE CENTRE

The Bank continued its support to special homes for children & senior citizens. The Bank sponsored meals and also provided them with some items of their daily needs. For better engagements and understanding needs monthly visits are organized for special homes.

ACTIVITIES CONDUCTED DURING FY2019-20

- Picnic for children: A picnic was organized at Sarnath, Varanasi on November 30, 2019 attended by 20 children and 3 caretakers from Nirmala Shishu Bhawan (Missionaries of Charity).

BLOOD DONATION CAMPS

A blood donation camp was organized in association with Pandit Deen Dayal Upadhyya Government Hospital Varanasi on June 14, 2019. 39 Volunteers from Utkarsh successfully donated the blood. The event strengthened the noble cause that blood donation saves life.

GEOGRAPHICAL SPAN

During the Financial Year 2019-20 the CSR activities were spread across various districts in four states namely Bihar, Madhya Pradesh, Uttarakhand and Uttar Pradesh.

Web Link to CSR policy and projects or programme

Annual Report on CSR Activities is also available at the website of the Bank at <https://utkarsh.bank/>

2. Composition of the CSR committee

Dr. V. S. Sampath (Chairperson)
Ms. Kalpana Prakash Pandey
Mr. Govind Singh

3. Average net profit of the Bank for last three financial years

Average profit before tax of the Bank for last three financial years (2017, 2018 and 2019) is ₹ 20.17 crore

**4. Prescribed CSR expenditure (i.e. 2% of the amount as in 3 above)
₹ 0.40 crore**

The Bank spent ₹ 1.0 Crore which was higher than 2% of its net profits as prescribed under Sec.135 of Companies Act, 2013.

5. Details of the CSR spent during FY2019-20

SI	CSR project or activity identified	Sector in which the Project is covered	Projects/ programme- Specify the state / Union Territory where the Project/ Programme was undertaken	Projects/ programme - Specify the district where projects/ programme was undertaken	Amount outlay (budget) project/ programme wise	Amount spent on the projects / programme	Expenditure on Administrative overheads	Mode of Amount spent (Direct or Indirect)
1.	Financial Awareness	Promoting Education, Gender equality, Empowering women	Bihar Madhya- Pradesh Uttar-Pradesh Uttarakhand	Bihar (Arrah, Buxur, Kaimur, Patna, Purnea), MP (Satna) Uttar Pradesh (Kushinagar, Mirzapur, Varanasi), Uttarakhand (Haridwar)	40,39,733	35,00,000	5,39,733	Through Utkarsh Welfare Foundation
2	Health Initiatives	Promoting Primary Health care services	Bihar Madhya Pradesh Uttar Pradesh	Bihar (Bhojpur, Buxur Kaimur, Rohtas,), Madhya Pradesh (Rewa and Satna) Uttar Pradesh (Kushinagar, Maharjganj, Gorakhpur)	45,00,000	41,00,000	4,00,000	Through Utkarsh Welfare Foundation
3	Skill & Vocational training	Empowering women through vocational skills and livelihood enhancement	Uttar Pradesh	Varanasi and Ghazipur	11,48,000	11,48,000	-	Through Utkarsh Welfare Foundation
4	Learning Enhancement Programme for primary school children	Promoting Quality Education	Uttar Pradesh	Varanasi	1,62,659	1,62,659	-	
5	Supporting Orphanage and elderly care centre	Poverty Alleviation	Uttar Pradesh	Varanasi	1,49,608	1,49,608	-	
	Amount Spent on Local Area				1,00,00,000	90,60,267	9,39,733	Through Utkarsh Welfare Foundation
	Amount Spent on other Area							
	Total Amount Spent on CSR				1,00,00,000	90,60,267	9,39,733	Through Utkarsh Welfare Foundation

6. Reasons for not spending the 2% of average net profit of last three financial years:

Not Applicable

7. Responsibility statement of the CSR committee:

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Bank.

Sd/-
(Mr. Govind Singh)
Whole Time Director

Sd/-
(Dr. V. S. Sampath)
Chairman, CSR Committee

INDEPENDENT AUDITOR'S REPORT

To the Members of Utkarsh Small Finance Bank Limited

Report on the Audit of the Financial Statements

OPINION

We have audited the accompanying financial statements of Utkarsh Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2020, the Profit and Loss Account and the Cash Flow Statement for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2020, its profit and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and Rules thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key Audit Matters	How our audit addressed the key audit matter
<p>Information Technology (IT) Controls Framework</p> <p>The Bank has a complex IT architecture to support its day- to- day business operations. The volume of transactions processed and recorded is huge. Moreover, a transaction may be required to be recorded across multiple applications depending upon the process and each application has different rules and a different set of user access and authority matrix. These applications are interlinked using different technologies so that data transfer happens in real time or at a particular time of the day; in batches or at a transaction level and in an automated manner or manually. The Core Banking Solution (CBS) itself has many interfaces. All these data streams directly affect the financial accounting and reporting process of the Bank.</p>	<p>IT audit specialists are an integral part of our engagement team. Our approach of testing IT General Controls (ITGC) and IT Application Controls (ITAC) is risk based and business centric.</p> <p>As a part of our IT controls testing, we have tested ITGC as well as ITAC. The focus of testing of ITGCs was based on the parameters such as Completeness, Validity, Identification/ Authentication and Authorization, Accuracy, Integrity and Accountability. On the other hand, focus of testing automated controls from applications was whether the controls prevent or detect unauthorized transactions and support financial objectives including completeness, accuracy, authorization and validity of transactions.</p> <p>We gathered a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology.</p>

Key Audit Matters	How our audit addressed the key audit matter
<p>The Bank has a process for identifying the applications where these controls are embedded. It also has a process to ensure that systems, processes and controls remain relevant. The Bank's IT control framework includes automated, semi-automated and manual controls designed to address identified risks. IT controls are stated in Entity Level Controls (ELC), IT General Controls (ITGC) and IT Application Controls (ITAC).</p>	<p>In ITGC testing, we reviewed control areas such as User Management, Change Management, Systems Security, Incident Management, Physical & Environmental Security, Backup and Restoration, Business Continuity and Disaster Recovery, Service Level Agreement.</p>
<p>We have identified IT Controls Framework as a Key Audit Matter as the Bank's business is highly dependent on information technology, the IT environment is complex and the design and operating effectiveness of IT controls have a direct impact on a financial reporting process. Review of these controls allows us to provide assurance on the integrity and completeness of data processed through various IT applications which are used for the preparation of financial reports.</p>	<p>For ITAC, we carried out on sample basis, compliance tests of system functionality in order to assess the accuracy of system calculations. We also carried out procedures such as validations and limit checks on data entered into applications, approvals, process dependencies and restriction on time period in which transactions may be recorded.</p>
<p>Classification and Provisioning for Advances (Refer to the accounting policies in note 17.4 (B) of Schedule 17 and Schedule 9 and note 18.25, 18.47 and 18.48 of schedule 18 to the financial statements)</p>	<p>We tested the control environment using various techniques such as inquiry, review of documentation/record/reports, observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our tests.</p>
<p>The Bank's portfolio of loans and advances to customers amounts to 6,281.60 crore (Net of Provisions) as at March 31, 2020 and 90% of portfolio consists of Micro finance business.</p>	<p>Wherever deviations were noted either the same were explained to our satisfaction or we tested compensating controls and performed alternate procedures, where necessary, to draw comfort.</p>
<p>As required under Income Recognition, Asset Classification and provisioning norms (IRACP) issued by the Reserve Bank of India (RBI), guidelines on COVID 19 related Regulatory Package dated March 27, 2020 and April 17, 2020 and clarification on May 06, 2020 issued by the RBI ('Regulatory Package') and other relevant circulars, notifications and directives issued by the RBI, the Bank classifies advances into performing and non-performing advances (NPA) which consists of Standard, Sub-standard, Doubtful and Loss and makes appropriate provisions.</p>	<p>Our audit procedures included, but were not limited to the following:</p>
<p>Classification of advances requires consideration of the quantitative and qualitative factors and provisioning for advances including the potential impact arising on account of unprecedented COVID- 19 requires assessment of credit risk across a wide range of borrowers, products, industries and geographies and there is a high degree of complexity and judgement involved in estimating recoverability of advances and estimation of provisions thereon.</p>	<ol style="list-style-type: none"> 1. Considered the Bank's accounting policies for NPA identification, and provisioning and assessing compliance with the IRACP prudential norms prescribed by the RBI. 2. Tested on sample basis, the approval of new lending facilities granted against the Bank's credit policies, the performance of annual loan assessments, and controls over the monitoring of credit quality. 3. Evaluated the design of internal controls relating to classification and provisioning of advances. Tested the operating effectiveness of these internal controls. 4. Reviewed NPA identification and corresponding interest reversal based on the prudential norms by selecting samples across NPA, SMA and Regular Accounts of the Loan Portfolio. 5. Tested on sample basis the level of provisions held against different loan products based on the delinquency profile and assumptions made in respect of expected recoveries, primarily from collateral held. 6. In case discrepancies were noted, evaluated the relevant controls and ensured rectification of the same. 7. Made inquiries of management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations. 8. Reviewed the Bank's process for granting moratorium to borrowers as per the Regulatory Package announced by RBI. We tested the completeness and accuracy of data used for computing general provision in line with Regulatory package issued by RBI. With respect to additional provision made by the Bank on account of the impact of COVID -19 pandemic, we broadly reviewed the underlying assumptions and estimates used by the management for the same. However, as the extent of impact is dependent on future developments, which are highly uncertain, we primarily relied on those assumptions and estimates. These assumptions and estimates are a subject matter of periodic review by the Bank.
<p>We have identified classification & provisions for advances as key audit matter in view of the significant judgement involved in estimation, as well as the stringent compliances norms laid down under RBI guidelines.</p>	<p>Disclosure</p>
	<p>We assessed the appropriateness and adequacy of disclosures against the relevant RBI requirements relating to NPAs including the additional disclosures required to be made in accordance with the Regulatory Package.</p>

EMPHASIS OF MATTER

We draw attention to Schedule 18 - Note 18.47 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank's operations and financial statement is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

OTHER INFORMATION

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

Our opinion on the financial statements does not cover the other information and the Basel III disclosures and accordingly, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with the relevant rules issued thereunder, provision of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Bank's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

OTHER MATTER

The audit of financial statements for the year ended March 31, 2019, was carried out and reported by another firm of Chartered Accountants, vide their unmodified audit report dated May 25, 2019, whose report has been furnished to us by the management and which has been relied upon by us for the purpose of our audit of the financial statements.

Our opinion is not modified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- (1) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act read with the relevant rules issued thereunder.
- (2) As required by Section 143(3) of the Act and Section 30(3) of the Banking Regulation Act, 1949, we report that:
 - a. We have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b. In our opinion, transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

- c. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 11 branches for the purpose of our audit.
- d. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- e. The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- f. In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act read with relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- g. On the basis of the written representations received from the directors as on March 31, 2020, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of section 164(2) of the Act;
- h. With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure";
- i. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act;

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

- j. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 18 - Note 18.44 and Schedule 12 on Contingent Liabilities to the financial statements;
 - (ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 18 - Note 18.42 to the financial statements;
 - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

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

Purushottam Nyati
Partner
Membership No.: 118970
UDIN: 20118970AAAACH5961

Place: Mumbai
Date: May 22, 2020

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

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

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

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

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness.

Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

A Bank's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Bank has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal controls stated in the Guidance Note issued by the ICAI.

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

Purushottam Nyati
Partner
Membership No.: 118970
UDIN: 20118970AAAACH5961

Place: Mumbai
Date: May 22, 2020

BALANCE SHEET as at March 31, 2020

(₹ in '000s)

Particulars	Schedule	As at March 31, 2020	As at March 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	7,592,722	7,370,500
Reserves and Surplus	2	2,602,269	357,063
Deposits	3	52,352,125	37,913,867
Borrowings	4	26,750,368	14,297,673
Other Liabilities and Provisions	5	4,745,677	2,449,346
Total		94,043,161	62,388,449
ASSETS			
Cash and balances with Reserve Bank of India	6	1,916,581	1,575,734
Balances with banks and money at call and short notice	7	14,223,945	3,590,587
Investments	8	11,923,882	8,622,071
Advances	9	62,815,960	46,681,652
Fixed Assets	10	1,097,977	898,815
Other Assets	11	2,064,816	1,019,590
Total		94,043,161	62,388,449
Contingent Liabilities	12	199,445	178,689
Bills for Collection		-	-
Significant accounting policies	17		
Notes to the financial statements	18		

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

As per our report of even date attached
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Sd/-
Purushottam Nyati
Partner
Membership No. 118970

Sd/-
Kajal Ghose
Director
DIN : 07702190

Sd/-
P. H. Ravikumar
Director
DIN : 00280010

Sd/-
Govind Singh
Managing Director & CEO
DIN : 02470880

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA 048560

Sd/-
Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai
Date : May 22, 2020

Place : Mumbai
Date : May 22, 2020

PROFIT AND LOSS ACCOUNT for the year ended March 31, 2020

(₹ in '000s)

	Schedule	For the year ended March 31, 2020	For the year ended March 31, 2019
I INCOME			
Interest Earned	13	13,076,867	8,810,445
Other Income	14	985,553	580,463
Total		14,062,420	9,390,908
II EXPENDITURE			
Interest Expended	15	5,794,626	3,822,938
Operating Expenses	16	4,764,841	3,262,699
Provisions and Contingencies	18.23	1,635,526	1,366,390
Total		12,194,993	8,452,027
III PROFIT/LOSS			
Net (Loss)/ Profit for the year		1,867,427	938,881
Balance in Profit and Loss account brought forward		97,085	(593,904)
Total		1,964,512	344,977
IV APPROPRIATIONS			
Transfer to Statutory Reserve		466,857	234,720
Transfer to Investment Fluctuation Reserve		39,242	13,172
Transfer to Capital Reserve		3,588	-
Balance carried over to Balance Sheet		1,454,825	97,085
Total		1,964,512	344,977
V EARNINGS PER EQUITY SHARE	18.5.5		
Basic EPS (₹)		2.49	1.37
Diluted EPS (₹)		2.49	1.37
Face Value per share (₹)		10	10
Significant accounting policies	17		
Notes to the financial statements	18		

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

As per our report of even date attached
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Sd/-
Purushottam Nyati
Partner
Membership No. 118970

Sd/-
Kajal Ghose
Director
DIN : 07702190

Sd/-
P. H. Ravikumar
Director
DIN : 00280010

Sd/-
Govind Singh
Managing Director & CEO
DIN : 02470880

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA 048560

Sd/-
Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai
Date : May 22, 2020

Place : Mumbai
Date : May 22, 2020

CASH FLOW STATEMENT for the year ended March 31, 2020

(₹ in '000s)

Sl. No.	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
I	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit before taxes	2,504,150	1,488,081
	Adjustments for:-		
	Depreciation on fixed assets	254,078	162,912
	Depreciation on investments	616	(9,156)
	Amortization of premium on Held to Maturity Investment	74,694	51,214
	Profit on sale & Redemption of HTM portfolio	(6,886)	(221)
	Unrealised loss on external commercial borrowings	9,131	21,431
	Write-off of non performing advances	559,577	298,592
	Provision for standard advances and other contingencies	739,447	70,544
	Provision for non performing advances (net of reversal)	(300,837)	336,779
	Loss/ (Profit) on Sale of Fixed Assets (Net)	190	(21,606)
	Other provisions and write off	38,657	120,431
		3,872,817	2,519,001
	Adjustments for:-		
	(Increase) in investments	(604,574)	(457,715)
	(Increase) in advances	(16,393,048)	(16,299,837)
	Increase in deposits	14,438,257	15,975,199
	(Increase) in other assets	(829,920)	(243,603)
	Increase in other liabilities and provisions	1,559,034	712,731
		(1,830,251)	(313,225)
	Income taxes paid (net)	(890,497)	(23,866)
	Net cash flow from operating activities (A)	1,152,069	2,181,910
II	CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
	Purchase of fixed assets including capital work in progress	(455,907)	(309,857)
	Proceeds from sale of fixed assets	140	142,401
	Purchase of held to maturity securities	(2,765,661)	(1,593,456)
	Net cash flow (used in) / generated from investing activities (B)	(3,221,428)	(1,760,912)
III	CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
	Proceeds from issue of share capital	600,000	-
	Net Proceeds / (repayments) from borrowings	12,443,564	(942,222)
	Net cash flow (used in) / generated from financing activities (C)	13,043,564	(942,222)

CASH FLOW STATEMENT for the year ended March 31, 2020

(₹ in '000s)

Sl. No.	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
IV	NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	10,974,205	(521,224)
V	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,166,321	5,687,545
VI	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16,140,526	5,166,321
Notes to the Cash Flow Statement:			
Cash and cash equivalents includes the following:			
	Cash and Balances with Reserve Bank of India (Refer Schedule 6)	1,916,581	1,575,734
	Balances with Banks in Current Accounts (Refer Schedule 7)	173,945	340,587
	Money at Call and Short Notice (Refer Schedule 7)	14,050,000	3,250,000
	Cash and cash equivalents at the end of the year	16,140,526	5,166,321

As per our report of even date attached for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Sd/-
Purushottam Nyati
Partner
Membership No. 118970

Sd/-
Kajal Ghose
Director
DIN : 07702190

Sd/-
P. H. Ravikumar
Director
DIN : 00280010

Sd/-
Govind Singh
Managing Director & CEO
DIN : 02470880

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA 048560

Sd/-
Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai
Date : May 22, 2020

Place : Mumbai
Date : May 22, 2020

SCHEDULES FORMING PART OF THE BALANCE SHEET

as at March 31, 2020

SCHEDULE 1 - CAPITAL

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
Authorised Capital		
1,000,000,000 Equity shares of ₹ 10/- each (March 31, 2020: 1,000,000,000 Equity shares of ₹ 10/- each)	10,000,000	10,000,000
Issued, subscribed and fully paid-up capital		
759,272,222 Equity shares of ₹ 10/- each (March 31, 2020: 759,272,222 Equity shares of ₹ 10/- each) (refer schedule 18.1.3)	7,592,722	7,370,500
TOTAL	7,592,722	7,370,500

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Statutory Reserve		
Opening balance	246,807	12,087
Addition during the year	466,857	234,720
Deduction during the year	-	-
Total	713,664	246,807
2. Investment Fluctuation Reserve		
Opening balance	13,172	-
Addition during the year	39,242	13,172
Deduction during the year	-	-
Total	52,414	13,172
3. Share Premium Account		
Opening balance	-	-
Addition during the year	377,778	-
Deduction during the year	-	-
Total	377,778	-
4. Capital Reserve		
Opening balance	-	-
Addition during the year	3,588	-
Deduction during the year	-	-
Total	3,588	-
5. Balance in Profit and Loss Account	1,454,825	97,085
TOTAL (1+2+3+4+5)	2,602,269	357,063

SCHEDULE 3 - DEPOSITS

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
A. 1. Demand Deposits		
i) From banks	78,254	81,701
ii) From others	1,113,372	780,550
Total	1,191,626	862,251
2. Savings Bank Deposits	5,875,021	2,932,108
3. Term Deposits		
i) From banks	18,390,201	15,408,099
ii) From others	26,895,277	18,711,409
Total	45,285,478	34,119,508
TOTAL (1 to 3)	52,352,125	37,913,867
B. i. Deposits of branches in India	52,352,125	37,913,867
ii. Deposits of branches outside India	-	-
TOTAL	52,352,125	37,913,867

SCHEDULE 4 - BORROWINGS

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Borrowings in India		
i) Reserve Bank of India	980,000	-
ii) Other banks	1,000,000	1,209,091
iii) Other institutions and agencies *		
a) Government of India	-	-
b) Financial institutions	22,515,000	7,625,000
iv) Borrowing in the form of bonds and debentures (excluding subordinated debt)	-	1,395,000
v) Capital instruments		
a) Borrowing in the form of bonds and debentures (subordinated debt included in Tier 2 capital)	400,000	400,000
vi) Other borrowings**	166,205	173,701
Total borrowings in India	25,061,205	10,802,792
2. Borrowings outside India #		
i) Capital instruments		
a) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	1,500,000	1,500,000
ii) Debentures	-	1,735,550
iii) Other borrowings	189,163	259,331
Total borrowings outside India	1,689,163	3,494,881
TOTAL (1 + 2)	26,750,368	14,297,673
Secured borrowings included in 1 and 2 above	1,213,963	784,881

* Borrowing from other institutions and agencies include subordinated debt of ₹100,000 thousands in the nature of term loan

Borrowing from outside India include subordinated debt of ₹1,500,000 thousands in the nature of Non Convertible Debenture

** Represents payable under lease obligation

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Bills payable	85,592	5,782
2. Inter office adjustments (net)	-	-
3. Interest accrued	2,329,727	1,318,521
4. Provision against standard assets	310,671	122,449
5. Others (including provisions)	2,019,687	1,002,594
TOTAL (1 to 5)	4,745,677	2,449,346

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Cash in hand	412,741	239,521
2. Balances with Reserve Bank of India		
i) In current account	1,503,840	1,336,213
ii) In other accounts	-	-
TOTAL (1+2)	1,916,581	1,575,734

SCHEDULE 7 – BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. In India		
i) Balances with banks		
a) In current accounts	138,122	198,742
b) In other deposit accounts	35,823	141,845
ii) Money at call and short notice		
a) With banks	14,050,000	3,250,000
b) With other institutions	-	-
Total (i+ii)	14,223,945	3,590,587
2. Outside India		
In current accounts	-	-
In other deposits accounts	-	-
Money at call and short notice	-	-
Total	-	-
TOTAL (1+2)	14,223,945	3,590,587

SCHEDULE 8 – INVESTMENTS

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Investments in India (net of provisions)		
i) Government securities	11,923,882	7,923,116
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	-	200,000
v) Subsidiaries / joint ventures	-	-
vi) Others (certificate of deposits and mutual funds)	-	498,955
Total	11,923,882	8,622,071

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
2. Investments Outside India (net of provisions)		
i) Government securities	-	-
ii) Subsidiaries / joint ventures	-	-
iii) Others (equity shares and bonds)	-	-
Total	-	-
TOTAL (1 + 2)	11,923,882	8,622,071
3. Investments		
i) Gross value of investments		
a) In India	11,924,498	8,622,071
b) Outside India	-	-
	11,924,498	8,622,071
ii) Provision for depreciation		
a) In India	616	-
b) Outside India	-	-
	616	-
iii) Net value of investments		
a) In India	11,923,882	8,622,071
b) Outside India	-	-
	11,923,882	8,622,071

SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
A.		
i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	391,303	1,265,650
iii) Term loans	62,424,657	45,416,002
Total	62,815,960	46,681,652
B.		
i) Secured by tangible assets (includes advances against fixed deposits and book debts)	5,236,407	4,396,271
ii) Covered by Bank/Government guarantees	-	-
iii) Unsecured	57,579,553	42,285,381
Total	62,815,960	46,681,652
C.1 Advances in India		
i) Priority sector*	57,369,462	42,073,717
ii) Public sector	-	-
iii) Banks	39,072	950,539
iv) Others	5,407,426	3,657,396
Total	62,815,960	46,681,652
C.2 Advances Outside India		
i) Due from banks	-	-
ii) Due from others	-	-
a) Bills purchases and discounted	-	-
b) Syndicated loans	-	-
c) Others	-	-
Total	-	-
TOTAL (C.1 + C.2)	62,815,960	46,681,652

*Refer Schedule 18.28

SCHEDULE 10 – FIXED ASSETS

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Premises		
i) At cost at 31 st March of the preceding year	121,202	121,202
ii) Additions during the year	-	-
iii) Deductions during the year	-	-
iv) Accumulated depreciation to date	-	-
Total	121,202	121,202
2. Other Fixed Assets (including furniture and fixtures)		
i) At cost at 31 st March of the preceding year	917,013	647,296
ii) Additions during the year	464,734	275,017
iii) Deductions during the year	44,576	5,300
iv) Accumulated depreciation to date	502,266	321,212
Total	834,905	595,801
3. Leased Assets		
i) At cost at 31 st March of the preceding year	208,977	333,461
ii) Additions during the year	18,007	12,950
iii) Deductions during the year	-	137,434
iv) Accumulated depreciation to date	85,862	54,747
Total	141,122	154,230
4. Capital Work in Progress	748	27,582
TOTAL (1 to 4)	1,097,977	898,815

SCHEDULE 11 – OTHER ASSETS

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Inter-office adjustment (net)	-	7,485
2. Interest accrued	818,828	396,401
3. Tax Paid in advance/tax deducted at source (net of provision)	95,366	50,139
4. Stationery and stamps	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-
6. Deferred Tax Asset (net)	375,142	150,669
7. Others	775,480	414,896
TOTAL (1 to 7)	2,064,816	1,019,590

SCHEDULE 12 – CONTINGENT LIABILITIES

(₹ in '000s)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Claims against the bank not acknowledged as debts	-	41
2. Liability for partly paid investment	-	-
3. Liability on account of outstanding forward exchange contracts	-	-
4. Liability on account of outstanding derivative contracts	-	-
5. Guarantees given on behalf of constituents		
i) In India	-	-
ii) Outside India	-	-
6. Acceptances, endorsements and other obligations	-	-
7. Other items for which the bank is contingently liable	199,445	178,648
TOTAL (1 to 7)	199,445	178,689

Note 1: The Supreme Court of India in its judgement in the case of THE REGIONAL PROVIDENT FUND COMMISSIONER (II) WEST BENGAL v/s VIVEKANANDA VIDYAMANDIR AND OTHERS on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of Provident Fund contribution. The Bank would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from April 1, 2019.

Note 2: Includes capital commitment of ₹ 184,963.60 thousand (March 31, 2019: ₹ 55,663 thousands)

SCHEDULE 13 – INTEREST EARNED

(₹ in '000s)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
1. Interest / discount on advances / bills	11,922,724	8,063,554
2. Income on investments	947,580	614,605
3. Interest on balance with Reserve Bank of India and Other inter bank funds	205,550	130,771
4. Others	1,013	1,515
TOTAL (1 to 4)	13,076,867	8,810,445

SCHEDULE 14 – OTHER INCOME

(₹ in '000s)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
1. Commission, exchange and brokerage	284,491	165,004
2. Profit/(Loss) on sale/redemption of Investments (net)	7,500	(16,517)
3. Profit/(Loss) on revaluation of investments	-	-
4. Profit/(Loss) on sale of land, building and other assets (net)	-	-
5. Profit/(Loss) on exchange transactions (net)	-	-
6. Income earned by way of dividends from Subsidiaries / Associates and /or Joint Venture abroad / in India	-	-
7. Miscellaneous Income*	693,562	431,976
TOTAL (1 to 7)	985,553	580,463

* includes fee received on sale of PSLCs of ₹ 452,700 thousands (March 31, 2019: ₹ 242,795 thousands)

SCHEDULE 15 – INTEREST EXPENDED

(₹ in '000s)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
1. Interest on deposits	4,136,774	2,338,978
2. Interest on Reserve Bank of India / Inter-bank borrowings	58,165	159,994
3. Others*	1,599,687	1,323,966
TOTAL (1 to 3)	5,794,626	3,822,938

* includes fee paid on purchase of PSLCs of Nil (March 31, 2019: ₹ 30,000 thousands)

SCHEDULE 16 – OPERATING EXPENSES

(₹ in '000s)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
1. Payments to and provisions for employees	2,621,609	1,865,725
2. Rent, taxes and lighting	349,112	212,506
3. Printing and stationery	109,186	54,385
4. Advertisement and publicity	55,443	55,857
5. Depreciation on Bank's property	254,078	162,912
6. Director's fees allowances and expenses	9,774	17,792
7. Auditors' fees and expenses	13,364	13,910
8. Law charges	145,370	107,416
9. Postage, telegrams, telephones, etc.	89,347	69,470
10. Repairs and maintenance	122,834	72,443
11. Insurance	28,313	14,993
12. Other expenditure*	966,411	615,290
TOTAL (1 to 12)	4,764,841	3,262,699

* Includes service charges for core banking software and ATM, travelling and other expenses.

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

17.1 Background

Utkarsh Small Finance Bank Limited (“Company” or “the Bank”), incorporated on April 30, 2016 in India, is a Small Finance Bank (“SFB”) engaged in providing banking and financial services and governed by the Banking Regulation Act, 1949. The Bank had commenced its banking operations from January 23, 2017. Scheduled Bank status was accorded by Reserve Bank of India vide notification no. DBR.NBD. (SFB- UMFL). No.2689/16.13.216/2017-2018 dated 4 October 2017 and was published in the Gazette of India on November 7, 2017. The Bank is a wholly owned subsidiary of Utkarsh CoreInvest Limited (“the Holding Company”).

The Reserve Bank of India (“RBI”) issued license no. MUM: 125 on November 25, 2015 to the Company to carry on business as SFB with certain terms and conditions. Pursuant to the condition attached in the approval for small finance bank, the Holding Company entered into a business transfer agreement (“BTA”) and transferred its micro finance business to the Bank. Pursuant to the BTA all the assets and liabilities (except certain specified assets and liabilities) as at January 21, 2017 of the Holding Company were transferred to the Bank at book value based on slump sale basis for cash consideration of ₹ 68.51 crores. Pursuant to BTA, all the employees of the Holding Company (except certain employees) were transferred to SFB on the same employment terms and rights granted under employee stock option scheme of the Holding Company are continued in SFB. Resultant, non-convertible debentures listed on the stock exchange were also transferred in the name of the Bank and a transfer was effected by the exchange effective May 3, 2017.

17.2 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated, and comply with the requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (“Indian GAAP”), the circulars and guidelines issued by Reserve Bank of India (“RBI”) from time to time, the Accounting Standards notified under Section 133 of the Companies Act, 2013 (as amended from time to time) to the extent applicable, and practices generally prevalent in the banking industry in India.

17.3 Use of estimates

The preparation of the financial statements in conformity with the Indian GAAP requires the management to make estimates and assumptions that are considered in the reported amount of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements and reported income and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management’s evaluation of the relevant facts and circumstances as of the date of the financial statements and the management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods.

17.4 Significant accounting policies

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

A. Revenue Recognition

- a) Interest income on loan portfolio is recognised in the Profit and Loss account on accrual basis, except in the case of interest on Non- Performing Advances (NPA) where it will be recognized upon realization as per the Income Recognition and Asset Classification norms of RBI.
- b) Recoveries in respect of all past due loan accounts including classified as NPA are to be appropriated towards charges, interest, overdue and thereafter towards principal except for micro finance (JLG) loans where such recoveries would be appropriated towards instalment(s) outstanding.
- c) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront.
- d) Recoveries in respect of debts written off are recognized in the year in which such amounts are recovered and the same are disclosed under “Other Income”
- e) Profit / premium arising at the time of securitization / assignment of loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is recognized immediately. Income from interest strip (excess interest spread) is recognized in the profit and loss account net of any

losses when redeemed in cash. Interest retained under assignment of loan receivables is recognized on realization basis over the life of the underlying loan portfolio.

- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan.
- g) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.
- h) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due.
- i) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- j) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- k) All other fees are accounted for as and when they become due.

B. Advances

a) Accounting and Classification

Advances are stated net of bills rediscounted and provisions made in respect of NPA's. Advances are classified as performing and NPA based on the relevant RBI guidelines.

b) Provisioning

Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification & Provisioning prescribed from time to time. In case of restructured accounts, provision is made for erosion/ diminution in fair value of restructured loans, in accordance with RBI guidelines.

The Bank also maintains provision on standard assets to cover potential credit losses which are inherent in any loan portfolio in accordance with RBI guidelines. However, provisioning rates prescribed by RBI are the regulatory minimum, and Bank may make additional provisions in respect of advances to stressed sectors of the economy as approved by the Board from time to time. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

c) Floating Provision

The Bank recognises floating provision as per the Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision is utilised, with the approval of Board and RBI, in case of contingencies which do not arise in the normal course of business and are exceptional and non-recurring in nature and for making specific provision for impaired loans as per the requirement of extant RBI guidelines or any regulatory guidance / instructions. Floating provisions are netted off from gross advances to arrive at net advances.

C. Investments

Classification and valuation of Bank's Investments is carried out in accordance with RBI circular DBR No BP.BC.6/21.04.141/2015-16 dated July 1, 2015 and Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines prescribed in this regard from time to time.

a) Classification

Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' (HTM) categories at the time of purchase.

Investments that are acquired with an intention to hold till maturity are classified as "HTM".

Investments that are held primarily for sale within 90 days from the date of purchase are classified as "HFT".

Investments, which are not classified in the above two categories, are classified as "AFS". Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities.

The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

For the purpose of disclosure in the financial statements, the Investments are classified under six groups a) Government Securities b) Other Approved Securities c) Shares d) Debentures and Bonds e) Subsidiaries / Joint Ventures and f) Others.

Investments are classified as performing or non-performing as per RBI guidelines. Non performing investments are subjected to prudential norms for Classification, valuations and Operation of Investment Portfolio by Banks prescribed from time to time.

b) Valuation

Investments classified as "Held to Maturity" securities need not to be marked to market and will be carried at acquisition cost, unless it is more than the face value, in which the premium should be amortised over the period remaining to maturity. Where in the opinion of the management, a diminution, other than temporary in the value of investments classified under HTM has taken place, appropriate provisions are made.

Investments classified as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Treasury bills, commercial papers and certificates of deposit are valued at carrying cost including the pro rata discount accrued for the holding period.

Quoted investments are valued at traded quoted price available on the recognised stock exchanges, subsidiary general ledger account transactions are valued as per the price list of RBI or prices declared by Primary Dealers Association of India ("PDAI") jointly with FIMMDA / FBIL applicable as at the balance sheet date. For deriving market value of unquoted fixed income securities (other than Central and State Government securities), yields / mark-up rates (reflecting associate credit risk) declared by the FIMMDA / FBIL are considered.

Quoted Mutual Fund units are valued as per stock exchange quotes and un-quoted mutual fund units are valued at last available re-purchase price or Net Asset Value where re-purchase price is not available.

Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available, or at ₹ 1, as per RBI guidelines.

c) Disposal of investments

Profit / Loss on sale of investments under the aforesaid three categories is recognized in the Profit and Loss account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Profit and Loss account to "Capital Reserve" in accordance with the RBI Guidelines.

d) Transfer between categories

Transfer of investments between categories is accounted in accordance with the extant RBI guidelines:

- a) Transfer from AFS/HFT to HTM is made at the lower of book value or market value at the time of transfer.
- b) Transfer from HTM to AFS/HFT is made at acquisition price/ amortised cost if originally placed in HTM at par or at a discount and at amortised cost if originally placed in HTM at a premium.
- c) Transfer from AFS to HFT category or vice-versa is made at book value and the provision for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities or vice-versa.

e) Repurchase transactions

Repurchase ('Repo') and reverse repurchase ('Reverse Repo') transactions including liquidity adjustment facility (with RBI) are accounted for as borrowing and lending transactions respectively. Accordingly,

securities given as collateral under an agreement to repurchase them continue to be held under the investment account of the Bank and the Bank would continue to accrue the coupon/discount on the security during the repo period. The Bank continues to value the securities sold under repo as per the investment classification of the security. Borrowing cost on repo transactions is accounted for as interest expense and income on reverse repo transactions are accounted for as interest income.

f) Broken period interest, brokerage etc.

Broken period interest and costs such as brokerage paid at the time of acquisition of the security are charged to the Profit and Loss account.

D. Fixed assets and depreciation / amortisation

Tangible assets

Tangible fixed assets are accounted for at cost less accumulated depreciation, amortization and accumulated impairment losses. Cost includes freight, duties, taxes and all other directly attributable expenditures towards acquisition and installation of assets before it is ready for commercial use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Tangible fixed assets under construction and tangible fixed assets acquired but not ready for their intended use will be disclosed as capital work-in-progress.

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. Depreciation on assets sold during the year is charged to the Profit and Loss account up to the date of sale. Assets costing less than ₹ 5,000 are fully depreciated in the year of purchase. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then the depreciation is provided at a higher rate based on management's estimate of the useful life/remaining useful life. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of fixed assets which are in accordance with lives prescribed under Schedule II of Companies Act, 2013.

Leasehold improvements are amortised on straight line basis over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognized in the Profit and Loss account.

Intangible assets

Intangible assets that are acquired by the Bank are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss. Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets are amortized in the Profit and Loss account over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible assets are amortized on straight line basis. Computer software are amortized on straight line basis over their estimated useful life of three years.

Impairment

In accordance with AS-28- Impairment of assets, the Bank assesses at each balance sheet date whether there is any indication of impairment of assets based on internal / external factors. If any such indication exists, the Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount will be reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

E. Foreign Currency transactions

Transactions denominated in foreign currency are recorded at exchange rates prevailing on the date of the transactions. Exchange differences arising on foreign currency transactions settled during the year

are recognised in the Profit and Loss account. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date based on exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognized in the Profit and Loss account.

F. Derivative

The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting dates.

Derivatives are classified as assets when the fair value is positive (positive marked to market value) or as liabilities when the fair value is negative (negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss account.

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Profit and Loss account in the relevant period.

The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Profit and Loss account. Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the balance sheet date.

G. Employee benefits

a. Defined Contribution Plan –

The Bank makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Bank's contribution is recognised as an expense in Profit and loss account during the period in which the employee renders the related service.

b. Defined Benefit Plan and Compensated absences-

The Bank provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by Life Insurance Corporation of India through gratuity trust (Group Gratuity scheme) and the contributions made by the Bank to the scheme is recognised in the Profit and loss account. The liability recognised in the Balance Sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The calculation of the Bank's obligation under the plan is performed annually by qualified independent actuary using projected unit credit method. Actuarial gains and losses arising during the year is immediately recognised in the Profit & Loss account.

Compensated absence, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method at the balance sheet date, carried out by an independent actuary. Compensated absence is covered under a scheme administered by Life Insurance Corporation of India. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period and are not deferred.

H. Share Issue Expenses

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

I. Employee Stock Option Scheme

The Bank has formulated Employees Stock Option Scheme. The scheme provides that subject to continued employment with the Bank, employees of the Bank are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period. The compensation cost for all options granted to employees by the Holding company is computed based on valuation of shares of Holding company as per intrinsic value method and is amortised over the period of vesting.

Measurement and disclosure of the Employee Share-based Payment Schemes are done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India ('ICAI').

J. Lease transactions

A lease is classified at the inception date as finance lease or an operating lease. Assets taken on lease where the Bank acquires substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance lease is capitalised at the commencement of the lease at an amount equal to lower of its fair value and present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of lease liability so as to achieve constant rate of interest on the remaining balance of the liability. The rental obligations, net of finance charges, are reflected as borrowings. Finance charges are recognised as finance costs in the profit and loss account.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as and when the payments are made over the lease terms.

K. Taxation

Income tax comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the net change in the deferred tax asset or liability for the period (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Provision for current income-tax is recognized in accordance with the provisions of the Income Tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

The current tax, deferred tax charge or credit and the corresponding deferred tax liability or asset is recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty (supported by convincing evidence of future taxable income) of realization of such assets.

Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realized.

Minimum Alternate Tax (MAT) credit is recognised as an asset to the extent there is convincing evidence that the Bank will pay normal income tax during specified period, i.e., the period for which MAT credit is allowed to be carried forward as per prevailing provisions of the Income Tax Act 1961. In accordance with the recommendation contained in the guidance note issued by ICAI, MAT credit is to be recognised as an asset in the year in which it becomes eligible for set off against normal income tax. The Bank reviews MAT credit entitlements at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that the Bank will pay normal income tax during the specified period.

L. Provisions and contingencies

The Bank recognises a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

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

M. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

N. Cash and cash equivalents

Cash and Cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

O. Cash Flow Statements

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Bank are segregated.

P. Segment reporting

The disclosures relating to segment reporting is done in accordance with AS 17 "Segment Reporting" and as per guidelines issued by the RBI.

Q. Priority Sector Lending Certificates

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated 07 April 2016 trades in Priority Sector portfolio by selling or buying Priority Sector Lending Certificates (PSLCs). There is no transfer of risk on loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received for the sale of PSLCs is treated as 'Miscellaneous Income'.

R. Impairment of Assets

The Bank assess at each balance sheet date whether there is any indication that an asset may be impaired, Impairment loss, if any, is provided in the profit and loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

S. Corporate Social Responsibility

Expenditure towards corporate social responsibility in accordance with Companies Act, 2013 is recognised in the profit and loss account.

SCHEDULE 18 - NOTES TO ACCOUNTS FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

18.1.1 Capital

Capital Adequacy Ratio as per operating guidelines issued by RBI for Small Finance Banks and amended thereafter is given below:

(₹ in crore, except percentages)

Particulars	As at March 31, 2020	As at March 31, 2019
i) Common Equity Tier 1 (CET) capital ratio (%)	19.41%	20.34%
ii) Tier I capital ratio (%)	19.41%*	20.34%
iii) Tier II capital ratio (%)	2.78%	3.80%
iv) Total capital ratio (CRAR) (%)	22.19%	24.14%
v) Percentage of the shareholding of the Government of India in public sector banks	-	-
vi) Amount of equity capital raised	60.00*	267.00**
vii) Amount of additional Tier I capital raised	-	-
viii) Amount of Tier II capital raised (Refer 18.1.2 below)	-	40.00

* includes share premium of ₹ 377,777,774 against the rights issue.

** shares issued upon conversion of compulsory convertible debentures

Notes:

- The Bank has followed Basel II Capital Regulations dated July 01, 2015 and amended thereafter for the purpose of Capital Adequacy Ratio in accordance with the operating guidelines for small finance banks as issued by RBI on October 6, 2016.
- The Bank has followed Master Circular No. DBR.No.BP.BC.4/21.06.001/2015-16 on Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) issued by RBI dated July 1, 2015 for the purpose of computing Capital Adequacy Ratio as at March 31, 2020.
- As per RBI, letter DBR.NBD. No. 4502/16.13.218/2017-18 dated November 08, 2020, it is clarified that no separate capital charge is being prescribed for market risk and operational risk for the time being.

18.1.2 Tier II Capital

The Bank has not acquired Basel II compliant debt capital instruments during the year ended March 31, 2020 (March 31, 2019: ₹ 40.00 crore).

18.1.3 Capital Infusion

During the current year, the Bank has issued 22,222,222 equity shares having face value of ₹ 10 each at a premium of ₹ 17 each for cash through rights issue to Utkarsh CoreInvest Limited (Holding Company) aggregating to ₹ 599,999,994 on September 18, 2019.

In the previous year, the Bank issued 26,70,00,000 equity shares of ₹ 10 each at par upon conversion of Compulsorily Convertible Debentures (CCD) into equity aggregating to ₹ 2,67,00,00,000 (Rupees Two Hundred and Sixty Seven crore only) on June 13, 2018 to Utkarsh CoreInvest Limited (the 'Holding Company').

(₹ in crore except share data)

Particulars	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Number of shares	Amount	Number of shares	Amount
Outstanding as at the beginning of the year	73,70,50,000	737.05	47,00,50,000	470.05
Shares issued upon conversion of compulsorily convertible debentures	-	-	26,70,00,000	267.00
Shares issued during the year	2,22,22,222	22.22	-	-
Outstanding at the end of the year	759,272,222	759.27	73,70,50,000	737.05

18.2 Investments

During the year ended March 31, 2020 and year ended March 31, 2019, there has been no sale from and transfer to/ from, the HTM category in excess of 5% of the book value of the investments held in the HTM category at the beginning of the year.

In accordance with the RBI guidelines, sales from, and transfers to / from, HTM category exclude the following from the 5% cap:

- One-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the Board of Directors;
- Sales to the RBI under pre-announced open market operation auctions;
- Repurchase of Government securities by Government of India from banks;
- Additional shifting of securities explicitly permitted by the RBI from time to time; and
- Direct sales from HTM for bringing down SLR holdings in the HTM category.

18.2.1 Movement of Investments:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	1,192.45	862.21
(b) Outside India		
(ii) Provisions for Depreciation		
(a) In India	0.06	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	1,192.39	862.21
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation of investments		
(i) Opening balance	-	0.92
(ii) Add: Provisions made during the year	0.06	-
(iii) Less: Write-off / write back of excess / provisions during the year	-	0.92
(iv) Closing balance	0.06	-

Repo/Reverse Repo/MSF Transactions during the year ended March 31, 2020 (In Face Value Terms)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on March 31, 2020
Securities sold under repo/MSF					
i.	Government securities	11.44	180.25	69.95*	92.27
ii.	Corporate debt securities	-	-	-	-
Securities purchased under reverse repo					
i.	Government securities	9.50	1,412.34	218.13*	1,272.43
ii.	Corporate debt securities	-	-	-	-

Repo/Reverse Repo/MSF Transactions during the year ended March 31, 2019 (In Face Value Terms)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on March 31, 2019
Securities sold under repo/MSF					
i.	Government securities	4.90	4.90	4.90*	-
ii.	Corporate debt securities	-	-	-	-
Securities purchased under reverse repo					
i.	Government securities	2.80	414.95	125.02*	283.56
ii.	Corporate debt securities	-	-	-	-

* In computation of average balance, actual number of days of transactions have been considered

18.2.2 Issuer Composition of Non-SLR investments (investments not qualifying for the purpose of Statutory Liquidity Ratio (SLR) prescribed by RBI):

Issuer composition as at March 31, 2020 of non-SLR investments

(₹ in crore)

S. No	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
Total		-	-	-	-	-

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

(₹ in crore)

S. No	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	-	-	-	-	-
2	FIs	20.00	20.00	-	-	-
3	Banks	49.90	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
Total		69.90	20.00	-	-	-

18.2.3 There are no non-performing non-SLR investments as at March 31, 2020 and March 31, 2019.

18.3 Forward Rate Agreement / Interest Rate Swaps / Cross Currency Swap/ Exchange Traded Interest Rate Derivatives:

18.3.1 Notional and concentration of FRAs, IRS, CCS

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
i) The notional principal of swap agreements*	15.86	23.79
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	3.05	2.14
iii) Collateral required by the Bank upon entering into swaps	-	-
iv) Concentration of credit risk arising from the swaps	-	-
v) The fair value of the swap book	2.58	1.51

* Pertains to cross currency swap

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

Nature	Nos.	Notional Principal (₹ in crore)	Benchmark	Terms
USD	1	15.86	USD LIBOR	Floating receivable vs Fixed payable

The nature and terms of Cross Currency Swaps (CCS) – FCY as on March 31, 2019 are set out below –

Nature	Nos.	Notional Principal (₹ in crore)	Benchmark	Terms
USD	1	23.79	USD LIBOR	Floating receivable vs Fixed payable

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

Nature	Nos.	Notional Principal (₹ in crore)	Benchmark	Terms
Nil	-	-	-	-

The nature and terms of Interest Rate Swaps (IRS) – INR as on March 31, 2019 are set out below –

Nature	Nos.	Notional Principal (₹ in crore)	Benchmark	Terms
Nil	-	-	-	-

18.3.4 Exchange Traded Interest Rate Derivatives and exchange traded currency derivative

(₹ in crore)

Sl. No.	Particulars	As at March 31, 2020	As at March 31, 2019
1	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives undertaken during the year:	-	-
2	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding as on 31 March.	-	-
3	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding and not "highly effective" as on 31 March	-	-
4	Mark-to-Market value of exchange traded interest rate derivatives and currency derivatives outstanding and not "highly effective" as on 31 March.	-	-

18.3.5 Risk Exposure in Derivatives:

The Bank has not engaged in any derivatives contracts during the year ended March 31, 2020 and year ended March 31, 2019. However, Bank acquired a CCS contract pursuant to Business Transfer Agreement from Holding Company in the year ended as at March 31, 2017. The disclosure to the extent applicable is given below.

Qualitative disclosure on risk exposure in derivatives as at March 31, 2020

The Bank's treasury function is responsible for Bank's access to financial markets. Further, treasury function monitors and manages various risks relating to treasury operations of the Bank including currency risk, market risk and liquidity risk. In course of managing these risks, the Bank may use various market instruments as permissible for the Bank based on RBI guidelines and internal approvals. Further, compliance with various policies and exposure limits is reviewed by the internal auditors as required. The Bank does not enter into any trade in financial instruments including derivative financial instruments for speculative purposes. The existing exposure is fully hedged exposure towards external commercial borrowings borrowed prior to conversion into Small Finance Bank and are grandfathered on conversion and there are no derivatives entered into during the financial year as per operating guidelines of Small Finance Bank issued by RBI.

Quantitative disclosure on risk exposure in derivatives

(₹ in crore)

S. No.	Particular	For the year ended March 31, 2020			
		Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	15.86*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	-	-	2.58	-
	b) Liability (-)	-	-	-	-
(iii)	Credit Exposure	-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	-	-	-
	b) on trading	Nil	-	-	-

* Pertains to cross currency swap

(₹ in crore)

S. No.	Particular	For the year ended March 31, 2019			Interest rate derivatives
		Currency derivatives			
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	23.79*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	-	-	1.51	-
	b) Liability (-)	-	-	-	-
(iii)	Credit Exposure	-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	-	-	-	-

* Pertains to cross currency swap

18.4 Asset Quality

18.4.1 Movement of NPA and NPA Provision

(₹ in crore except percentages)

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Net NPAs to Net Advances (%)	0.18%	0.12%
(ii) Provisioning Coverage Ratio (PCR) (%)	75.16%	91.32%
(iii) Movement of Gross NPAs		
(a) Opening balance	65.57	57.47
(b) Additions during the year	41.19	60.26
(c) Reductions during the year		
(i) Up - gradations	4.87	16.23
(ii) Recoveries (excluding recoveries made from up-graded accounts)	1.28	6.07
(iii) Write - offs	55.96	29.86
(d) Closing balance	44.65	65.57
(iv) Movement of Net NPAs		
(a) Opening balance	5.69	33.72
(b) Additions during the year	12.84	3.94
(c) Reductions during the year	7.44	31.97
(d) Closing balance	11.09	5.69
(v) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	59.88	23.75
(b) Provisions made during the year *	28.35	56.32
(c) Write-off / (write back) of excess provisions during the year	54.67	20.19
(d) Closing balance **	33.56	59.88

* includes floating provisions amounting to ₹ 3.76 crores (March 31, 2019: ₹ 2.45 crores)

** includes floating provisions amounting to ₹ 6.21 crores (March 31, 2019: ₹ 2.45 crores)

The movement of gross NPA does not include accounts classified as NPA during the year and was upgraded during the year.

Technical Write-off:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening balance of Technical / Prudential written-off accounts	161.33	141.02
Add : Technical / Prudential write-offs during the year	55.96	29.86
Sub-total (A)	217.29	170.88
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	7.74	9.55
Closing balance as at March 31 (A-B)	209.55	161.33

18.4.2 Particulars of Restructured Accounts:

The Bank has not restructured any accounts during the year ended March 31, 2020 and year ended March 31, 2019.

(₹ in crore)

Type of restructuring Asset Classification	Details	Under CDR					Under SME					Others					Total
		S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Restructured accounts as on 1 April of the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fresh Restructuring during the year	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in outstanding of Restructured cases	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard during the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provision at the year end and need not be shown as restructured advances at the beginning of the next FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Down gradations of restructured accounts during the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts as on 31 March (Closing)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A- No. of borrowers, B- Amt. outstanding, C- Provision thereon

S- Standard, SS-Sub Standard, D-Doubtful, L-Loss

Strategic Debt Restructuring

Disclosures on Strategic Debt Restructuring Scheme (accounts that are currently under the stand-still period)

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as at March 31, 2020		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-

Disclosures on Strategic Debt Restructuring Scheme (accounts that are currently under the stand-still period)

(₹ in crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at March 31, 2020		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

The Bank has not acquired any equity shares under Strategic Debt Restructuring scheme during the year. The Bank has not done any restructuring of loans during the year ended March 31, 2020 and year ended March 31, 2019 and there are no cases where scheme for sustainable structuring of stressed assets (S4A) is implemented.

18.4.3 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Number of accounts	-	-
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
(iii) Aggregate consideration	-	-
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate loss over net book value	-	-

18.4.4 Non-performing financial assets purchased:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
1 (a) No. of accounts	-	-
(b) Aggregate Outstanding	-	-
2 (a) Of these, number of accounts restructured during the year	-	-
(b) Aggregate Outstanding	-	-

18.4.5 Non-performing financial assets sold:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
No. of accounts sold during the year	-	-
Aggregate Outstanding	-	-
Consideration Received	-	-

18.4.6 Following are the details of securitization done by the Bank:

(₹ in crore except number of loans)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Total number of loans securitized	-	-
Total book value of loans securitized	-	-
Total book value of loans securitised including loans placed as collateral	-	-
Sale consideration received for loans securitised	-	-
Excess interest spread recognised in the profit and loss account	-	-

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Credit enhancements provided and outstanding:		
Interest subordination	-	1.69
Principal subordination	-	6.24
Cash collateral	-	4.36
Total	-	12.29

18.5 Business Ratios:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Interest income as % to Working funds ¹	17.30%	17.39%
(ii) Non-Interest income as % to Working funds ¹	1.30%	1.18%
(iii) Operating profit / (loss) ² as % to Working funds ¹	4.63%	4.56%
(iv) Return on Assets ⁴ (Working funds ¹)	2.47%	1.86%
(v) Business ³ (Deposit plus Net Advance) per employee ⁵	1.26	1.15
(vi) Profit per employee ⁵	0.02*	0.02*

1. Working funds represents the monthly average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949 (March 31, 2019: The Bank has considered monthly average of total assets as working funds)

2. Operating profit is net profit for the year before provisions and contingencies.

3. "Business" is the total of net advances and deposits (net of inter-bank deposits).

4. Return on Assets is net profit after tax divided by working funds.

5. Productivity ratios are based on average employee number.

*Profit per employee is ₹ 244,223 [March 31, 2019: ₹ 156,120]

18.6 Asset Liability Maturity Pattern

Maturity pattern of certain items of assets and liabilities is given below

(₹ in crore)

Particulars	As at March 31, 2020					
	Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR)**	Foreign currency Assets	Foreign currency Liabilities
1 day	8.57	23.06	30.64	0.01	-	-
2 to 7 days	0.39	27.98	205.73	0.05	-	-
8 to 14 days	-	34.29	252.14	0.06	-	-
15 to 30 Days	14.29	36.05	265.42	0.13	-	-
31 Days to 2 months	16.45	43.64	210.72	110.25	-	-
Over 2 months to 3 months	391.49	23.07	169.42	0.25	-	-
Over 3 months to 6 months	854.02	146.40	827.29	249.40	-	4.73
Over 6 months to 1 year	2,018.93	235.38	1,352.42	297.81	-	4.73
Over 1 year to 3 years	2,845.82	528.93	1,885.72	1,364.48	-	9.46
Over 3 years to 5 years	80.97	87.67	32.84	611.92	-	-
Over 5 years	50.67	5.92	2.87	40.69	-	-
Total	6,281.60	1,192.39	5,235.21	2,675.05	-	18.92

(₹ in crore)

Particulars	As at March 31, 2019					
	Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR)**	Foreign currency Assets	Foreign currency Liabilities
1 day	20.61	13.07	86.21	-	-	-
2 to 7 days	57.84	24.17	159.35	-	-	-
8 to 14 days	58.34	62.81	85.20	-	-	-
15 to 30 Days	153.74	31.77	169.16	40.00	-	-
31 Days to 2 months	285.96	38.74	255.50	-	-	-
Over 2 months to 3 months	251.42	53.56	287.19	65.64	-	-
Over 3 months to 6 months	813.32	100.18	337.90	190.26	-	4.32
Over 6 months to 1 year	1,407.13	251.00	1,246.31	407.71	-	4.32
Over 1 year to 3 years	1,541.31	221.69	1,147.32	313.79	-	17.29
Over 3 years to 5 years	48.20	58.95	16.24	372.37	-	-
Over 5 years	30.30	6.27	1.01	40.00	-	-
Total	4,668.17	862.21	3,791.39	1,429.77	-	25.93

* amounts disclosed are net off provision for non-performing assets.

** includes foreign currency liability ₹ 18.92 crore (March 31, 2019: ₹ 25.93 crore)

Note:

- In view of the COVID-19 pandemic, the Reserve Bank of India on March 27, 2020, announced measures to support the economy and the financial system. The measures permit banks to offer upto three-month moratorium on all term loans outstanding as on March 1, 2020, interest deferment on working capital facilities. As a prudent measure, in view of the potential relief to borrowers, for ALM purposes, the contractual inflows on borrower accounts with respect to loans given to JLG, Housing and MSME have been suitably adjusted for the moratorium.
- For the purpose of disclosing the maturity pattern, loans and advances that have been subject to risk participation vide Inter-Bank Participation Certificates ('IBPCs') has been classified in the maturity bucket corresponding to the contractual maturities of such underlying loans and advances gross of any risk participation. The IBPC amount has been classified in the respective maturities of the corresponding underlying loans.
- Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

18.7 Exposure**18.7.1 Exposure to Real Estate Sector**

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
1) Direct exposure		
(a) Residential Mortgages -	201.65	87.99
Out of which Individual housing loans eligible for inclusion in priority sector advances	50.17	26.70
(b) Commercial Real Estate	-	-
(c) Investments in Mortgage Backed Securities (MBS) and other securitized expo		
i. Residential Mortgages	-	-
ii. Commercial Real Estate	-	-
2) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	29.45	25.02
Total Exposure to Real Estate Sector	231.10	113.01

18.7.2 Exposure to Capital Market:

(₹ in crore)

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

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
(viii) Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) Financing to stockbrokers for margin trading	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
Total Exposure to Capital Market	-	-

18.7.3 Risk Category wise Country Exposure:

The Bank's exposures are concentrated in India, hence country risk exposure as at March 31, 2020 is Nil (March 31, 2019: Nil)

18.7.4 Details of Single / Group Borrower limit exceeded by the Bank

The Bank has complied with the limits prescribed under extant RBI guidelines with regards to exposure to a single borrower and group of the borrower during the year ended March 31, 2020 and year ended March 31, 2019.

18.8 Penalties imposed by RBI

No penalty was imposed by RBI on the Bank during the year ended March 31, 2020 and year ended March 31, 2019.

18.9 Earnings Per Share (EPS) -

(₹ in crore, except per share data)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Basic		
Weighted average number of equity shares	74,89,50,425	68,36,50,000
Net profit after tax available for equity shareholders (₹)	186.74	93.89
Basic earnings per share	2.49	1.37
Diluted		
Weighted average number of equity shares	74,89,50,425	68,36,50,000
Net profit after tax available for equity shareholders (₹)	186.74	93.89
Diluted earnings per share	2.49	1.37
Face value per share	10	10

18.10 Employee Stock Option Plan ("ESOP") -

The Holding Company has formulated an Employees Stock Option Scheme to be administered through a Trust. The scheme provides that subject to continued employment with the Bank, the employees of Bank are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified year.

The Holding Company formed Utkarsh ESOP Welfare Trust to issue ESOPs to employees of the Bank as per Employee Stock Option Scheme. Total 12,00,000 equity shares have been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 59,89,594 equity shares has been reserved by the Holding Company for the purpose of ESOP scheme.

During the year the Holding Company granted 18,14,225 (for the year ended March 31, 2019: 17,73,725) options to the Bank's employees.

The options vested can be exercised within a year of 24 months from the date of vesting. The plan is administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Holding Company in accordance with the authority delegated to the Compensation Committee in this regard from time to time.

These options are vested on graded basis as follows:

Vesting details	General grant
On completion of 1 year	25%
On completion of 2 years	25%
On completion of 3 years	25%
On completion of 4 years	25%

The Guidance Note on "Accounting for Employee Share Based Payments" issued by the ICAI establishes financial and reporting principles for employees share based payment plans. The Guidance Note applies to employee share based payment plans, the grant date in respect of which falls on or after April 1, 2005. The Guidance Note also applies to transfers of shares or stock options of the parent of the enterprise, or shares or stock options of another enterprise in the same group as the enterprise, to the employees of the enterprise. The compensation costs of stock options granted to employees of the Bank are accounted using intrinsic value method.

Stock option activity under ESOP Plan in respect of employees of the Bank is as below:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Number of equity shares:		
Outstanding at the beginning of the year	25,54,036	12,86,837
Granted during the year	18,14,225	17,73,725
Lapsed/Cancel during the year	2,06,874	2,96,513
Exercised during the year	3,04,989	2,10,013
Outstanding at the end of year	38,56,398	25,54,036
Exercisable at the end of year	5,26,482	1,84,076

The compensation cost is calculated based on the intrinsic value method as per SEBI guidelines, wherein the excess of fair value of underlying equity shares as on the date of the grant over the exercise price of the options given to employees of the Bank under the ESOP scheme, is recognised as compensation cost and amortised over the vesting period. The Holding Company cross charges the compensation cost to the Bank to the extent it pertains to the employees of the Bank.

Impact of Fair Value Method on Net Profit/ (Loss) and EPS

Had the compensation cost for the Bank's stock option plans outstanding been determined based on the fair value by using Black Scholes model, the Bank's net profit/loss and earnings/loss per share would have been as per the proforma amounts indicated below:

(₹ in crore, except per share data)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit/(loss) after tax		
- As reported	186.74	93.88
- Proforma	187.99	93.99
(Loss)/Earnings per share		
Basic		
Weighted average number of shares	748,950,425	683,650,000
EPS as reported (₹)	2.49	1.37
Proforma EPS (₹)	2.51	1.37

The following assumptions are used for calculation of fair value of grants issued.

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Dividend yield	0%	0%
Expected volatility	19.60%	29.51%
Risk free interest rate	7.03%	7.40%
Expected life in years	5	5

During the year, the Bank introduced **Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020** to offer, grant and issue in one or more tranches, the Stock Options to Mr. Govind Singh, MD & CEO. As per Section 35B of the Banking Regulation Act, 1949, the Bank mandatory requires RBI approval before granting ESOPs. RBI approval is awaited and hence no accounting adjustment has been made in the financial statements on March 31, 2020.

18.11 Disclosures under AS -15 on employee benefits-

Defined Contribution Plans:

Employer's contribution recognized and charged off for the year with respect to defined contribution plans are as under:

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Provident Fund (refer note below)	15.83	8.31
ESI	2.32	2.31

Note: The above amount is netted off with amount of ₹ 1.50 crores received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended March 31, 2020 (March 31, 2019: ₹ 1.95 crores).

Defined Benefit Plans:

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days' salary (last drawn salary) for each completed year of service subject to limit of ₹ 20,00,000 as per the Payment of Gratuity Act, 1972 as amended from time to time. The scheme is funded with an insurance company in the form of a qualifying insurance policy through gratuity trust.

The following table sets out the status of the defined benefit gratuity plan as required under Accounting Standard 15.

Change in the present value of the defined benefit obligation

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening defined benefit obligation	7.34	4.22
Current service cost	3.46	2.33
Past service costs	-	-
Interest cost	0.56	0.32
Actuarial losses/ (gains)	0.25	0.92
Benefits paid	(0.33)	(0.45)
Closing defined benefit obligation	11.28	7.34

Change in the plan assets

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening fair value of plan asset	5.92	5.74
Expected return on plan assets	0.45	0.43
Employers Contributions	4.91	0.40
Benefit paid	(0.33)	(0.45)
Actuarial gains / (losses) on plan assets	(0.14)	(0.20)
Closing fair value of plan assets	10.81	5.92

Net liability / (asset) recognized in the balance sheet

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of funded obligation	11.28	7.34
Fair value of plan assets	10.81	5.92
Deficit / (Surplus)	0.47	1.42
Net liability / (asset) recognized in the balance sheet	0.47	1.42

Net cost recognized in the profit and loss account

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current service cost	3.46	2.33
Past service costs	-	-
Interest cost	0.56	0.32
Expected return on plan assets	(0.45)	(0.43)
Net actuarial losses / (gains)	0.40	1.12
Total cost of defined benefit plans included in Schedule 16 Payments to and provisions for employees	3.97	3.34

Reconciliation of opening and closing net liability / (asset) recognized in balance sheet

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening net liability	1.42	(1.52)
Expenses as recognised in profit & Loss account	3.97	3.34
Employers contribution	-	-
Contribution paid to fund	(4.92)	(0.40)
Net liability / (asset) recognised in balance sheet	0.47	1.42

Experience adjustment and details of obligations and assets

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Present value of funded obligation at 31 st March	11.28	7.34	4.22
Fair value of plan assets at 31 st March	10.81	5.92	5.74
Deficit / (Surplus)	0.47	1.42	(1.52)
On Plan Liabilities (gains) / losses	0.75	0.35	0.29
On Plan Assets (losses) / gains	(0.14)	(0.20)	(0.14)

A breakup of Investments under plan assets of gratuity fund is as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Funds with LIC	-	100%
Funds with LIC (through gratuity trust)	100%	-

Key actuarial assumptions

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate	5.40%	7.60%
Expected rate of return on plan asset	5.40%	7.59%
Salary escalation	7% for the first two years and 9% thereafter	9.00%
Attrition rate	2% to 25.00%	2% to 25.00%

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

Expected rate of return: The overall expected rate of return on assets is determined based on the average long-term rate of return expected on investment of the fund during the estimated term of the obligations.

18.12 Segment Reporting: Information about business segments-

In terms of AS-17 (Segment Reporting) issued by ICAI and RBI circular Ref. DBOD.No. BP.BC.81/21.04.018/2006-07 dated April 18, 2007 read with DBR.BP. BC No.23/21.04.018/2015-16 dated July 1, 2015 and amendments thereto, the following business segments have been disclosed:

Corporate/ Wholesale Banking: Includes lending, deposits and other banking services provided to corporate customers of the Bank.

Retail Banking: Includes sale of PSL certificates, lending, deposits and other banking services provided to retail customers of the Bank through branch network.

Treasury: includes dealings in SLR and Non SLR investments, maintenance of reserve requirements and resource mobilization from other Banks and financial Institutions.

Other Banking Operations: Includes other activities like para banking activities like Bancassurance, etc.

The following table sets forth the business segment results:

(₹ in crore)

Particulars	For the year ended March 31, 2020				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	37.40	1,235.40	116.09	17.35	1,406.24
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue					1,406.24
Segment Results	(105.58)	295.22	43.44	17.35	250.43
Unallocated expenses					0.02
Operating Profit/(Loss)					250.41
Income Tax expense (including deferred tax)					63.67
Net Profit					186.74
Segment Assets	310.08	6,066.14	2,834.94	-	9,211.16
Unallocated Assets					193.16
Total Assets					9,404.32
Segment Liabilities	3,214.18	2,460.99	2,691.26	-	8,366.43
Unallocated Liabilities					18.39
Capital & Reserves					1,019.50
Total Liabilities					9,404.32
Capital expenditure					48.27
Depreciation					25.41

Particulars	For the year ended March 31, 2019				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	38.63	823.43	72.91	1.96	936.93
Unallocated Revenue					2.16
Less: Inter Segment Revenue					
Total Revenue					939.09
Segment Results	(82.13)	194.87	48.44	1.76	162.94
Unallocated expenses					16.29
Operating Loss					148.81
Income Tax expense (including deferred tax)					54.92
Net Loss					93.89
Segment Assets	273.22	4,450.26	1,395.68	-	6,119.16
Unallocated Assets					117.24

Particulars	For the year ended March 31, 2019				Total
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	
Total Assets					6,236.40
Segment Liabilities	2,816.44	2,640.92	773.66	-	6,231.02
Unallocated Liabilities					5.38
Total Liabilities					6,236.40
Capital expenditure					28.80
Depreciation					16.29

Notes:

- The business of the Bank does not extend outside India and it does not have any assets outside India or earnings emanating from outside India. Accordingly, the Bank has reported operations in the domestic segment only.
- Income, expenses, assets and liabilities have been either specifically identified to individual segment or allocated to segments on a reasonable basis or are classified as unallocated.
- Unallocated items include Fixed Assets, Capital expenditure, realized gains/losses on their sale, income tax expense, deferred income tax assets/liabilities and advance tax.
- In computing the above information, certain estimates and assumptions have been made by the management and have been relied upon by the auditors.
- Till March 31, 2019 Treasury includes Share Capital and reserves & surplus as segment liabilities
- The above information is provided as per MIS for internal reporting purpose and relied upon by the auditors

18.13 Related Party Transactions

The Bank's related parties for the year ended March 31, 2020 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Fellow Subsidiary

Utkarsh Welfare Foundation

3. Key Management Personnel ('KMP')

Mr. Govind Singh- Managing Director and CEO

Mr. Mukund Barsagade- Chief Financial Officer

Mr. Anang Shandilya- Company Secretary (till April 4, 2019)

Mr. Vinay Prakash Tripathi- Company Secretary (w.e.f May 13, 2019 till October 12, 2019)

Mrs. Nutan Rane- Company Secretary (w.e.f. October 15, 2019)

4. Enterprise where KMP exercise significant influence

RAAG Family Private Trust

5. Post-employment benefit plan

Utkarsh Small Finance Bank Employees' Gratuity Trust

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

(₹ in crore)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Nutan Rane (CS)	KMP: Vinay Prakash Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on March 31, 2020	23.73	1.15	0.06	0.02	0.06	0.00*	-	0.00*	25.02
Amount deposited during the year	208.59	-	-	0.00*	-	-	-	-	208.59
Amount repaid during the year	262.12	-	-	0.00*	-	-	-	-	262.12
Maximum deposit outstanding during the year	74.00	1.00	2.34	0.15	0.17	0.04	-	0.00*	77.70
Interest paid	3.66	0.05	0.05	0.00*	0.01	0.00*	-	0.00*	3.77
Service charges collected	-	-	-	-	-	-	-	0.00*	0.00
Remuneration to KMP	-	-	-	2.16	1.01	0.14	0.15	-	3.46
Equity shares issued**	59.99	-	-	-	-	-	-	-	59.99
Contribution towards CSR	-	1.00	-	-	-	-	-	-	1.00
ESOP cost cross charged (Refer Schedule 17.1)	1.74	-	-	-	-	-	-	-	1.74
Service charge for collections	0.03	-	-	-	-	-	-	-	0.03
Rent for office space	0.08	-	-	-	-	-	-	-	0.08
Fair value of ESOP granted	-	-	-	-	0.73	-	-	-	0.73
Transactions (collection and payment) carried out on behalf of Bank	2.35	-	-	-	-	-	-	-	2.35
Amount Payable/ (Recoverable)	0.70	-	-	-	-	-	-	-	0.70

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

(₹ in crore)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Anang Shandilya (CS)	KMP: Vinay Prakash Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on March 31, 2019	75.87	0.10	-	0.15	0.16	0.16	-	0.00*	76.44
Amount deposited during the year	141.44	-	-	0.00*	-	0.07	-	-	141.51
Amount repaid during the year	65.81	-	-	0.00*	-	0.14	-	-	65.95

(₹ in crore)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employee Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Anang Shandilya (CS)	KMP: Vinay Prakash Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Maximum deposit outstanding during the year	75.87	0.65	-	0.71	0.19	0.31	-	0.00*	77.73
Interest paid	5.19	0.00*	-	0.01	0.01	0.02	-	0.00*	5.23
Service charges collected	-	-	-	-	-	-	-	0.00*	0.00
Remuneration to KMP	-	-	-	0.92	0.68	0.18	-	-	1.78
Equity shares issued**	267.00	-	-	-	-	-	-	-	267.00
Contribution towards CSR	-	0.41	-	-	-	-	-	-	0.41
ESOP cost cross charged (Refer Schedule 17.1)	0.14	-	-	-	-	-	-	-	0.14
Service charge for collections	-	-	-	-	-	-	-	-	-
Rent for office space	-	-	-	-	-	-	-	-	-
Fair value of ESOP granted	-	-	-	-	-	-	-	-	-
Transactions (collection and payment) carried out on behalf of Bank	3.59	-	-	-	-	-	-	-	3.59
Amount Payable/ (Recoverable)	2.83	0.03	-	(0.05)	-	0.01	-	-	2.82

* represents amount less than 50 thousand

** 2,22,22,222 (March 31, 2019: 26,70,00,000 upon conversion of CCD into common equity) equity shares of ₹ 10 each on September 18, 2019.

Note: 1. As the provisions for gratuity and leave benefits are made for the Bank as a whole, the amounts pertaining to the Key Management Personnel are not specifically identified and included above.

2. Refer note 18.10 on ESOP grant to MD & CEO

18.14 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹ 34.91 crore (March 31, 2019: ₹ 21.25 crore) disclosed as rent under Schedule 16 and the same have been recognized as an expense in the Profit and Loss Account. There are one sublease agreement with Utkarsh CoreInvest Limited ("the Holding Company").

Minimum lease payments (MLP) outstanding in respect of leased assets are as follows:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Due within one year	33.27	27.41
Due later than one year and not later than five years	140.53	138.14
Due later than five years	71.46	107.12
Total	245.26	272.67

Finance Lease

The Bank has acquired certain IT hardware assets and ATM machines under finance lease. Lease term of such assets is 7 years. Minimum lease payments (MLP) outstanding in respect of leased assets as at March 31, 2020 are as follows:

(₹ in crore)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	4.69	1.70	2.99
Due later than one year and not later than five years	16.15	3.20	12.95
Due later than five years	0.77	0.08	0.69
Total	21.61	4.98	16.63

Minimum lease payments (MLP) outstanding in respect of leased assets as at March 31, 2019:

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	4.18	1.69	2.49
Due later than one year and not later than five years	18.09	3.91	14.18
Due later than five years	0.77	0.07	0.70
Total	23.04	5.67	17.37

18.15 Deferred Tax

Major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax assets:		
Provision for assets	22.31	5.13
Unamortised processing fees on advances	11.03	9.42
Finance lease	4.18	6.07
Provision against Lease Equalisation	1.83	-
Provision on Casual Leave	0.72	-
Loss on mark to mark on external commercial borrowings	-	0.21
	40.06	20.83
Deferred tax liabilities:		
Depreciation on fixed assets	1.76	4.15
Unamortised processing fee on borrowings	0.75	1.61
Gain on mark to mark on external commercial borrowings	0.04	-
	2.55	5.76
Net deferred tax assets / (liability)	37.51	15.07

18.16 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended March 31, 2020 and March 31, 2019. The above is based on the information available with the Bank, which has been relied upon by the statutory auditors.

18.17 Disclosure of customer complaints:

A Customer Complaints other than ATM transaction disputes	For the year ended March 31, 2020	For the year ended March 31, 2019
a) Number of complaints pending at the beginning of the year	265	79
b) Number of complaints received during the year	26,061	14,307
c) Number of complaints redressed during the year	26,284	14,121
d) Number of complaints pending at the end of the year	42	265

B ATM Transaction disputes relating to the Bank's customers on the Bank's ATM	For the year ended March 31, 2020	For the year ended March 31, 2019
a) Number of complaints pending at the beginning of the year	1	-
b) Number of complaints received during the year	76	145
c) Number of complaints redressed during the year	77	144
d) Number of complaints pending at the end of the year	-	1

C ATM Transaction disputes relating to the Bank's customers on other Bank's ATM	For the year ended March 31, 2020	For the year ended March 31, 2019
a) Number of complaints pending at the beginning of the year	14	7
b) Number of complaints received during the year	1,495	1,147
c) Number of complaints redressed during the year	1,500	1,140
d) Number of complaints pending at the end of the year	9	14

D Total Customer Complaints (A+B+C)	For the year ended March 31, 2020	For the year ended March 31, 2019
a) Number of complaints pending at the beginning	280	86
b) Number of complaints received during the year	27,632	15,599
c) Number of complaints redressed during the year	27,861	15,405
d) Number of complaints pending at the end of the year	51	280

Award passed by the Banking Ombudsman

E Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
a) No. of unimplemented Awards at the beginning of the year	-	-
b) No. of Awards passed by the Banking Ombudsmen during the year	1	-
c) No. of Awards implemented during the year	1	-
d) No. of unimplemented Awards at the end of the year	-	-

18.18 Security Receipts (SR)

Details of the book value of investments held as security receipts received by sale of NPA to Securitization/ Reconstruction Company as at March 31, 2020 are as follows-

(₹ in crore)

Particulars	Backed by NPAs sold by the Bank as underlying	Backed by NPAs sold by other banks/ FIs/ NBFCs as underlying	Total
Book value of investments in security receipts	-	-	-

Details of the book value of investments held as security receipts received by sale of NPA to Securitization / Reconstruction Company as at March 31, 2019 are as follows-

(₹ in crore)

Particulars	Backed by NPAs sold by the Bank as underlying	Backed by NPAs sold by other banks/ FIs/ NBFCs as underlying	Total
Book value of investments in security receipts	-	-	-

As the Bank do not hold any security receipts, the other disclosures are not provided

18.19 Restructured / Rescheduled / Renegotiated Investments

There are no such investments during the year ended March 31, 2020 and year ended March 31, 2019.

18.20 Amount of provisions made for income tax during the year:

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
i) Provision for Income tax	84.59	36.98
ii) Provision for Deferred tax	(22.45)	19.47
iii) MAT credit (entitlement) / Reversal	1.53	(1.53)
Total	63.67	54.92

18.21 Unsecured Advances against Intangible Collaterals:

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Total Advances against intangible securities such as charge over the rights, licenses, authority etc.	-	-
Estimated Value of intangible collateral such as charge over the rights, licenses, authority etc.	-	-

18.22 Disclosure of Fees / Remuneration Received in respect of Bancassurance Business

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
i) Fee / Remuneration from Life Insurance Business	5.91	2.00
ii) Fee / Remuneration from General Insurance Business	0.02	0.03

18.23 Break up of Provisions and Contingencies debited to Profit & Loss Account

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
i) Provisions towards Standard Advances	18.82	4.61
ii) Provisions towards NPA (net of write back)	(30.08)	33.68
iii) Floating provision	3.76	2.45
iv) Provision on COVID 19	49.96	-
v) Provision on SMA due to COVID 19	1.40	-
vi) (reversal) / provision for depreciation on investments	0.06	(0.92)
vii) Provisions towards Income tax	84.59	36.98
viii) Provision / (credit) towards deferred tax (net)	(22.45)	19.47
viii) MAT credit reversal / (entitlement)	1.53	(1.53)
Total provisions	107.59	94.74
viii) Technical write off	55.96	29.86
ix) Provision for fixed assets	-	0.48
x) Write off of other assets	-	11.56
Total	163.55	136.64

18.24 Drawdown from Reserves

The Bank has undertaken drawdown from Investment Fluctuation Reserve to make it in-line with notification on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks – Spreading of MTM losses and creation of Investment Fluctuation Reserve (IFR) issued by RBI:

HFT & AFS portfolio as on March 31, 2020 (HFT is Nil)	262.06
Reserve created during FY2018-19	1.31
Add:- created in H1FY20	5.94
IFR draw down during the end of the year	(2.01)
AFS portfolio reduced from ₹ 362.8 crores (H1'20) to ₹ 262.0 crores as on March 31, 2020 and therefore draw down on ₹ 100.7 crores @ 2%	
Investment Fluctuation Reserve on AFS portfolio as on March 31, 2020.	5.24

The Bank has not undertaken any drawdown from reserves during the year ended March 31, 2019

18.25 Floating Provisions

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
i) Opening balance in the floating provisions account	2.45	-
ii) The quantum of floating provisions made in the accounting year.	3.76	2.45
iii) Amount of draw down made during the accounting year.	-	-
iv) Closing balance in the floating provision account	6.21	2.45

18.26 Investor Education and Protection Fund

There are no amounts, which are due to be transferred to the Investor Education, and Protection Fund during the year ended March 31, 2020 and year ended March 31, 2019.

18.27 Concentration of Deposits, Advances, Exposures and NPAs**18.27.1 Concentration of Deposits**

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Deposits of twenty largest depositors	1,898.11	1,736.75
Percentage of deposits of twenty largest depositors to total deposits	36.26%	45.81%

18.27.2 Concentration of Advances

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Advances to twenty largest borrowers	257.66	286.38
Percentage of advances to twenty largest borrowers to total advances	4.08%	6.18%

Credit Exposure excludes the exposures which are 100% cash backed

18.27.3 Concentration of Exposures

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposure to twenty largest borrowers / customers	257.66	300.66
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	4.06%	6.47%

Credit Exposure excludes the exposures which are 100% cash backed

18.27.4 Concentration of NPA's

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposure to top four NPA Accounts (Gross)	0.55	40.32

18.28 Sector Wise Advances:

(₹ in crore)

Sl. No.	Sector	As at March 31, 2020		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector			
1	Agriculture and allied activities	3,452.06	21.11	0.37%
2	Advances to industries sector eligible as priority sector lending	177.85	1.35	0.02%
	All engineering	45.45	0.32	0.01%
	Food processing	48.93	0.30	0.01%
	Wood and wood products	39.96	0.33	0.01%
3	Services	2,080.65	17.53	0.30%
	Trade	878.20	9.90	0.17%
4	Personal loans	50.48	0.14	0.00%
	Housing	44.78	0.12	0.00%
	Sub-total (A)	5,761.04	40.13	0.69%

(₹ in crore)

Sl. No.	Sector	As at March 31, 2020		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
B	Non Priority Sector			
1	Agriculture and allied activities	0.02	0.02	0.00%
2	Industry	0.50	0.10	0.02%
	Beverages (Excluding Tea & Coffee) and Tobacco	0.27	-	0.00%
	Food processing	0.06	0.02	0.00%
	Wood and wood products	0.13	0.05	0.01%
3	Services	499.45	3.75	0.68%
	Non-banking financial companies	309.51	-	0.00%
4	Personal loans	47.94	0.65	0.12%
	Housing	40.71	0.36	0.07%
	Sub-total (B)	547.91	4.52	0.82%
	Total (A+B)	6,308.95	44.65	0.71%

(₹ in crore)

Sl. No.	Sector	As at March 31, 2019		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	2,600.73	11.48	0.44%
2	Advances to industries sector eligible as priority sector lending	78.21	0.38	0.49%
3	Services	1,489.73	10.75	0.72%
	Trade	664.11	2.95	0.00%
4	Personal loans	53.80	0.21	0.37%
	Housing	23.36	0.12	0.01%
	Sub-total (A)	4,222.47	22.82	
B	Non Priority Sector			
1	Agriculture and allied activities	0.24	0.06	23.89%
2	Industry	17.80	0.91	5.11%
3	Services	446.46	41.20	9.23%
	Non-banking financial companies	272.55	40.00	0.15%
4	Personal loans	38.63	0.58	1.53%
	Housing	14.45	0.25	0.02%
	Sub-total (B)	503.13	42.75	
	Total (A+B)	4,725.60	65.57	1.39%

* This includes underlying advances of Priority Sector Lending Certificates sold and does not include underlying advances of Priority Sector Lending Certificates purchased during the year. Refer Schedule 18.29

The Bank has compiled the data for the purpose of this disclosure from its internal MIS / reports and has been furnished by the management, which has been relied upon by the auditors.

18.29 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
General category	-	353.00
Micro enterprises	-	-
Small/marginal farmers	2,700.00	1,448.00
Total	2,700.00	1,801.00

Following are the details of PSLC purchased by the Bank.

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
General category	-	600.00
Micro enterprises	-	-
Small/marginal farmers	-	-
Total	-	600.00

18.30 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

18.31 Off- Balance Sheet SPVs sponsored

There are no off balance sheet SPVs sponsored by the Bank, which needs to be consolidated as per accounting norms.

18.32 Disclosures relating to Securitization

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Bank for securitisation / bilateral transactions	-	1
2. Total amount of securitised assets as per books of the SPVs/ assignees sponsored by the Bank#	-	18.74
3. Total amount of exposures retained by the Bank to comply with MRR as on the date of balance sheet	-	-
a) Off-balance sheet exposures		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
* First loss#	-	4.36
* Others	-	-

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
4. Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	-	-
* loss	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitizations		
* First loss	-	-
* Others	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-

the above information has been prepared based on the confirmations received from SPVs auditor.

18.33 Disclosure on Remuneration

Qualitative Disclosure

A. Information relating to the bodies that oversee remuneration

a) Name, composition and mandate of the main body overseeing remuneration

The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. As on March 31, 2020, The NRC comprises of four Directors viz Mr. Kajal Ghose, Dr. V.S. Sampath, Ms. Anita Ramachandran and Mr. P. H. Ravikumar

Following are the functions of Nomination and Remuneration Committee:

- Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon.
- Evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.
- Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
- Advise criteria for evaluation of Independent Directors and the Board and carry out evaluation of every directors' performance.
- Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
- Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
- Review and recommend to the Board for approval for the appointment of Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the Bank (including remuneration policy for directors and key managerial personnel) the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank including the Managing Director & CEO, other whole time Directors and senior managers one level below the Board.

8. Review and recommend to the Board for approval the total increase in manpower cost budget of the Bank as a whole, at an aggregate level, for the next year.
9. Recommend to the Board the compensation payable to the Chairman of the Bank.
10. Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any fundamental changes in organization structure, which could have wide ranging or high-risk implications.
11. Review and recommend to the Board for approval of the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of MD & CEO, the other Whole Time Directors, senior managers' one level below the Board and other key roles and their progression to the Board.
12. Review and recommend to the Board for approval:
 - a. the creation of new positions one level below MD & CEO
 - b. appointments, promotions and exits of senior managers one level below the MD & CEO
13. Set the goals, objectives and performance benchmarks for the Bank and for MD & CEO, the other Whole Time Directors for the financial year and over the medium to long term.
14. Review the performance of the MD & CEO and other Whole Time Directors at the end of each year.
15. Review organisational health through feedback from employee surveys conducted on a regular basis.
16. Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, Reserve Bank of India or by any other regulatory or statutory body.

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

The Bank engaged AON Hewitt to conduct the compensation benchmarking study. The scope of the study was to cover the compensation offered by competition and to design competitive reward strategies for the Bank. The scope also covered creation of smoothened pay ranges for different department and creation of fixed pay increment grid driving internal equity and performance based differentiation. The study is currently in progress by AON Hewitt on any area of remuneration during the year ended March 31, 2020.

c) Scope of the Bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

The Human Resources Policy of the Bank, approved by the Board of the Bank on January 9, 2017 and the same has been reviewed by the Board of Directors in its meeting in March 14, 2020 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further, the Reserve Bank of India, vide its email dated April 27, 2020, basis the recommendation of the Board of Directors, has approved the Fixed remuneration payable to MD & CEO for FY2019-20 and the Variable remuneration i.e. performance bonus payable to MD & CEO for FY2018-19. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO, WTD and Risk Control and Compliance department. The policy is applicable to MD & CEO, WTD and all employees in the grade of AVP and above in Risk and Compliance function.

d) Type of employees covered and number of such employees

All the employees of the Bank are covered. The total number of employees of the Bank as at March 31, 2020 were 8,831 (March 31, 2019: 6,282)

B. Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: The Bank, under the guidance of the Nomination and Remuneration Committee ("NRC") and the Board, has followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework.

Effective governance of compensation: The NRC has oversight over compensation to senior management personnel and provides overall guidance to the compensation paid to other employees.

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has predominantly a fixed remuneration structure with no guaranteed bonuses. Further, the remuneration of employees in financial and risk control

functions is not linked to business outcomes and solely depends on their performance. The Bank seeks to align remuneration with financial and non-financial performance indicators. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO, WTD and Risk Control and Compliance function. The policy is applicable to MD & CEO and Whole Time Director and all employees in the grade of AVP and above in Risk and Compliance functions.

In FY2019-20, guaranteed bonus was approved for one employee after taking due approval from competent authorities.

Whether the remuneration committee reviewed the Bank's remuneration policy during the past year, and if so, an overview of any changes that were made: The Board/NRC has been apprised of the Bank's remuneration policy and practices and the same is subject to periodic review. In the FY2019-20, the Board of the Bank has reviewed the policy in its meeting held on 14 March 2020.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their performance and is not linked to any business outcomes. The Bank also has in place a Policy on Risk Alignment of Compensation applicable to MD & CEO, WTD and Risk Control and Compliance functions. The policy is applicable to MD & CEO and Whole Time Director and all employees in the grade of AVP and above in Risk and Compliance functions

C. Description of the ways in which current and future risks are taken into account in the remuneration processes.

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank and senior management shall consider adherence to the policies and accordingly make its recommendations to the Board.

Overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure: The evaluation process shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and mentoring key members of the top and senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

Discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration: Not applicable

D. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.

Overview of main performance metrics for the Bank, top-level business lines and individuals: The main performance metrics include profitability, business growth, asset quality, compliance, and customer service.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees shall be based on their performance with respect to their result areas and shall include the metrics mentioned above.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining 'weak' performance metrics: In case such an event should occur, the Board/NRC shall review and provide overall guidance on the corrective measures to be taken.

E. Description of the ways in which the Bank seeks to link performance during a performance measurement year with levels of remuneration.

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

The Bank has a portion of Variable pay that can be deferred to the MD & CEO. However, this would be applicable only when the variable pay reaches a specified limit of CTC as mentioned in the policy. During the year, the limit was not breached for any levels and MD & CEO was not paid any variable pay.

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

The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk, Control and Compliance functions. This policy deals with the deferred payment of variable pay and claw back rule. However, during the year the same was not applicable, as the MD & CEO was not paid any variable pay.

F. Description of the different forms of variable remuneration that the Bank utilizes and the rationale for using these different forms.

The Bank has variable pay that is paid based on the performance that is applicable to all levels. The ESOP options of the Holding Company are currently given to eligible employees in Manager and above grade subject to performance. Employees in sales function are covered under a performance pay plan based on their monthly business performance, subject to conditions and constraints stated therein.

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance: The variable remuneration is offered in the form of annual performance bonus. The same is determined on the basis of comprehensive performance appraisal system wherein the performance of each employee is evaluated on the basis of defined Goal Sheet and KRAs at the beginning of the year and achievement against the same.

Quantitative Disclosure-

(The quantitative disclosure covers MD& CEO and employees in the grade of Vice President and above)

(₹ in crore), except numbers)

Sr. No.	Particulars	As at March 31, 2020	As at March 31, 2019
1(i)	Number of meetings held by the Remuneration Committee during the financial year.	7	4
1(ii)	Remuneration paid to its members during the financial year (sitting fees)	0.06	0.03
2(i)	Number of employees having received a variable remuneration award during the financial year.	16	9
2(ii)	Number and total amount of sign-on awards made during the financial year.	-	-
2(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	0.19	-
2(iv)	Details of severance pay, in addition to accrued benefits, if any.	-	-
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-	-
3(ii)	Total amount of deferred remuneration paid out in the year.	-	-
4	Breakdown of amount of remuneration awards for the year:		
	Fixed	Fixed CTC: 13.73	Fixed CTC: 6.76
	Variable	Variable: 1.52	Variable: 0.28
	Deferred	Deferred: Nil	Deferred: Nil
	Non-deferred	Non-deferred: 15.25	Non-deferred: 7.04
5(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-
5(ii)	Total amount of reductions during the year due to ex- post explicit adjustments.	-	-
5(iii)	Total amount of reductions during the year due to ex- post implicit adjustments	-	-

*Remuneration excludes the cost accounted under Employee Stock Option Plan of the Holding Company and other retirement benefits related costs, which is accounted at entity level based on actuarial valuation.

18.34 Contingent liabilities

1. Description of nature of contingent liabilities is set out below:
 - a. There is a capital commitment towards open purchase orders.
 - b. Pending litigation against the Bank.
 - c. Demands against tax assessments.

Refer Schedule 12 for amounts relating to contingent liabilities.

18.35 Bank has not issued any letters of comfort during the year ended March 31, 2020 and year ended March 31, 2019. Further, there are no outstanding comfort letters as at March 31, 2020 and March 31, 2019.

18.36 Liquidity Coverage Ratio (LCR)

Qualitative disclosure around LCR

Liquidity Coverage Ratio (LCR) is a global minimum standard for Bank's liquidity. The ratio aims to ensure that a bank has an adequate stock of unencumbered High - Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar days of severe liquidity stress scenario.

The LCR is a ratio of High Quality Liquid Unencumbered Assets (HQLA) to total estimated net outflows over a stressed period of 30 calendar days.

The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days.

The Board of Directors has the overall responsibility for management of liquidity risk. The Board at overall level decides the liquidity risk tolerance/limits and accordingly decides the strategy, policies and procedures of the Bank for managing liquidity risk.

The Board has constituted Risk Management Committee (RMC), which reports to the Board, and consisting of Chief Executive Officer (CEO) /Chairman and certain other Board members. The Committee is responsible for evaluating the overall risks faced by the Bank including liquidity risk. The potential interaction of liquidity risk with other risks is included in the risks addressed by the Risk Management Committee.

At the executive level, Asset Liability Management Committee (ALCO) ensures adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Bank in line with Bank's risk management objectives and risk tolerance. A dedicated desk within Treasury function of the Bank is responsible for the day-to-day / intra-day liquidity management.

ALCO of the Bank channelizes various business segments of the Bank to target good quality asset and liability profile to meet the Bank's profitability as well as Liquidity requirements with the help of robust MIS and Risk Limit architecture of the Bank.

The Bank has been maintaining HQLA (Level 1) primarily in the form of Excess CRR, excess SLR investments over and above mandatory requirement.

Quantitative Disclosures

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

(₹ in crore)

	Three months ended March 31, 2020		Three months ended December 31, 2019		Three months ended September 30, 2019		Three months ended June 30, 2019	
	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		1,555.86		1,286.38		1,214.61		967.85
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	1781.38	175.02	1544.06	138.17	1283.73	114.83	1016.75	90.82
(i) Stable Deposits	62.34	3.12	324.64	16.23	270.86	13.54	217.06	10.85
(ii) Less Stable Deposits	1,719.04	171.90	1,219.42	121.94	1,012.87	101.29	799.69	79.97
3 Unsecured wholesale funding, of which:	1544.32	901.41	1166.91	630.32	1106.69	597.81	976.34	532.99
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	881.42	238.51	705.46	168.87	703.66	194.78	630.34	186.99
(iii) Unsecured debt	662.90	662.90	461.45	461.45	403.03	403.03	346.00	346.00
4 Secured wholesale funding		-		-		20.09		12.1
5 Additional requirements, of which	202.58	10.13	207.09	10.36	190.72	9.54	158.44	7.92
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	202.58	10.13	207.09	10.36	190.72	9.54	158.44	7.92
6 Other contractual funding obligations	28.50	28.50	14.50	14.50	9.83	9.83	80.00	57.56
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 TOTAL CASH OUTFLOWS		1115.06		793.35		752.10		701.39
Cash Inflows								
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	463.85	231.92	425.29	212.64	388.46	194.23	360.19	180.10
11 Other cash inflows	177.43	177.43	286.65	286.65	387.69	387.69	560.19	560.19
12 TOTAL CASH INFLOWS	641.28	409.35	711.94	499.29	776.15	581.92	920.38	740.29
13 TOTAL HQLA		1,555.86		1,286.38		1,214.61		967.85
14 Total Net Cash Outflows (8-12)		705.71		294.06		170.18		(38.9)
15 25% of Total Cash outflows [8*0.25]		278.77		198.34		188.03		175.35
16 Total Net Cash Outflows [Higher of 14 or 15]		705.71		294.06		188.03		175.35
Liquidity Coverage Ratio (%)		220.48%		437.47%		645.99%		551.96%

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

(₹ in crore)

	Three months ended March 31, 2019		Three months ended December 31, 2018		Three months ended September 30, 2018		Three months ended June 30, 2018	
	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		748.51		599.36		511.52		512.99
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	770.32	68.70	530.63	47.31	366.61	32.44	243.75	21.44
(i) Stable Deposits	166.72	8.34	115.13	5.76	84.35	4.22	58.70	2.93
(ii) Less Stable Deposits	603.60	60.36	415.50	41.55	282.26	28.23	185.05	18.50
3 Unsecured wholesale funding, of which:	616.79	357.74	386.11	147.64	304.67	53.31	271.93	45.49
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	368.18	109.13	264.53	26.05	278.93	27.58	251.36	24.92
(iii) Unsecured debt	248.61	248.61	121.58	121.58	25.74	25.74	20.57	20.57
4 Secured wholesale funding		39.07		29.25		50.78		21.23
5 Additional requirements, of which	113.37	5.67	36.90	1.85	39.40	1.97	15.95	0.80
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	113.37	5.67	36.90	1.85	39.40	1.97	15.95	0.80
6 Other contractual funding obligations	95.14	95.14	39.17	39.17	3.44	3.44	41.47	41.47
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 TOTAL CASH OUTFLOWS		566.31		265.21		141.95		130.43
Cash Inflows								
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	309.16	154.58	286.97	143.48	250.47	125.24	195.17	97.58
11 Other cash inflows	292.14	292.14	215.57	215.57	163.21	163.21	283.02	283.02
12 TOTAL CASH INFLOWS	601.29	446.71	502.54	359.05	413.69	288.45	478.18	380.60
13 TOTAL HQLA	-	748.51	-	599.36	-	511.52	-	512.99
14 Total Net Cash Outflows (8-12)	-	119.60	-	(93.84)	-	(146.50)	-	(250.17)
15 25% of Total Cash outflows [8*0.25]	-	141.58	-	66.30	-	35.49	-	32.61
16 Total Net Cash Outflows [Higher of 14 or 15]	-	141.58	-	66.30	-	35.49	-	32.61
Liquidity Coverage Ratio (%)	-	528.68%	-	904.01%	-	1441.41%	-	1573.11%

Note:

1. Average for all the quarters is simple average of daily observations for the quarter.
2. Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as use by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

18.37 Intra-Group exposures

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Total amount of intra-group exposures	-	-
Total amount of top-20 intra-group exposures	-	-
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	-	-

18.38 Details of provisioning pertaining to fraud accounts

The following table sets forth for the year ended March 31, 2020, the details of provisioning pertaining to fraud accounts:

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Number of frauds reported	47	39
Amount involved in frauds	0.85	0.84
Provision made	0.59	0.62
Unamortised provision debited from 'other reserves'	-	-

The Bank has recovered the amount of ₹ 0.26 crore (March 31, 2019 - ₹ 0.22 crore) against amount involved in frauds.

18.39 Transfers to Depositor Education and Awareness Fund (DEAF)

Below mentioned are the details of funds transferred to Depositor Education and Awareness Fund during the year ended March 31, 2020.

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred to DEAF during the year	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

18.40 Credit Default Swap

The Bank has not entered into Credit Default Swap during the year ended March 31, 2020 and year ended March 31, 2019.

18.41 Unhedged Foreign Currency Exposure (UFCE) of Bank's Customer

The borrowers of the Bank do not have any Unhedged Foreign Currency Exposure as at March 31, 2020 and March 31, 2019.

18.42 The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year-end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) in the books of accounts.

18.43 The board of directors in their meeting dated May 20, 2019 decided to contribute towards corporate social responsibility up to ₹ 1.00 crore which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

(₹ in crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
a) Gross amount required to be spent by the Bank during the year	0.40	-
b) Amount spent during the year on purposes other than construction/acquisition of any asset		
Paid in cash	1.00	0.41
Yet to be paid	-	-
Total of amount spent	1.00	0.41

18.44 The Bank's pending litigations include claims against the Bank by counterparties and proceedings pending with tax authorities. The Bank has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required, and disclosed as contingent liabilities where applicable

18.45 The following table sets forth, for the years indicated, the movement in software acquired by the Bank, as included in fixed assets.

(₹ in crore)

Particulars	As at March 31, 2020	As at March 31, 2019
At cost at March 31 of preceding year	4.19	5.06
Additions during the year	13.53	2.73
Deductions during the year	-	-
Accumulated depreciation to date	5.19	3.60
Net block	12.53	4.19

18.46 Application for approval of the composite scheme of arrangement between the Bank (USFBL) and Utkarsh CoreInvest Limited (UCL), its Holding Company and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad ("NCLT") on October 25, 2019.

The proposed arrangement envisages the reduction in the face value of the equity share capital of the USFBL and for the issuance and allotment of fully paid-up equity shares of USFBL to the shareholders of UCL from the reserves created from such reduction in the face value of the equity share capital of USFBL.

The Proposed Arrangement is expected to:

- Achieve partial satisfaction in the process of compliance of the conditions laid down by RBI in relation to the shareholding of the USFBL (i.e., by dilution of UCL's shareholding in USFBL from one hundred per cent. (100%) to fifty per cent. (50%)); and
- Provide shareholders of UCL with direct shareholding in USFBL, which is presently held through UCL. Consequently, the shareholders of UCL can take independent decisions with respect to their holdings in UCL and USFBL.

The Proposed Arrangement is purely amongst the Companies and their respective shareholders and there is no compromise or arrangement contemplated with any creditor or depositors of the Companies, nor will the Scheme involve any paring of liabilities (other than shareholders liabilities pursuant to the reduction in the face value of the equity share capital of USFBL).

The Company is yet to receive the approval from National Company Law Tribunal, Allahabad

18.47 COVID-19 pandemic continues to spread across India and there is unprecedented level of disruption on socio-economic front across the country. Globally, countries and businesses are under lockdown. Considering severe health hazard associated with COVID-19 pandemic, India is also under a 68 days

nation-wide lockdown enforced by the Government of India from March 25, 2020 until May 31, 2020. There is high level of uncertainty about the duration of lockdown and the time required for things to get normal. The extent to which COVID-19 pandemic will impact the Bank's operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact, whether government mandated or elected by the Bank.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, and clarification issued by RBI through Indian Bankers Association dated 6 May, 2020, the Bank is granting a moratorium on the payment of instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 ('moratorium period') to all eligible borrowers in case of JLG portfolio and in Retail / WSL portfolio as per Opt-in basis is classified as Standard, even if overdue, as on February 29, 2020. The moratorium period, wherever granted, shall be excluded by the Bank from the number of days past due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. Pursuant to the aforesaid circular read with clarification, the Bank has made provisions of ₹ 1.40 crore and additionally the Bank has made provisions of ₹ 49.96 crore on the basis management assessment.

18.48 The Reserve Bank of India, vide its circular RBI/2019-20/220 DOR.No.BP. BC.63/21.04.048/2019-20 dated April 17, 2020, required to disclose the following:

(₹ in crore)

Items	Amount
Amounts of advances that are SMA or overdue as of February 29, 2020, where the moratorium/deferment was extended	28.02
Amount of advances where asset classification benefits was extended	8.49
Provisions made during the Q4FY2020	1.40
Provision adjusted during the respective accounting periods against slippages	-
Residual provisions	1.40

18.49 The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that Banks shall not make any dividend pay-outs from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that Banks must conserve capital in an environment of highlighted uncertainty caused by COVID-19.

18.50 Figures of the previous year have been regrouped / reclassified, wherever necessary to confirm current year classification.

As per our report of even date attached for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804

Sd/-
Purushottam Nyati
Partner
Membership No. 118970

Sd/-
Kajal Ghose
Director
DIN : 07702190

Sd/-
P. H. Ravikumar
Director
DIN : 00280010

Sd/-
Govind Singh
Managing Director & CEO
DIN : 02470880

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA 048560

Sd/-
Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai
Date : May 22, 2020

Place : Mumbai
Date : May 22, 2020

CHIEF EXECUTIVE OFFICER (CEO) & CHIEF FINANCIAL OFFICER (CFO) CERTIFICATE*

We, Govind Singh, Managing Director & Chief Executive Officer and Mukund Barsagade, Chief Financial Officer of Utkarsh Small Finance Bank Limited (“the Bank”), hereby certify to the Board that:

- We have reviewed the financial statement and the cash flow statement of the year and that to the best of our knowledge and belief:
 - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the Bank’s affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank’s Code of Conduct.
- We are responsible for establishing and maintaining internal controls for the financial report in the Bank and we have evaluated the effectiveness of the internal control systems of the Bank pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- We have indicated to the Auditors and the Audit Committee.
 - Significant changes in internal control over financial reporting during the year;
 - Significant changes in accounting policies during the year and the same have been disclosed in the Notes of the financial statements; and
 - Instances of significant fraud of which we have become aware and involvement therein; if any, of the Management or an employee having a significant role in the Bank’s internal control system over financial reporting.
- We affirm that we have not denied any personnel access to the Audit Committee of the Bank (in respect of matters involving alleged misconduct, if any).

Sd/-
Govind Singh
Managing Director & CEO

Sd/-
Mukund Barsagade
Chief Financial Officer

*Certificate issued by Mr. Govind Singh, Managing Director & CEO and Mr. Mukund Barsagade, CFO of the Bank, for the financial year ended March 31, 2020, was placed before the Board of Directors at its meeting held on May 22, 2020.

PARTNERS IN PROGRESS

PUBLIC SECTOR BANKS



DEVELOPMENT FINANCIAL INSTITUTIONS



PRIVATE SECTOR BANKS



FINANCIAL INSTITUTIONS



FOREIGN INSTITUTIONAL INVESTORS



SYSTEM PARTNERS



CREDIT BUREAU PARTNERS



CARD PAYMENT AND DIGITAL BANKING



BUSINESS CORRESPONDENT



INSURANCE



AUDITORS



CORPORATE INFORMATION

CORPORATE IDENTIFICATION NUMBER

U65992UP2016PLC082804

WEBSITE

www.utkarsh.bank

E-MAIL

secretarial.usfb@utkarsh.bank

STATUTORY AUDITORS

M/s Haribhakti & Co. LLP
705, Leela Business Park,
Andheri-Kurla Road, Andheri (E),
Mumbai-400059

SECRETARIAL AUDITORS

M/s S. N. Ananthasubramanian & Co.
10/25-26, 2nd Floor, Brindaban,
Thane- 400601 (Maharashtra)

KEY MANAGERIAL PERSONNEL

Mr. Govind Singh,
Managing Director & CEO

Mr. Mukund Barsagade,
Chief Financial Officer

Ms. Nutan Anand Rane,
Company Secretary
(w.e.f. October 15, 2019)

Mr. Vinay Prakash Tripathi,
Company Secretary
(from May 25, 2019 to
October 12, 2019)

Mr. Anang Shandilya,
Company Secretary
(till April 04, 2019)

REGISTRAR & SHARE TRANSFER AGENT

For Shares

M/s. KFIN Technologies
Private Limited
(formerly known as Karvy
Computershare Private Limited
till July 15, 2019 & Karvy Fintech
Private Limited till
December 24, 2019)
Financial District,
Nanakramguda,
Serilingampally,
Hyderabad - 500 032
Telangana

For Listed Debentures

M/s. NSDL Database
Management Limited
4th Floor, Trade World A Wing,
Kamala Mills Compound, Senapati
Bapat Marg, Lower Parel,
Mumbai - 400 013
Maharashtra

REGISTERED & CORPORATE OFFICE

S-24/1-2, First Floor,
Mahavir Nagar
Orderly Bazar,
Varanasi - 221 002
Uttar Pradesh (India)

DEBENTURE TRUSTEE

M/s Deesha Trivedi
Associate Vice President
Catalyst Trusteeship Limited
(Erstwhile GDA
Trusteeship Limited)
Address: Office No. 83-87,
8th Floor, Mittal Tower, "B" Wing,
Nariman Point, Mumbai-400021
Mob: + 919833630277,
Office: 022-49220506;
Fax: 022-49220505

www.catalysttrustee.com



Utkarsh Small Finance Bank
Aapki Ummeed Ka Khaata

(A Scheduled Commercial Bank)

Registered & Corporate Office

Utkarsh Small Finance Bank Limited
S-24/1-2, 1st Floor, Mahavir Nagar, Orderly Bazar, Varanasi - 221002 (U.P.)

www.utkarsh.bank