Basel – Pillar 3 Disclosures - December 31, 2018

Utkarsh Small Finance Bank Limited (hereafter referred as the "Bank"), 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 Small Finance Bank under the Banking Regulation Act, 1949 on November 25, 2016. As per the Business Transfer Agreement, the 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 second full year of business operations. It was included in the second schedule of the RBI Act, 1934 vide a notification dated 16th November, 2017 and is therefore 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. The Bank's vision is to be the trusted financial service provider to over 10 million customers by 2021.

Utkarsh Small Finance Bank Limited 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 30th September 2018.

Scope of Application

The framework of disclosures applies to Utkarsh Small Finance Bank Limited. 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.

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.

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 credit risk, 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, in view of the 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 the 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 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 Dec 31, 2018
A	**Tier I Capital**	
	Paid-up Share Capital	737.05
	Reserves	21.93
	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	6.62
	Deferred Tax Assets	18.31
	Good will and Adjustments for less liquid position	0
	Deferred revenue expenditure	9.55
	Intangible assets	4.07
C	**Net Tier 1 Capital**	720.43
D	**Tier II Capital**	
	General Provisions	9.76
	Upper Tier 2 capital instruments	130.00
	Lower Tier 2 capital instruments	
E	**Deductions**	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	
	Securitisation exposures including credit enhancements	6.62
F	**Net Tier 2 Capital**	133.14
	Total Eligible Capital	853.57

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

(₹ in Crore)

Sl. No.	Particulars	Amount as on Dec 31, 2018
(a)	**Capital Requirement for Credit Risk:**	
	Portfolios subject to Standardized Approach	**5,191.79**
	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)**	5,191.79
(e)	**Total Risk Weighted Assets**	3,035.34
(f)	**Total Capital Fund**	853.57
(g)	**Capital Adequacy Ratio**	
	Common Equity Tier-1	23.73%
	Tier-1	23.73%
	Tier-2	4.39%
(h)	**Total CRAR**	28.12%

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)

S.No.	Items	Amount as on Dec 31, 2018
On-Balance sheet exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	5,222.15
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**0**
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	5,222.15
Derivative exposure		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**0**
5	Add-on amounts for PFE associated with all derivatives transactions	**0**
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**0**
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**0**
8	(Exempted CCP leg of client-cleared trade exposures)	**0**

9	Adjusted effective notional amount of written credit derivatives	**0**
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**0**
11	**Total derivative exposures (sum of lines 4 to 10)**	**0**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**0**
12	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**0**
14	CCR exposure for SFT assets	**0**
15	Total securities financing transaction exposures (sum of lines 12 to 15)	**0**
16	Other off-balance sheet exposures	30.15
17	Off-balance sheet exposure at gross notional amount	**0**
18	(Adjustments for conversion to credit equivalent amounts)	**0**
19	Off-balance sheet items (sum of lines 17 and 18)	**0**
Capital and total exposures		
20	Tier 1 capital	720.43
21	Total exposures (sum of lines 3, 11, 16 and 19)	5,252.30
Leverage ratio		
22	Basel III leverage ratio	**13.72%**

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

Sl. No.	Particulars	Amount as on Dec 31, 2018
1	Total consolidated assets as per published financial statements	5,222.15
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	**0**
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	**0**
4	Adjustment for entities outside the scope of regulatory consolidation	**0**
5	**On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)**	5,222.15

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

Sl.	Particulars	Amount as on Dec 31, 2018
1	Total consolidated assets as per published financial statements	5,222.15
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	NIL
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	NIL
4	Adjustments for derivative financial instruments	NIL
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	NIL
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	30.15
7	Other adjustments	NIL
8	**Leverage ratio exposure**	13.72%

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.

Utkarsh 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. Utkarsh 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 our 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 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.

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.

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.

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:

- Three 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 a 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.

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 counter the effect 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 credit committee 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 credit policies, NPA policy, 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 are guided by the objective to build, sustain and maintain a high quality credit portfolio by measurement, monitoring and control of the credit exposures. The 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 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 means of prudential limits as directed by the RBI as well as 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 gross credit risk exposure by facility :

(₹ in Crore)

S. No.	Facility Type	Credit Exposure as onDec 31, 2018
1	Gross Loans & Advances	3,727.58
	Add: Non SLR Investments	0
	Total Fund Based	0
2	Non-Fund Based	0
Total		**3,727.58**

Total gross credit risk exposure by geography :

(₹ in Crore)

S. No.	Facility Type	Credit Exposure as on Dec 31, 2018
1	Domestic	3,727.58
2	Overseas	0
Total		**3,727.58**

Total gross credit risk exposure between secured and unsecured businesses :

(₹ in Crore)

S. No.	Facility Type	Credit Exposure as on Dec 31, 2018
1	Secured	585.03
2	Unsecured	3,142.55
Total		**3,727.58**

Residual maturity breakdown of Assets :

(₹ in Crore)

Particulars	As on Dec 31, 2018					
	Loans & Advances	Investments	Deposits	Borrowings	Foreign currency Assets	Foreign currency Liabilities
1 day	51.33	225	44.44	-	-	-
2 to 7 days	85.76	24.99	32.33	-	-	-
8 to 14 days	49.65	49.93	125.34	23.42	-	-
15 to 30 Days	145.18	-	129.45	55.00	-	-
31 Days to 2 months	231.94	14.99	187.36	93.54	-	-
Over 2 months to 3 months	129.25	10.03	306.56	28.39	-	4.36
Over 3 months to 6 months	677.87	64.38	545.01	25.64	-	-
Over 6 months to 1 year	1,197.09	165.54	531.12	227.08	-	4.36
Over 1 year to 3 years	1,112.84	152.81	1,147.09	342.75	-	17.44
Over 3 years to 5 years	26.15	119.70	11.36	161.00	-	4.36
Over 5 years	22.35	205.48	0.75	198.27	-	-
Total	**3,729.41**	**1,032.85**	**3,060,81**	**1,155.09**	**-**	**30.52**

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 Dec 31, 2018**
Gross Advances	**3,727.58**
Net Advances	**3,661.09**
Gross NPA	**93.68**
Sub-standard	60.12
Doubtful 1	33.56
Doubtful 2	0
Doubtful 3	0
Loss	0
NPA Provision	**66.48**
Net NPA	**27.19**
Gross NPA to Gross Advances (%)	2.51%
Net NPA to Net Advances (%)	0.74%

Movement of Non -performing Assets (NPA Gross):

(₹ in Crore)

Particulars	**Amount as on Dec 31, 2018**
Opening Balances (As on 1st Apr 2018)	**57.47**
Additions	55.92
Write Offs	-
Reductions	19.71
Closing Balances	**93.68**

Movement of NPA Provisions:

(₹ in Crore)

Particulars	**Amount as on Dec 31, 2018**
Opening Balances (As on 1st Apr 2018)	**23.75**
Add: Provisions made during the period	45.98
Less : Write offs	0
Less : Write Back of excess provision	3.25
Closing Balances	**66.48**

Movement of provisions for depreciation on investments:

(₹ in Crore)

Particulars	**Amount as on Dec 31, 2018**
Opening Balance (As on 1st Apr 2018)	0.92
Add: Provisions made during the period	0.88
Less : Write offs	
Less : Write Back of excess provision	1.80
Closing Balance	-

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 properly taken and managed serve a number of important functions 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 should either have 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.

Liquidity Risk Qualitative Disclosures

Liquidity refers to the Bank's ability to fund 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 and liquidity risk arises where the Bank is unable 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 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.

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 function and the settlements function 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 and off the 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 small finance bank, 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.

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.

Utkarsh small finance 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 have 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.