

Annual Report 2021-22



Utkarsh Small Finance Bank

Aapki Ummeed Ka Khaata

(A Scheduled Commercial Bank)

Poised for growth



PEOPLE



TECHNOLOGY



INCLUSION



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please visit:

www.utkarsh.bank

Poised for growth



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INCLUSION

Legacy organisations are built on values that enable not just growth but empower its stakeholders to rise up to the challenge at any given phase. Whether it's a difficult situation or changing the dynamics for a paradigm shift or any other factor that requires organisation to re-engineer itself, it needs an unstinting support from its stakeholders to make the desired progress.

In the last two years, the world has witnessed an enormous shift in socio-economic behaviour that required organisations to adapt, change and reinforce many facets of work and organisational culture to achieve the goals it set out for. In the process, some proved detrimental, while many thrived by working around the requirements taking one step at a time.

At Utkarsh Small Finance Bank, we strive towards living up to the hope of many in the hinterlands. It made us realign our priorities to reach out to our customers and service them to the very last mile to support their livelihood. We positioned ourselves to be service-ready despite the many cautions and precautions

laid down by the government authorities around the looming pandemic, which shook the country with its punishing second wave that put enormous stress on the medical infrastructure and socio-economic scenario.

Despite the gloom, the country bounced back, re-emphasising the power of togetherness and the role it played in the face of adversity. While the pandemic is still out there, 3 factors came forth strongly:

People, Technology, and Financial Inclusion with a focussed approach and with these 3 strong forces, Utkarsh Small Finance Bank is indeed Poised for Growth!

Company Overview

ABOUT US

Utkarsh Small Finance Bank Limited (USFBL) commenced banking operations in 2017 with the objective of aiding in financial inclusion of the underbanked and the unbanked masses of the country. We received the final RBI licence to commence full-fledged operations as a small finance bank in 2016-17 and have since emerged as one of the most profitable small finance banks (SFBs) in India. We are the only bank in the country with its headquarters in Varanasi and are equipped with a widespread distribution network of 686 branches and 525* ATMs, ensuring financial inclusion in rural and semi-urban markets.



*209 On-site ATMs, 6 Off-site ATMs and 310 Micro ATMs



Vision

To be the most trusted, digitised bank that is financially and socially inclusive, and creates value across social strata through insightful and viable solutions.



Our Core Values – PRIDE



Mission

Be the preferred financial institution across all customer segments through technology-enabled solutions that are sustainable, inclusive and scalable, supported by a work culture that centres on passion, values and corporate ethics to deliver a best-in-class customer experience.

PRODUCT SEGMENTS

We believe in empowering our customers with a suite of diversified products and services, as follows:



Assets

- MSME & Small Business Loan
- Microbanking Group Loans
- Microbanking Individual Loans
- Retail Loans
 - a. Loan against property
 - b. Business loans
 - c. Personal loans
 - d. Overdraft loans
- Housing Loans
- Commercial Vehicle and Construction Equipment Loans
- Wholesale Banking Loans
- Gold Loan



Liabilities

- Savings Account
- Current Account
- Term Deposits
- Recurring Deposits
- Certificate of Deposits



Services

- Debit Cards
- Third-Party Products
 - a. Life Insurance
 - b. Health Insurance
 - c. General Insurance
 - d. Mutual Funds
- Safe Deposit Locker Facility
- Payments
 - a. NEFT
 - b. Bharat Bill Pay
 - c. RTGS
 - d. Remittances
 - e. UPI Payments
- POS



Digital Banking Channels

- Internet Banking
- Mobile Banking
- Digi On-boarding

AWARDS AND RECOGNITIONS



USFBL have been recognised as **3rd Best Mid-Sized Banking Company - Best Places to Work in India 2021** by Ambition Box



USFBL was recognised as one of the **'50 Most Trusted BFSI Brands - 2021'** (Teams Marksmen and NDTV 24/7)



USFBL was accredited with the **'Economic Times Best Brands - 2021'** milestones



Best IT Risk and Cyber Security Initiatives - **IBA Banking Technology Awards 2021**



Award of Excellence - APY Big Believers (**ABB**) **4.0 PFRDA**



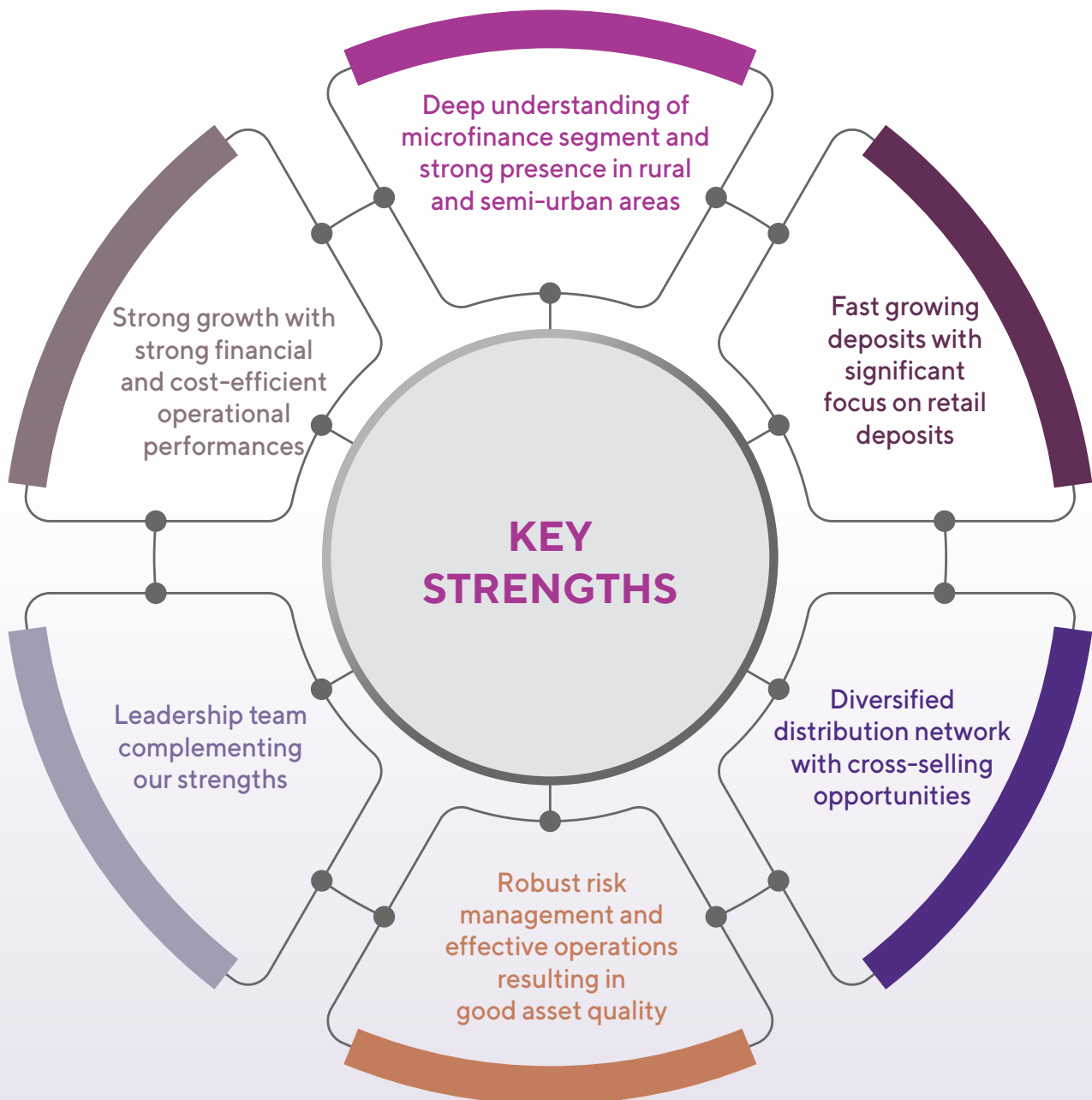
FE Best Banks - March 2022
Ranked 3 under Efficiency & Strength and Soundness
Ranked 2 under Credit Quality under Small Finance Bank



Fortune India - March 2022 issue
Ranked 46 under The Next 500 companies

DIVERSIFIED STAKEHOLDER BASE AT HOLDING COMPANY UTKARSH COREINVEST LIMITED

- Aavishkaar Bharat Fund
- Aavishkaar Goodwill India Microfinance Development Company II Limited
- Aavishkaar Venture Management Services Private Limited
- British International Investment Plc (erstwhile CDC Group Plc)
- Faering Capital India Evolving FUND II & III
- HDFC Life Insurance Company Limited
- HDFC Ergo General Insurance Company Limited
- Hero Enterprise Partner Ventures
- Housing Development Finance Corporation Limited (HDFC Ltd.)
- ICICI Prudential Life Insurance Company Limited
- International Finance Corporation (IFC)
- Jhelum Investment FUND
- Lok Capital Growth Fund
- NMI (NMI Frontier Fund KS)
- RBL Bank Limited
- responsAbility Participations Mauritius
- Sarva Capital LLC
- Shriram Life Insurance Company Limited
- Small Industries Development Bank of India (SIDBI)
- Sustainability - Finance - Real Economies SICAV - SIF



Over the years, we have fortified our position as one of the frontrunners in the small finance banking sector by leveraging our strengths and coupling them with our strategies. We have completed 5 years of operation as a small finance bank in FY 2021-22 and have achieved a number of milestones across these past 5 years.

FISCAL YEAR EVENTS AND MILESTONES

FY 2016-17

- Commenced operations as a small finance bank
- Launched our mobile banking and internet banking facilities

FY 2017-18

- Launched our wholesale lending business and personal loans
- Launched our asset business through business correspondents
- Crossed deposit base of ₹ 20,000 million
- Crossed gross advances of ₹ 30,000 million
- Launched bancassurance business with partners
- Increased savings accounts and active loan clients to over 0.2 million and 2 million, respectively
- Launched bill payment services
- Expanded operations to West Bengal

FY 2018-19

- Launched cashless disbursements for our microfinance loans
- Converted microfinance branches to banking outlets

FY 2019-20

- Launched micro banking business loan product
- Crossed deposit base of ₹ 50,000 million
- Crossed 500 banking outlets
- Crossed a customer base of 2.5 million under Small Finance Category by NABARD

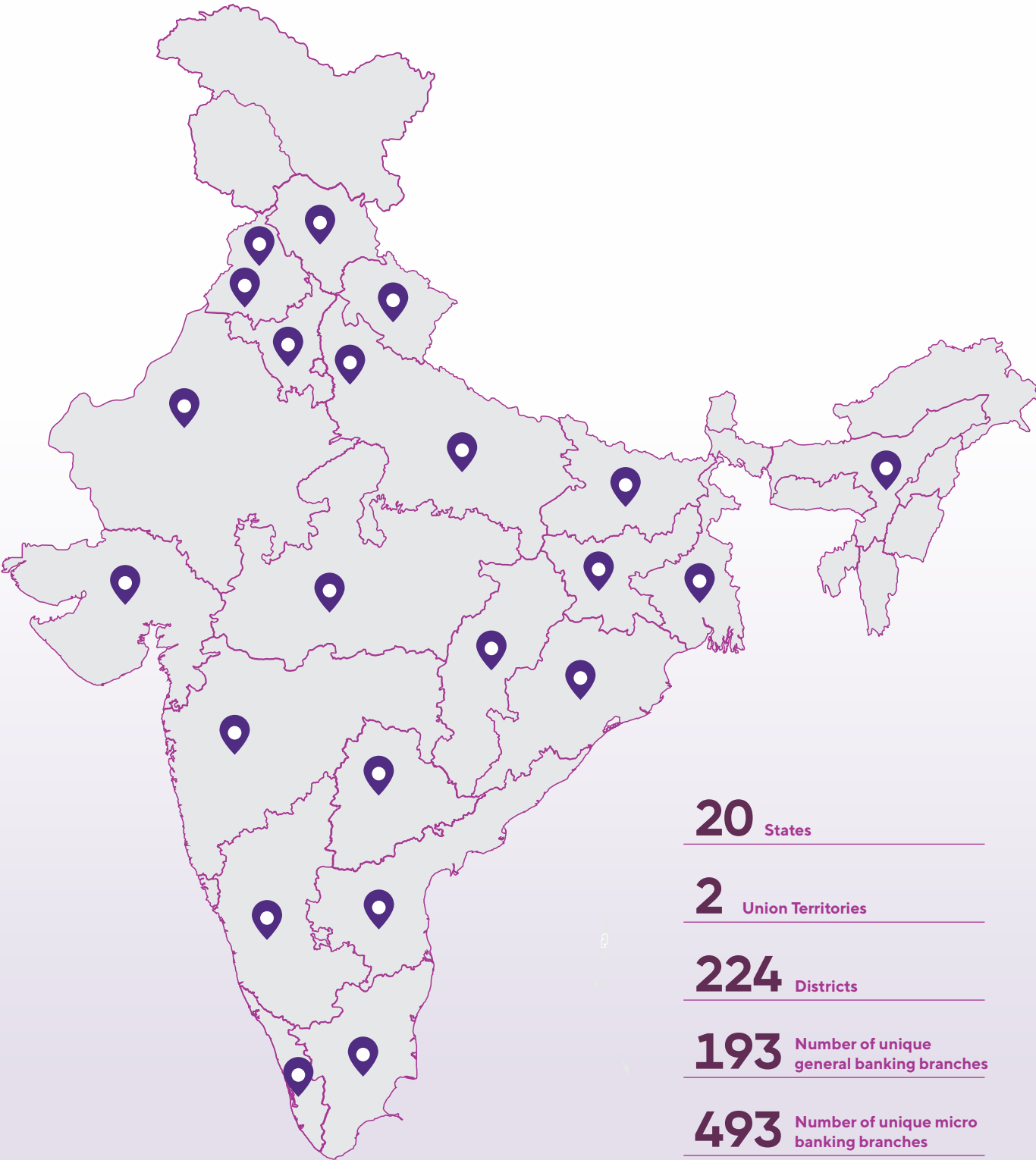
FY 2020-21

- Launched digital on-boarding of accounts
- Launched non-fund based facility and working capital loans
- Formed tie-up with Mastercard for international debit card offering
- Recognised by BT-KPMG as 'Best Small Finance Bank in 2021 - SFB Category'
- Recognised by Team Marksmen and media partner CNBCTV18 as one of the most trusted brands of India in FY 2020-21
- Awarded 'State Level Outstanding Performance Award by NABARD' in 2020 for joint liability group under small finance category by NABARD

FY 2021-22


- Launched our new iconic headquarters in Varanasi - Utkarsh Tower
- Crossed deposit base of ₹ 10,000 Crore
- Expanded presence in the state of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu
- Network of 525* ATMs including micro-ATMs
- Launched the Utkarsh UPI Application
- Launched Gold Loan, which is in the pilot stage currently
- Crossed wholesale lending of ₹ 800 Crore
- Crossed customer base of 3 million
- Launched Atal Pension Yojana (APY)
- Crossed digital on boarding of more than 8 Lakh customers

*209 On-site ATMs, 6 Off-site ATMs and 310 Micro ATMs



*Map not to scale. For illustrative purpose only.

*209 On-site ATMs, 6 Off-site ATMs and 310 Micro ATMs

	States	Loan Book as on March 31, 2022 (₹ Crore)	% Distribution
1	Bihar	3,643.58	34.27%
2	Uttar Pradesh	2,820.24	26.53%
3	Maharashtra	1,009.93	9.50%
4	Jharkhand	755.01	7.10%
5	Haryana	567.20	5.34%
6	Madhya Pradesh	402.92	3.79%
7	Odisha	291.83	2.75%
8	NCT of Delhi	280.51	2.64%
9	Uttarakhand	159.80	1.50%
10	Telangana	136.31	1.28%
11	Chhattisgarh	127.60	1.20%
12	Gujarat	123.53	1.16%
13	Rajasthan	106.32	1.00%
14	West Bengal	80.25	0.75%
15	Karnataka	55.98	0.53%
16	Tamil Nadu	29.40	0.28%
17	Punjab	26.53	0.25%
18	Himachal Pradesh	9.46	0.09%
19	Assam	2.66	0.03%
20	Kerala	0.85	0.01%
21	Chandigarh	0.71	0.01%
22	Andhra Pradesh	0.11	0.00%
	Total	10,630.73	100.00%

From the Desk of Chairman to Shareholders



Our experience in handling the pandemic situation in the previous year, enabled us to focus on the strengths and implement initiatives that proved to be advantageous and helped us navigate this phase reasonably well.

Dear Shareholders,

I am delighted to present to you the 6th Annual Report of Utkarsh Small Finance Bank Limited (USFBL) for FY 2021-22.

The year was interspersed with subsequent waves of the Pandemic causing a setback across the economy and social livelihoods and yet we have been able to tide over the challenges to have a reasonably good year.

OPERATING ENVIRONMENT AND PERFORMANCE

The FY 2021-22 proved to be a litmus test for the economy, industries, and the society at large with the second and third waves of the Pandemic. The first half of FY 2021-22 put immense pressure on the healthcare system and the new normal too, with the Delta variant causing significant pressure on the whole ecosystem.

Despite these headwinds, we have clocked a decent growth aided by our strong foundation and agile response. The Indian economy is estimated to grow at 8.9% in FY 2021-22 compared to a contraction of 6.6% in the previous fiscal, thereby, showing signs of economic revival.

The year saw the banking sector bounce back with gross NPAs taking a dip compared to the previous year.

The aftermath of the first wave, saw an increase in propensity to save and invest in banking products and services. This was because the per capita disposable income of the country witnessed a rise during FY 2021-22.

Against the backdrop of this environment, I am happy to report that we have performed reasonably well and have clocked a total income of ₹ 2,033.65 Crore in FY 2021-22 compared to ₹ 1,705.84 Crore in FY 2020-21, registering a y-o-y growth of 19.22%. The operating profit stood at ₹ 509.34 Crore in FY 2021-22 compared to ₹ 419.04 Crore in FY 2020-21, clocking a y-o-y growth of 21.55%. Our growth was aided by the increase in our gross loan portfolio, rise in deposits, improved NPAs, and operational expansions.

DECISIVE STEPS DURING TESTING TIMES

The period of intermittent waves of the COVID-19 Pandemic, saw the Bank come together to relook its Business Continuity Planning (BCP) to make it conducive to the business and social environment of the period. With an able leadership in place, we were able to streamline the business requirement and shifted our focus to mitigate ramifications.

Our experience in handling the pandemic situation in the previous year, enabled us to focus on the strengths and implement initiatives that proved to be advantageous and helped us navigate this phase reasonably well.

Our networks and the relationship we have built over the years in the hinterlands helped us leverage the trust that has been gained over the years. Our consistent ability to cater to unserved and underserved sections of the society deepened our association with our customers. The consistent engagement that we provide to these customers, helps us understand their pain points and provide the necessary support to enable them to transpire their hope into a reality.

It was not just the external stakeholders; significant initiatives were undertaken to assist our employees to help them tide over the challenges of facing uncertainty in the face of adversity. Following the government guidelines on the safety protocols and in enabling vaccination for all, the Bank took decisive steps to keep the working environs safe and put in a process to get all our employees vaccinated twice, with



We intend to continue our focus in digitalisation and operational efficiencies to continue a long-term growth trajectory, wherein we endeavour to grow our assets and liabilities by a significant margin.

relevant tie-up with local health care institutions and in reimbursing the vaccination cost.

Due steps were taken to provide “Work From Home” options for staff that were non critical. For the critical staff who needed to be present at work to enable seamless service offering to our esteemed customers, a sanitised workspace with relevant precaution was provided.

The Leadership team took decisive steps to streamline the service and delivery process during these testing times. The earlier experience and learnings were tweaked to help mitigate the ramifications of the Delta variant and minimise the business disruptions.

BANKING WITH A CAUSE

It will be pertinent to point out here that improving our NPAs was one of our significant focus areas during FY 2021-22.

Small Finance Banks were envisioned to serve the unbanked and underbanked sections of the society.

At USFBL, we are focussed on making the most of these sectoral opportunities that is both inclusive and empowering. In India, rural geographies account for 47% contribution in GDP on one hand but has a credit penetration of a mere 10% on the other. This indicates the under penetration of credit in the rural geographies of the country. Banking on this huge headroom of growth, we have been expanding our presence across new markets, and opened more than 125 new branches during the year under review. We have also expanded our ATM network to 525 ATMs (209 On-site, 6 Off-site and 310 Micro ATMs) across the country. We continued our focus on lending to aid women entrepreneurs to grow their businesses.



We believe in our ability to rise to the situations and invest in the right platforms to enhance customer services, in our relations with them and in understanding their needs to offer the right products.

WAY FORWARD

With unprecedented experience on face of the Pandemic, the humanity has come together and has shown resilience in the face of adversity. The waves that disturbed and impacted the socio-economic status not only taught us but re-emphasised the need to be a nimble force. Together, with a focussed approach, many milestones are a possibility.

With the pandemic receding, we have another adversity, the Russia-Ukraine War. This too has put pressure on containing the inflation which has a domino effect on the socio-economic situation.

Regardless of these developments, we are optimistic to be equipped to face the disruptions. We believe in our ability to rise to the situations and invest in the right platforms to enhance customer services, in our relations with them and in understanding their needs to offer the right products.

We have been investing in people and technologies during the fiscal and would continue to do so in the near future. On the back of these investments and the

sectoral opportunities in the small finance banking sector, we are poised to grow in the short and long term. Further, the several policies and measures undertaken by the RBI will further support the growth story of the banking sector.

We intend to continue our focus in digitalisation and operational efficiencies to continue a long-term growth trajectory, wherein we endeavour to grow our assets and liabilities by a significant margin and a moderated capital adequacy ratio.

ACKNOWLEDGEMENT

I would like to close my statement on this note – “We have grown from strength to strength over the last two years and are confident of our future prospects.”

I take this opportunity to extend my appreciation to the members of the Board for their constant support and guidance. I would also want to express my gratitude towards the Utkarsh Small Finance Bank Limited team that has contributed diligently towards the growth and development of the Bank in the past fiscal. I also want to thank our customers, shareholders, investors and regulators for their unwavering support to us. I am confident that we will continue to take collaborative and decisive steps to build a better tomorrow for all our stakeholders.

We are indeed Poised For Growth!

Regards,

Parveen Kumar Gupta
Chairman

Managing Director & CEO's Communique



With adversities throwing up its challenge at intermittent intervals, your Bank poised itself to deliver its results of growth and success.

Dear Shareholders,

We started this journey with a purpose, with a dream! A dream that now stands tall today as Utkarsh Small Finance Bank Limited, with a new state-of-the-art building Utkarsh Tower, in the place of its genesis – Varanasi.

On that happy note, I am pleased to present to you the Annual Report of Utkarsh Small Finance Bank Limited for FY 2021-22. With adversities throwing up its challenge at intermittent intervals, your Bank rose to the challenge to deliver its results of growth and success.

Ever since the onset of the pandemic in 2020, a new normal has been adopted to continue the business, especially those that are part of the essential services. This has been a period that has compelled organisations to reimagine and foster a new path to adapt to the changing scenario.

The beginning of FY 2021-22 was no different and it caused a significant stress on the socio-economic scenario despite the adoption of the new normal to a large extent. This posed a snag to the just recovering economy, compelling industries and organisations to revisit their business expansion and growth.

At the back of this unprecedented period, it took a collective effort of all the employees, ably guided by the senior management to achieve significant growth despite the difficult period. With People, Technology, and Financial Inclusion as the driving force, we reimagined our journey for continued growth and grow we did!

The Bank had enabled a dynamic Business Continuity Plan (BCP) in place that has helped us tide through the second and third waves of the pandemic. A significant focus of the Bank, since its inception, has been forging of the employee-customer relationship. This strengthened further during this period resulting in an equitable growth.

While the pandemic did dampen the spirit, the rains rekindled them bringing in the much-needed hope. The country experienced a bout of good monsoon supporting agricultural output and rural income during the fiscal.

In FY 2021-22, we have grown at 19.22% y-o-y to reach a total income of ₹ 2,033.65 Crore.

One of the high points of FY 2021-22 of your Bank has been the Utkarsh Tower in Varanasi, which stands as a testimony to the purpose, dream, and passion with which this financial institution began. It is a reflection of a seed that was sown with Ummeed and nurtured with a focussed determination. Today, as I write, it evokes a plethora of emotions that paved the way to pledge our commitment to make a difference to our society with a purpose.

This would not have been possible without the trust and faith reposed by all our stakeholders. My heartfelt thanks to each one of you.

THE FINANCIAL PERSPECTIVE

I am pleased to inform you that in spite of the disruptions caused by the Delta variant of the pandemic at the beginning of FY 2021-22, we increased our total deposits from ₹ 7,507.57 Crore in FY 2020-21 to ₹ 10,074.18 Crore in FY 2021-22, registering a y-o-y growth of 34.19%. We have grown our gross loan portfolio by 26.32% y-o-y, from ₹ 8,415.66 Crore in FY 2020-21 to ₹ 10,630.72 Crore in FY 2021-22.

The Bank reported operating profit (pre-provisions) in excess of ₹ 500 Crore in FY 2021-22. Further, our CASA deposits increased from ₹ 1,326.99 Crore in



Despite the looming pandemic, the Bank was able to reach near normalcy in profitability and asset quality. Bank's capital adequacy ratio is 21.59% as on March 31, 2022. During FY 2021-22, the Bank raised equity capital of ₹ 150.02 Crore.

FY 2020-21 to ₹ 2,253.29 Crore in FY 2021-22, registering a y-o-y growth of 69.80%. Our PAT stood at ₹ 61.46 Crore in FY 2021-22 compared to ₹ 111.82 Crore in FY 2020-21. Further, our Return on Assets (RoA) and Return on Net Worth (RoNW) for the year stood at 0.48% and 4.14% respectively, compared to 1.04% and 9.99% in FY 2020-21.

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During the year under review, we expanded our footprint across southern India. With an aim to be a pan-India player, we forayed into newer markets of Tamil Nadu, Kerala, Karnataka and Andhra Pradesh. At the end of FY 2021-22, we have 686 branches spread across 20 states and 2 union territories.

While our geographical approach is focussed on markets for microfinance, our focus towards markets for deposits and retail assets remains equally significant.

Your Bank continuously strives for the right partnership that augurs well with its service offering to its customers.

In line with this, we entered into third-party bancassurance partnerships with Bharti AXA Life Insurance, Aditya Birla Health Insurance and Kotak Life Insurance.

BEING A PEOPLE-FOCUSSED WORKPLACE

At USFBL, we are cognizant of the collaborative effort of our employees in our growth. We strive to create an inclusive culture for our employees wherein we align their professional goals with that of the Bank. Over the years, we have imbibed employee-centricity at the core of our DNA and culture. During the year under review, we have expanded our workforce to reach a total employee base of 12,617 people as on March 31, 2022. During the year under review, we not only focussed on investing in technology and processes to train our employees better, but also invested in employee engagement initiatives. Vaccination plays a pivotal role against the backdrop of the pandemic.

We organised vaccination drives through tie-ups with various health providers and invested proactively in employees' health and safety.

As a culmination of all these efforts and more, we have been recognised as 'Best Places to Work'* by Ambition Box in FY 2021-22. (*Ranked #3 amongst mid-size banks in the country).

INVESTING IN TECHNOLOGY

IT forms the backbone of any sector today. The changing dynamics of this space makes any organisation truly agile in its adoption. With the increasing adoption of digitalisation in the banking sector, post the spread of the global pandemic, we have been investing increasingly in technology.

We are cognizant of the fact that customer convenience, experience, and ease of use are some of the important factors in driving customer retention and reference. During the year under review, we launched our UPI application and focussed significantly on digital onboarding of customers during the fiscal. We are happy to report that we have onboarded more than 8 Lakh customers through digi-onboarding during FY 2021-22, taking our total customer base to more than 3 million as on March 31, 2022. During the fiscal, we also launched the learning management system to



As a culmination of all these efforts and more, we have been recognised as 'Best Places to Work'* by Ambition Box in FY 2021-22. (Ranked #3 amongst mid-size banks in the country).

strengthen our human capital and in ensuring improved employee efficiencies and revenue generated per employee.

The Bank continues to invest in Technology to enable not just in robustness but complement the business and service initiatives for the customers. To enable better connectivity and connect with customers, we focussed on improving our network bandwidth, especially in semi-urban locales. We envisage the future to be digital and will strive to match up to the needs and demands of its time.

CREATING INCLUSIVE VALUE FOR THE COMMUNITY

At USFBL, we are focussed on creating value for our communities, as we are for our investors and customers. We undertake community upliftment measures through Utkarsh Welfare Foundation (UWF). Under the guidance of the Foundation, we undertake several social responsibilities under the purview of healthcare, livelihood restoration and entrepreneurship development. The Foundation's annual outreach plan across key community focus on areas such as financial literacy, healthcare, skill & vocational and livelihood interventions was targeted to reach 1,14,266 beneficiaries. Against the backdrop of this target, we achieved a beneficiary count of 2,20,038 people as on March 31, 2022. Till February 16, 2022, UWF was a group entity of the bank.

OUR NEXT STEPS

People, Technology, and Financial Inclusion are our prime focus, and we will continue to invest in them consistently to have a robust environment to help us achieve our goals.

Our strategic priorities for the long term would be:



Leveraging Bank's extensive franchise and presence



Diversifying retail asset portfolio



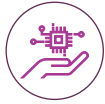
Growing retail mix across geographies



Improving CASA



Financial inclusion



Incremental use of technology and digital offerings

RBI had issued a draft consultative document on regulation of microfinance loans in June last year. In March 2022, it issued the final guidelines based on the feedback it received from several stakeholders. With this, it has brought in micro finance lending business under a uniform regulatory platform.

The rule of a 50% fixed obligation to income ratio being applied uniformly to all categories of borrowers will effectively reduce the pressure, lower

delinquency, and lower credit costs for the industry. With risk-based pricing, it will allow lenders to use credit profile characteristics to charge borrowers interest rates that vary by credit quality.

By raising the household income threshold, it will now help MFIs to bring in many more customers in its ambit, thereby creating a level playing field with increased competition.

With this regulation, a borrower with a good repayment history will be eligible for a better lending rate for subsequent loans, while a new borrower might have to pay a higher interest rate. This regulation from RBI will also help address the over-indebtedness of microfinance borrowers.

For retail assets, our focus will be on MSME, affordable housing and wheels business. Our recent foray into the wheels business has already started gaining traction. This is expected to diversify our retail assets portfolio and enable us to reduce the share of microfinance book in our total advances. We recently launched our pilot on Gold Loans and are testing its significance by implementing it in certain outlets.

We are actively entering into third-party partnerships with various companies, to provide a larger and more diverse product and service portfolio to our customers.



Our recent foray into the wheels business has already started gaining traction. This is expected to diversify our retail assets portfolio and enable us to reduce the share of microfinance book in our total advances.

ACKNOWLEDGEMENT

I would like to extend my thanks to our Board members for their continued support throughout the year. I would also like to thank our customers, employees, and investors for their constant faith in us. The support and the guidance of all the Board Members and Investors were significant to drive the momentum of the Bank during this period.

My sincere thanks to the Regulators for all the guidance and the Central Leadership to help us deal with a tough year. Amidst the disruption caused by the second wave of the pandemic, what stood was the commitment of our employees, who were front ending at our banking outlets and served our customers unflinchingly.

My heartfelt gratitude to these frontline employees who helped our customers sustain their day-to-day banking needs.

I thank our investors, shareholders, and our promoter Utkarsh CoreInvest Limited, for their unstinted belief in us, and for helping us grow from strength to strength.

My gratitude to the families of our employees who continue to support us during the 2nd wave of the

pandemic. This helped the organisation to work seamlessly and continue delivery of services for our customers. Without this unbridled support, our task would have been even more difficult.

I also take this opportunity to thank our partners and rating agencies for their continued support and trust that they reposed from time to time with the Bank.

There are certain uncertainties that still influence the behaviour of economy not just in the country, but the world economy. The recent years have enabled organisations to be agile, nimble and acclimatise to the changing socio-economic scenario. These have made us not just resilient, but in a way they have been a guiding force to better navigate change, making us wiser and more determined than yesterday. These positive offshoots are signs of a better tomorrow.

As we step into the next financial year, I can say with conviction that we are Poised for Growth!

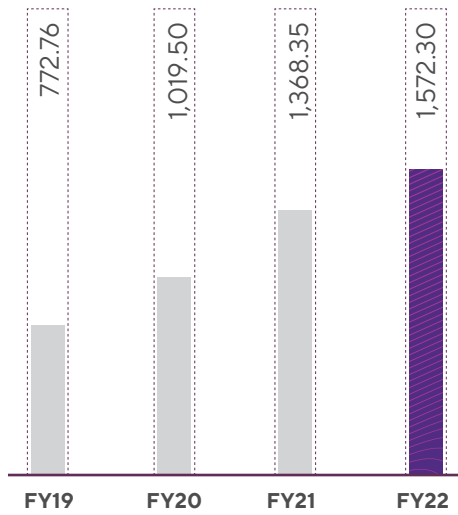
Warm regards,

Govind Singh
Managing Director & CEO

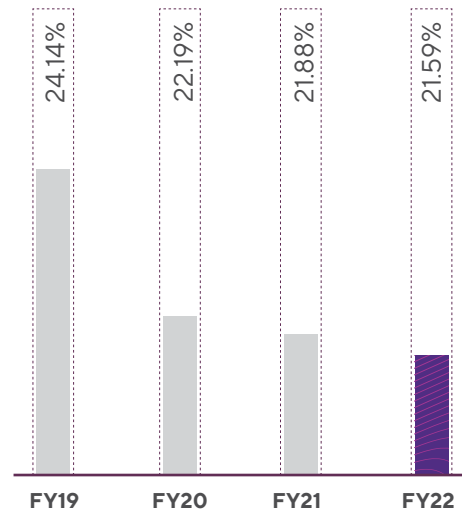
Key Performance Indicators

Balance Sheet Indicators

NETWORTH (CAPITAL + RESERVES) (₹ Crore)

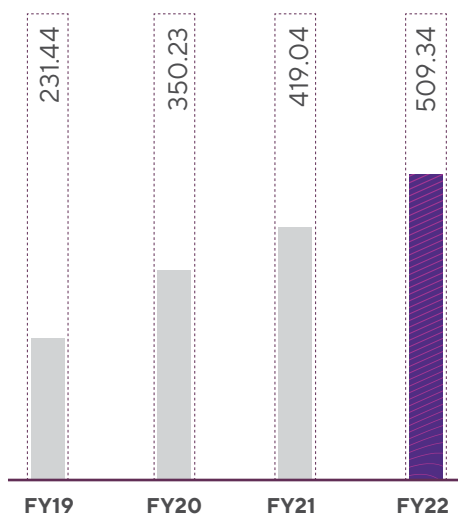


CAPITAL ADEQUACY RATIO (%)

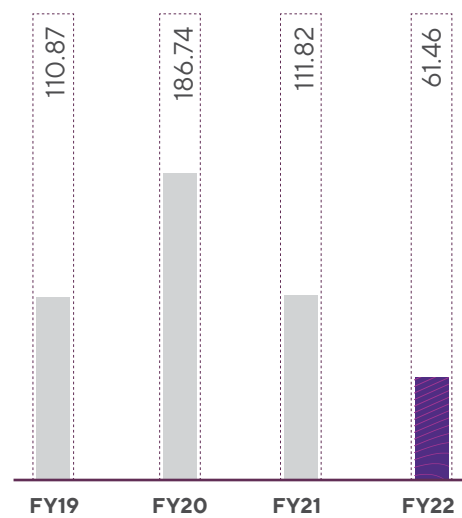


Profit and Loss Indicators

TOTAL OPERATING PROFIT (₹ Crore)

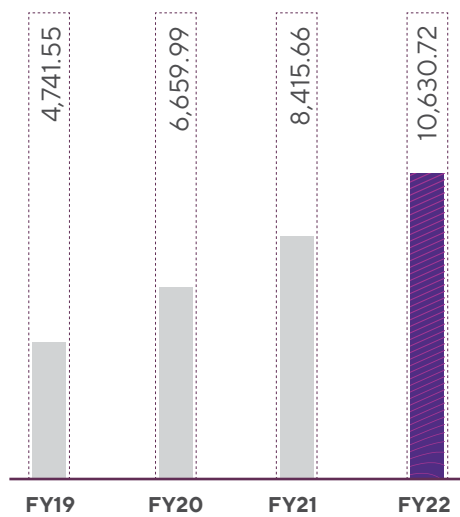


PAT (₹ Crore)

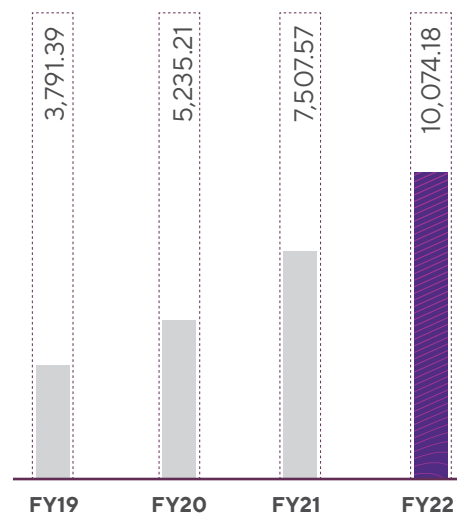


Operational Indicators

SIZE OF GROSS LOAN PORTFOLIO (₹ Crore)



DEPOSITS (₹ Crore)



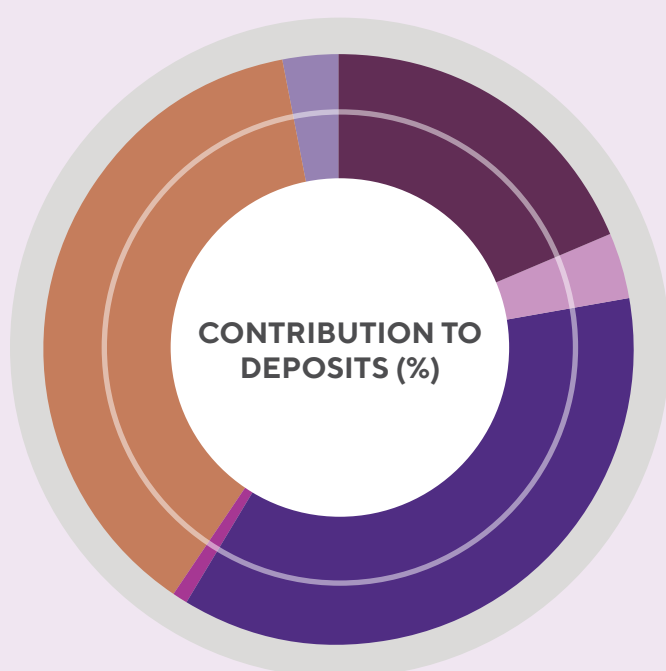
Business Segment Overview



LIABILITIES

10,074.18

Size of total deposits (₹ Crore)



1,890.81
18.77%

Savings Account

362.48
3.60%

Current Account

3,664.39
36.37%

Retail Term Deposits

90.96
0.90%

Recurring Deposits

3,778.65
37.51%

Bulk Term Deposits

286.90
2.85%

Certificate of Deposits

During the year under review, we focussed on growing our liabilities business by increasing our branches and alternate channels such as internet and mobile banking, in addition to our ATM network. We focussed on building a sustainable liabilities franchise with an optimal mix of retail and institutional deposits. During FY 2021-22, we also focussed on diversifying our deposits portfolio. The aggregate deposits of the Bank at the end of the year stood at ₹ 10,074.18 Crore compared to ₹ 7,507.57 Crore at the end of FY 2020-21, clocking a y-o-y growth of 34.19%. Our deposit base also clocked a CAGR of 38.51% between FY 2019-20 and FY 2021-22.

Deposit mobilisation from retail customers remains at the forefront of our strategy to build a healthy and granular deposits profile. In our strive to strengthen its reach across a larger customer segment, we opened 55 General Banking (GB) branches during the year. With the opening of these new branches, our total GB branches stood at 193 as of March 31, 2022, across 22 States and Union Territories of India. We undertook proactive measures to expand our presence in the southern hemisphere of the country. During the year under review, we opened new branches and ATMs across four southern states, namely Andhra Pradesh, Karnataka, Tamil Nadu, and Kerala. On an overall basis, the Bank's network stood at 686 branches (including 493 micro-banking branches) as on March 31, 2022. Further, we expanded our ATM network to 525 ATMs, including micro-ATMs, as of March 31, 2022.

During the year under review, we continued on our endeavour of building our CASA book, which saw a

y-o-y growth of 69.80% to reach ₹ 2,253.29 Crore from ₹ 1,326.99 Crore in FY 2020-21. Further, our retail term deposits (RTD) clocked a y-o-y growth of 25.58% to reach ₹ 3,755.36 Crore in FY 2021-22. Our total CASA and retail term deposits portfolio stood at ₹ 6,008.64 Crore in FY 2021-22, which carved 59.64% of total deposits during the year.

In addition to strengthening our physical presence of branches and ATMs, we also sharpened our focus on ease of banking for customers through digital channels such as net banking, mobile banking, tab banking, digital onboarding and, UPI offering, among others. During the year under review, we launched our UPI App as well. Against the backdrop of the COVID-conundrum when the country was faced with a healthcare crisis, our digital channels continued to support our customers and make their lives easier.

During the year under review, we onboarded more than 5 Lakh deposit accounts (including BSBDA accounts), which helped our total depositors grow to a whopping 13 Lakh as of March 31, 2022. The Bank has ensured this on the back of a vast network of banking outlets and ATMs coupled with the proactive measures undertaken for ease of on-boarding of customers and customer support through our digital channels.

Going ahead, we are sharpening our focus on broadbasing our wholesale liabilities through acquisitions and deepening relationships in the Government & Institutional Business (GIB) segment.

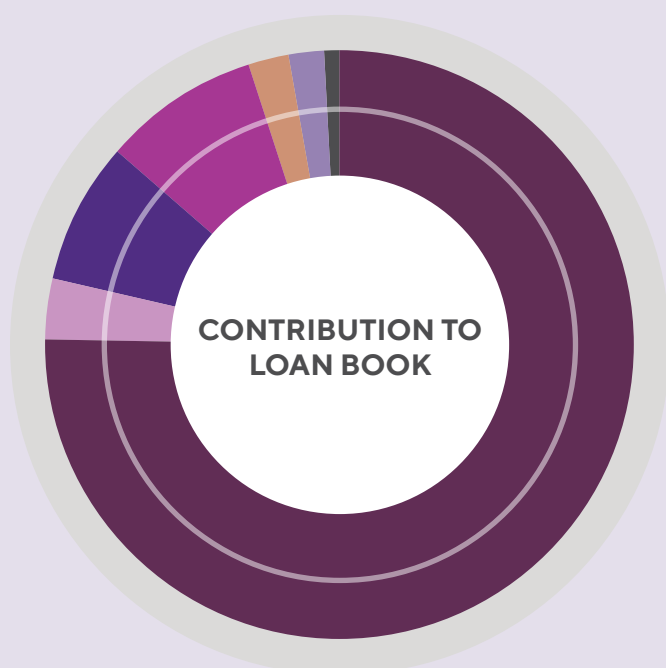
Business Segment Overview



ASSETS

10,630.72

Size of total loan book (₹ Crore)



8,002.41 75.28%	Micro Finance
359.25 3.38%	Housing Loans
840.04 7.90%	Retail Assets
926.12 8.71%	Wholesale Lending
224.42 2.11%	Business Correspondent
212.16 2.00%	Commercial Vehicle and Construction Equipment Loan
66.32 0.62%	Others

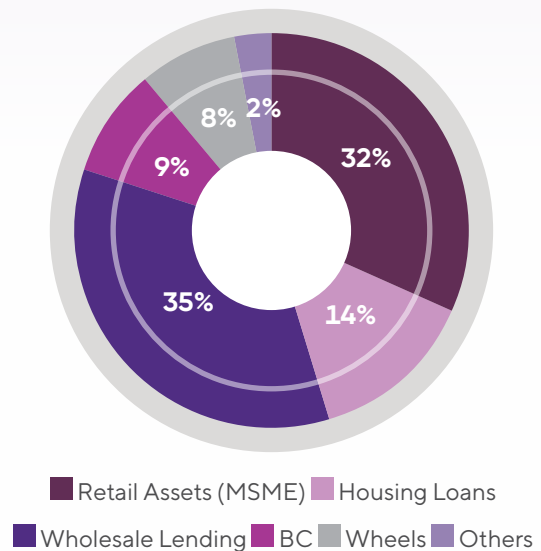
Our vision is to cater to the financial needs of the unbanked and underbanked sections of the society. As a Small Finance Bank, our primary focus has always been on micro banking products. However, with time we have diversified our product portfolio and introduced retail loans, unsecured loans, business loans, personal loans and, secured loans such as loans against property, wholesale lending that includes short-term and long-term loan facilities to small and medium enterprises (SMEs), mid and large corporate and institutional clients and gold loans. Further, we also offer housing loans with a focus on affordable housing.

Our primary markets are rural and semi-urban geographies which are also the backbone of microfinance products, thereby driving our growth potential. A majority of 63.27% of our branches were located in semi-urban and rural geographies locales as of March 31, 2022. The underpenetrated nature of these markets provides a good headroom of growth for us.

During the year under review, we have successfully grown total assets by 24.11% y-o-y to reach the ₹ 15,000 Crore threshold. During the year, we continued our focus on portfolio diversification, franchise expansion, and expansion across new geographies. Our gross loan portfolio and deposits grew by 26% and, 34% respectively during FY 2021-22 to reach ₹ 10,630.72 Crore and ₹10,074.18 Crore, respectively. Our loan portfolio has been growing at a CAGR of 31% over the last three years. Leveraging our significant experience and track record in the microfinance business, we have grown at 15.99% y-o-y to reach ₹ 8,002.14 Crore in FY 2021-22.

Further, we have been consistently focussed on diversifying our product portfolio through non-micro finance lending. We have been augmenting our product profile by offering retail loans comprising unsecured loans such as business loans, personal loans, secured business loans, loan against property, housing loans with a focus on affordable housing, wheels, gold loans, wholesale lending, both short-term and long-term loan facilities to SMEs, mid and large corporate and institutional clients. During the year under review, the major composition of our non-micro finance loan book was carved by Wholesale lending which stood at 35%, followed by retail assets contributing 32%, and housing loans contributing 14%.

Chart on Composition of non-Micro Finance Loan Book



Human Resource Review

HUMAN RESOURCE

The Bank has formulated a robust Human Resources Policy ('HR Policy') coupled with an HR strategy to effectively align with business requirements of the Bank. Significant HR activities pertaining to recruitment, deployment, training, talent retention and motivational strategies are initiated to seamlessly support the achievement of the Bank's vision and mission. In this direction, we have been making constant efforts to motivate our employees for excellence in performance, and at the same time endeavour to provide a better work-life balance through various employee welfare activities.

Our HR structure includes recruitment, HR operations, training and employee engagement supported by Zonal HR structure providing last-mile connect. We have adopted a technology-enabled and automation-focussed approach towards delivering HR services to employees. We provide real-time access to key HR services through our mobile-enabled online human resource management system. Our 'Performance Management System' is online and all related activities including goal-setting, and appraisals are done using the online platform. We have a mechanism in place to mitigate risk emanating from adverse employee behaviour and acts of omission or commission. The Human Resource policies are reviewed from time to time in line with changes in the regulatory requirements issued by the regulator and as per the business requirements.

We have engaged third-party vendors for providing recruiting services, human resource management, consultancy and outsourcing, employability assessment modules, employment-related information, executive search, and other allied services. In addition, we have also entered into agreements with various other vendors for providing training and development for our employees, and deployment of learning management system.

The COVID-19 pandemic was a singular event for the entire world economy that created paradigm shift in the socio-economic scenario. We were able to provide seamless services to our customers during this difficult phase while ensuring the health and safety of our employees by adhering to the safety protocols related to COVID-19. Apart from this, a dedicated help desk on COVID-19 was created in HRMS. The employees could use the helpdesk for any queries/assistance/support required due to the lockdown. One could access the COVID-19 helpdesk through HRMS mobile application as well.

In its constant endeavour to promote learning and upskilling of all its employees, the Bank utilised its 'Learning Management System (Utkarsh U-Learn)' to engage its employees through continuous educational programmes delivered via e-modules and virtual classrooms.



HUMAN RESOURCES AND DEVELOPMENT

As a progressive organisation, the Bank's human resource and training programmes have been centred around hiring the best talent, retaining, and providing them an environment of learning and development. We take concerted efforts to increase the representation of women in the workforce of the Bank. During FY 2021-22, there has been a net addition of 2,256 employees in the Bank, including 870 female employees. The total women workforce in the Company alone stood at 1,663 for FY 2021-22. As on March 31, 2022, the Bank's employee base stood at 12,617. The annualised attrition rate for FY 2021-22 was 29.9%.

We continuously work towards the development of our workforce to create an internal talent pool through training programs from relevant institutions, to grow and expand in new geographies and products. Apart from this, significant workplace training programs have been implemented including refresher trainings, promotional trainings,

capacity building certification programs, mandatory certification programs, soft skill programs among others. In addition to employees' participation in various external programs conducted by regulatory and industry consortium bodies to stay updated about the latest developments in the industry, we have an in-house team of well-qualified trainers comprising retired bankers, senior management employees and training experts. We conduct visioning workshop at regular intervals for our senior management employees. During the year under review, more than 10,000 staff were educated under various programs. At the aggregate level, we strive to build and imbibe the Bank's unique culture among its employees. In FY 2021-22, we focussed on realignment of HR & Training objectives with respect to changed scenario and business environment during the lockdown and unlock period. The focus was on fulfilment of key manpower requirements, need-based training program for all verticals, review of human resource policy and building the camaraderie among employees in the organisation.



HUMAN RESOURCE REVIEW

Building a culture of inclusive growth

At Utkarsh Small Finance Bank, we believe in inclusive growth. We have a focussed approach on enabling a diverse and inclusive workforce. The department takes consistent initiatives to enable the employees understand the organisational goal and vision besides offering individual progression and growth for competent employees.

We take appropriate measures to identify the right candidate to ensure hiring efficiency. This is to ensure that the candidate is in a position to understand the organisation's focus on inclusive work culture, get upskilled at regular intervals and is able to imbibe the organisational values. We consistently expand, nurture, and retain our talent base that complements our growth strategy. We believe in developing our own talent pool and creating a career plan for each of our employees. We ensure talent development through training and right skilling of the employees. We not only focus on training our employees on products and

processes, but also make sure to align them with the passion and values that we operate with. In achieving this goal, we have learning, development, and career progression programmes in place. We offer individual progression and growth for competent employees through initiatives such as talent management, competency mapping, training and development, succession planning, internal job posting and performance management system.

We are committed to provide our employees with the work-life balance to lead a healthy and stress-free life. In our quest to achieve this, we undertake initiatives such as fitness programmes in office, support on emotional and mental well-being, annual functions, sports day, and festival celebrations, ensuring employees are motivated and get opportunities to rejuvenate themselves.

At Utkarsh Small Finance Bank Limited, we provide a collaborative work culture and strongly believe in the creation of a people-oriented, reliable, scalable, organisational structure. We provide a conducive and inductive work environment.





Proactive Employee Engagement

In our endeavour to create an employee-centric organisation, we have implemented engagement channels for our employees, through which they can share their feedback and suggestions. We have succeeded in creating an online grievance redressal platform, to address various grievances of employees in a transparent and time-bound manner. We have also put in place an online HR query helpdesk to answer queries of all employees, with a dedicated section for COVID-19.

Regular town halls are conducted to keep the employees updated on the various initiatives undertaken by the Bank, wherein the senior management addresses the employees on various developments of the Bank. Through these town halls, we also capture employee feedback and disseminate important and strategic messages.

In an endeavour to engage and motivate employees, the HR and Training department initiates and implements theme-based employee engagement on a monthly basis.

Fair Employee Recognition

We believe in adequately compensating our employees based on their performance, in both short and long terms. Employee benefits such as interest-free advance against salary, housing loan, bike loan, mobile loan, personal loan, and adequate insurance cover enables employees to focus on work without having to worry about emergency

funds that they may require. In addition to recognition of best performers, we celebrate organisation citizenship behaviour through various awards for innovation, risk mitigation, vigilance, and customer service, among others. Long Term service awards are given to employees who have completed more than 5 years with us recognising their contribution towards the growth of the organisation.

OTHER DISCLOSURES

Prevention of Sexual Harassment

We are 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 at workplace. We follow 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 Bank has formulated Prevention of Sexual Harassment Policy ('POSH Policy'). The POSH Policy is gender neutral and is implemented for all employees and other stakeholders/partners. Any complaint of sexual harassment made against any individual working within the Bank's premises, including third-party vendors, is investigated in line with this POSH Policy.

The Internal Complaints Committee (ICC) of the Bank has laid down the processes and guidelines pertaining to sexual harassment related complaints. The ICC deals with all complaints relating to sexual harassment. The Bank does not tolerate any form of sexual harassment and all individuals of the Bank are responsible to ensure a workplace free of harassment.

POSH Policy is applicable to all employees (permanent/fixed term/on 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.

The Bank's Prevention of Sexual Harassment Policy is available at: https://www.utkarsh.bank/uploads/pdf/ourpolicy/template_ten/Prevention_of_Sexual_Harassment_Policy.pdf

For FY 2021-22, a total of 11 cases were reported under POSH and all have been resolved.

Corporate Social Responsibility

At Utkarsh Small Finance Bank, we undertake community welfare and upliftment measures through Utkarsh Welfare Foundation (UWF). During the year under review, the Foundation adopted a multi-pronged plan to address the community welfare challenges through projects focussed on healthcare and improving the economic resilience of low-income households and micro-entrepreneurs in the underserved and underprivileged regions. Amidst the COVID pandemic, we focussed on gathering support for local health facilities and hospitals in order to stay prepared for the anticipated future waves.

During FY 2021-22, the annual outreach plan of the Foundation across key focus areas such as Financial Literacy, Health and Skill & Vocational and Livelihood initiatives was set for reaching 1,14,266 beneficiaries. Against the backdrop of this outreach plan, we achieved a beneficiary count of 2,20,038 through our various programs. In addition to this, the Welfare, with the support of the Bank provided refresher training to 64,292 beneficiaries for a better impact. During the year under review, the Foundation undertook some impact-based initiatives to strengthen the healthcare infrastructure of local healthcare institutions and hospitals and set up e-clinics in remote rural geographies to fight the COVID-19 pandemic.



Impact-based outreach details

- During the year under review, the Foundation extended its support to Mahamana Pandit Madan Mohan Malviya Cancer Centre (MPMMCC) in Varanasi by equipping them with surgical instruments, ICU beds, wheelchairs, oxygen flow meters, waiting chairs, bedside lockers and revolving stools. The event was inaugurated on March 25, 2022 by the local administration.
- The Foundation collaborated with Parul Sevashram Hospital in Gujarat to help them in their fight against the pandemic, by providing them with an 'ICU on Wheels' for carrying out medical activities and catering to emergencies.
- With the help of the Foundation, we extended COVID-19 infrastructure preparedness support to select Community Health Centres (CHCs) and a Primary Health Centre in Varanasi. CHC Cholapur, Gangapur, Haathi Bazaar, Jakkhini, Misirpur, and PHC Chiraigaon were equipped with R.O. plants, radiant warmers, water chillers, solar lights, signage boards, high flow nasal cannula, hospital beds, ICU beds, wheelchairs, seating chairs, oxygen cylinders, and hospital linen, among others, in order to strengthen the rural healthcare infrastructure of Varanasi.
- We focussed on providing rural children access to technology-enabled education. In doing so, the Foundation has set up ICT-enabled smart classes in all the primary schools of all five villages, namely Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur of Arajiline Block in Varanasi. Currently, more than 1,000 children in the age bracket of 5-12 years are learning through the ICT-enabled smart classes.
- The Foundation has also set up five nutritional gardens in primary schools of all five villages, namely Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur of Arajiline Block in Varanasi with the objective of supplementing the nutritional needs of the rural children.
- In these above-mentioned 5 villages, the Foundation also promoted best practices for agriculture for the farmers. One farmer group (Gram Kisan Vikas Samiti) was created for each village comprising more than 50 farmers for agriculture training. These farmer groups were provided with agricultural inputs such as reaper, irrigation pipe, drums, vermi pit bags for use in a collective approach, and have been facilitated to set up five vermi compost pits. Further, the farmer groups were also tasked with preparation of natural pesticides with the objective of improving the soil fertility.



Mamta Devi

Chamau, Varanasi

Mamta Devi has been running a general store in Chamau in the Harahua block of Varanasi for almost 8 years. She had availed two small loans from micro institutions to manage the daily operations of the store. When India was in the grasp of the COVID-19 pandemic, like several others, her business started suffering and she was unable to pay the dues on time, which impacted her CIBIL score. A low CIBIL score closed the doors to avail new loans, which impacted her day-to-day operations adversely. Owing to low levels of literacy and awareness, Mamta Devi was also not aware of the other financial institutions.

Meanwhile, she was selected by Utkarsh Welfare Foundation to participate in the Mahila Udyami Shaktikaran Programme (MUSP). The objective of the programme was to set up and encourage women-led micro-enterprises in Varanasi through end-to-end interventions, such as inculcating business skills, financial literacy training, sourcing credit and enabling improved market connect. The programme also trained the women



entrepreneurs on business registrations and ITR filings to ensure access to loans from banks and other financial institutions.

This programme helped Mamta Devi learn new concepts and ways to run her business efficiently. Under the guidance of the Foundation, she has registered her shop and obtained a food licence to sell packaged food items. She has also learned to file ITR, and is confident in her ability to run the business, and keep expanding it.

Raj Kumar

Pure, Varanasi

Raj Kumar has been running a manufacturing business of bags and other related products. He has a limited education exposure, till senior secondary, due to his huge responsibilities towards his family from a very young age. He started his own business in 2016 with a capital of ₹ 80,000. However, he was failing to earn to good profit from the business, and most of his profits were getting absorbed into the business for its day-to-day operations.



In 2020, Raj Kumar was selected by Utkarsh Welfare Foundation for the Micro-Enterprise Promotion Programme (MEPP), which was a 2-day programme funded by SIDBI. The objective of this programme was to mobilise and spread awareness in the community about enterprise development and help in basic capacity building. The programme was organised with the intent to provide support to rural entrepreneurs by disseminating information about the market and its outreach. The programme also provided technical assistance and maintenance of basic records such as balance sheets and ledgers.

Predominantly, the programme helped entrepreneurs identify new opportunities for expansion of their business and educated them on financial and non-financial services and sources which are available and are required for the growth of the business.

The programme inculcated a vast knowledge and awareness in Raj Kumar, and helped him expand his business by facilitating a credit linkage of ₹ 4.75 lakh from Hero FinCorp. This has enabled him to earn a monthly income of ₹ 25,000 to ₹ 30,000, and an average monthly net profit of ₹ 6,000. With the help of this, Raj Kumar restructured his life in a better way.

Radha Devi

Kankhal, Haridwar

Radha Devi's husband, Mahendra is the sole earning member of the family of three, who works as a rickshaw driver. The monthly household income of the family is a mere ₹ 8,000. The inability of Radha and Mahendra to plan their family expenses had an impact on their monthly sustenance, and the family was trapped in a vicious cycle of poverty. This would force Radha Devi to buy groceries on credit during the fag end of the month. Radha Devi had one wish. To break out of this vicious life.

Both Radha and Mahendra attended the Financial Literacy Training conducted by Utkarsh Welfare Foundation in Kankhal village. The programme was conducted for 3 straight days, and was focussed on creating financial awareness and educating people on planning their finances well. The programme helped the duo learn about various financial concepts such as Financial Planning, Budgeting and Savings, among others. They also attended the refresher training in which they were enlightened on the concept of vicious cycle of poverty and ways to break out of it.

Post the training, Radha and Mahendra started keeping track of their monthly income and expenses, and started budgeting and cutting out unnecessary expenses such as expenses for the consumption of tobacco, meat, among others. The budgeting helped them shed ₹ 1,800 every month from their expenses.

Radha Devi also joined a Self-Help group and availed a loan of ₹ 20,000 from a Microfinance Institution. She used the amount to open a small shop in front of her house, which has helped her to diversify the household income, and reduce dependency on Mahendra for their monthly income.

On the back of these measures, the duo has improved their life significantly. On embarking upon this new journey of being financially independent, Radha has also gained confidence and is a part of the family's financial decisions now.



Governance

Our governance framework is backed by values, ethical business practices and targeted policies. Basis our governance framework, the senior management reports to the Board of Directors on a periodic basis, and the Board supervises the various functions at the Bank.

We have 8 Board members, including 5 Independent Directors. Our Board brings to the table diverse skills and expertise in the fields of banking, finance, accounts, sales and marketing, business management, leadership and governance, legal and regulatory matters and risk management, and relevant technologies. The Board meets at periodic intervals to review the Bank's performance.



Mr. Parveen Kumar Gupta

Independent Director and Part Time Non-Executive Chairman

A graduate in commerce from Guru Nanak Dev University and an associate member of the Institute of Company Secretaries of India, he is an Independent Director and Part Time Non-Executive Chairman of our Bank. He is also a certified associate of the Indian Institute of Bankers.

He retired as the Managing Director, Retail and Digital Banking, from State Bank of India (SBI) in 2020. He leverages his rich experience of more than 37 years and multiple functions in the banking sector. He has held various positions in the SBI group, ranging from managing director (compliance and risk), deputy managing director and chief financial officer (global markets), whole-time director, managing director, chief general manager (global markets) in SBI to chief executive officer in SBI Capital Markets Ltd. and deputy chief executive officer in SBI-MACQUARIE Infra. Mgmt. (P) Ltd.



Mr. Ajay Kumar Kapur

Independent Director

An industrial engineer from University of Roorkee (now known as Indian Institute of Technology, Roorkee), He is an acting Independent Director at our Bank. He was previously associated with Punjab Tractors Limited, Industrial Development Bank of India, India SME Technology Services Limited and SIDBI.

**Mr. Kajal Ghose**

Independent Director

A graduate in commerce from Ranchi University, and a diploma holder in human resources development from All India Institute of Management Studies, Chennai, he is an Independent Director at our Bank. He is also a certified associate of the Indian Institute of Bankers.

His previous stint includes serving as the chief general manager at SBI, and as a consultant with PayU Payments Private Limited, Stratosphere IT Services Private Limited and Kovid Group Analytics India Private Limited. He has also been a member of the board of advisors of Datawise Management Services India Private Limited. He currently is a member of the investment committee of New Leaf Investment Advisors LLP.

**Mr. Nagesh Dinkar Pinge**

Independent Director

A graduate in law from the University of Mumbai and a qualified chartered accountant registered with the ICAI, he is an Independent Director at our Bank. He was previously associated with Tata Motors Limited, JSW Energy Limited, Reliance Retail Limited, ICICI Bank Limited and NKGSB Co-op Bank Limited.

**Ms. Kalpana Prakash Pandey**

Independent Director

A graduate in science (chemistry, physics and mathematics) and master's degree holder in science (physics) from Garhwal University along with another master's degree in technology (computer science and technology) from the University of Roorkee (now known as IIT Roorkee), she is an Independent Director at our Bank. Further, she also holds a post-graduate diploma in electronics and communication engineering from the University of Roorkee.

She has prior experience as the managing director and chief executive officer of CRIF High Mark Credit Information Services Private Limited, an RBI licensed credit bureau. She has also been associated with IDBI Principal Asset Management Company, SBI and HDFC Bank Limited.

**Mr. Muralidharan Rajamani**

Non-Executive Non-Independent Director

Mr. Muralidharan Rajamani is a Non-Executive Director of the Bank. He has over thirty five years of experience in the Banking Financial Services Industry with leadership positions in ICICI Bank, Dhanlaxmi Bank, L&T Financial Services and the like. He holds a B.Sc degree in Mathematics and a M.A degree in Economics from the University of Mumbai. He brings rich experience and thought leadership across business, strategy, technology, operations, service strategy and leadership development. A certified associate of Indian Institute of Bankers, he has also gone through programs from Stanford University and University of Michigan.

**Mr. Chandra Shekhar Thanvi**

Nominee Director - SIDBI

A Bachelor of Technology degree holder in Mining Engineering from Banaras Hindu University, and a master's degree in business administration from the University of Rajasthan, he acts as a Nominee Director (nominee of SIDBI) at our Bank. He is serving as the chief general manager, heading the administration and premises vertical and the MSME promotional initiatives vertical in SIDBI.

Before SIDBI, he worked in Hindustan Zinc Limited between 1985 and 1994. He has been working with SIDBI since 1994 and has held various positions, including chief executive officer of India SME Technology Services Ltd. and chief executive officer of National Credit Guarantee Company Ltd.

**Mr. Govind Singh**

Managing Director & CEO

A commerce graduate from Delhi University and a certified associate of the Indian Institute of Bankers, he is the Managing Director and Chief Executive Officer at our Bank. He was previously the assistant general manager at ICICI Bank Limited. He has also been associated with Surya Fincap Limited, UTI Bank Limited, Allahabad Bank, State Bank of Patiala and Bank Internasional Indonesia.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Mr. Nagesh Dinkar Pinge* – Chairperson
 Mr. Ajay Kumar Kapur* – Member
 Mr. Kajal Ghose* – Member
 Ms. Kalpana Prakash Pandey* – Member

CAPITAL STRUCTURING & FUND RAISE COMMITTEE

Mr. Parveen Kumar Gupta* – Chairperson
 Mr. Nagesh Dinkar Pinge* – Member
 Mr. Govind Singh – Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Muralidharan Rajamani – Chairperson
 Ms. Kalpana Prakash Pandey* – Member
 Mr. Ajay Kumar Kapur* – Member
 Mr. Govind Singh – Member

CREDIT APPROVAL COMMITTEE

Mr. Parveen Kumar Gupta* – Chairperson
 Mr. Ajay Kumar Kapur* – Member
 Mr. Kajal Ghose* – Member

CUSTOMER SERVICE COMMITTEE

Ms. Kalpana Prakash Pandey* – Chairperson
 Mr. Chandra Shekhar Thanvi – Member
 Mr. Muralidharan Rajamani – Member
 Mr. Parveen Kumar Gupta* – Member
 Mr. Govind Singh – Member

IT STRATEGY COMMITTEE

Mr. Kajal Ghose* – Chairperson
 Mr. Nagesh Dinkar Pinge* – Member
 Ms. Kalpana Prakash Pandey* – Member
 Mr. Muralidharan Rajamani – Member
 Mr. Arun Raman – Member
 Mr. Govind Singh – Member

NOMINATION AND REMUNERATION COMMITTEE

Mr. Kajal Ghose* – Chairperson
 Mr. Parveen Kumar Gupta* – Member
 Mr. Muralidharan Rajamani – Member

REVIEW COMMITTEE FOR IDENTIFICATION OF WILFUL DEFAULTERS

Mr. Govind Singh – Chairperson
 Mr. Chandra Shekhar Thanvi – Member
 Mr. Nagesh Dinkar Pinge* – Member

RISK MANAGEMENT COMMITTEE

Mr. Ajay Kumar Kapur* – Chairperson
 Ms. Kalpana Prakash Pandey* – Member
 Mr. Muralidharan Rajamani – Member
 Mr. Parveen Kumar Gupta* – Member
 Mr. Govind Singh – Member

SPECIAL COMMITTEE FOR CORPORATE OFFICE BUILDING PROJECT

Mr. Govind Singh – Chairperson
 Mr. Chandra Shekhar Thanvi – Member
 Mr. Kajal Ghose* – Member
 Mr. Nagesh Dinkar Pinge* – Member
 Mr. Parveen Kumar Gupta* – Member

SPECIAL COMMITTEE TO MONITOR LARGE VALUE FRAUDS

Mr. Govind Singh – Chairperson
 Mr. Chandra Shekhar Thanvi – Member
 Mr. Kajal Ghose* – Member
 Mr. Nagesh Dinkar Pinge* – Member
 Mr. Parveen Kumar Gupta* – Member

STAKEHOLDER'S RELATIONSHIP COMMITTEE

Mr. Muralidharan Rajamani – Chairperson
 Ms. Kalpana Prakash Pandey* – Member
 Mr. Ajay Kumar Kapur* – Member
 Mr. Govind Singh – Member

* Independent Director

LEADERSHIP TEAM

**Mr. Alok Pathak**

Chief Risk Officer (CRO)

Mr. Alok Pathak is the Chief Risk Officer of our Bank. He holds a bachelor's degree in science from Shri Shahu Ji Maharaj University, Kanpur, a diploma in information and systems management from Aptech. He has passed the Certified Banking Compliance Professional Examination and the CAIIB Examination conducted by the Indian Institute of Banking and Finance. He has experience in the fields of risk management and treasury management. He has previously worked at Yes Bank Limited as executive vice president – risk management, Axis Bank Limited as deputy vice president in the risk department and State Bank of Mysore as deputy manager (dealer in treasury).

**Mr. Arun Raman**

Head – IT & Operations

Mr. Arun Raman is the Head – IT & Operations of our Bank. He holds a bachelor's degree in engineering (computer science) from University of Madras and a post-graduate diploma in management from Indian Institute of Management, Lucknow. He has experience in the field of operations. He has previously worked at Ahli Bank as its deputy head of operation, Citibank as assistant manager, Emirates Bank International PJSC as product development officer, HSBC Bank, Middle East as a credit card manager, ICICI Bank Limited as its joint general manager, Manappuram Finance Limited as its executive vice president – operations and Bandhan Bank Limited as head – banking operations and customer services.

**Mr. Hitain Sharma**

Chief Human Resources Officer (CHRO)

Mr. Hitain Sharma is the Chief Human Resources Officer of our Bank. He holds a bachelor's degree in hotel management from Bangalore University and a postgraduate diploma in business analysis and skills execution from Symbiosis Institute of Business Management, Pune. He has experience in the field of human resources and industry relations. He has previously worked at Aditya Birla Sun Life Insurance Limited as vice president – human resources, Kotak Mahindra Bank Limited as vice president, Tata AIG General Insurance as its assistant manager – human resource department, Balsara Home Products Limited as its Manager – human resource department and Shaw Wallace Distilleries Limited.

**Mr. Mukund Barsagade**

Chief Financial Officer

Mr. Mukund Barsagade is the Chief Financial Officer of our Bank. He holds a bachelor's degree in commerce from Nagpur University, diploma in international financial reporting from the Association of Chartered Certified Accountants and is a qualified chartered accountant from the ICAI. He has experience in the field of financial management and has previously worked at FINO Payments Bank Limited, FINO PayTech Limited, GE Capital Services India, India Factoring and Finance Solutions Private Limited, Experian Services India Private Limited and Transamerica Apple Distribution Finance Limited.

**Mr. Peeush Jain**

Head – Liabilities

Mr. Peeush Jain is the Head – Liabilities of our Bank. He holds a bachelor's degree in science from Kurukshetra University. He has experience in retail banking and has previously worked at Lakshmi Vilas Bank Limited as its senior vice president and head - retail banking, the Royal Bank of Scotland N.V. as its vice president – wealth management, Anchor Financial Services Limited as its sales executive and the Hongkong and Shanghai Banking Corporation Limited as its specialist contract officer – field sales officer.

**Mr. Rahul Dey**

Head – Internal Audit

Mr. Rahul Dey is the Head – Internal Audit of our Bank. He holds a bachelor's degree in forestry from the North Eastern Regional Institute of Science and Technology, Nirjuli, Itanagar and a post-graduate diploma in rural management from Xavier Institute of Management, Bhubaneswar. He is a junior associate of the Indian Institute of Banking & Finance. He has experience in the banking and microfinance sector. He has previously worked at Ujjivan Financial Services Private Limited as its regional business manager, Spandana Spoorthy Financial Limited as its zonal manager, Anjali Microfinance Private Limited as its regional sales manager, ICICI Bank Limited as its manager, at BILT Tree Tech Limited as its assistant manager, and at our Promoter as its vice president.

**Mr. Rahul Sinha**

Head – Collections, Risk Containment Unit and Data Analytics

Mr. Rahul Sinha is the Head – Collections, Risk Containment Unit and Data Analytics of our Bank. He holds a bachelor's degree in science from University of Delhi. He has experience in the field of lending and has previously worked at Bajaj Finance Limited as its business head – MSME lending, Tata Motors Limited (formerly known as Tata Engineering and Locomotive Company Limited), ICICI Bank Limited as its assistant general manager, and at Reliance Capital Limited as its vice president – sales & distribution.

**Mr. Sachin Patange**

Chief Compliance Officer

Mr. Sachin Patange is the Chief Compliance Officer of our Bank. He holds a bachelor's degree in commerce from University of Bombay and a master's degree in business administration (human resource management) from Symbiosis Institute of Business Management, Pune. He is a certified associate from the Indian Institute of Bankers. He has experience in providing regulatory compliance services covering RBI regulations. He has previously worked at DCB Bank Limited as its chief compliance officer, Australia and New Zealand Banking Group Limited as its head of compliance, Reserve Bank of India as a deputy general manager – department of banking operations and development and at Datamatics Limited.

**Mr. Trilok Nath Shukla**

Head – Micro Banking

Mr. Trilok Nath Shukla is the Head – micro-banking business of our Bank. He holds a bachelor's degree in science from Purvanchal University, Uttar Pradesh. He has experience in the field of administration and human resource development services. He has previously worked at Cashpor Micro Credit as general manager, human resource development and has been a whole time Director of our Promoter Company.

**Mr. Muthiah Ganapathy**

Company Secretary & Compliance Officer

Mr. Muthiah Ganapathy is the company secretary of our Bank. He is also the compliance officer at our Bank. He has experienced in the field of in Corporate Secretarial Matters, Statutory Records & Agenda, Compliance, Corporate Governance, Due Diligence, IPO & Pvt. Placement Documentations, Merger & Acquisition, Legal Affairs, Liaison-Regulators & External Agencies, and Internal Audits. Muthiah is a Company Secretary from The Institute of Company Secretaries of India, Mumbai, LL.B. from University of Mumbai and MFM (Finance) from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has experience with NeoGrowth Credit Private Limited as Company Secretary – Vice President Legal, Secretarial and Compliance and Aditya Birla Finance/Aditya Birla Housing Finance Ltd. As Company Secretary. He has been recognised as Compliance Champion of the year 2019 by UBS Forums Compliance Leadership Summit & Awards and ACE award by Aditya Birla Finance Ltd.

**Mr. Raj Kishore Prasad**

Head – Government & Institutional Business

Mr. Raj Kishore Prasad is the Head – Government & Institutional Business of our Bank. He holds a Master's degree in Business Administration from Berhampur University, Odisha and has done B. Com. from Utkal University, Odisha. He has a rich experience of over 24 years in Wholesale & Retail Banking, Government and International Business at mid and senior level. Prior to Utkarsh, he has worked with Axis Bank Ltd. as Head – Trade, Forex Products & Services. He also had stints with RR Financial Consultants Ltd.

**Mr. Amit Acharya**

Head – Credit

Mr. Amit Acharya is the Head – Credit of our Bank. He is a Post Graduate in Physics from Institute of Physics & Electronics, Barkatullah University, Bhopal. He has over 19 years of experience in Retail Lending & Banking with expertise in credit risk management, credit policy & portfolio monitoring, startup launch & turnarounds, Business transformation & Process re-engineering across all spectrum of secured and unsecured lending products. He has worked with Axis Bank for 16 years in Retail Lending with exposure in multi-functional roles with wide geographic exposure. His last assignment was Head-Credit Quality and Internal Controls-Retail Assets, Credit Cards, Rural & MSME. He also had stints with Kotak Bank and ICICI Bank among others.


Mr. R Murugesan

Chief of Internal Vigilance (CIV)

Mr. R Murugesan is the Chief of Internal Vigilance (CIV) of our Bank. He has done his M.Phil. (Commerce) from Alagappa University and holds a PGDPM from Annamalai University. He also holds a CAIIB certification. He is an experienced Banker with more than 37 years of rich and qualitative experience in Banking and Control functions. Prior to Utkarsh, he has worked with Canara Bank, Bengaluru as – DGM in Vigilance Wing. He has been with Canara Bank since the start of his career and has been a part of various Business and Control functions.


Mr. Sarvesh Kumar Rastogi

Internal Ombudsman

Mr. Sarvesh Kumar Rastogi is the Internal Ombudsman of our Bank. He has done B.Sc. and M.Sc. in Physics from Hindu College, Moradabad, Uttar Pradesh. He has over 38 years of experience in the domain of BFSI (Banking, Financial Services and Insurance). Prior to joining Utkarsh, he has worked with Bank of Baroda as Deputy General Manager. He has a rich experience in the domain of Retail Banking, MSME, Operations, Projects and General Administration. He joined our Bank Internal Ombudsman with effect from December 13, 2021.


Mr. Abhijeet Bhattacharjee

Chief Information Officer

Mr. Abhijeet Bhattacharjee, is the Chief Information Officer (CIO) of our Bank. He has done B.Sc. in Economics and Mathematics from University of Kolkata, Post Graduate Diploma in Information Management, and a Master's in Information Management from Mumbai University. He has 24 years of rich experience in the IT space managing entire technology stack including preparation of technology strategy, infrastructure setup, and technology operations to application rollout and support. He also has a successful track record of spearheading several digital transformation programs. He has worked with RBL Bank Ltd., Royal Bank of Scotland, ABN AMRO Bank, and UTI Bank. He held the post of Senior Vice President – Technology in his last assignment with RBL Bank Ltd.


Mr. Mohit Wahi

Head of Wholesale Banking (NBFC)

Mr. Mohit Wahi is the Head of Wholesale Banking (NBFC) of our Bank. He has done his Bachelor of Arts (Vocational Studies) from College of Vocational Studies, Delhi University. He has a rich experience of more than 21 years in BFSI and FMCG Sectors and has worked with DCB Bank Limited and ICICI Bank Limited in various roles in his earlier stint. His last assignment was with IDFC Bank Limited as Senior Relationship Manager–Commercial Banking (SME).


Mr. Manoj Muttathil Ayyappan

Business Head-MSME

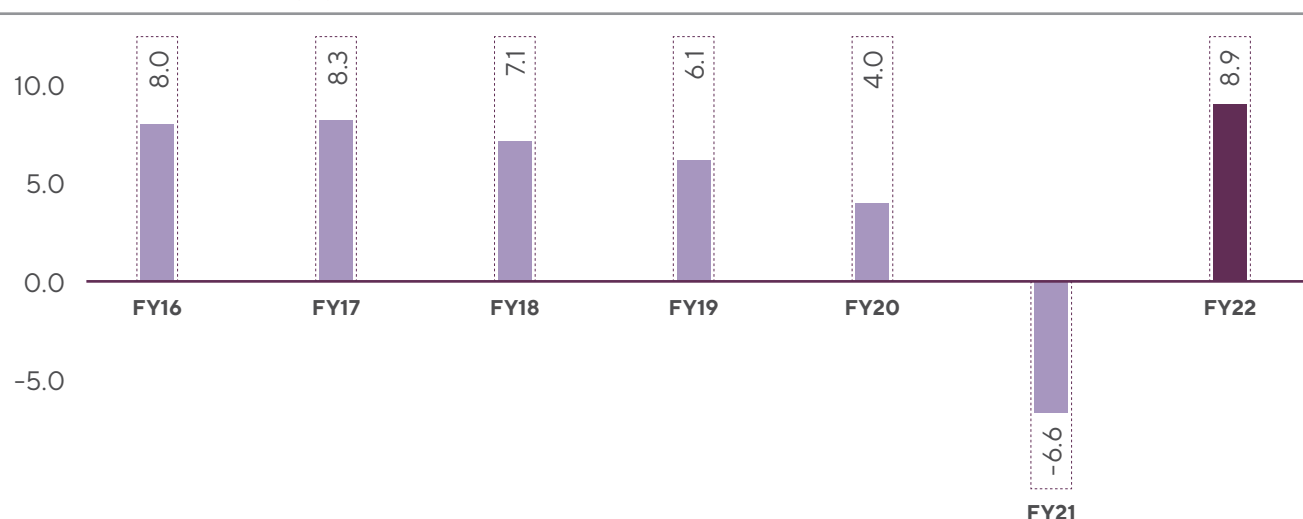
Mr. Manoj Muttathil Ayyappan, is the Business Head-MSME. He holds a Master's degree in Business Administration and has done B.Sc. from Mahatma Gandhi University, Kottayam, Kerala. He has a rich experience of over 20 years in SME lending, financial analysis, trade finance, risk models, stress account management and credit operations. Prior to Utkarsh, he has worked with Axis Bank Ltd. as Circle Head-Commercial Banking. He also had stints with Accenture Management Consulting, Infosys BPO Ltd and Bank of Madura Ltd.

Management Discussion and Analysis

INDIAN ECONOMY REVIEW

The world saw the onset of the COVID pandemic in FY 2020-21, which impacted not just the Indian economy but also the world economy exponentially. In FY 2021-22, the Indian economy was headed for a recovery, aided by increasing vaccinations and the operations across the country gradually heading towards normalcy on the back of favourable government policies and support. However, outbreak of new variants, supply chain disruptions, and the recent rise in inflation, have made policymaking challenging. To address these challenges, the Government increased infrastructure expenditure to not only restore medium-term demand but also enact significant supply-side reforms to position the economy for long-term growth. As per the second advance estimates of the National Statistics Organisation (NSO), the Indian economy was estimated to grow at 8.9% in FY 2021-22 compared to a contraction of 6.6% in FY 2020-21. On the brighter side, the impact of the third wave of the pandemic on recovery was also minimal compared to the previous waves.

India Economic Growth (%)



Source: National Statistics Office 2nd Advance Estimates dated February 28, 2022

The increasing government funding in public infrastructure is expected to encourage growth and attract private investment through a strong multiplier effect in the industry. However, supply-side bottlenecks are expected to remain persistent with gradually rising international crude oil prices and growing raw material costs in FY 2022-23. The availability of budgetary space to ramp up capital spending, advantages from supply-side reforms, regulatory relaxation, and continued export growth will also contribute to growth in FY 2022-23. As per IMF's World Economic Outlook projections, India's real GDP is projected to grow at ~8.9% in FY 2022-23 and 7.1% in FY 2023-24, which is expected to make India the fastest growing major economy in the world for all 3 years between FY 2021-22 and FY 2023-24.

INDUSTRY OVERVIEW

Indian Banking Industry

The Indian banking industry comprises 12 public sector banks, 22 private sector banks, 44 foreign banks, 43 regional rural banks, 1,484 urban cooperative banks, and 96,000 rural cooperative banks. According to RBI, the bank credit stood at ₹ 120.87 Lakh Crore as on April 22, 2022, growing by 9.91% y-o-y. Further, the total deposits in the banking sector registered a y-o-y growth of 9.65% to reach ₹ 170.61 Lakh Crore on April 22, 2022. The growth in the deposits and credit in the banking sector was largely driven by the increase in disposable incomes and increasing focus on an improved lifestyle, despite the disruptions caused by the second and third wave of the pandemic in FY 2021-22. With the onset of the pandemic since 2020, the economy got disrupted extensively, and consumer spendings took a hit. Hence, the growth in deposits can be attributed to reduction in spending by consumers. In FY 2021-22, the deposits in the banking sector was estimated to recover, aided by the economic recovery and the increase in consumer spending. With banks reducing the interest rates in line with market rates, investors are expected to seek alternate avenues to park their funds leading to moderate growth of 6-8% CAGR in deposits between FY 2020-21 and FY 2023-24. The total banking sector assets stood at ₹ 3.15 Lakh Crore as on April 22, 2022, growing at 18.46% y-o-y.

The gross non-performing advance (GNPA) ratio of scheduled commercial banks in India has improved from 7.3% in March 2021 to 6.5% in December 2021. The net non-performing advance (NNPA) ratio of SCBs stood at 2% in December 2021 compared to 2.4% in March 2021. Further, the GNPA and NNPA of private sector banks moderated from 4.7% and 1.4% respectively in March 2021 to 4.2% and 1.2% respectively in December 2021. This indicates the economic recovery of the country, and how India is heading for a recovery post the onslaught of the COVID-19 pandemic.

Capital to Risk weighted Asset Ratio (CRAR) of scheduled commercial banks in India saw an improvement from 14.8% in March 2020 to 16.3% in March 2021, and remained constant at 16.3% till December 2021. Further, the private sector banks saw a recovery from 16.6% in March 2020 to 18.4% in March 2021, before encountering a small reduction to 18.2% in December 2021. This year-on-year recovery was on the back of the capital infusion by the Government alongside fund raising from the markets, while private sector banks tapped capital from market sources. The annualised return on assets (RoA) of scheduled commercial banks have grown from 0.7% in March 2021 to 0.86% in December 2021, while the annualised return on equity (RoE) improved from 7.88% to 9.36% during the same period, validating the banking sector's renewed optimism. Further, the RoA of private banks grew from 1.22% in March 2021 to 1.32% in December 2021 on one hand, and its RoE grew from 10.5% in March 2021 to 11.08% in December 2021 on the other.

(Source: IBEF, Economic Survey)

Small Finance Banking Industry

The Reserve Bank of India (RBI) awarded small finance bank (SFB) licence to 12 institutions, with the objective of ensuring financial inclusion and catering to the financial needs of the unbanked and underbanked sections of the society. This financial assistance will be provided with the help of savings instruments and supplying credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sectors.

SFBs are relatively new in the banking sector, and have been growing exceptionally well, by making strong inroads into credit market. The incremental market share of SFBs in credit as on September 2021 was pegged at 8%. In its span of 3.5 years, SFBs have made their mark in the banking sector, and have carved a market share of 5.6% in small loans. Further, SFBs have also clocked a 42% CAGR for their loans, compared to a 13% for private banks, 8% for foreign banks and 2% for public sector banks, during the same period. This growth has been spearheaded by the niche carved out by the SFBs in the small-ticket loans, which account for ~40% of total SFB loans.

The beginning of FY 2021-22 was a challenging time for the country as the pandemic resurged with its Delta Variant causing much stress to the health infrastructure and impacting the socio-economic sector inadvertently. Owing to the second wave, the GNPA of SFBs stood at 6.4% in September 2021 compared to 5% in March 2021. The second wave also impacted the AUM growth of SFBs in H1 FY 2021-22. However, owing to the increase in disbursements in the second half of the year, the annual growth was better than the previous fiscal. The asset under management (AUM) for small finance banks is estimated to register a growth of 20% y-o-y in FY 2021-22, compared to 18% growth in FY 2020-21. Further, the AUM for SFBs grew at a CAGR of ~30% between 2015-16 and FY 2019-20. Over, the last 2 years, this growth has subdued slightly owing to the liquidity crisis and the COVID-conundrum, which disrupted the entire economy. The current account savings account (CASA) ratio of SFBs has been improving over the past few years. The CASA ratio of SFBs during FY 2021-22 stood at an average of 24 %.

(Source: CSFB, ICICI Securities, ICRA)

Demand Drivers

- **Increasing population:** India is the second-largest populous country in the world with a population of 1.37 billion in 2021, thereby, driving the need of financial assistance
- **Rising disposable incomes:** The per capita net national income in India is estimated at ₹ 1,50,326 in FY 2021-22 compared to ₹ 1,28,829 in FY 2021-22 at current prices, thereby, indicating the increasing ability to spend and save
- **Credit underpenetration:** The rural geographies of India account for almost half of the GDP of the country. However, the credit penetration in these geographies stand lower than 10%, thereby, indicating huge headroom of growth

- **Increasing demand in construction space:** Aided by increasing demand of residential construction, the year 2021 saw 51% y-o-y growth in residential construction sales to reach 2,32,903 units, thereby, driving the financial assistance required to afford one
- **Low-cost funds:** SFBs provide access to the unbanked and underbanked masses with low-cost funds owing to their CASA deposits, which give them an edge over non-banking financial companies. Owing to the ability to raise CASA deposits, the SFBs are able to provide credit to its customers at lower interest rates

Microfinance Industry

Microfinance institutions (MFIs) and non-banking financial companies (NBFCs) generally service in markets where commercial banks cannot reach. These institutions are also focussed on financial inclusion in underbanked locales of the country. Such institutions provide door-to-door service and primarily bank on their enduring relationship with customers on the back of strong engagement. Owing to their need of constant engagement with customers and each institutions covering a huge ground, the operating costs are relatively high.

With MFIs playing a pivotal role in furthering financial inclusion, the gross loan portfolio (GLP) of the microfinance sector registered a y-o-y growth of 5.16% to reach ₹ 2.43 Lakh Crore as on September 30, 2021, compared to ₹ 2.31 Lakh Crore as on September 30, 2020. Further, the industry served 5.65 Crore unique borrowers, as on September 30, 2021.

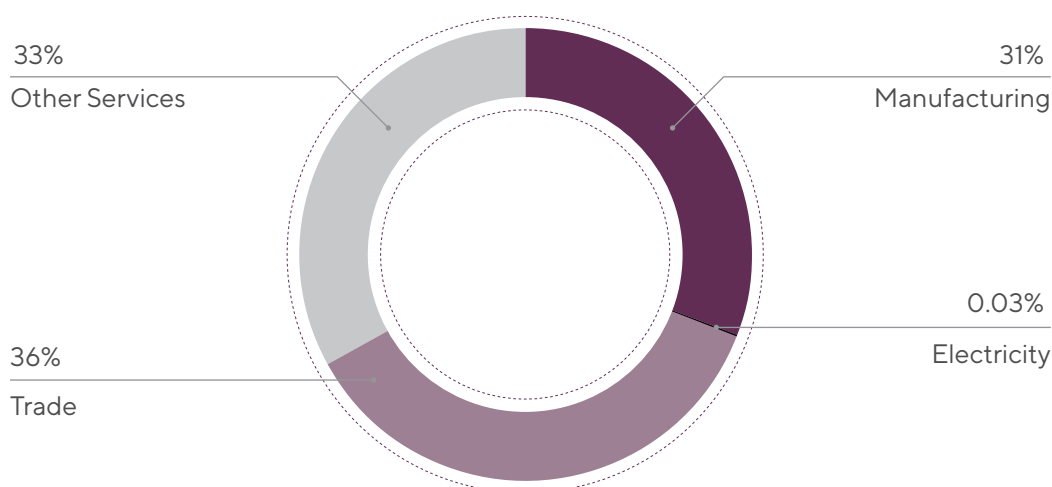
NBFC-MFIs (non-banking financial company-microfinance institution) are the second largest provider of micro-credit with a loan amount outstanding of ₹ 82,749 Crore during the same period. This outstanding amount carves 33.95% to the total industry portfolio. The asset under management (AUM) of NBFC-MFIs is estimated to clock a y-o-y growth of 12-14% in FY 2021-22, and is projected to grow at 18-22% in FY 2022-23 with the continuous revival of the economy and banking sector coupled with restructuring of AUM. The NBFC-MFIs are the second largest contributor of micro-credit in India with a market share of 34.2%, followed by small finance banks which carve a share of 16.7%.

(Source: ICRA, MFIN, Economic Survey)

Micro Small and Medium Enterprises (MSME)

The MSME sector is one of the major contributors of the Indian economy, with a total count of ₹ 633.88 Lakh MSMEs in the country. Of this, the majority chunk of ₹ 324.88 Lakh MSMEs are based out of rural geographies.

Estimated MSME Distribution by Sector (%)



Source: Ministry of Micro, Small & Medium Enterprises – Annual Report

The overall expenditure of the MSME Ministry was pegged at ₹ 10,761.72 Crore between April-December 2021, out of the total allocated budget of ₹ 15,700 Crore for FY 2021-22, clocking a utilisation rate of 68% for 9M FY 2021-22. The Government again increased its budgetary allocation for MSMEs to drive the growth of small and medium sized businesses. The Budget FY 2022-23 saw an allocation of ₹ 21,422 Crore compared to previous year's ₹ 15,700 Crore, registering a y-o-y growth of 26.71%.

The outstanding micro and small loans in India stood at ₹ 4,95,281 Crore as on March 31, 2022 compared to ₹ 4,07,675 Crore as on March 31, 2021, clocking a y-o-y growth of 21.5% on the back of a revision in the definition of MSMEs, thereby increasing the number of firms coming under the purview of MSME. The advances to medium enterprises stood at ₹ 2,42,269 Crore as on March 31, 2022 compared to ₹ 1,41,339 Crore as on March 31, 2021, registering a y-o-y growth of 71.4%.

(Source: msme.gov.in, IBEF)

Housing Finance

With the pent-up demand in the housing construction space, and the increasing demand for affordable homes, the housing finance sector has also seen a recovery in FY 2021-22. Housing finance companies were estimated to grow at 8-10% in FY 2021-22 on the back of the recovery seen after the second wave of the pandemic. Going forward, the growth is likely to continue on the back of healthy demand in the housing industry. Though the first quarter of the fiscal was impacted by the second wave, the GNPA's saw a recovery from the second quarter by decreasing by 50 bps. However, the GNPA's for the entire fiscal was expected to be slightly higher than the previous year.

With adoption of new guidelines and improvement in per capita disposable incomes, the GNPA's are expected to stay in control. On the back of this recovery phase, the housing finance space is projected to grow by 9-11% in FY 2022-23.

(Source: ICRA)

THE BANK'S OVERVIEW

Banks and Financial Institutions play a pivotal role in ensuring the sustainable and well-diversified growth of a country. Banks and Financial Institutions ensure adequate flow of credit to all deserving sectors, industries, and borrowers. Given this background, the role of Small Finance Banks (SFBs) becomes significant in relatively under-penetrated geographies and serves primarily the unserved and underserved population of the country.

Utkarsh Small Finance Bank Limited (USFBL) was incorporated on April 30, 2016 as a public limited company under the Companies Act, 2013, with its headquarters at Varanasi in Uttar Pradesh. Further, the Bank received the final approval from RBI to carry on the business as an SFB on November 25, 2016. The Bank started its operation on January 23, 2017, and is engaged in providing banking & financial services across strata, with a focussed approach on serving the underbanked and the unbanked sections of the society. Our promoter company, Utkarsh CoreInvest Limited (UCL) is an NBFC-CIC (NBFC – Core Investment Company). UCL began its journey as an NBFC in September 2009, with a focus on providing microfinance lending to the unserved and underserved people of Uttar Pradesh and Bihar.

The second wave of the pandemic caused significant disruption across the country at the beginning of FY 2021-22 which had caused a severe health crisis across the country. Despite this, the Bank was able to offer seamless customer service through its digital platforms and physical service, keeping in mind the health protocols to safeguard the health of the employee and the customers. The Bank invoked Business Continuity Plan (BCP) ensuring all payment systems were fully operational. As the COVID impact started to recede towards the second half of FY 2021-22, the Bank began operating in near normalcy levels.

The collective effort of the team steered by an able leadership reiterated the significance of being adaptable and nimble during challenging periods, this concerted efforts led the Bank to launch new products and services catering to the requirement of its customers.

To penetrate its services to wider geographies and also ensure sustainable and diversified growth, the Bank is continuously expanding its reach across the country, by leveraging the experience gathered over the years. As of March 31, 2022, the Bank is present in 22 states and union territories with 686 banking outlets spread across 224 districts and serving a total customer base of more than 3 million, supported by a strong workforce of 12,617 employees. The Bank has well penetrated rural and semi-urban presence, which apart from the significant potential

for growth also helps in comfortably meeting RBI's requirement of a minimum of 25% of branches in Unbanked Rural Centres (URCs).

As of March 31, 2022, 27.70% of the Bank's banking outlets were located in URCs as against the regulatory minimum requirement of 25%.

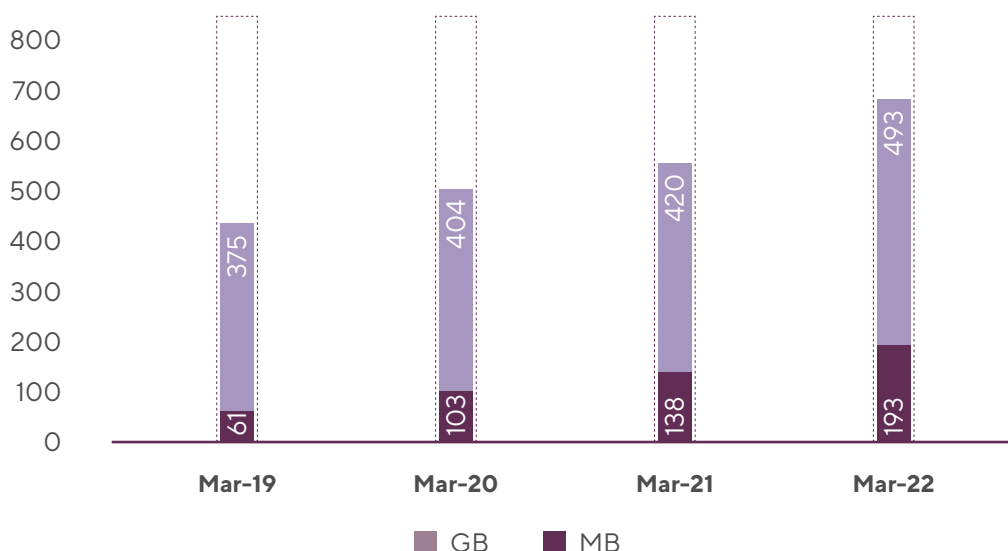
The Bank has significant experience and track record in micro finance lending (including through its promoter company, UCL) which remains a strong suite for the Bank. While the Bank continues to build its microfinance business and franchise, over the years, the Bank in addition has focussed on diversifying its product portfolio through the build-up of another retail lending book. The Bank has augmented its product profile by offering retail loans comprising unsecured loans such as business loans, personal loans and also secured business loan, loans against property, housing loans with a focus on affordable housing, CV & CE loans, gold loans, wholesale lending, both short-term and long-term loan facilities to SMEs, mid and large corporate and institutional clients. Our micro banking and retail loan products are primarily aimed at customers who are not a part of the formal banking net. On the liabilities side, the Bank offers savings account, current account and a variety of term and recurring deposit accounts.

Further, USFBL provides non-credit offerings comprising ATM-cum-debit cards, a bill payment system and distribution of third-party products such as insurance and mutual funds. USFBL's branches provide a full range of banking services as permissible for small finance banks. USFBL uses a digital platform to provide transactional ease through internet and mobile banking. The Bank launched its UPI App in FY 2021-22.

Despite the severe health crisis caused by the second wave with the Delta Variant, the Bank was able to overcome the challenges posed and the gross loan portfolio and deposits crossed ₹ 10,000 Crore in FY 2021-22 and stood at ₹ 10,630.72 Crore and ₹ 10,074.18 Crore respectively as on March 31, 2022.

In line with the objective of providing financial services to the customers in underserved and unserved sections of the society, USFBL has a widespread presence in under-penetrated geographies i.e. the states of Bihar and Uttar Pradesh. These two states together accounted for 60.80% of the portfolio of the Bank as of March 31, 2022 (65.93% as of March 31, 2021). These geographies offer the potential for growth for microfinance business and financial inclusion related opportunities. In addition, the Bank is expanding its presence to other states / geographies.

Expanding Branch Network



Despite the significant disruption caused by COVID-19 and subsequent socio-economic curbs, the Bank has opened 128 new banking outlets during FY 2021-22 (vs. 51 new branches during FY 2020-21). As a large number of new branches were opened in the second half of FY 2021-22 on account of severe COVID impact in the first half, the potential of these branches will be reflected going forward. This significant branch expansion will augur well for the Bank's plan of maintaining healthy and diversified growth. During FY 2021-22, the Bank expanded

its presence to four states in South India i.e. Andhra Pradesh, Tamil Nadu, Karnataka and Kerala, increasing its presence across the country.

As a clear and differentiated strategy, the Bank classifies its branches into two categories i.e. Micro Banking (MB) and General Banking (GB). Bank's MB branches are penetrated primarily in rural and semi-urban locations and are more focussed on offering micro-credit and other retail loans to its customers (joint liability group loans, individual loans, PM SVANidhi and vehicle loans) while also offerings deposits and payment services to the customers. GB branches are located primarily in metropolitan and urban locations that focusses more on garnering deposits as these locations offer sizeable potential for deposit mobilisation. The Bank, in addition, offers MSME, housing loan, CV / CE loans, and gold loan products through its select General Banking (GB) and Micro-Banking branches. As of March 31, 2022, the Bank was operating its MSME lending vertical and housing loan vertical across 66 and 44 branches respectively.

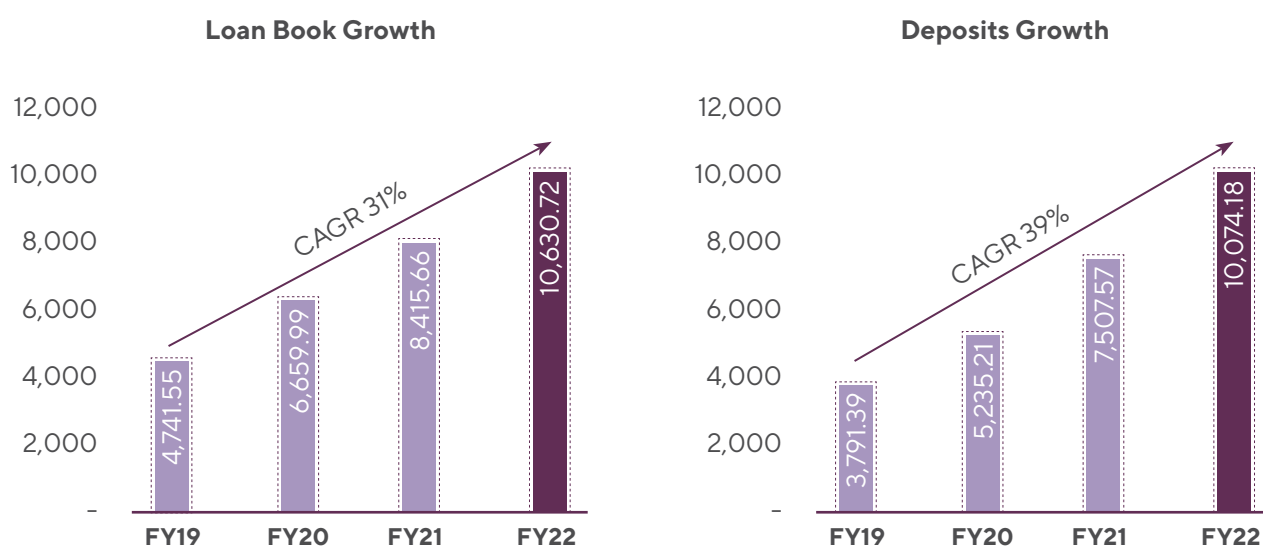
Apart from the branches, USFBL services customers through 525 ATMs (209 On-site, 6 Off-site and 310 Micro ATMs) along with seamless internet banking and mobile banking platforms. The Bank being cognizant of the effectiveness and the efficiencies that Micro ATMs can offer, more specifically in rural and semi-urban locations, it has installed Micro ATMs primarily in micro banking branches across the country to strengthen its reach and offerings further.

BUSINESS PERFORMANCE

The Bank has been able to maintain healthy business growth during FY 2021-22 despite the significant disruption caused by COVID-19. USFBL's total assets grew by 24.11% and crossed ₹ 15,000 Crore threshold during FY 2021-22 (total assets of ₹ 15,063.77 Crore as on March 31, 2022). The Bank's business growth is supported by its expanding franchise and presence and diversified product offerings. USFBL's gross loan portfolio and deposits grew by 26% and 34% respectively during FY 2021-22 and stood at ₹ 10,630.72 Crore and ₹ 10,074.18 Crore respectively as on March 31, 2022.

The Bank has a strong and established rural and semi-urban presence which is the backbone of its micro-finance and financial inclusion related businesses. The Bank's strong rural & semi-urban franchise is reflected in around 63.27% of its branches present in semi-urban and rural geographies as of March 31, 2022. Rural and semi-urban locations are relatively underpenetrated markets and offer good growth potential for the retail loan segment. Furthermore, the Bank has also been strengthening its metropolitan and urban presence to tap significant potential available for deposit mobilisation and other non-microfinance loan products in these demographics.

Growth of Micro Finance and Retail & Wholesale Loan Book

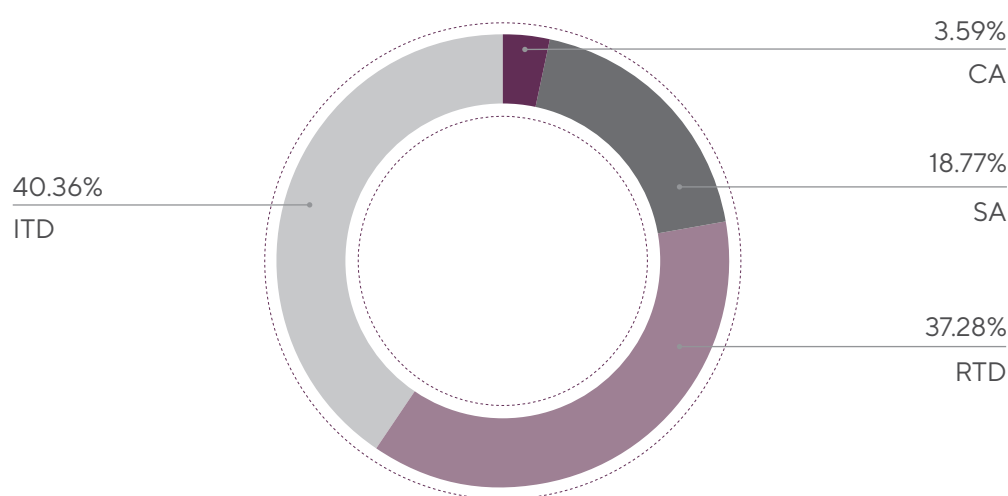


Liabilities – Deposits

USFBL started its banking operations in January 2017 and since then the Bank has been continuously focussing on building a stable and diversified deposits profile. The Bank's total deposit base grew by 34.19% in FY 2021-22 to ₹ 10,074.18 Crore as of March 31, 2022 from ₹ 7,507.57 Crore as on March 31, 2021.

Deposit mobilisation from retail customers remains at the forefront of the Bank's strategy to build a healthy and granular deposits profile. In a bid to further strengthen its reach to the larger customer segment, the Bank opened 55 General Banking (GB) branches during FY 2021-22, taking the Bank's total GB branches to 193 spread across 22 states / UTs of the country as of March 31, 2022. During FY 2021-22, the Bank has expanded its presence to four southern states i.e. Andhra Pradesh, Karnataka, Tamil Nadu & Kerala, to enhance its presence across the country. This was done when the Bank saw an opportunity on the easing of pandemic curbs in the subsequent quarters. As a clear and differentiated strategy, the Bank's GB branches, which are located primarily in metropolitan and urban locations, focusses more on garnering deposits as these locations offers sizeable potential for deposits mobilisation. On an overall basis, the Bank had 686 branches (including 493 MB branches) as on March 31, 2022. Bank offers deposits products from all banking branches of the Bank. USFBL's branch network is also complemented by 215 ATMs as on March 31, 2022. The Bank has penetrated the presence of Micro ATMs significantly in FY 2021-22 which provide cost-efficient systems of offering basic banking facilities such as cash deposit, cash withdrawal, and green pin generation among others.

Deposits Composition as on March 31, 2022



The Bank continues to focus on building its CASA book, which saw a growth of 69.80% year-on-year to ₹ 2,253.29 Crore as of March 31, 2022 from ₹ 1,326.99 Crore as of March 31, 2021. Further, the Bank's retail term deposits (RTD) grew by 25.58% to ₹ 3,755.36 Crore as of March 31, 2022. The Bank's CASA and retail term deposits portfolio together stood at ₹ 6,008.64 Crore (59.64% of total deposits) as of March 31, 2022, compared to ₹ 4,317.51 Crore as of March 31, 2021 (57.51% of total deposits).

Particulars	As on March 31, 2022	As on March 31, 2021
No. of States/UT	22 States and UTs	18 States and UTs
No. of general banking outlets	193	138
Total deposits	10,074.18	7,507.57
Current deposits	362.48	159.77
Savings deposits	1,890.81	1,167.22
CASA Deposits	2,253.29	1,326.99
Retail term deposits	3,755.36	2,990.52
Wholesale Term Deposits (including Certificate of Deposits)	4,065.64	3,190.06
Total Term deposits	7,820.90	6,180.58

In addition to strengthening its physical presence of branches & ATM, the Bank also prioritised ease of banking for the customers through digital channels such as net banking, mobile banking, tab banking, digital onboarding & UPI offering, among others. The Bank launched its UPI App during FY 2021-22. Under its retail segment, USFBL has an array of diversified products ranging from the retail savings account, current account and retail term deposit. Even during the period when the country faced a severe healthcare crisis on account of COVID-19 (April-June 2021), the Bank continued to provide seamless banking experience and solutions to its customers.

The Bank has onboarded more than 5 Lakh deposits accounts during FY 2021-22 (including BSBDA accounts), taking the total number of depositors to more than 13 Lakh as on March 31, 2022. The Bank has deployed its vast network of micro banking outlets to reach out to rural and semi-urban customers for deposit mobilisation. The Bank is taking proactive steps for easier and convenient on-boarding of customers through its digital channels.

In addition to building retail deposits profile, the Bank is also ensuring a broad-basing of its institutional deposit profile. Furthermore, the Bank intends to focus on broad-basing its Wholesale Liabilities through sharper focus on the acquisition and deepening of relationships in the Government & Institutional Business (GIB) segment. During the year, the Bank has also submitted its proposal to RBI for being appointed as an Agency Bank consequent to Small Finance Banks being made eligible for conducting Government Agency Business. Building a strong and diversified Wholesale Liabilities franchise will be a key focus area for the Bank, going forward.

Alongside, as an improvement in deposit profile, the Bank witnessed a decline in the cost of deposits by 97 bps from 7.89% in FY 2020-21 to 6.92% in FY 2021-22.

Other Products and Offerings

USFBL provides a host of additional products ranging from debit cards and locker services for the customers to third-party products such as life insurance, general insurance, Atal Pension Yojana and mutual funds, among others. Further, with the help of the internet banking platform, the Bank offers basic remittance services such as IMPS, NEFT and RTGS, in addition to UPI & Bharat Bill Pay system. The Bank has partnered with Bharti AXA Life Insurance, Kotak General Insurance and Aditya Birla Health Insurance in FY 2021-22 to strengthen its insurance products offerings for the customers.

Customer Services and Digitalisation

USFBL has been consistently taking decisive steps towards a comprehensive technology-driven process and system, ensuring superior customer experience. In the process, the Bank has focussed on building a strong technological infrastructure with high availability and a robust architectural foundation for overall deposit growth. The Bank continues to enhance customer experience with digital channels such as debit cards, POS, ATMs, internet banking, mobile banking and a well-served customer care call centre, along with a consistently expanding branch network.

In servicing its customers with a differentiated banking experience, USFBL has undertaken the following initiatives during FY 2021-22:

- **Upgraded Internet Banking & Mobile Banking Application:** Ensuring ease of payments through digital channels such as internet and mobile banking.
- **Launched Utkarsh UPI App:** Bank launched UPI services and BHIM Utkarsh Mobile app went live in December 2021. As of March 31, 2022, Bank has a 15,963 registered user base in BHIM Utkarsh Mobile app and has 1,05,924 USFB account holders registered in UPI (including registration on other PSP apps). Bank witnessed exponential growth in UPI transactions in 4 months from the date of launch and transactions growing @ 21% MOM.

Bank also started onboarding Utkarsh Customers having small establishments as a Merchant in UPI and providing QR codes to promote digital payments. As of March 31, 2022, Bank on-boarded 4,065 Merchants.

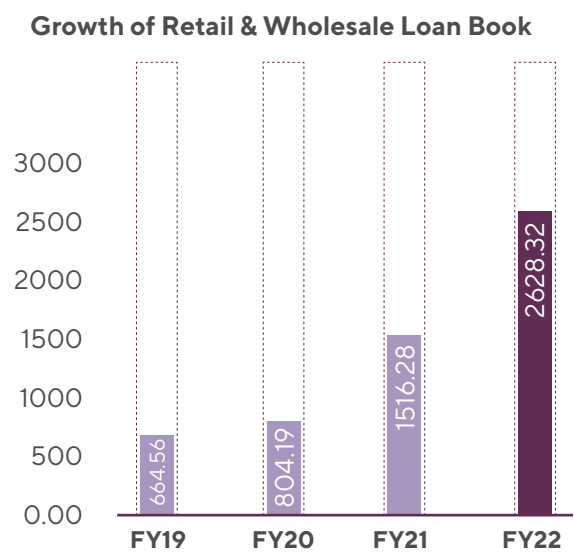
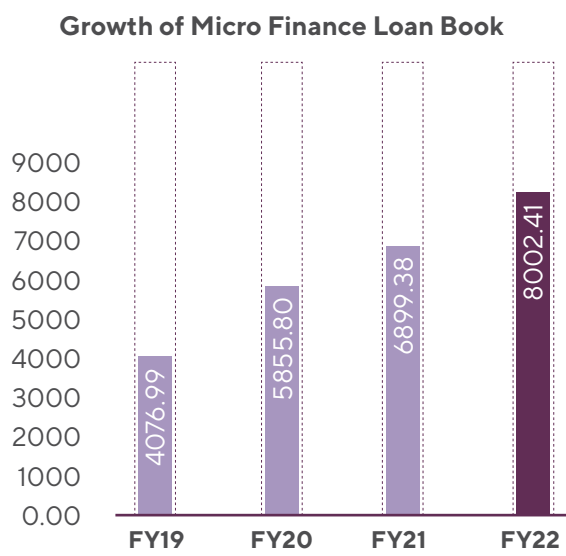
- **Brown Label ATM (BLA):** As per the strategic approach and given the high ATM maintenance cost, Bank partnerships with CMS to deploy offsite ATM's on a revenue-sharing model. All the machine and maintenance will be taken care by CMS only and the Bank will share Interchange revenue. 1st Pilot BLA ATM already deployed in our Sanpada Office.

- **Launched Green Pin for Debit Cards:** Bank has taken initiative for Green Pin for all branches by discontinuing the physical pin in all branches for the welcome kit, further given the customer ease banks introduced green pin functionality on Micro ATMs for rural branches in the month of October 2021.
- **White Label Payment Gateway:** Bank has started onboarding Merchant on White Label Payment Gateway and started the business via onboarding Delhi Jal Board as a first customer in the portfolio. This enabled the Bank to offer solution-based banking to the customers.
- Started Atal Pension Yojana (APY) subscription.
- Continued focus on Digital onboarding for smooth customer on-boarding process

ASSETS – LENDING PRODUCTS

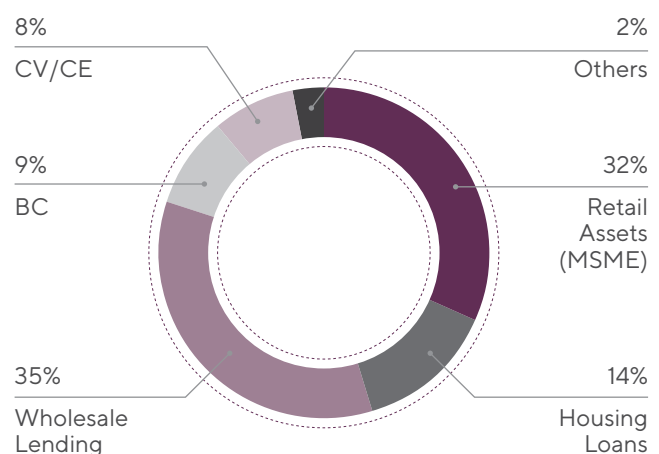
Bank's loan portfolio has grown at a CAGR of 31% over the last three years and stood at ₹ 10,630.72 Crore as on March 31, 2022. With its significant experience and track record in microfinance business, the Bank continues to build its microfinance business and franchise effectively. At the backdrop of a seemingly difficult phase of the pandemic that ravaged the country, the Microfinance business has grown by 15.99% during FY 2021-22 to ₹ 8,002.41 Crore as on March 31, 2022.

Growth of Micro Finance and Retail & Wholesale Loan Book



Over the years the Bank has focussed on diversifying its product portfolio through build-up of non-micro finance lending book. The Bank has augmented its product profile by offering retail loans comprising unsecured loans such as business loans, personal loans and also secured business loans, loan against property, housing loans with a focus on affordable housing, CV / CE loans, gold loans, wholesale lending, both short-term and long-term loan facilities to SMEs, mid and large- corporate and institutional clients.

Composition of Retail & Wholesale Loan Book



Microfinance Lending

USFBL has been providing micro finance loans, through the Joint Liability Group (JLG) structure, to the under-served and unserved population of the country. These loans help underlying borrowers to peruse income-generating activities as well as develop their entrepreneurial behaviour. The Bank believes that these customers need affordable banking services at their doorstep to help them earn livelihoods as well as achieve their dreams and aspirations. At the same time, the presence of JLG structure with a strong and frequent physical connect with borrowers, leads to a healthy credit discipline among the borrowers. These characteristics make micro-finance business an economically viable preposition over the cycles while also bringing the much-needed social impact, therefore proving it a real double bottom line for the business.

The Bank has significant experience and track record in micro finance lending specifically in rural and semi-urban locations (including through its promoter company, UCL) which remains one of the key focussed business segments for the Bank. Microfinance lending comprised 75.28% of the gross loan portfolio of the Bank as of March 31, 2022. In micro-finance business, the key lending products of the Bank are JLG loans, Individual loans to matured clients of JLG lending and PM SVANidhi loans to the street vendors. The Bank started Micro Finance lending in September 2009 from Varanasi and expanded to financially underpenetrated states i.e. Bihar and Uttar Pradesh. Over the years, the Bank has expanded the presence of its microfinance portfolio to adjoining states as well. During FY 2021-22, the Bank entered the state of Rajasthan for microfinance business expanding its presence to 12 states with client base of more than 24 Lakh clients spread across 151 districts and serving through 493 micro banking outlets.

The impact of the pandemic in the first half of FY 2021-22 was felt significantly in the micro finance business on account of underlying borrowers primarily being low-income profile and engaged mostly in small business and self-employed activities which were most impacted during COVID stress. With the pandemic receding and the economy pushing itself towards growth, there was a marked improvement in the efficiency of collections as well as ground activities. During FY 2021-22, the Bank's microfinance loan portfolio has grown by 15.99% to ₹ 8,002.41 Crore as of March 31, 2022.

The Bank offers following products under microfinance lending:

Joint Liability Group (JLG) Loans

The Bank offers group loans built on the peer-guarantee loan model known as Joint Liability Group (JLG), enabling individuals to take loans without any collateral or security on an individual basis. The borrowers are encouraged to promote credit discipline through mutual support within the group, encourage prudent financial conduct among the group, and ensure timely repayment of their loans.

JLG products are offered to the economically weaker sections of the society. The primary target customer segment are women in households, engaged in income-generating activities, or intending to begin a new income-generating activity on their own. The Bank offers group loan products on the basis of creditworthiness. The methodology includes either fortnightly or bi-fortnightly centre meetings and 'stepped-up' loans that can grow each time a client takes a loan and successfully repays it, thereby demonstrating good creditworthiness and the need for higher amount of loan. As of March 31, 2022, all of the Bank's customers in the JLG loans segment were female, with loans ranging between ₹ 6,000 and ₹ 1,00,000.

Micro Banking Individual Loans (MBIL)

With an aim to meet the increasing funds requirement of JLG clients to grow business and develop credit tested microfinance clients into entrepreneurs, the Bank provides individual loans to existing JLG customers with a good credit profile. The Bank provides individual loans with a ticket size of ₹ 1 Lakh to ₹ 2 Lakh to the Individuals. USFBL disburses the loan in the bank account of these customers, the collection from whom is then routed through the bank account of the customer. The Bank's Individual loan portfolio stood at ₹ 131.17 Crore as of March 31, 2022. Given a large number of JLG borrowers, the significant track record of these borrowers with the Bank, hence offers significant growth potential to the Bank.

PM SVANidhi Loan Scheme

The Ministry of Housing and Urban Affairs had launched Prime Minister's Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) loan scheme, which is a special micro-credit facility scheme for providing affordable loan to street vendors to resume their livelihoods that have been adversely affected due to the pandemic. The Bank also launched 'PM SVANidhi' loan product in FY 2020-21, the loan is for an amount of ₹ 10,000 for a period of 12 months in the first cycle and increases up to ₹ 20,000 in the subsequent cycle for a period of up to 18 months.

Savings and Pension, Health Insurance Products for Micro Finance Clients

The pandemic proved to be a wake-up call for many in terms of financial security. Many became cognizant on the importance to have a financially secured future leading to a significant demand for these products.

BSBDA Saving Accounts for Micro Finance Borrowers

With an objective to inculcate savings behaviour among the microfinance borrowers and offer these borrowers suitable deposits and savings products, the Bank has opened BSBDA savings deposit accounts for a large number of its Micro Banking Customers. As of March 31, 2022, the Bank has opened more than 9 Lakh BSBDA Saving Bank Accounts.

Atal Pension Yojana (APY)

The Bank offers Atal Pension Yojana (APY) to savings bank account holders in the age group of 18 to 40 years. The Bank acts as a Point of Presence and aggregator and enrolls subscribers through architecture of the National Pension System. The subscribers would receive the guaranteed minimum monthly pension of ₹ 1,000 to ₹ 5,000 after attaining the age of 60 years. The product inculcates savings behaviour amongst micro finance borrowers as well as provide security post-retirement age.

Daily Hospital Cash Benefits (DHCB)

The Bank offers Hospicash (a health insurance product) to its customers. This provides health insurance cover for hospitalisation expenses for up to 30 days and also works as wage loss cover i.e. income protection for micro banking customers due to hospitalisation. It provides with fixed benefit for each day of hospitalisation irrespective of the actual medical cost. Moreover, the policy also covers the customer against an unfortunate death or disability due to an accident or illness.

Regulatory Framework for Microfinance Loans, Directions 2022

On March 14, 2022, the RBI issued Regulatory Framework for Microfinance Loans, Directions 2022 which is effective from April 1, 2022. The Regulation prescribes changes in the definition of microfinance loans including annual household income limit, criteria for pricing of loans and guidelines on conduct towards Microfinance Borrowers, among other changes. The regulatory framework is likely to bring more standardisation towards the assessment of household income, income to obligation ratio amongst others and should augur well for the sector over the medium to long term. The common regulatory framework will create a level playing field for all the players in the micro finance sector.

Retail & Wholesale Lending

The promoter entity of USFBL (UCL) started as NBFC engaged in Microfinance lending. Over the last few years, the Bank has been focussing on growing its non-micro finance lending by offering newer products. Bank's non-micro finance loan book comprised MSME & personal loans, housing loans, CV / CE loans, gold loans, OD against FD, loans originated through BC partners and loans to NBFCs and other small corporates. The Bank's non-micro finance loan portfolio increased from ₹ 1,516.28 Crore as on March 31, 2021 to ₹ 2,628.32 Crore as on March 31, 2022; the share of retail & wholesale loan portfolio has increased from 18.0% as of March 31, 2021 to 24.72% as on March 31, 2022.

Key lending vertical under Bank's non-Micro Finance lending are as follows:

Retail Assets Lending Vertical

Retail assets lending vertical of the Bank offers various products such as Business Loans, LAP, Lease Rental Discounting, Loan for Purchase of Commercial Property (LPCP), Drop Line Overdraft, and Overdraft for Micro and Small Enterprises. Additionally, personal loans are offered under retail assets lending to cater for the funding requirement of Individuals. Under this vertical, the Bank offers a combination of secured and unsecured loans to the small and medium-sized businesses, catering to the manufacturing and services sector. Bank's retail assets loan book grew by 55.40% year-on-year to reach ₹ 825.37 Crore, from ₹ 531.14 Crore in FY 2020-21. The growth in MSME loan book has been supported by the activation of new locations and new product variants during the fiscal. During FY 2021-22, the Bank has also implemented Loan Management System (LMS) and further enhanced the deployment of the Loan Origination System to improve the processing time of loan files. During FY 2021-22, the Bank intensified its effort to increase the share of revolving Credit facilities such as overdraft in the total Retail assets loans portfolio in addition to the existing term loan product. As of March 31, 2022, the Bank offers MSME loans through 66 branches.

Within the retail assets lending, the Bank has been focussing more on secured loans. As a result, the share of secured loans in the total retail assets portfolio has increased to 80.6% as of March 31, 2022 compared to 65.1% as of March 31, 2021. The Bank has also strengthened its Direct Sales Agent (DSA) network during the year, enabling

the retail assets vertical to reach out to newer geographies and a new set of borrowers without significant addition to the fixed cost.

Housing Loans

A shelter is one of the most sought-after needs by a family or an individual. With favourable policies and push by the Government for housing for all, housing finance, more specifically affordable housing finance, continues to offer significant growth potential in India.

USFBL has sharpened its focuss on catering to the financing needs of self-employed and salaried individuals for affordable housing loans. USFBL's housing loan offerings are spread across formal and semi-formal income segments, aiding in the purchase of plots and construction thereon, purchase and construction of the house, repair, restoration, and extension of an existing house. The Bank offers housing loans with ticket sizes in the range of ₹ 2 Lakh to ₹ 5 Crore with a tenure of up to 30 years with affordable housing finance being the primary focuss segment for the Bank. As of March 31, 2022, the Bank offers HL loans through 44 branches. During FY 2021-22, the Bank Management System (BMS) initiated the deployment of a Loan Origination System to improve the processing time of loan files.

With the resurgence of the pandemic, we expected a slowdown in the demand for housing loan. However, the housing loan portfolio of USFBL saw a year-on-year growth of 63.60% during FY 2021-22 to ₹ 359.25 Crore compared to ₹ 219.59 Crore in the previous fiscal. The growth in the housing loan book of the Bank has been supported by continuous focuss on building the housing loan book, the Bank's expanding franchises and a relatively small base of the Bank's housing loan portfolio.

Commercial Vehicle (CV) / Construction Equipment (CE) Loans

CV / CE finance business has been one of the key retail loan products for Banks and NBFCs in India. USFBL has launched commercial vehicle (CV) and construction equipment (CE) finance business in FY 2020-21. During FY 2021-22, the Bank has beefed up its on-ground team for the CV & CE loan business and activated more branches for the product. The Bank offers CV / CE loans primarily from its core geographies of Bihar, UP, Jharkhand which are relatively less penetrated and offers a good growth potential. The Bank offers CV / CE loan product in Delhi NCR, Rajasthan, West Bengal & Chandigarh. As on March 31, 2022, the Bank offers CV / CE loan product from 15 branches primarily focussing on retail customers with a ticket size of ₹ 5 Lakh to ₹ 2 Crore with a tenure of up to 60 months in fast moving small commercial vehicles and equipment. The Bank's CV / CE loan portfolio grew from ₹ 12.78 Crore as on March 31, 2021 to ₹ 134.07 Crore as on March 31, 2022. The Bank intends to strengthen the product process by introducing Loan Origination Systems (LOS) for CV / CE loans, which will provide seamless processing of loans from sourcing to disbursement.

Gold Loans

Over the last few years, Banks in India have been focussing significantly on building gold loan portfolio considering healthy lending yields as well as superior asset quality in the segment. Nevertheless, the gold loan business requires niche understanding of the market, extensive distribution reach (branch network) and quick disbursement TAT as key propositions.

With an objective to leverage the existing branch network of the Bank, to introduce a new product offering for the customers in the Bank's existing geographies and build a secured and granular loan book, USFBL has forayed into gold loan product on a pilot basis in FY 2021-22. The Bank will be using its existing branches to offer gold loans. As on March 31, 2022, the Bank is offering gold loan product from 20 banking outlets across 9 States / UTs of the Country. The Bank is implementing suitable technology i.e. Loan Origination Systems (LOS) integrated with Core Banking System, LMS, NSDL & UIDAI to deliver faster turnaround and quality experience to rural as well as urban customers. The Bank has also launched a digital gold loan calculator integrated with CRM to help customers to know the approximate loan amount for their gold and apply for it digitally. Bank offers Gold Loan Products with a bullet as well as monthly repayment options to the customers.

Wholesale Lending

Under the wholesale lending vertical, the Bank lends to small & medium size corporates, Non-Banking Finance Companies (NBFCs), Housing Finance Companies (HFCs), NBFC-MFIs and other entities engaged in manufacturing, services, or trading activity.

With an objective to leverage the knowledge and expertise that the Bank has in the retail lending space in India and to diversify its loan book both in terms of the product it offers and the geographies it is present, the Bank

started its lending to NBFCs, HFCs and MFI across the country from FY 2017-18. The Bank provides term loans to NBFC / HFCs / MFIs having at least minimum investment-grade credit rating from one of the SEBI-registered Credit Rating Agencies with a loan ticket size primarily in the range of ₹ 5 Crore to ₹ 50 Crore. Despite the COVID disruption, the loan book under this segment has performed well and there are no NPAs as of March 31, 2022.

The Wholesale lending vertical focusses on catering to SMEs & corporates for their term loans and working capital requirements. During FY 2020-21, the Bank launched an overdraft (OD) and drop-line overdraft (DLOD) products for the customers to make its offerings more suitable to the requirement of customers. The Bank has been scaling up lending to small corporates. The Bank provides loans primarily with a ticket size of less than ₹ 10 Crore and mostly secured against collateral of immovable property. As of March 31, 2022, the Bank is offering this product from seven locations.

The Bank's wholesale lending book increased to ₹ 926.12 Crore as of March 31, 2022 from ₹ 503.11 Crore as on March 31, 2021. Under this vertical, the Bank also offers non-fund based limits in the form of bank guarantees to the customers.

Business Correspondent (BC)

With a strategy and objective of expanding into new untapped geographies and building diversified loan book, the Bank initiated the business correspondent model for asset originations in FY 2017-18. The BC partners acquire, manage and service customers as an extended arm of the Bank by following all the policies and procedures laid out as per the internal governance structure. The Bank has BC partnerships for JLG, MSME & HL and personal loans. As of March 31, 2022, the Bank had total loan book managed by BC partners of ₹ 224.42 Crore. The Bank is focussing on strengthening and deepening its BC partnerships including fintech partnerships for non-JLG loans.

The Bank partnered with 10 BCs in the states of Madhya Pradesh, Chhattisgarh, Haryana, Rajasthan, West Bengal, Maharashtra, Andhra Pradesh and Telangana for micro banking and retail assets.

Portfolio Acquisition through Direct Assignment

On account of change in MSME definition by the Government as well as RBI for classification of exposure as MSME for the purpose of meeting priority sector lending (PSL) norms, the Bank had faced shortfall in meeting MSME Micro PSL norms in FY 2021-22. To meet MSME PSL shortfall, the Bank had acquired MSME micro pool of ₹ 98.91 Crore from two NBFCs in FY 2021-22, the pool comprised MSME retail loans and CV loan.

Business strengths

Deep understanding of microfinance segment and strong presence in rural and semi-urban areas

USFBL leverages the legacy of the promoter company UCL, owing to its experience as an NBFC specialised in microfinance for rural and semi-urban customers. The focus of UCL catering to the financing needs of the unbanked and the underbanked sections of the society has been transferred to USFBL's core vision as an SFB.

Fast growing deposits with strong focus on retail deposits

The Bank offers a diverse mix of demand and time deposit products and other services, helping the customers with their savings and transactional needs. Further, the Bank has an array of liability products at competitive rates, predominantly targeting retail customers across various segments – senior citizens, middle-class individuals and self-employed and salaried individuals. The Bank has been consistently focussing on improving granularity of its deposits and improving share of CASA and retail term deposits. The Bank's CASA and retail term deposits portfolio together stood at ₹ 6,008.64 Crore (59.64% of total deposits) as on March 31, 2022 compared to ₹ 4,317.51 Crore as on March 31, 2021 (57.51% of total deposits).

Diversified distribution network with significant cross-selling opportunities

The Bank has an established distribution network comprising 686 banking outlets across 20 states and 2 union territories, covering 224 districts in India as on March 31, 2022. Of the 686 banking outlets, 434 are located in rural and semi-urban areas, validating USFBL's core vision of financial inclusion. Leveraging the widespread distribution network across the country, the Bank services the existing customers and focusses on on-boarding new customers.

Healthy growth with healthy financial and cost-efficient operational performance despite COVID-19 disruption

During the year under review, the Bank's gross loan portfolio and deposits have grown by 26.32% and 34.19% respectively, on the back of continuously expanding franchises and focussed approach towards growing secured

loan book, retail and CASA deposits base. Further, USFBL maintained healthy operational performance during the FY 2021-22, validated by a 21.55% year-on-year growth in operating profits (before provisions) to reach ₹ 509.34 Crore compared to ₹ 419.04 Crore in FY 2020-21.

Diversified shareholding at UCL and Leadership team at USFBL complementing our strengths

UCL has a number of institutional investors – British International Investment plc (formerly known as CDC Group PLC), International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, Housing Development Finance Corporation Limited, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Limited and Faering Capital India Evolving Fund. This diversified shareholding of UCL translates into an enriched credibility for USFBL.

Furthermore, over the last two years, USFBL has raised equity capital from institutional investors namely Olympus ACF PTE Limited, Triodos SICAV II – Triodos Microfinance Fund & Triodos Custody B.V. Acting in its capacity as a Custodian, responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Growth Catalyst Partners LLC, Bharti AXA Life Insurance Company Ltd and ICICI Prudential Life Insurance Co, thereby diversify shareholding pattern at USFBL level as well. Promoter (UCL) shareholding in the Bank declined from 100% as on March 31, 2020 to 89.50% as on March 31, 2021 and further to 84.79% as on March 31, 2022. The Bank has raised fresh equity capital of ₹ 150.02 Crore.

The Bank has an experienced management team comprising qualified professionals. The Managing Director and Chief Executive Officer, Mr. Govind Singh has an experience of 25 plus years in the banking and financial services sector and in particular the microfinance industry. The Board comprises individuals across various fields with diverse experience. The Bank's Independent Directors help in ensuring transparency and accountability in all operations. Furthermore, the senior management team comprises individuals with diverse and rich experience across various sectors and fields of operations such as accounts and finance, treasury, operations, technology, compliance, internal audit, credit & risk and human resources.

Strategies

Leverage Bank's extensive franchise and presence

The Bank has 686 banking outlets spread across 224 numbers of districts and 22 states & union territories (UTs) of the country as on March 31, 2022. Furthermore, a large number of these branches are in rural & semi urban locations, which are under-penetrated geographies and offers good growth potential. The Bank will continue to leverage its vast presence and experience in these geographies, supplemented by suitable product offerings, to achieve healthy business growth.

Continue diversifying the retail asset portfolio

The primary focus of the Bank is to keep diversifying the asset portfolio to cater to the existing customers from the unserved and underserved sections of the society. The Bank intends to offer a bouquet of retail loan products to cater to the evolving financing needs of its customers. On the retail assets front, the Bank has focussed on offering working capital and term loans to MSMEs, small and medium-sized corporates, besides other retail assets products such as housing loans, business loans, personal loans, loan against properties, loans for purchase of commercial properties, commercial vehicle and construction equipment loan, and gold loan.

Grow retail deposits mix across geographies and customer segments to build stable funding source

In its resolve to strengthen the liability franchise of the Bank, USFBL has focussed increasingly on the CASA and retail deposit base to ensure a steady growth. In doing so, the Bank has been expanding the deposit base on the back of expanding the outreach of banking outlets coupled with the digital offerings. In order to strengthen the deposit base, increase its CASA ratio and offer multi-channel customer experience, the Bank intends to enhance the digital offering at various touchpoints of customer life cycle by implementing initiatives such as digital onboarding, self-onboarding, internet and mobile banking, corporate internet banking, micro-ATMs, and customer relationship management. USFBL has further laid down a two-pronged strategy to expand its retail footprint i.e. (i) further penetration in existing geographies; and (ii) expand the reach into newer states in western and southern India.

The Bank is focussing upon cross-sell liabilities products to the retail asset and JLG customer base by assisting them with opening current and savings accounts, and promoting financial prudence to save more among the masses with the help of recurring deposits, fixed deposits and other products. Further, the Bank offers Rupay debit cards for domestic use and Mastercard debit cards for both domestic and international use. This is in addition to internet payment gateway, UPI payment solutions, e-NACH and public financial management system.

Increase share of fee income and capitalise on cross-selling opportunities

To create a robust and steady revenue stream, the Bank focusses on diversifying the fee and non-interest based revenues, by generating fee income from own products and cross-selling third-party products such as life insurance and general insurance products, mutual funds, Atal Pension Yojana, National Pension Scheme and micro-insurance. USFBL formed strategic partnerships with certain third parties to develop and service its customers with new and a more diversified portfolio.

The Bank strives to generate a revenue stream from non-individual segment comprising processing fees for advances, commission on issuance of letters of credit & bank guarantees, cash management services and other transactional banking services. Further, the Bank also intends to provide various payment solutions through mobile and internet banking to increase the fee income generated from debit cards, bill payments, and money transfers.

The Bank is focussed increasingly on bancassurance channels to distribute various categories of third-party insurance products to existing customers. As on March 31, 2022, the Bank had six bancassurance relationships with insurance companies to offer life insurance, general insurance and health insurance products.

Increasing use of technology and digital offerings for last-mile delivery to customers

The Bank has been continuously focussing on optimal utilisation of technology to ensure cost-effective operations marked by a rapid growth. Further, the focuss is to increase efficiencies and promoting customers to migrate from an assisted model to a self-service delivery model. The Bank has undertaken various initiatives such as the implementation of data-lake, next-generation internet and mobile banking, digital on-boarding and micro-banking platform, among others. The Bank has also invested on the data security infrastructure and cyber security components to meet regulatory and other evolving requirements.

USFBL has embarked on building data centres for high availability of data, accessibility to data from anywhere, anytime and for disaster recovery. The Bank intends to retain its focuss on the unserved and underserved segment with the help of introduction of customised digital channels across all its product segments, such as tab-based account opening for savings account for customers and installation of micro-ATMs across key markets.

Financial inclusion and priority sector lending

USFBL has more than 24 Lakh active JLG loan accounts (with an outstanding of ₹ 8,056 Crore), carving out 75.8% of the total loan book as of March 31, 2022 ensuring financial inclusion across the underbanked and unbanked sections of the society for agriculture, livestock and small business activities. Since its inception, the Bank has been providing Basic Savings Bank Deposit Account (BSBDA) to its customers, and as on March 31, 2022 the Bank has more than 9.5 Lakh BSBDA savings accounts, promoting financial inclusion. The Bank also offers Atal Pension Yojana and health insurance to micro finance customers in an attempt to protect and secure the future of the customers who belong to the bottom of the pyramid.

On the strength of the Bank's agenda of lending to unserved and underserved sections of the Society, the Bank meets priority sector lending norms of the RBI comfortably. As of March 31, 2022, around 83% of the Bank's loan portfolio qualified for priority sector lending (PSL norms). SFBs are required to achieve a PSL portfolio at 75% of the previous year's ANBC. On the back of good proportion of PSL loan portfolio in the total portfolio of the Bank, the Bank has been able to comfortably maintain PSL targets, as well as selling surplus PSL portfolio through Priority Sector Lending Certificate (PSLCs) to earn non-interest income for the Bank. The Bank's PSL achievement stood at 78.57% during FY 2021-22, after adjusting for PSLC sale during the year, against the regulatory minimum requirement of 75%. On account of the change in MSME definition by the Government as well as RBI for classification of exposure as MSME for the purpose of meeting priority sector lending (PSL) norms, the Bank had faced shortfall in meeting MSME Micro PSL norms in FY 2021-22. The Bank had acquired an MSME pool of ₹ 98.91 Crore from two NBFCs as well as bought MSME Micro PSLC in FY 2021-22 to achieve the PSL MSME Micro target. On a net basis, the Bank earned PSLC income of ₹ 64.76 Crore during FY 2021-22. Furthermore, USFBL stands to gain from RBI's norms for PSL adjustments for district-level exposure i.e. higher PSL weight for incremental exposure to districts with lower credit penetration and lower PSL weight for incremental exposure to districts with higher credit penetration. A large number of districts in Bihar and Eastern UP, wherein the Bank has a significant presence, fall in the category of underpenetrated districts, which also validates the Bank's agenda of penetrating unserved and underserved sections of the country.

The Bank's lending to the ticket size of less than ₹ 25,00,000 was at 84.6% of the loan portfolio, against the regulatory minimum requirement of 50% for SFBs.

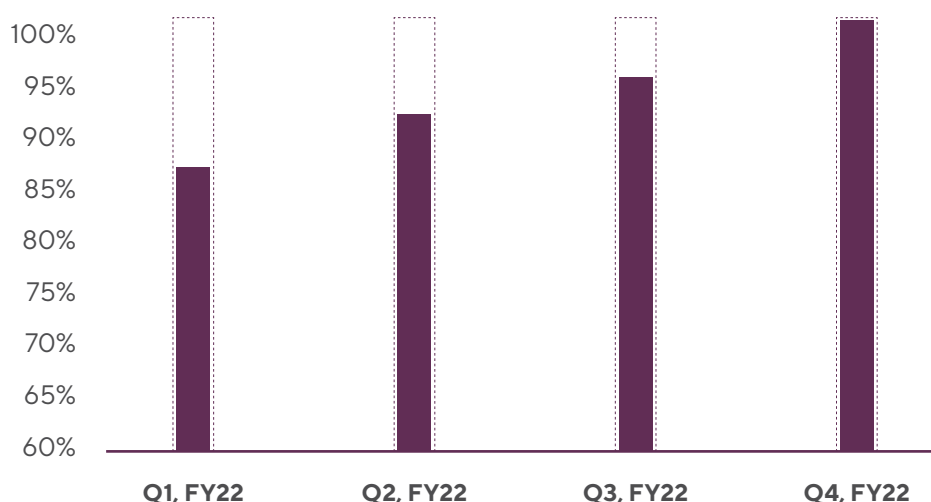
COVID-19 IMPACT AND RESPONSE STRATEGY

The resurgence of COVID-19 (COVID 2nd wave) caused a severe healthcare crisis across the Country. The spread of COVID-19 also impacted the economic activity and on-ground operations significantly specifically during the first half of FY 2021-22. The Governments, both Central & states, imposed several restrictions during this period. Banking services were determined to be under the purview of essential services, which allowed USFBL to continue its operations across majority of its banking outlets during the period under restrictions albeit with limited workforce, following the safety guidelines as laid down by the government.

Since the onset of the COVID-19 pandemic in March 2020, our Bank has responded swiftly by implementing various processes to ensure our operations and services to our customers remained seamless. Our Bank has efficiently managed to run its Banking Outlets with reduced manpower and also manage its other banking channels such as ATMs, internet and mobile banking, and call centre without any disruptions. We maintained a robust VPN infrastructure, which has enabled and equipped our employees to work from home to ensure no service disruptions and provide support to our customers. We have also deployed security systems to safeguard assets and customer data as well as issued detailed work from home protocols to enable secure usage. Our central processing centres at Mumbai and Varanasi have continued their daily operations, in accordance with the safety guidelines provided by the Government of India, to ensure timely settlement of all transactions. We have also undertaken additional safety measures, such as, regular temperature checks, regular sanitisation, and compulsory use of masks and hand sanitisation. The Bank has implemented a business continuity policy to ensure that our operations continue with minimum disruption.

Nevertheless, on account of COVID-induced negative impact on economic activity and on-ground movement of the Bank witnessed severe stress on collection efficiency / asset quality, profitability and business growth. Micro finance loan book was the most impacted asset class among the retail loans given, due to the relatively lower income profile borrowers and most of the borrowers in the micro finance lending are engaged in self-employed activity. The collection efficiency and asset quality was significantly impacted during Q1-Q2 of FY 2021-22 as COVID induced impact on economic activity as well as operating environment was high. As the COVID impact has receded towards second half of financial year, the Bank witnessed substantial improvement in collection efficiency and asset quality, profitability and business growth during the last quarter of FY 2021-22.

Quarterly Collection Efficiency (%)



Note: Collection efficiency is calculated as the aggregate EMI amounts collected (excluding prepayment) in the relevant period, divided by the current month EMI due for collection in such period.

As the COVID impact receded in the second half of FY 2021-22, the micro finance business started showing improvement in its collection efficiency and on-ground activity. The Bank's collection efficiency for the month of February and March 2022 improved to more than 100%.

Snapshot on asset quality

Particulars	March 31, 2022		March 31, 2021	
	Amount	(%)	Amount	(%)
Gross NPAs (₹ Crore)	648.16	6.10%	315.29	3.75%
Net NPAs (₹ Crore)	235.80	2.31%	108.82	1.33%
Provision against gross NPAs (₹ Crore)	412.36		206.47	
Provision Coverage Ratio (PCR)	63.62%		65.49%	
Standard restructured advances (₹ Crore)	133.57	1.26%	263.24	3.13%
Provision against standard restructured portfolio (₹ Crore)	23.38		52.65	
Provision cover on standard restructured portfolio	17.50%		20.00%	

COVID 2nd wave caused significant healthcare crisis and had a major impact on the economic and financial activities. As Microfinance business comprises >75% of Bank's loan book and it was the most impacted loan book on account of underlying borrowers being marginal income profile as well as largely engaged in the self-employed activity. As a result, the Bank's asset quality was impacted significantly during FY 2021-22 with increase in Gross NPAs from 3.75% as of March 31, 2021 to 6.10% as of March 31, 2022. The Bank's Net NPAs increased to 2.31% as of March 31, 2022 from 1.33% as of March 31, 2021. Bank is holding provisional coverage of 63.62% as of March 31, 2022.

Furthermore, in order to alleviate stress caused by COVID-19 and in line with RBI's resolution framework for COVID-19 related stress i.e. Resolution Framework 1.0 & Resolution Framework 2.0, the Bank restructured loans of ₹ 283.63 Crore in FY 2020-21 & ₹ 412.49 Crore in FY 2021-22. On account of prolonged stress caused by COVID-19 and further variants, a part of the restructured borrowers slipped to NPA category by March 31, 2022. This resulted in elevated stress on asset quality. As of March 31, 2022, Bank's exposure to standard restructured advances has declined to ₹ 133.57 Crore as some of the loans have been repaid as well as a part has been slipped to NPA category. The Bank is holding a provision of ₹ 23.38 Crore against the standard restructured advances, and a provision coverage of 17.50% for standard restructured book as of March 31, 2022.

In addition, the Bank is carrying a contingency provision of ₹ 65 Crore (over and above provision required for NPAs & restructured advances) as a buffer against higher portfolio vulnerability of Microfinance loans post-COVID impact.

During FY 2021-22, the Bank recognised exposure in respect of 115 accounts with an outstanding loan amount of ₹ 29.95 Crore (including NPA of ₹ 11.62 Crore) as fraud and provided in full, in accordance with the RBI Circular dated April 18, 2016, by debiting ₹ 19.43 Crore to Profit and Loss Account and balance ₹ 10.52 Crore in Profit and Loss Account under "Reserves and Surplus". During FY 2021-22, the Bank has charged to the Profit and Loss account an amount of ₹ 19.43 Crore, the balance amount will be reversed to the Profit and Loss Account in the ensuing two quarters in FY 2022-23.

Financial performance

Income Statement (In ₹ Crore)	2021-22	2020-21	Change y-o-y
Deposits	10,074.18	7,507.57	34.19%
Gross Loan Portfolio (GLP)	10,630.72	8,415.66	26.32%
Net Advances (Net)	10,228.15	8,216.86	24.48%
Investments	2,347.92	2,313.94	1.47%
Capital + Reserves	1,572.30	1,368.35	14.90%
Net Interest Income	1,060.85	839.25	26.40%

Financial performance

Income Statement (In ₹ Crore)	2021-22	2020-21	Change y-o-y
Non-interest income	184.83	124.85	48.05%
Total income	2,033.65	1,705.84	19.22%
Operating expenses	736.35	545.06	35.10%
Operating profit	509.34	419.04	21.55%
Provisions	429.63	267.60	60.55%
PBT	79.71	151.44	(-47.36%)
Tax	18.25	39.62	(-53.94%)
PAT	61.46	111.82	(-45.03%)
Net interest margin	8.75%	8.20%	
Cost to income	59.11%	55.43%	
Return on Average Total Assets (ROAA)	0.48%	1.05%	
Return on Capital plus Reserves	4.14%	9.99%	
Gross Non-Performing Advances (GNPA)	6.10%	3.75%	
Net Non-Performing Advances (NNPA)	2.31%	1.33%	
GLP/Capital and Reserves	6.76	6.15	

Income

- Net interest income (NII) of the Bank stood at ₹ 1,060.85 Crore in FY 2021-22 compared to ₹ 839.25 Crore in FY 2020-21, registering a year-on-year growth of 26.40%. Bank's NII grew at a healthy rate in FY 2021-22 despite severe stress on asset quality, which resulted in higher NPAs and consequently affected the interest income. The impact of NPAs on interest income was also offset by a decline in the cost of funds during FY 2021-22
- The Bank's other income grew by 48.05% to ₹ 184.83 Crore in FY 2021-22 from ₹ 124.85 Crore in FY 2020-21 on account of healthy growth in processing fees, income from cross-selling of third party products, fee-based & transaction income and recovery from written-off accounts
- Bank's operating expenses grew 35.10% during FY 2021-22 as the Bank beefed up its collection team and strengthened its management team as well on account of the lower base of FY 2020-21, operating expenses in FY 2020-21 were lower as activity level was severely restricted in the first half of FY 2020-21 as Governments imposed lockdown due to the second wave of the pandemic that created a deep health crisis in the country in FY 2020-21. The cost-to-income ratio of the Bank is 59.11% in FY 2021-22 vs. 55.43% in FY 2020-21
- Bank's Operating profit (before provisions) grew by 21.55% year-on-year to ₹ 509.34 Crore in FY 2021-22 as compared to ₹ 419.04 Crore in FY 2020-21

PAT

- While the Bank registered healthy growth in operating profit, the Bank's profitability during FY 2021-22 has been dragged by severe stress on asset quality and consequent higher credit provisioning requirement. During FY 2021-22, the Bank made provision of ₹ 429.63 Crore as compared to ₹ 267.60 Crore during FY 2020-21 on account of higher provision for NPAs and contingency provision of ₹ 65 Crore during the year. The Bank's posted Profit After Tax (PAT) declined by 45.03% to ₹ 61.46 Crore in FY 2021-22 compared to ₹ 111.82 Crore in FY 2020-21

Loan portfolio

- The gross loan portfolio of the Bank stood at ₹ 10,630.72 Crore as of March 31, 2022 compared to ₹ 8,415.66 Crore as of March 31, 2021, registering a year-on-year growth of 26.32% on the back of an expanding franchise and growth in the non-JLG portfolio. Total net advances of the Bank grew to 24.48% year-on-year to reach ₹ 10,228.15 Crore in FY 2021-22 from ₹ 8,216.86 Crore in FY 2020-21

Deposits

- The aggregate deposit of the Bank stood at ₹ 10,074.18 Crore as on March 31, 2022, registering a year-on-year growth of 34.19%. The Bank's CASA deposits grew by 69.80% year-on-year to reach ₹ 2,253.29 Crore in FY 2021-22 compared to ₹ 1,326.99 Crore in FY 2020-21. Further, the retail term deposits of the Bank grew by 25.58% year-on-year to ₹ 3,755.36 Crore in FY 2021-22 compared to ₹ 2,990.52 Crore in FY 2020-21

NPA

- The Bank's asset quality was impacted significantly during FY 2021-22 with increase in Gross NPAs from 3.75% as on March 31, 2021 to 6.10% as of March 31, 2022. The Net NPAs increased to 2.31% as of March 31, 2022 from 1.33% as of March 31, 2021. The Bank is holding provisional coverage of 63.62% as of March 31, 2022. In addition, the Bank is carrying a contingency provision of ₹ 65 Crore (over and above provision required for NPAs & restructured advances) as a buffer against higher portfolio vulnerability of Microfinance loans post COVID impact

CRAR

- The Bank raised equity capital of ₹ 150.02 Crore through pre-IPO capital raising exercise to augment its capital base and support growth plans during FY 2021-22. Despite growth in the loan portfolio and moderation in profitability, the Bank has been able to maintain a healthy capitalisation. The Bank's Capital to Risk weighted Asset Ratio (CRAR) stood at 21.59% as on March 31, 2022 compared to 21.88% as on March 31, 2021. Further, the Tier-I CRAR of the Bank stood at 18.08% as of March 31, 2022, compared to 19.98% as of March 31, 2021

Particulars	2021-22	2020-21
CRAR	21.59%	21.88%
Tier-I	18.08%	19.98%
Tier-II	3.51%	1.90%

The Bank received the approval from SEBI, on June 7, 2021 for the Draft Red Herring Prospectus filed by the Bank. However, on account of the significant disruption caused by COVID-19, the Bank has not been able to complete the IPO exercise. Nevertheless, the Bank's capital adequacy at 21.59% as on March 31, 2022 is well above the regulatory minimum requirement of 15%.

Return ratios

- Due to COVID-19 disruptions, the Bank's PAT was impacted in FY 2021-22, leading to lower Return on Average Assets (ROAA) of 0.48% during FY 2021-22 compared to 1.05% in FY 2020-21, and a lower Return on Average Capital + Reserves of 4.14% in FY 2021-22 compared to 9.99% in FY 2020-21

OUTLOOK

The impact of COVID-19 has receded significantly over the last few months and accordingly the Bank's operations are reaching near-normal levels. As the economy and on-ground activity are likely to be materially affected by the COVID impact, the financial health of the Bank's borrowers is expected to improve further. Nevertheless, the aftermath stress of COVID-19 on the financial position of some of the more affected and stressed borrowers may remain for some more time. Accordingly, the Bank is carrying an additional contingency provision of ₹ 65 Crore to cover the higher portfolio vulnerability of Microfinance loans post-COVID impact. Overall, FY 2022-23 is likely to be a near normal year with profitability and growth projected to improve from the stress caused by COVID-19.

USFBL strives to be a retail-focussed Bank, providing financial services and quality products and solutions. The Bank intends to develop and offer a comprehensive suite of assets and liabilities products that will draw in new customers and deepen the relationship with existing customers. The Bank also intends to grow the asset portfolio by offering new products that cater to all customer segments. USFBL is planning to augment the liabilities franchise by expanding across newer geographies and targeting the top 100 cities in terms of overall deposits, including the tapping of metropolitan and urban areas by promoting savings accounts and other deposit products.

In this endeavour, the Bank envisions technology to be a key enabler. Upon this, the Bank intends to enhance its digital offerings through internet and mobile banking application and other digital channels. This is in addition

to leveraging data analytics to gain deeper insights into customer trends and develop customised products for specific customer segments.

Branch banking and operations

Central Processing Centre (CPC)

The objective of having a CPC is to support the Bank's core banking operations and the various initiatives undertaken to improve its operational efficiency. The CPCs of the Bank are based out of Varanasi and Navi Mumbai. Continuing this pursuit, during FY 2021-22, the Bank's CPC supervised:

- 24*7 operations to support 24*7 NEFT and RTGS through round-the-clock shifts
- 365 days operation to facilitate reconciliation and settlement of UPI, IMPS, APY, Billdesk, Merchant QR code services
- Setting up micro-ATMs and in-house Cash replacement service for General Banking onsite ATM's
- Operationalising Green Pin (ATM card pin), Newgen (workflow application)
- Improvement in Customer Onboarding TAT through FTNR reduction <10%
- Successful implementation of operational cost optimisation/resource optimum utilisation/green initiatives
- During the year under review, the CPCs also supported the Business Continuity Plan (BCP) of the Bank, ensuring all payment systems were fully operational

Internal Ombudsman (IO)

The Bank's Internal Ombudsman (IO) ensures that all complaints, which are rejected or partially accepted by the Bank, are examined by the Internal Ombudsman, so that escalation of grievances to the Banking Ombudsman (BO) is minimised. The presence of IO at the apex level of the Grievance Redressal Mechanism of the Bank helps, enhance the impartiality of the mechanism, as the grievance resolution would have an independent viewpoint as a precursor to the BO.

Also, IO facilitates resolution/settlement/agreement of such grievances through conciliation and mediation between Bank and the aggrieved party or by passing an advisory in accordance with the Scheme. The Bank examines the grievances as per its Internal Grievance Redressal Mechanism and in case the Bank decides to reject or to provide only partial relief to the complainant, it invariably forwards such cases to the I.O. for further examination.

Further, the IO has the right to access the Bank's records relating to the complaints received, seek detailed comments from the Bank about the complaints, hold meetings with the functionaries/departments concerned and can also meet the complainants, if required, while examining the complaint for redress. The Bank furnishes all records/documents sought by the IO to enable him/her to discharge his/her duties effectively and redress/resolve customer grievances expeditiously. Furthermore, in its endeavour to achieve fair, transparent and customer-centric grievances redressal system, the Bank has synchronised its Internal Ombudsman mechanism with the Customer Relationship Management System.

Grievances closed by IO in FY 2021-22:

No. of grievance received by the Bank during 2021-22	No. of cases rejected by Bank partly/fully during 2021-22	No. of cases reviewed by IO during 2021-22	No. of grievances closed by IO during 2021-22	No. of grievances outstanding as on March 31, 2022
28,440	79	79	79	0

Disposal of grievances by Bank during FY 2021-22:

No. of grievances at the beginning of 2021-22	No. of grievances received by the Bank during 2021-22	No. of grievances disposed of by the Bank in 2021-22	No. of grievances outstanding as on March 31, 2022
257	28,440	28,542	155

Credit function

The Credit function of the Bank is responsible for the high quality of **underwriting standards** as per policy of the Bank and ensures the right mix of the portfolio with minimisation of risk. The Credit Policy of the Bank has been prepared with the broad objectives of adhering to the guidelines/ policies enunciated by the Reserve Bank of India and other regulatory authorities with an endeavour to build a diversified asset portfolio and maintain a healthy mix across different categories of borrowers based on businesses, sectors, rating categories, products, geographies etc. The policy also elaborates on financial products for Retail, Corporates, MSMEs, Rural, Agriculture and Micro Banking sectors. These products have been designed to cater to the diverse needs of the various customers mentioned above.

The Credit Department has different verticals such as the Retail Credit team, Wholesale Credit team, Credit Administration (CAD) & Credit Support. The Credit department largely performs the following functions: -

- Ensuring credit expansion to productive sectors with an emphasis on asset quality
- Utilising the sanctioning powers judiciously by following the credit norms, risk management considerations and due diligence while appraising Wholesale & Retail loans
- Ensuring a thrust on Priority Sector lending especially to Micro & Small Enterprises, and Housing Loans, where fresh business opportunities are emerging
- Lending for the sustenance of profitability, implying the need to nurture superior credit appraisal skills through specialisation and competence building
- Sensitising field level staff about Bank 's retail products
- Maintaining the diversity of the Portfolio mix across geographical areas and sectors
- Ensuring KYC norms are strictly followed, and the borrowers are carefully selected after proper pre-sanction scrutiny and thereafter monitoring the account constantly to maintain its quality
- Ensuring prudent credit risk management practices and higher standards of due diligence to protect and improve asset quality at both transaction and portfolio levels

Collection mechanism

The Bank has set up a robust collection mechanism for servicing the loan customers. The Bank continues to rely on an in-house team to visit customers and convince them to pay their dues. The Bank also utilises an outsourced call centre for pre-EMI calling and reminding customers in case of over-dues for businesses other than the JLG lending business. The field collection team comprises over 125 personnel for collection activity of non-micro finance portfolio who are trained in the Bank's policies and code of conduct. The Bank also has an in-house legal team for the recovery of dues.

FY 2021-22 has generally been a tough year due to the pandemic. The Bank has offered restructuring of loans to all eligible customers in line with RBI directives. The Bank has also supported customers during this difficult period by engaging with them and updating them on their loan account status regularly. This has ensured that the Bank has been able to maintain low NPA levels and retain the goodwill of the customers.

Treasury

The Bank conducts its Treasury business and operations from its Treasury office equipped with necessary infrastructure and primarily operates out of Mumbai. The Treasury of the Bank operates on the principle of independent functioning and reporting amongst Dealing Desk, Settlement & Operations Team and Risk to ensure effective checks and controls over its business and operations.

In its main role of managing liquidity for the Bank, the Treasury monitors and ensures adequate liquidity in the system to meet payment obligations and liquidity requirements arising out of asset growth. To manage the liquidity the Treasury draws up funding plans, monitors usage of funds and deploys surplus or raises resources based on the liquidity position. In undertaking these activities, Treasury actively participates in Call/Notice/Term Money

Markets, SLR and Non-SLR Security markets. To augment resources when needed, the Treasury raises resources through Bulk Fixed Deposits, Issue of IBPC, Issue of Certificate of Deposit, availing of Refinance and other avenues.

To actively participate in various markets, the Bank obtained membership in trading and reporting market infrastructure viz. NDS-OM, NDS-Call, TREPS, CBRICS, FTRAC apart from having access to e-kuber modules. The Treasury team also assists in selling excess Priority Sector Portfolio in PSLC markets at opportune time to book premium earnings.

Treasury ensures compliance with various Regulatory and Management guidelines regarding liquidity management and investment activities. A few of such compliance regulations include maintenance of adequate CRR balances, SLR, investment in Non-SLR instruments, Mutual Funds etc.

The Treasury in conducting its investment activities is guided by the Board-approved Comprehensive Investment Policy and other Management Policies. The Investment Policy is subject to review and is updated with necessary approvals from the Board Committees and the Board as warranted by the market dynamics including changes in Regulations and Bank's intention to expand into newer Treasury products and services.

Treasury has put in place a robust Business Continuity Plans (BCP) and periodically conducts business from alternate locations as part of BCP. During the COVID pandemic situation, Treasury conducted business and operations pertaining to liquidity management, maintenance of regulatory ratios & limits and investment activities seamlessly without any interruptions.

Credit ratings

The Bank has been assigned the highest grade credit rating for the short term (for its certificate of deposits programme) by ICRA at [ICRA]A1+. The Bank's long-term subordinated bonds are rated at A (Stable) rating by two Credit Rating Agencies i.e. ICRA and CARE Ratings.

The Bank's Credit Ratings from ICRA and CARE:

Instruments Ratings	Ratings	Rating Agency
Certificate of Deposit	ICRA A1+ ICRA Tier-II NCDs ICRA (Stable Outlook)	ICRA
Tier-II NCDs	CARE A (Stable Outlook)	CARE

RISK MANAGEMENT

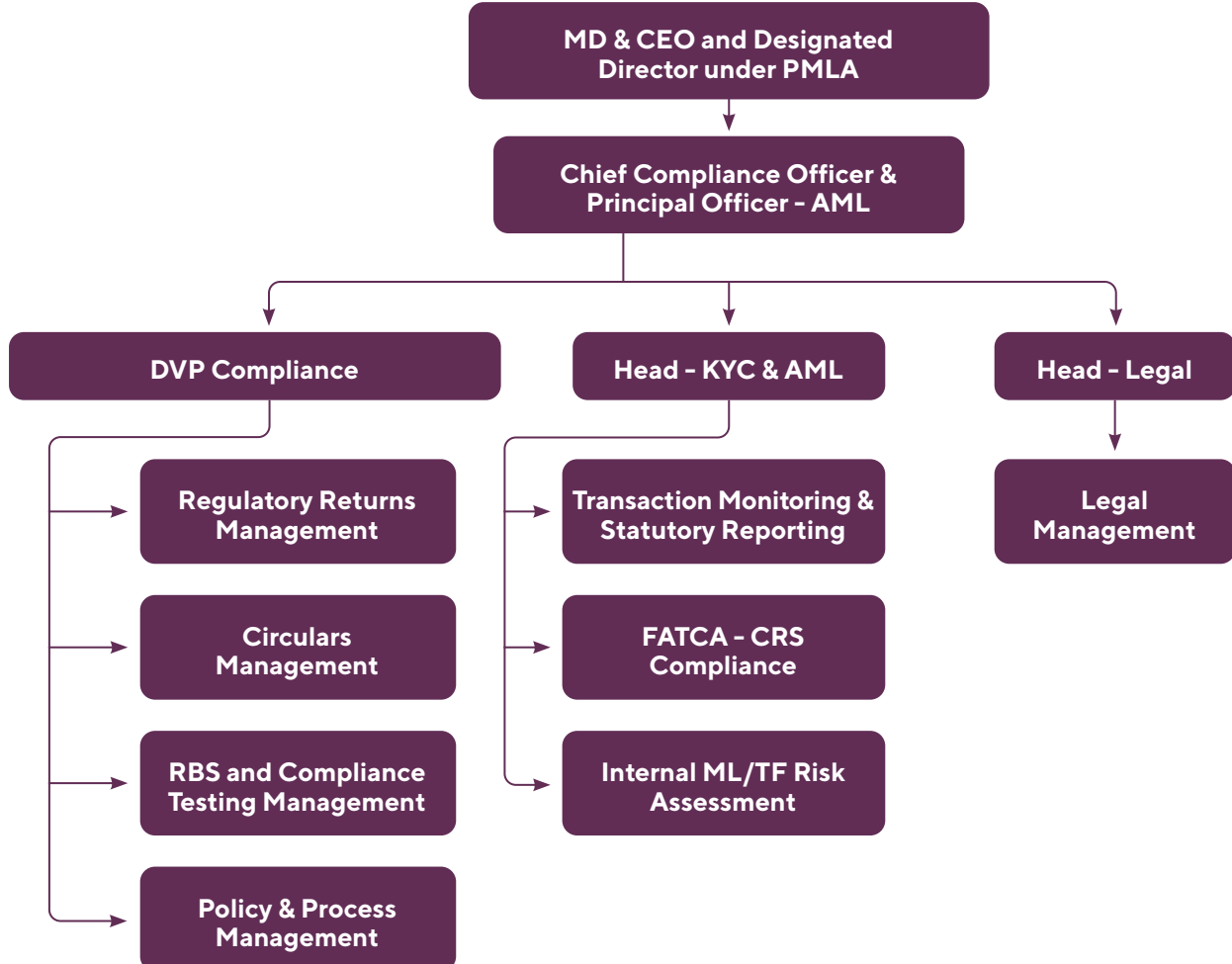
The Bank has in place an effective risk management structure to identify, address and mitigate risks across all areas of operations. The Risk Management Committee of the Board (RMCB) supervises the entire risk management framework of the Bank, which meet on a periodic basis to discuss and mitigate risks.

Risk	Impact	Mitigants
Credit Risk	Bank defines credit risk as to the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed-upon terms). It adversely impacts both the revenue and margins of the Bank.	At the management level, the Credit Risk function, which is part of the Risk Management Department, has oversight responsibility for credit risk. USFBL assesses the creditworthiness of each customer, product, enterprise, and geography at multiple levels. This helps the Bank identify risks and take informed decisions, which are aligned with the rules laid down by the committees authorised by the Board. USFBL has been continuously evolving, which has helped the Bank identify early warning signals to minimise credit costs both in a pre- and post-pandemic environment.

Risk	Impact	Mitigants
Market Risk	Risks arising from the movement in market prices might impact the revenue generation ability of the Bank.	Both the investment committee and asset-liability committee of the Bank is tasked with supervision of the investment and market risks; accordingly approve the framework for market risk and its thresholds. The mid-office prepares and analyses daily reports on various activities of the Bank's treasury department. A comprehensive market and liquidity risk dashboard are circulated to senior management on a monthly basis, which comprises all relevant information related to an investment portfolio, liquidity position, depositors and borrowing, enabling improved and informed decision-making by the senior management.
Operational Risk	Inadequate or failed internal processes, people, and systems might have an adverse impact on the profitability of the business.	To mitigate this risk, Utkarsh Small Finance Bank Limited has put together a comprehensive operational risk management policy, with a framework to identify, access and monitor risks, strengthen controls, improve service and minimise operational losses. Amidst the 2nd wave of pandemic, the Bank ensured operational continuity with the help of Bank's business continuity plan.
Concentration Risk	Higher exposure to a particular geography or a product poses concentration risk. Bank's overdependence on the microfinance segment might impact the business in the long run. The JLG lending segment contributed 75.78% of the outstanding loan portfolio as on March 31, 2022. Further, the Bank's JLG portfolio is largely concentrated in Uttar Pradesh and Bihar with a share of 29% and 42% respectively of the overall portfolio as of March 31, 2022. While there seem to be state-level geographical concentration, the Bank's portfolio is well-diversified in terms of districts, with no single district accounting for more than 3% of the Bank's total asset under management.	In order to reduce its dependence on specific product segments and geographies, the Bank has consciously started focussing on growing other retail loans with particular focus on secured lending book, and on expanding across new geographies and deepening its presence in existing geographies. In FY 2021-22, the Bank made substantial progress on the disbursements in categories such as home loans and loan against property in the MSME space, Commercial Vehicle/Construction Equipment segment; thereby further reducing the proportion of MFI loans in the total portfolio to 75.28% from 81.98% in FY 2020-21. The Bank also launched overdraft/cash credit products, along with gold loan, and entered into fintech partnerships under the Business Correspondents model which is expected to further reduce the proportion of MFI loans in the total portfolio. The Bank has also expanded its footprint in new states and union territories during the year under review.
Fraud Risk	Fraud risks comprise cyber threats, scam, processing errors and document mishandling, among others, affecting the goodwill and the revenue generation of the Bank.	To mitigate this risk, the Bank's has put together a Fraud Risk Management (FRM) unit as an independent group in the Bank to enable fraud prevention, monitoring, investigation, reporting and awareness creation. Further, the Bank also has a dedicated Risk Containment Unit (RCU), which is tasked with thorough online checking of all loan files and liabilities. During the year under review, the Bank has further enhanced its artificial intelligence tools such as Hunter, Perfios and Sherlock, among others, ensuring improved scrutiny of assets and liabilities applications. Further, the Bank is using the Inline Fraud Risk Management (IFRM) tool for monitoring fraudulent transactions across all channels.

Risk	Impact	Mitigants
IT Risk	The risks associated with the increasing adoption of technology include the non-availability of systems and processes, resulting in business loss from both unintentional (faulty use) and intentional (cyber frauds) events.	To ensure efficient management of IT risk and ensuring confidentiality and integrity of business and customer information, the Bank has implemented security controls in accordance with the RBI cybersecurity framework. Regular security monitoring is in place and the Bank is in compliance with the regulatory guidelines issued from time to time. Further, to ensure business continuity through work from home, securing people, process and technology was of innate importance. In doing so, the Bank has put in place the BCP and incident response plans for handling both operational and security risks.
Liquidity Risk	An asset-liability mismatch might result in liquidity risk for the Bank, which would result in raising fresh liabilities at a higher-cost or liquidating assets at a higher discount rate, thus, impacting the margins of the Bank.	USFBL has set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowings, deposits and placements, among others. The asset liability committee of the Bank reviews treasury operations, interest rate and cash flows on a monthly basis. The liquidity profile of the Bank is analysed every week by tracking all cash inflows and outflows based on the actual maturity and expected occurrence predicted. Premature withdrawals of term deposits and drawdown of unavailed credit limits are also analysed by the Bank to measure the actual liquidity position on an ongoing basis.

COMPLIANCE ARCHITECTURE



Process framework within the compliance department

The Bank's Compliance Department consists of three sub namely Regulatory Compliance, AML Compliance and Legal. The Compliance Department has an established process of dissemination of regulatory changes, updation of policies, tracking timely submission of returns to regulatory authorities, correspondence with regulatory authorities, transaction monitoring, drafting, and vetting of agreements and advising various internal stakeholders on legal matters. This helps the Bank ensure effective compliance with policies, regulatory guidelines and applicable legal framework.

Following is the key process framework of Compliance Department:

- Circular management process
- Returns management process
- Policy management process
- AML/Transaction monitoring process
- Compliance risk assessment framework (compliance testing)
- Risk-Based Supervision (RBS) data management
- Legal management

Circular management process

All Scheduled Commercial Banks (SCBs) in India are required to adhere to various guidelines issued by the RBI and various other regulators from time to time. Failure to meet the said guidelines within the stipulated timeline might be considered non-compliance, in turn, attracting financial fines. The Bank's compliance department has institutionalised a well-defined circular management process that inter alia covers the dissemination and tracking of the circulars, till implementation.

Returns management process

All SCBs in India are required to submit various returns to RBI and other regulators at periodic intervals as directed by the regulators. These returns are submitted on online portals of regulatory / statutory authorities; or through email, physical copies and reply letters, as directed by the regulators. The Bank's compliance department has institutionalised a robust returns management process to ensure timely submission of such returns.

Policy, product and process management

The compliance department of the Bank maintains the repository of all policies approved by the Board. To ensure transparency, all departments of the Bank, while reviewing any existing policy or drafting any new policy seek views of the compliance department, before seeking approval of the Board of Directors. The Bank's compliance department has also institutionalised a framework for rolling out products and processes through a management level committee, named Product and Process Management Committee (PPMC).

AML/Transaction monitoring process

The AML cell of the compliance department is tasked with the supervision of adherence to the prescribed guidelines with respect to transaction monitoring and statutory reporting under the Prevention of Money Laundering Act (PMLA) to Financial Intelligence Unit – India (FIU IND)

Compliance risk assessment framework

The compliance risk assessment framework of the Bank helps in the assessment of its compliance risk through compliance testing. Under this testing, the compliance department tests the efficiency of controls available in various departments towards adherence to regulatory requirements and recommends measures to plug the gaps, if any, in the existing controls.

Risk-Based Supervision (RBS) data management

In addition to the submission of regulatory returns and ad hoc returns to RBI and other regulatory / statutory authorities, the Bank is subjected to RBI inspection at defined periodicity. Submission of data elements under

Risk-Based Supervision and interface with the onsite RBI Inspection team is the responsibility of compliance department. Additionally, in light of the myriad activities carried out by the Bank, it is also subjected to onsite inspection by other authorities like UIDAI / IRDAI / FIU IND etc. Compliance Department acts as the interface and the SPOC representing the Bank vis-à-vis these authorities for any such requirements.

Legal management

The legal management process helps in addressing queries related to the following:

- Clarification on branch operation queries such as – account opening, drafting and vetting of letters and replies to customers, replies to be filed before Banking Ombudsman, courts and tribunals, and drafting and vetting of draft FIR s to police authorities
- Advising on issues related to disciplinary proceedings against employees, replies to notices issued by Labour Authorities pertaining to HR issues etc
- Drafting of notices pertaining to Collections, vetting of submissions on behalf of the Bank in cases filed against the Bank, opinions in respect of recovery measures to be taken / proposed way forward in cases filed against the Bank, actions to be taken under arbitration, proceedings under SARFAESI Act, etc.
- Drafting and vetting of agreements and supplementary agreements (Non-disclosure agreement, service level agreement, purchase order and other administrative agreements) including advising on the adequacy of stamp duty / execution thereof
- Advising on issues relating to title investigation reports prepared by empanelled advocates
- Empanelment of advocates and conducting Legal Audit

In addition to the interaction with the regulators, the compliance department periodically apprises the Bank's management, Board of Directors, and Board Committees on the changes in the regulatory environment and the status of compliance thereof in the Bank. During FY 2021-22, the Bank strengthened the compliance testing and automation of certifications to be submitted by various stakeholders. Necessary steps have been initiated towards cultivating and building a strong compliance culture within the Bank.

VIGILANCE MECHANISM

The role of the vigilance and security department of the Bank is multi-dimensional. Apart from the investigation of fraud, theft, robbery, misappropriation of cash, policy violation and corruption cases, the vigilance department is imparting training to the bank employees on Vigilance awareness, surveillance, security of bank property, etc., Vigilance Tele calling team contact borrowers of the Bank to take their feedback from vigilance angle. Vigilance Dept also deals with information received under whistle blower policy of the bank, and undertakes general liaison with local government authorities. Various circulars covering vigilance and security awareness are issued by the vigilance department from time to time. In appropriate cases, draft FIRs are prepared and sent to the concerned business team for filing criminal case against guilty persons. All investigation reports are sent to the HR Department of the Bank for initiating suitable disciplinary action. Periodical and surprise branch visits are also done by Vigilance Dept.

INFORMATION TECHNOLOGY (IT)

Information technology has significantly changed the way all the Banks currently operate. USFBL envisions that IT is the major differentiator in bringing in efficiency, productivity and customer experience. We have partnered with leading technology vendors to provide the latest technology solutions to achieve optimal Service delivery.

The Bank has constantly enhanced its IT solutions to offer various products and different transaction channels to the Customers. IT solutions have enabled in digitalisation of various processes. Technology-driven channels such as Internet Banking, Mobile Banking, ATM and Debit cards have helped the Bank to serve the customer round-the-clock and during disruptive and challenging times. The Bank has developed extensive network of Micro ATMs to serve the customer based in non-urban areas as well. The Bank has launched various digital banking services such as UPI, Bharat Bill Payment system, E-Comm to help customers transact digitally. The Bank has also launched end-to-end digital Onboarding with quick Account opening enabled with Video KYC. Bank has recently upgraded to latest Core Banking application for Joint Liability Group Loans (JLG) Business to offer best-in-class service to its customers. The Bank has deployed Inline Fraud and Risk management solution for Realtime fraud

management detection of Online transactions. Bank is in process of implementing Datalake platform to enable Business analytics for better understanding of various trends.

In addition to the above initiatives, Bank is also planning to engage external consultants to get further insights in evolving and innovative emerging technologies in Banking space to further enhance and improve the Bank's IT Ecosystem.

Bank is in continuous pursuit to deliver improved customer experience and facilitate customer acquisition and deepen our relationship with customers.

HUMAN RESOURCES AND TRAINING

Human resources being core to the business of the Bank have been the central focus of all Human Resource policies and Training initiatives of the Bank. During the fiscal 2021-22, the Bank added 2,256 employees of which 870 were female employees. The employee strength of the Bank as on March 31, 2022 was 12,617.

Due to the uncertainty prevailing due to the COVID pandemic in the last financial year, the Bank migrated its Learning and Development initiatives to an offline mode. The Bank is developing an internal talent pool through training programs from various institutions, to grow and expand in new geographies and products. The Bank believes in broad-based capability development of our employees. We incorporate a healthy mix of various learning modes such as classroom programs, external programs, certification programs and e-learning modules to facilitate the learning process across all levels. Due to the uncertainty prevailing due to the COVID pandemic in the last FY, the Bank migrated its Learning and Development initiatives to an online mode and adopted a blended strategy for upskilling and reskilling of the employees. The Bank as a part of its structured learning and development journey for various roles provided training to employees on aspects such as Role Based Certifications, Process and Product Certifications and other softer skills Training among others. Apart from this, numerous workplace training programs were implemented including Utkarsh Pragati (refresher trainings), Utkarsh Udaan (role-change trainings), Utkarsh Saksham (capacity building certification programs and mandatory certifications). Various tie-ups with external institutions, industry consortium bodies and learning partners enabled in keeping up with the latest developments and also building the capabilities by providing requisite knowledge and skills. During the year under review, more than 9,000 staff were educated under various programs. The Bank also has an ongoing process of talent identification and development and in FY 2021-22, the Bank has continued its journey to provide upskilling to a select identified employees to help them scale up functional and behavioural skills.

The Bank has also embarked on a journey of digitising its employee's life cycle management program and in the last financial year process such as joining, onboarding, etc. have been digitalised. With the growth in scope and scale of operations, the Bank has started to decentralise its HR process while ensuring that adequate checks and balances are maintained.

AUDIT AND INTERNAL CONTROL SYSTEMS

The Bank has an Internal Audit Department since its inception which operates independently under the supervision of the Audit Committee of the Board with a reporting line to its Chairman and is manned by appropriately qualified personnel. The Bank's Internal Audit function provides an independent view to its Board of Directors and Senior Management on the quality and efficacy of the internal controls, risk management systems, governance systems and processes in place on an ongoing basis. This is provided primarily to ensure that the business and support functions are compliant with both internal and regulatory guidelines. In line with RBI's guidelines on Risk-Based Internal Audit (RBIA), the Bank has adopted a robust internal audit policy. The Risk-Based Internal Audit has been designed after factoring in regulatory guidelines and best practices in the Industry.

The policy has a well-defined architecture for conducting Risk-Based Internal Audits across all audit entities. The audit frequencies are in sync with the risk profile of each unit to be audited. Further to augment the internal audit function, concurrent audit and off-site audit have been integrated into the internal audit process in order to make the function more robust. To support audits, the department has got IT application which helps in planning the audit, its execution and reporting. Keeping pace with digitalisation in the Bank, the Internal Audit function has also initiated technological initiatives i.e. use of analytics tool such as "IDEA" for providing enhanced efficiency and effectiveness through system driven and analytics-based audits, finding exceptions. The team is progressing towards the increasing use of such Computer Aided Audit Tools to bring further efficiency and effectiveness.

With a team size of 140 people having domain knowledge across various products/processes in the banking industry and continuous guidance of an Audit Committee of the Board, the internal audit team completed all the audits as per annual audit plan. Audits which were conducted during FY 2021-22 comprises of risk-based audit of Branches and Centralised Functions, concurrent audit of branches and other critical functions such as Treasury function/Central Processing Centres/Payments and other audits such as Information System and Cyber Security, NPA Automation, Internal/Office accounts, outsourced vendors, Internal Financial Controls, Storage of Payment Systems Data etc.

FINANCE & ACCOUNTS

Our finance department focusses primarily on preparing financial plans, monitoring, and analysis of financial performance. The finance department monitors priority sector target achievement and financial inclusion performance of our Bank and computes MCLR for the Bank on a monthly basis. The team also manages the Bank's credit ratings and interacts with credit rating agencies. Our accounts department is responsible for publishing financial results, substantiation and reconciliations of all Bank accounts, Regulatory reporting to the RBI with respect to Accounts department and tax compliances.

COMPANY SECRETARIAL

The Company Secretarial function ensures that the Bank, at all times, is compliant with the applicable provisions of the Companies Act, 2013, and the corporate governance framework as mandated by RBI and other regulatory authorities to the extent applicable to the Bank from time to time. It also ensures timely conduct of the Board & Board Committee Meetings, Shareholders' meetings at regular intervals and subsequent ROC/RBI/SEBI reporting. The team further assists the Statutory & Secretarial Auditors by making timely provision of requested information/documents/data for completion of respective audits. The team advises the Management on regulatory processes to be followed for various Corporate Actions.

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. Such factors and uncertainties include, but are not limited to, the Bank's 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 III – Pillar 3 Disclosures as on March 31, 2022

Utkarsh Small Finance Bank Limited (hereafter referred as 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, 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, banking operations commenced on January 23, 2017 with the opening of five branches in Delhi, Patna, Nagpur and Varanasi. The Bank has entered its 6th year of business operations. It was included in the second schedule of the RBI Act, 1934 vide 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, 2022.

I. DISCLOSURE FRAMEWORK (DF) – 1: 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 is made as a standalone entity.

II. DF – 2: CAPITAL ADEQUACY

1) Qualitative Disclosure:

- a) 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.

- Credit Risk (Standardized Approach)
- Market Risk (Standardized Approach)
- Operational Risk (Basic Indicator Approach)

For better assessment of the capital, the Bank is having Internal Capital Adequacy Assessment Process (ICAAP) with Simplified Approach, considering its nature, scope, geographic spread, complexity and quantum of operations. Our risk management practices are in line with the required degree of supervision for a Small Finance Bank.

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 to cover future unforeseen risks upto a certain degree. 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.

Quantitative Disclosure

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

(₹ in Crores)

Sl. No.	Particulars	Amount as on 31st Mar' 2022
(b)	Capital Requirement for Credit Risk:	
	Portfolios subject to Standardized Approach	1,178.56
	Securitization exposures	-
(c)	Capital Requirement for Market Risk:	
	Standardised duration approach	
	i) Interest Rate Risk	-
	ii) Foreign exchange Risk (including Gold)	-
	iii) Equity Risk	-
(d)	Capital Requirement for Operational Risk:	
	Basic Indicator Approach	-
(e)	Total Capital Requirement (b+c+d)	1,178.56
(f)	Total Risk Weighted Assets	7,857.05
(g)	Total Capital Fund	1,696.46
(h)	Capital Adequacy Ratio	
	Common Equity Tier-1	18.08%
	Tier-1	18.08%
	Tier-2	3.51%
(i)	Total CRAR	21.59%

2) Risk Exposure and Assessment

The Bank is exposed to certain broad risks, which are being monitored and mitigated on an ongoing basis. Credit Risk, Operational Risk, Information Security and Market & Liquidity Risk are the Risks that are being monitored based on Board Approved policies of the Bank. These are reviewed at annual intervals or based on certain key adhoc changes in between the annual frequency.

Risk Governance Model

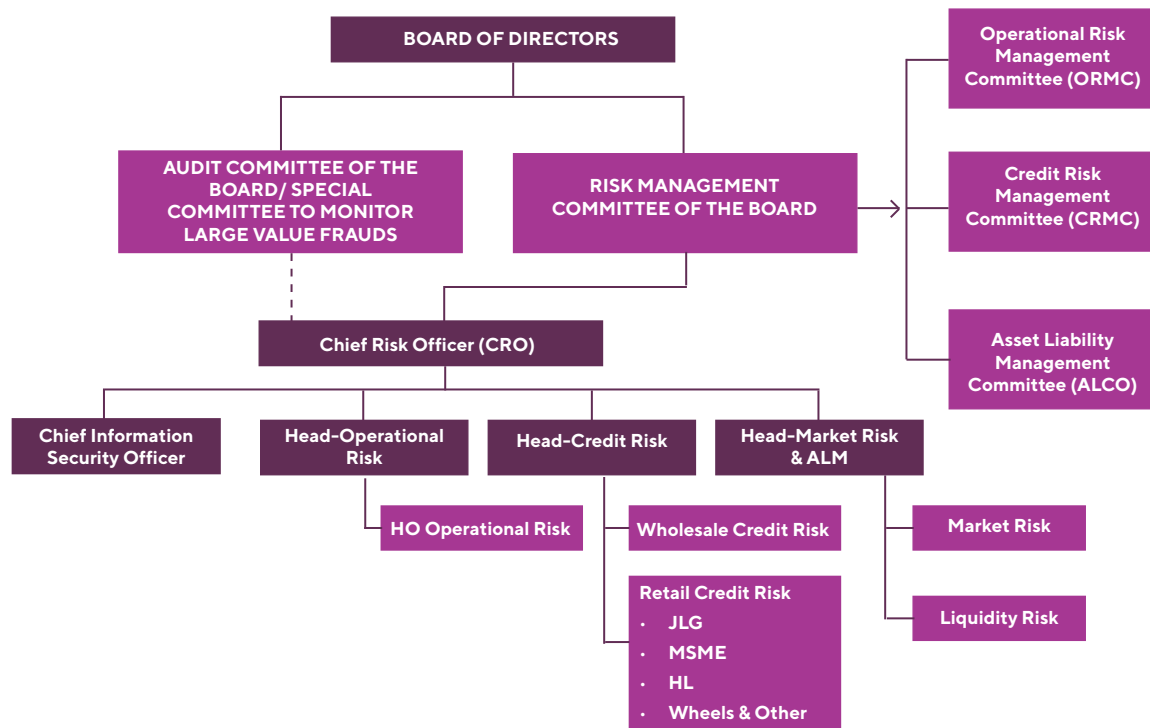
The Bank has developed a system to manage & control various risks across the Business Verticals. Under this model, Business Verticals are made aware of the level of Risk to be taken, management of these Risks and taking Bankable risks. Risk Department of the Bank has a well-defined policy framework, which makes the analysis impactful for monitoring, and the reporting standardized. Internal Audit team also provides an impartial assessment of the process followed by all departments including Risk department under the Risk Control Self-Assessment exercise.

Risk Governance Framework

The Bank has a well defined and approved reporting structure of Risk related agenda items to the Bank's Board. The structure is as under:

Governance Committees

The Role and Responsibilities w.r.t. Risk Management Framework of the Bank of various committees & board are as under: -



- i. 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.
- ii. Risk Management Committee of Board (RMC)- The Risk Management Committee of the Board will be a Board level sub-committee including MD & CEO. The primary role of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to Risk Management. The Role of RMC is enlisted as under:
 - Overseeing Credit Risk Management and obtaining assurance that the principal credit risks facing the Bank have been identified and are being appropriately managed
 - Approving and periodic review of the Bank's overall risk appetite and setting limits for individual risks as credit, market, operational and liquidity, before submission to the Board
 - Approving credit risk management and measurement policies and guidelines before submission to the Board
 - Determining prudential limits for individual, group, portfolio, or other exposures of the Bank, within the ceilings fixed by RBI and the Board
 - Monitoring the Bank's risk profile, including risk trends and concentrations, loan impairment experience and key performance indicators for risk
 - Approval of new Credit Risk Assessment (CRA) system and classification as acceptable and unacceptable category and periodic changes needed to such classification
 - Assessing effectiveness and performance of rating system validation and approving the results before model is put to use or a part of model validation exercise
 - Reviewing industry/sector/portfolio view of the Bank
 - Approving product-pricing strategy for advances
 - Ensuring balance sheet and capital adequacy management with due regard to various risks impacting the balance sheet

- Reviewing and approving the Internal Capital Adequacy Assessment Process (ICAAP) document at least on a yearly basis
 - Deciding appropriate MIS system and framework for risk management.
 - Approve credit risk limits at the Bank level for various portfolios such as industry, product, geography, risk types etc., which include approval of material changes to credit risk limits.
 - Discuss the findings of the Audit Committee of the Board (ACB) and issue directions for corrective actions
 - Approve results of credit risk stress tests
 - Identification, evaluation, and mitigation of all risks applicable to the Bank, including operational risk
 - Approving the Operational Risk policies and proposed framework modifications and recommending it to the Board
 - Overseeing the activities, annual review, and independent reviews of the ORMC
 - Ensuring coverage of Internal Audit oversight over implementation
 - Ensure that adequate policies are in place to manage and mitigate Market Risk
 - Evaluate the adequacy of the Bank's Market Risk management systems with management, internal and external auditors, and ensure adherence to Regulatory guidelines.
- iii. Audit Committee of the Board- Audit shall provide an independent assurance to the Board through Audit Committee on the effectiveness of implementation of risk management framework, including the overall adequacy of the internal control system and the risk control function and compliance with internal policies and procedures. Responsibilities of the Internal Audit Department include:
- Annual review of the processes and controls related to rating system design and operations
 - Review on an annual basis that validation processes are implemented as designed, validations are conducted in a timely and effective manner, model inventory and documentation standards are accurate and complete
 - Review the Bank's compliance with RBI guidelines and established risk related policies and procedures
 - Review of individual loan accounts on a sample basis based on the defined sampling process
 - Review the adequacy of the IT infrastructure and data maintenance. For portfolios where statistical models are being used, conduct tests in order to check data input processes
 - Provide notice to RMC through the Audit Committee of the Board of any material deviations from established policies which may impact Bank's rating system or processes; and verify that details with respect to collateral and credit risk mitigants have been captured in the Bank's systems.
- iv. Credit Risk Management Committee (CRMC)
- Specific responsibilities of the Credit Risk Management Committee are to:
- Ensure implementation of credit risk management policy and strategy approved by the Board
 - Monitor quality of loan portfolio at periodical intervals, identifying problem areas and issuing directions for rectifying deficiencies.
 - Monitor credit risk on a bank wide region wise basis and ensuring compliance with the approved risk parameters/ prudential limits and monitor risk concentrations
 - Report any credit risk issues brought to its notice to the Risk Management Committee / Board
 - Incorporate regulatory compliance in Bank's policies and guidelines in regard to credit risk
 - Review and approve the use of internal risk rating for the eligible accounts for business and risk management purposes and placing before RMC

- Review all rating validation results to assess efficacy and effectiveness of model performance and placing recommendations before RMC
- Review and approve the credit risk stress testing scenarios, results and analysis.

v. Operation Risk Management Committee (ORMC)

Specific responsibilities of the Operation Risk Management Committee are to:

- The ORMC should meet at least quarterly to discuss the performance of the ORMF, areas needing improvement and the status of efforts to improve previously identified deficiencies.
- ORMC should inform the RMC of issues and changes or deviations from established policies, which will significantly impact the operations of the ORMF, including the operational risk profile and capital allocated to operational risk on a regular and timely basis.
- Evaluating the Operational Loss and Near Miss reports submitted by the business units of the Bank and deliberating on the same.
- Performs periodic review of the ORMF
- Ensures appropriate action is taken for operational risk exposures exceeding appetite
- ORMC should ensure the ongoing relevance and effectiveness of the ORM framework, the ORMS.

vi. Asset Liability Management Committee (ALCO)

Specific responsibilities of the Asset Liability Management Committee are to:

- Evaluate internal processes for identifying, assessing, monitoring and managing Market Risk
- Design and implement the bank's market risk management system
- Review Market risk policy and procedures on a periodic basis and report to the Risk Management Committee for approval
- Monitor adherence to limits prescribed in the market risk policy and report any modifications required in the existing limits to the Risk Management Committee for approval
- Ratification of exceptions to Market Risk Limits.
- Approve the Hedging Strategy, whenever the bank takes an open position
- Regularly the investment portfolio

III. DF - 3: CREDIT RISK: GENERAL DISCLOSURES

1) Qualitative Disclosure:

Credit Risk is defined as the possibility of losses due to outright default due to the inability or unwillingness of a customer or counterparties to meet commitments in relation to lending, trading, settlement, and other financial transactions. In addition, reduction in portfolio value arising from actual or perceived deterioration in credit quality of borrowers or counterparties. Credit risk emanates from a bank's dealings with an Individual, Non-Corporate, Corporate, Bank, Financial Institutions, or a Sovereign. Past Due contracts are those, which have missed to pay the scheduled payment on the given due date. Impaired accounts are those, which have not paid three consecutive EMIs or are irregular for period of more than 90 days or in a running account facility, three months interest is not serviced consecutively.

A non-performing asset (NPA) is a loan or an advance which falls under any of the following category:

- Interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan
- The account remains 'out of order', in respect of an Overdraft/Cash Credit (OD/CC)

- The bill / cheques purchased remains overdue for a period of more than 90 days in the case of bills/ cheques purchased and discounted
- The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops
- The instalment of principal or interest thereon remains overdue for one crop season for long duration crops
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of the directions issued by RBI.
- in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- In case of interest payments, banks shall, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Credit Risk Management Department (CRMD) shall present progress reports to the CRMC/ Board on implementation of Credit Risk Management guidelines of the Bank and reports those that are required to be submitted to the regulator at the stipulated intervals. The CRMD shall be responsible for identification, assessment, quantification, and aggregation of credit risks embedded in business operations of the Bank and shall be responsible for formulation, evaluation and improvement of risk management/control/mitigation tools in the Bank.

The broad functions of the Credit Risk Management Department would be as follows:

- Measure, control and manage credit risk on a Bank-wide/ Zone-wise/ Product wise basis within the limits set by the Board / CRMC.
- Monitor quality of loan portfolio, identify problems and correct deficiencies.
- Undertake portfolio evaluations and comprehensive studies on the environment to test the resilience of the loan portfolio to protect the quality of loan portfolio.
- Compute and analyze the RWA and credit risk capital computation results and apprise the same to CRMC.
- Enforce compliance with the risk parameters and prudential limits set by the Board / RMC / CRMC.
- Review and document changes to the credit scoring process and criteria, including rationale for their changes. Reviewing the scoring criteria to ensure that they remain predictive of risk.
- CRMD shall be responsible for collection of data required for model development and credit risk capital calculation.
- Lay down risk assessment processes; develop MIS for reporting to senior management.
- Documenting changes to the rating process, criteria or individual rating parameters and retained for RBI to review.
- Undertake Stress testing of portfolios and provide inputs for ICAAP.

2) Quantitative Disclosure:

a) Total Gross Credit Risk Exposure by Facility:

(₹ in Cr)	
Facility Type	Credit Exposure
Fund Based	7,857.05
Non-Fund Based	0.00
Total	7,857.05

b) Total Gross Credit Risk Exposure by Geography:

(₹ in Cr)

Category	Fund Based	Non-Fund Based	Total Credit Exposure
Domestic	7,857.05	0.00	7,857.05
Overseas	0.00	0.00	0.00
Total	7,857.05	0.00	7,857.05

c) Industry wise Distribution of Gross Advances:

Industry	Fund Based	Non-Fund Based	Total Credit Exposure
Agriculture and Allied Activities	5,763.79	0.00	5,763.79
Micro and Small	836.06	0.00	836.06
Professional Services	69.75	0.00	69.75
Retail Trade	1,832.72	0.00	1,832.72
NBFCs	881.18	0.00	881.18
Other Services	456.24	0.00	456.24
Housing Loans (incl. priority sector Housing)	366.99	0.00	366.99
Consumer Durables	0.44	0.00	0.44
Vehicle/Auto Loans	134.21	0.00	134.21
Education Loans	0.32	0.00	0.32
Advances against Fixed Deposits (incl. FCNR(B), etc.)	112.33		112.33
Other Retail Loans	176.69	0.00	176.69
Total	10,630.72	0.00	10,630.72

d) Residual Contractual Maturity Breakdown of Assets:

(₹ in Cr)

Time Buckets	Amount as on 31 st Mar, 2022						
	Cash and Balances with RBI	Balance with Banks and Money at Call and Short Notice	Investments	Advances	Fixed Assets	Other Assets	Total
1 day	250.44	52.87	37.71	129.88	-	10.45	481.35
2 to 7 days	9.29	0.14	83.12	95.74	-	0.59	188.88
8 to 14 days	2.72	-	166.84	79.46	-	0.66	249.69
15 to 30 Days	18.00	-	162.56	269.48	-	80.14	530.19
31 Days to 2 months	11.7	-	147.97	470.37	-	5.04	635.08
Over 2 months to 3 months	12.9	-	80.69	474.82	-	2.77	571.18
Over 3 months to 6 months	42.12	-	263.55	1,421.56	-	4.54	1,731.77
Over 6 months to 1 year	64.86	0.04	492.84	2,602.86	-	107.85	3,268.44
Over 1 year to 3 years	114.13	20.45	864.17	3,481.36	-	4.65	4,484.76
Over 3 years to 5 years	2.03	-	12.71	515.79	-	18.10	548.64
Over 5 years	5.71	0.25	35.76	686.82	286.53	1.53	1,016.61
Total	533.90	73.75	2,347.92	10,228.15	286.53	236.33	13,706.59

Position of Non-Performing Assets (NPA):

(₹ in Cr)

Particulars	Amount as on 31st Mar, 2022
Gross Advances*	10,630.72
Net Advances	10,228.15
Gross NPA	
Sub-standard	615.80
Doubtful 1	32.34
Doubtful 2	0.02
Doubtful 3	0.00
Loss	0.00
NPA Provision	402.58
Floating Provision	9.78
Net NPA	235.80
NPA Ratios:	
Gross NPA to Gross Advances (%)	6.10%
Net NPA to Net Advances (%)	2.31%

*Gross advances numbers are audited

e) Movement of Non-Performing Assets (NPA Gross):

(₹ in Cr)

Particulars	Amount as on 31st Mar, 2022
Opening Balances (As on 1st Apr 2021)	315.28
Additions	653.83
Write Offs	219.38
Reductions	101.57
Closing Balances	648.16

f) Movement of Specific & General NPA Provisions:

(₹ in Cr)

Particulars	Amount as on 31st Mar, 2022	
	Specific Provisions	General Provisions
Opening Balances (As on 1st Apr 2021)	198.8	141.13
Add: Provisions made during the period	472.32	75.57
Less: Write offs	219.38	-
Less: Write Back of excess provision	49.16	79.4
Closing Balances	402.58	137.3

Specific Provisions represents provisions for NPAs

General Provisions represents provisions excluding NPAs

g) Position of Non-Performing Investments (NPI) as on Mar 31,2021:

(₹ in Cr)

Particulars	Amount as on 31st Mar, 2022
Amount of Non-Performing Investments (NPI)	0.00
Amount of Provisions held for NPI	0.00

h) Movement of provisions for depreciation on investments:

(₹ in Cr)

Particulars	Amount as on 31st Mar, 2022
Opening Balance (As on 1st Apr 2021)	19.36
Add: Provisions made during the period	4.42
Less : Write offs	-
Less : Write Back of excess provision	19.36
Closing Balance	4.42

IV. DF - 4: CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

1) Qualitative Disclosure:

In line with RBI guidelines, Bank has employed standardized approach under Basel III capital regulations for computing risk-weighted assets of its credit portfolio.

As per regulations, the Bank is using long-term instrument ratings and / or bank facility ratings issued by the specified accredited External Credit Rating Agencies (ECRA) and published in public domain in order to assign credit risk weights to its counterparties.

ECRAs acceptable by Bank as per RBI guidelines are: - CRISIL, ICRA, CARE, India Ratings (FITCH India), Brickwork Ratings, SMERA and INFOMERICS Valuation and Rating Pvt. Ltd. (INFOMERICS).

2) Quantitative Disclosures:

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

(₹ in Cr)

Category	Amount as on 31st Mar, 2022
Below 100% Risk Weight	7,057.56
100% Risk Weight	774.54
More than 100% Risk Weight	24.95
Deducted	0.00
Closing Balance	7857.05

Both Fund & Non-Fund Based Exposure

V. DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACH

1) Qualitative Disclosure:

Borrower's financial strength and debt-servicing capacity shall be the primary consideration while granting credits 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. These include:

- to mitigate credit risk by providing bank with a secondary source of repayment in the event that the borrower defaults on a credit facility.
- to gain control of the collateral which is the primary source of repayment of a facility in default.
- to provide early warning of a borrower's deteriorating repayment ability (particularly for credit facilities such as margin financing where top-up of collateral may be required from time to time); and
- to enable bank to provide lower capital to credits which are secured by eligible collateral or guarantees.

Assets or rights provided to the Bank by the counterparty or a third party to secure a credit facility. The Bank must have a priority claim on the sale proceeds of collateralized assets or rights in the case of default of the counterparty or in case of occurrence of other credit events specified in the related facility documents collateral includes both primary and secondary securities provided to the Bank.

Primary security: Primary security is the asset created out of the credit facility extended to the borrower and / or which are directly associated with the business / project of the borrower for which the credit facility has been extended.

Secondary security: Secondary security is any other security offered for the said credit facility. For example, mortgage of House, land, Fixed deposits, Gold etc.

Depending on the deal structure and overall assessment of borrower, the personal guarantee of promoter directors / partners / proprietor / property owners, etc. is taken in Wholesale Banking vertical on case - to - case basis.

The credit documentation empowers the bank to apply the collateral freely to discharge the borrower's obligations in so far as they are not discharged by the borrower in accordance with the loan agreement (e.g. due to breach of repayment terms, liquidation or bankruptcy of the borrower). Bank verifies the existence and ownership of the assets being pledged before acceptance and ensure that there is no prior claim, or claim of equal ranking, by another party on the collateral. Bank secures its control of the collateral prior to the drawdown of credit facilities e.g. it obtains customers' authorization to transfer the legal title to the pledged shares to the bank etc. Where there is a need for the collateral to be held by a third party, bank obtains that party's written confirmation that it has no claim over the collateral. Charges on collateral are registered promptly with the relevant authorities under applicable law (e.g. registrar of companies – ROC, CERSAI), where appropriate.

Valuations are based on the current market value of the collateral and are not biased in order to enable the bank, to grant a higher credit limit to the borrower or improve its internal credit rating, make a smaller amount of provision or continue interest accrual for a problem credit. Bank ensures that the valuation method used, whether internal or external, is based on assumptions that are both reasonable and prudent and all assumptions should be clearly documented.

Collateral are being revalued on a regular basis, though the frequency may vary with the type of collateral involved and the nature & the internal credit rating of the underlying credit e.g. frequency for shares and properties as collateral would be different. Staff conducting internal valuations, carrying out site visits to collateralized properties or deciding on the use of external valuers etc. shall be independent of the marketing or credit granting & approval function. Bank monitors general trends in markets (e.g. property price and stock indices) for the major types of collateral taken. It conducts stress tests & scenario analysis on their portfolio of collateral in order to assess the impact under unusual market conditions (e.g. a significant decline in property or stock prices).

Authority and responsibility are clearly delegated to relevant individuals and departments for approving the acceptance, monitoring or safe custody of collaterals and guarantees. Bank ensures safe custody, easy retrieval, control over movement, control over access, of collateral & guarantees depending upon their nature & types e.g. use of fireproof vault etc. Collaterals & guarantees are being handled as per bank's internal procedures.

Bank periodically verify the availability of collateral through inspection and audit. Prior to the release of collateral or guarantees, bank shall ensure that:

- all conditions for release stipulated in the relevant loan agreements have been fully complied with; and
- the release has been duly authorized.

All the collaterals acquired by the bank in the course of the satisfaction of debts due to it will be disposed of at the earliest suitable opportunity. Disposal of collateral will be at arm's length and through a transparent process (such as a public auction or independent estate agents for foreclosed properties etc.) to avoid complaints / disputes by the original owner. Bank will ensure that the disposal of collateral complies with relevant laws and regulations and where appropriate, legal advice should be sought.

Management information on collateral has been produced periodically to facilitate review by the senior management. Information required will depend on the nature and value of collateral taken by the bank. Following information can be included (inclusive):

- Breakdown of credit exposure by type of collateral
- Borrowings exceeding maximum loan to- value ratio
- Total current market value of assets foreclosed in the course of satisfaction of debts
- Comparison of latest assessed market value with actual proceeds of collateral sold
- Current market value of collateral related to each classified credit.

Risk concentrations are the single most important cause of major problems in banks and may take many forms including exposures to particular types of assets, individual counterparties, groups of related counterparties and counterparties in specific geographical locations, economic or industry sectors,

The following exposures shall be included while monitoring geographical concentration of exposures:

- Sanction limit or outstanding limit
- Sanction limit but not disbursed; and
- Agreement in principal

Geographical concentration risk has been monitored by the RMD based on region / zone in which the loan is booked. Bank endeavors to gradually reduce the geographical concentration to ensure that any unfavorable event in any region is not significantly affecting the bank's portfolio. Concentration of top two states shall not exceed 50% of the total portfolio by year 2024. Concentration of any other state shall not exceed 15% of the portfolio. Similarly, portfolio concentration for single district shall not exceed 4% of the portfolio by year 2024. If certain level of concentration is unavoidable due to the Bank's trade area, geographic location, lack of access to diverse borrowers, Bank's own expertise in a particular industry or economic sector, in such cases, the Bank shall monitor the performance of such portfolio very closely to take appropriate steps in case of any red flags.

The Bank to comply with the statutory exposure limits set by RBI for individual counterparty, group of counterparties, geography / region, industry / sector etc. The Bank has established internal exposure limits that may be more conservative than the statutory limits stipulated by RBI, commensurate with capital base and balance sheet size. Appropriate justification shall be recorded for enhancement of such limits. The Bank shall carry out analysis of the credit portfolio, including estimates of its trends and use results in setting internal limits. Aggregate exposure in NBFC should not be more than 15% of the credit exposure of the Bank as per the last quarter balance sheet. Factors like the perceived risk of a certain sector or region, the nature of the product, maturity/tenor, and purpose of credit and sources of payment may also be considered while fixing internal exposure limits.

2) Quantitative Disclosures:

Exposure covered by Credit Mitigants

(₹ in Cr)

Particulars	Amount as on 31st Mar, 2022
Total exposure covered by eligible financial collateral	2,249.40
Total exposure covered by guarantees	0.12

GECL to be included under sovereign guarantee

VI. DF – 6: SECURITISATION EXPOSURES: DISCLOSURE FOR STANDARDIZED APPROACH

As on March 31, 2022, the Bank does not have any Securitization Exposures.

VII. DF – 7: MARKET RISK IN TRADING BOOK:**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.

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.

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 is 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.

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.

Quantitative disclosures:

(₹ in Cr)

Capital Requirement	Amount as on 31st Mar, 2022
Risk Weighted Assets for Market Risk:	
Standardized Duration Approach	-
Interest Rate Risk	-
Equity Position Risk	-
Foreign Exchange Risk	-

VIII. DF - 8: 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 are dependent on the efficacy with which operational risk is managed by the bank. The goal is to keep operational risk at appropriate levels, considering 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.

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 a separate Risk Containment Unit (RCU) to pre-empt and weed out undesirable prospective customers at the on-boarding stage itself. The Bank also has Fraud Risk Management Unit to detect and prevent frauds as also address fraud risk related issues and conduct investigations wherever frauds have been detected or potential frauds are flagged.

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 that 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.

IX. DF – 9: INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

1) 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.

2) Quantitative disclosure:**Earning at Risk (EAR):**

(₹ in Cr)

Change in interest rate	Amount as on 31 st Mar, 2022
EaR @ 100 bps	8.67
EaR @ 200 bps	17.33
EaR @ 300 bps	26.00

Market Value of Equity (MVE):

	Amount as on 31 st Mar, 2022
% Change in MVE when there is 100 bps change in interest rates	-4.40%
% Change in MVE when there is 200 bps change in interest rates	-8.80%
% Change in MVE when there is 300 bps change in interest rates	-13.20%

X. DF – 10: GENERAL DISCLOSURE FOR EXPOSURE RELATED TO COUNTERPARTY CREDIT RISK

As on Mar 31, 2022, the Bank does not have any Counterparty Credit Risk and Derivative exposure.

XI. DF – 11: COMPOSITION OF CAPITAL

(₹ in Cr)

Particulars	Amount
Common Equity Tier 1 Capital: Instruments and Reserves	
1 Directly issued qualifying common share capital plus related stock surplus (share premium)	1,187.09
2 Retained earnings	253.72
3 Accumulated other comprehensive income (and other reserves)	123.71
4 Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-
5 Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6 Common Equity Tier 1 capital before regulatory adjustments	1,564.52
Common Equity Tier 1 capital: regulatory adjustments	
7 Prudential valuation adjustments	-
8 Goodwill (net of related tax liability)	-
9 Intangibles (net of related tax liability)	51.10
10 Deferred tax assets	92.66
11 Cash-flow hedge reserve	-
12 Shortfall of provisions to expected losses	-
13 Securitization gain on sale	-
14 Gains and losses due to changes in own credit risk on fair valued liabilities	-
15 Defined-benefit pension fund net assets	-
16 Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-
17 Reciprocal crossholdings in common equity	-

		(₹ in Cr)
Particulars	Amount	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financial entities	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments (26a+26b+26c+26d)	-
26 a	Of which: Investments in the equity capital of unconsolidated insurance subsidiaries	-
26 b	Of which: Investment in the equity capital of unconsolidated nonfinancial subsidiaries	-
26 c	Of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the Bank	-
26 d	Of which: Unamortized pension funds expenditures	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common equity Tier 1	143.76
29	Common Equity Tier 1 Capital (CET 1)	1,420.76
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) [31+32]	-
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	0.00
Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of Banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of Banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-

		(₹ in Cr)
Particulars	Amount	
41	National specific regulatory adjustments (41a + 41b)	-
41 a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-
41 b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1 = CET1 + AT1) (row 29 + row 44)	1,420.76
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	219.00
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions (including Investment Reserve Account and Revaluation Reserve) (1.25% of Credit risk RWA)	56.70
51	Tier 2 capital before regulatory adjustments	275.70
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital Banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments (56a+56b)	-
56 a	Of which: Investments in the Tier II capital of unconsolidated subsidiaries	-
56 b	Of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the Bank	-
57	Total regulatory adjustments to Tier 2 capital	0.00
58	Tier 2 capital (T2)	275.70
59	Total capital (TC = T1 + T2) (row 45+row 58)	1,696.46
60	Total risk weighted assets (row 60a +row 60b +row 60c)	7,857.05
60 a	of which: total credit risk weighted assets	7,857.05
60 b	of which: total market risk weighted assets	0.00
60 c	of which: total operational risk weighted assets	0.00

		(₹ in Cr)
Particulars	Amount	
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.08%
62	Tier 1 (as a percentage of risk weighted assets)	18.08%
62 a	Tier 2 (as a percentage of risk weighted assets)	3.51%
63	Total capital (as a percentage of risk weighted assets)	21.59%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	-
65	of which: capital conservation buffer requirement	-
66	of which: Bank specific countercyclical buffer requirement	-
67	of which: G-SIB buffer requirement	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-
71	National total capital minimum ratio (if different from Basel III minimum)	-
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardized approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Notes to Template

Row No. of the Template	Particular	₹ in Crores
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	92.66
	Total as indicated in row 10	92.66
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26 b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
44 a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	-
50	Eligible Provisions and reserves included in Tier 2 capital (1.25% of Credit risk RWA) $\text{Min}(D1+D1a+ D2a, 60a*1.25\%)$	56.70
	Total of row 50	56.70

XII. DF - 12: COMPOSITION OF CAPITAL - RECONCILIATION REQUIREMENTS

Step 1 & 2		₹ in Crores
S. No.	Particulars	Balance Sheet as in financial statements (As on reporting date)
A	Capital & Liabilities	
i	Paid-up Capital	895.52
	Reserves & Surplus	
	of which:	
	Statutory Reserve	114.69
	Capital Reserve	9.02
	Revenue & Other Reserves	0.00
	Share Premium	285.20
	Investment Fluctuation Reserve	7.78
	Investment Reserve	0.00
	Additional Reserve	0.00
	General Reserve	0.00
	Balance in Profit & Loss Account	253.73
	of which: Balance in Profit & Loss Account as per last financial year	207.25

Step 1 & 2

₹ in Crores

S. No.	Particulars	Balance Sheet as in financial statements (As on reporting date)
	of which Proposed dividend reduced from CET1	0.00
	of which current year profit not reckoned for Capital adequacy purpose	0.00
	Foreign Currency Translation Reserves	0.00
	Other Reserves	6.36
	Minority Interest	0.00
	Share application money pending allotment	0.00
	Total Capital	1,572.30
ii	Deposits	10,074.18
	of which: Deposits from Banks	2,860.92
	of which: Customer deposits	7213.26
	of which: Other deposits (pl. specify)	-
iii	Borrowings	2,571.94
	of which: From RBI	237.00
	of which: From Banks	-
	of which: From other institutions & agencies	1,949.93
	of which: Capital instruments	-
	of which: Subordinated Innovative Perpetual Debt Instruments	-
	of which: Subordinated Debt – Upper Tier II Capital	385.00
	of which: Subordinated Debt – Tier II Capital	-
	of which: Subordinated Debt – Tier II Basel III Capital	-
	of which: Subordinated Innovative Perpetual Debt Instruments- AT1 CAPITAL BASEL III COMPLIANT	-
iv	Other liabilities & provisions	845.36
	Of which General Provision considered for tier II	48.92
	Total	15,063.77
B	Assets	
i	Cash and balances with Reserve Bank of India	533.90
	Balance with Banks and money at call and short notice	1,337.75
ii	Investments:	2,352.34
	of which: Government securities	2,052.87
	of which: Other approved securities	-
	of which: Shares	-
	of which: Debentures & Bonds	-
	of which: Subsidiaries / Joint Ventures / Associates	-
	of which: Others (Commercial Papers, Mutual Funds etc.)	299.47
	Less: Provision for Depreciation on Investment	4.42
iii	Loans and advances	
	of which: Loans and advances to Banks	
	of which: Loans and advances to customers	10,228.15

Step 1 & 2

₹ in Crores

S. No.	Particulars	Balance Sheet as in financial statements (As on reporting date)
iv	Fixed assets	286.53
v	Other assets	329.52
	of which: Goodwill and intangible assets	28.02
	of which: Deferred tax assets	92.66
vi	Goodwill on consolidation	-
vii	Debit balance in Profit & Loss account	-
	Total Assets	15,063.77

XIII. DF – 13: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Disclosure template for main features of regulatory capital instruments		
Equity Shares		
1	Issuer	Utkarsh Small Finance Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE735W01017 (for Unlisted Equity Shares of the Bank)
3	Governing law(s) of the instrument	Companies Act, 2013 & Banking Regulation Act, 1949 (for subscription to equity shares equivalent to 5% or more of the paid-up share capital by any single investor)
Regulatory treatment		
4	Transitional Basel III rules	-
5	Post-transitional Basel III rules	-
6	Eligible at solo/group/ group & solo	-
7	Instrument type	Equity Shares
8	Amount recognised in regulatory capital (₹ in crore, as of most recent reporting date)	₹895.52 crore (as on March 31, 2022 – for fully paid-up equity shares)
9	Par value of instrument	₹10/- per equity share
10	Accounting classification	Share Capital
11	Original date of issuance	Equity: (Face/Nominal Value of Equity raised) i) At the time of Incorporation ₹5,00,000/- ii) Allotment date 07.10.2016 – ₹99,95,00,000/- iii) Allotment date 20.01.2017 – ₹200,050,00,00/- iv) Allotment date (through conversion of CCDs) 21.09.2017 – ₹120,00,00,000/- v) Allotment date 26.03.2018 – ₹50,00,00,000/- vi) Allotment date (through conversion of CCDs) 21.09.2017 – ₹267,00,00,000/- vii) Allotment date 18.09.2019 – ₹22,22,22,220/- viii) Allotment date 08.03.2021 – ₹ 89,06,16,470/- ix) Allotment date 02.08.2021 – ₹ 23,58,49,050/-

Disclosure template for main features of regulatory capital instruments**Equity Shares**

- x) Allotment date 13.08.2021 - ₹ 12,57,86,160/-
- xi) Allotment date 18.08.2021 - ₹ 3,14,46,540/-
- xii) Allotment date 01.09.2021 - ₹ 3,45,91,190/-
- xiii) Allotment date 29.09.2021 - ₹ 4,40,25,150/-
- Allotment date 22.01.2022 - ₹ 1,78,440/-

12	Perpetual or dated	Perpetual (Non-Redeemable)
13	Original maturity date	N.A.
14	Issuer call subject to prior supervisory approval	N.A.
15	Optional call date, contingent call dates and redemption amount	N.A.
16	Subsequent call dates, if applicable	N.A.
Coupons / dividends		
17	Fixed or floating dividend/coupon	N.A.
18	Coupon rate and any related index	N.A.
19	Existence of a dividend stopper	RBI norms/guidelines as issued from time-to-time
20	Fully discretionary, partially discretionary or mandatory	Discretionary (subject to approval of the Board of Directors)
21	Existence of step up or other incentive to redeem	N.A.
22	Noncumulative or cumulative	N.A.
23	Convertible or non-convertible	N.A.
24	If convertible, conversion trigger(s)	N.A.
25	If convertible, fully or partially	N.A.
26	If convertible, conversion rate	N.A.
27	If convertible, mandatory or optional conversion	N.A.
28	If convertible, specify instrument type convertible into	N.A.
29	If convertible, specify issuer of instrument it converts into	N.A.
30	Write-down feature	N.A.
31	If write-down, write-down trigger(s)	N.A.
32	If write-down, full or partial	N.A.
33	For write down instrument, specifies whether write down is permanent or temporary. Helps to assess loss absorbency.	N.A.
34	If temporary write-down, description of write-up mechanism	N.A.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Last (under Co. Act, 2013)
36	Non-compliant transitioned features	-
37	If yes, specify non-compliant features	-

XIV. DF – 14: FULL TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS – DEBT INSTRUMENTS

Disclosure template for main features of regulatory capital instruments				
		Debt instrument	Debt instrument	Debt instrument
1	Issuer	Utkarsh Small Finance Bank Limited	Utkarsh Small Finance Bank Limited	Utkarsh Small Finance Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE396P08066	INE735W08012 INE735W08020	INE735W08038
3	Governing law(s) of the instrument Regulatory treatment	Indian Laws	Indian Laws	Indian Laws
4	Transitional Basel III rules	Tier II	Tier II	Tier II
5	Post-transitional Basel III rules	NA	Eligible	NA
6	Eligible at solo/group/ group & solo	Solo	Solo	Solo
7	Instrument type	Non-Convertible Debentures in the nature of Sub debt qualifying for Tier II	Non-Convertible Debentures in the nature of Sub debt qualifying for Tier II	Non-Convertible Debentures in the nature of Sub debt qualifying for Tier II
8	Amount recognised in regulatory capital (₹ in crore, as of most recent reporting date)	₹0	INE735W08012 – ₹15 crores INE735W08020 – ₹9 crores	₹195 Crore
9	Par value of instrument	₹10,00,000/- Per NCD	₹100,000/- Per NCD	₹10,00,000/- Per NCD
10	Accounting classification	Borrowings	Borrowings	Borrowings
11	Original date of issuance	January 12, 2017	INE735W08012 – July 09, 2018 INE735W08020 – August 30, 2018	June 26, 2020
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	June 30, 2022	INE735W08012 – July 09, 2025 INE735W08020 – August 30, 2025	June 26, 2027
14	Issuer call subject to prior supervisory approval	NA	NA	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	June 26, 2025
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA	NA
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Coupon – 12.00% p.a.	Coupon – 10.577% p.a.	Coupon – 12.50% p.a.
19	Existence of a dividend stopper	-	-	-
20	Fully discretionary, partially discretionary or mandatory	-	-	-

Disclosure template for main features of regulatory capital instruments			
	Debt instrument	Debt instrument	Debt instrument
21 Existence of step up or other incentive to redeem	No	No	No
22 Noncumulative or cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
23 Convertible or non-convertible	Non- Convertible	Non- Convertible	Non- Convertible
24 If convertible, conversion trigger(s)	NA	NA	NA
25 If convertible, fully or partially	NA	NA	NA
26 If convertible, conversion rate	NA	NA	NA
27 If convertible, mandatory or optional conversion	NA	NA	NA
28 If convertible, specify instrument type convertible into	NA	NA	NA
29 If convertible, specify issuer of instrument it converts into	NA	NA	NA
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)	All other depositors and creditors of the Bank	All other depositors and creditors of the Bank	All other depositors and creditors of the Bank
35 Non-compliant transitioned features	-	-	-
36 If yes, specify non-compliant features	-	-	-

XV. DF - 15: DISCLOSURE REQUIREMENTS FOR REMUNERATION

1) Qualitative Disclosure:

a. Information relating to the bodies that oversee remuneration:

- Name, composition and mandate of the main body overseeing remuneration. –
Nomination & Remuneration Committee Composition – Mr. Kajal Ghose (Chairperson), Mr. Parveen Kumar Gupta, (Ms. Anita Ramachandran till March 23, 2022) and from March 22, 2022 Mr. Muralidharan Rajamani has joined the NRC
- External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process – None
- Scope of the bank's remuneration policy, including the extent to which it is applicable to foreign subsidiaries and branches – NA
- Type of employees covered and number of such employees. The Nomination & Remuneration Policy is applicable to all directors, KMPs and SMPs and other employees of the Bank, as may be specified

b. Information relating to the design and structure of remuneration processes:

- An overview of the key features and objectives of remuneration policy. The objective of remuneration policy is as follows:**
 - To guide the Board by laying down selection criteria for appointment and mechanism for removal/dismissal of directors, Key Managerial Personnel (as defined herein) and Senior Management Personnel (as defined herein).

- b) To formulate a criterion for determining remuneration and compensation payable to the directors, Key Managerial Personnel, Senior Management Personnel and other employees, including performance based variable pay and Employee Stock Options Plans ("ESOP"), wherever applicable
- c) To introduce necessary initiatives to retain, motivate and promote talent and to ensure long term sustainability of talented Key Managerial Personnel and Senior Management Personnel.

- **Review of the Bank's remuneration policy during the past year, and an overview of changes that were made.**

The NRC and the board reviewed the compensation policy of the bank in its meetings held on March 20, 2021 and no changes were made in the same.

- **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 individual and overall functional performance and is not linked to any business outcomes. The same is also reflected in their KRA's. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk and Compliance staff.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes.

- **An overview of the key risks that the bank takes into account when implementing remuneration measures.**

The overall objectives for laying down a Compensation policy is to offer compensation systems that makes it possible to attract, retain and motivate the most outstanding professionals to enable the bank to attain its strategic objectives and sustainable growth within increasingly competitive context in which it operates. Further, the compensation system would be in line with the various regulatory frameworks. It also ends to align compensation with prudent risk-taking through well designed and consistent compensation structures, considering time horizon of risks. The identified risk parameters (and additions if any) will be reflected in the bank's Performance Management System (PMS).

- **An overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure (values need not be disclosed)**

The bank uses the following key measures to take account of Risks in the business

- a) Financial Parameters which establish the linkage of compensation with individual performance as well as achievement of the corporate objectives of the Bank which include a significant variable pay component tied to the achievement of pre-established objectives in line with Bank's scorecard while ensuring that the compensation is aligned with prudent risk taking.
- b) Encourage attainment of long-term shareholder returns through inclusion of equity linked long-term incentives as part of compensation.
- c) The mix of cash, equity and other terms of compensation are consistent with risk alignment. Further, the compensation outcomes are symmetric with risk outcomes.
- d) The score cards used to measure performance include key metrics such as Non-Performing Assets, Audit Scores, Reserve Bank of India RBS report observations etc. to ensure that the performance measures cover all aspects of the job.

- **The ways in which these measures affect remuneration.**

The measures listed above impact the immediate total CTC computation based on the overall performance measurement of an individual role holder for a given FY. In case of non-performance the variable component for an individual role holder is not given and for the rest it is computed on a

sliding scale of performance review which is approved by the board and the NRC annually. Also caps of cash component of variable as well as deferment of both cash and non-cash bonuses is applied as per the guidelines issued by the Reserve Bank of India.

- **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.** The NRC and the board reviewed the compensation policy of the bank in its meetings on March 20, 2021 respectively and no changes were made in the same.

d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration

As a part of the performance management process in the bank at the beginning of each financial year, the bank rolls out individual KRA's to each and every employee in the bank. These KRA's are lay down based on the strategic objectives and business budgets set by the Board of the bank. Apart from regular feedback which each manager provides to his / her subordinates, the bank has a formal process of Mid-Year Review and Year End Review to assess performance of each role holder in the bank. Based on the performance review at an organizational / Functional / Individual the bank decided on percentage of salary increments to be given at various levels of performance of each individual employee.

- An overview of main performance metrics for bank, top level business lines and individuals:

The Bank's performance metrics are aligned to the balance score card methodology and cover Financial Perspective, Process Perspective, People Perspective Customer Perspectives and Learning Perspectives. These weightages on the same vary at difference levels and roles.

- How amounts of individual remuneration are linked to the bank-wide and individual performance:

Based on the performance review at an organizational / Functional / Individual level, the bank decided on percentage of salary increments to be given at various levels of performance of each individual employee.

- The measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak:

This is based on a robust PMS process which is approved by the NRC and Board of the bank.

e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

- 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, along with a description of the factors that determine the fraction and their relative importance.

The various deferral arrangement of variable remuneration in the bank broadly are as follows –

- For MD & CEO & Senior Management Team – As per the RBI guideline on Material Risk Takers, MD & CEO & SMT who have been classified as MRT's suitable deferral is being done.
- All ESOP's which are granted across all levels in the organization have deferral arrangement in them
- Monthly / Quarterly Variable Pay – Based on the nature of the scheme, deferral arrangements are made in the same which differ from channel to channel.

- The bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

All 8 MRTs are granted ESOPs in FY 2021-22 as per ESOPs policy of the Bank. Granted ESOPs can be vested in next four years except for MD & CEO. For MD & CEO, vesting can be done in next 3 years.

The fraction of deferral to be considered is dependent upon –

- Guidelines issued by the Regulator from time to time
- Approval as per the overall performance framework approved by the NRC and the Board
- Driving right behaviours via the various incentive schemes.

f. Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.

- An overview of the forms of variable remuneration offered.
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 KRA at the beginning of year and achievement against them.
- 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, along with 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, ESOPs & Monthly / Quarterly Variable Pay. 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 KRA and achievement against them.

2) Quantitative Disclosures:

(The quantitative disclosures covers Whole Time Directors / CEO / MD & Chief Executive Officer / Material Risk Takers - SVP & Above)

a. Number of meetings held by the NRC during for the FY 2021-22 and remuneration paid to its members: 02 meeting held in the FY 2021-22 and a total of ₹3,00,000 was paid as sitting fee to its members.

b. Number of employees having received a variable remuneration award during for the FY 2021-22:

Payment of ₹ 60,25,081 has been made to 06 employees as Annual Bonus for FY 2020-21 in September 2021.

For MD & CEO, cash ₹ 63,00,000/- is approved as variable for the performance period FY 2021-22 which is adjusted with the excess fixed pay of the MD & CEO for the financial year 2020-21 from the available cash bonus upfront.

Apart from that, 18,56,817 ESOPs have been granted to all 8 MRTs.

c. Number and total amount of sign-on/joining bonus awards made during FY 2021-22 for the FY 2021-22:

For the FY 2021-22- No sign on awards was given

a. Number and total amount of guaranteed bonuses awarded during for the FY 2021-22: NIL (no new joining of Whole Time Directors / Chief Executive Officer / Other Risk Takers- MD & CEO, SVP & Above in FY 2021-22) 12 Lac joining Bonus awarded to one of the MRT during the FY 2021-22.

b. Details of severance pay, in addition to accrued benefits, if any:

No severance pay, in addition to accrued benefits given.

c. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms: No outstanding deferred remuneration given.

d. Total amount of deferred remuneration paid out in for the FY 2021-22: NIL

e. Breakdown of amount of remuneration awards for the FY 2021-22 to show fixed and variable, deferred and non-deferred, different forms used: Salary including perquisites for amounting ₹ 6,50,70,143 was paid to all MRTs during the year. Payment of ₹ 60,25,081 has been made to 06 employees as Annual Bonus for FY 2020-21 in September 2021. Apart from this, For MD & CEO, cash ₹ 63,00,000/- and non-cash ₹ 64,00,000/- is approved as variable for the performance period FY 2021-22, out of which cash ₹ 63,00,000/- is adjusted with the excess fixed pay of the MD & CEO for the financial year 2020-21 from the available cash bonus upfront.

- f. **Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments: NIL**
- g. **Total amount of reductions during the FY 2021-22 due to ex- post explicit adjustments: NIL**
- h. **Total amount of reductions during the FY 2021-22 due to ex- post implicit adjustments: NIL**
- i. **Number of MRTs identified** – 8 role holders have been identified as MRT's in the bank
- Number of cases where malus has been exercised – NIL
 - Number of cases where clawback has been exercised – NIL
 - Number of cases where both malus and clawback have been exercised – NIL

3) General Quantitative Disclosures:

The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay. ₹ 0.03 crores & 32 times

XVI. DF – 16: EQUITIES – DISCLOSURE FOR BANKING BOOK POSITIONS

As on March 31, 2022, the Bank does not have any Equity Exposures.

XVII. DF – 17: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE

(₹ in Cr)

Sl. No.	Particulars	Amount as on 31 st Mar, 2022
1	Total consolidated assets as per published financial statements	15,063.77
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	143.75
4	Adjustments for derivative financial instruments	0.00
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	56.42
7	Other adjustments	-
8	Leverage ratio exposure	9.49%

XVIII. DF – 18: 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 Crores)

Sl. No.	Items	Amount as on 31 st Mar 2022
On-Balance sheet exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	14,920.01
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	0.00
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	14,920.01
Derivative exposure		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0.00
5	Add-on amounts for PFE associated with all derivatives transactions	0.00
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	Total derivative exposures (sum of lines 4 to 10)	0.00
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00
12	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	0.00
15	Agent transaction exposures	0.00
16	Total securities financing transaction exposures (sum of lines 12 to 16)	0.00
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	56.42
18	(Adjustments for conversion to credit equivalent amounts)	0.00
19	Off-balance sheet items (sum of lines 17 and 18)	56.42
Capital and total exposures		
20	Tier 1 capital	1,420.76
21	Total exposures (sum of lines 3, 11, 16 and 19)	14,976.43
Leverage ratio		
22	Basel III leverage ratio	9.49%

Directors' Report

Dear Members,

The Board of Directors of Utkarsh Small Finance Bank Limited (the Bank or USFBL) is pleased to present the 6th Annual Report and the Audited Financial Statements of the Bank with immense PRIDE* – our guiding values, for the financial year ended, March 31, 2022.

With the pandemic intermittently disrupting the business, the Bank responded by reimagining its business strategy to tackle the snags at multiple points to poise itself for growth. The Bank's Leadership team steered ably to chart the path of expansion and diversification, which resulted in operating out of 686 outlets spread across 20 States and 2 Union Territories. Today, the Bank has over 3.0 million customers and 12,617 employees in its services.

The beginning of FY 2021-22 was indeed a time that brought in a period of immense economy and social stress. This was followed by a slow recovery that encouraged the Nation to inch towards building its economy and livelihood back, only to be faced by another bout of the virus in its new variant.

It had a significant impact on the collections/ asset profile and incremental sourcing for the Bank. Considering the erratic disruption, the Bank took a resolute approach to allocate sufficient credit provisioning.

Our PRIDE* – the guiding principle and values of the Bank, with an able leadership team, stood us in good stead and helped us tide over these challenges.

Highlight of major achievements of the Bank:

- The Bank's deposits and gross advances base crossed ₹ 10,000 crore during FY 2021-22
- Total deposits increased by 34.19% to ₹10,074.18 crore as of March 31, 2022, from ₹7,507.57 crore as on March 31, 2021
- Net Advances increased by 24.48 % to ₹10,228.15 crore as of March 31, 2022, from ₹8,216.86 crore as on March 31, 2021
- The operating profit increased by 21.55% to ₹509.34 crore for FY 2021-22 from ₹419.04 crore in FY 2020-21.
- The Bank's PAT for FY 2021-22 was at ₹61.46 crore.
- Provision coverage ratio of 63.62% as on March 31, 2022. In addition, the Bank is carrying contingency provision of ₹65 crore.
- Gross NPA (GNPA) was at 6.10% and Net NPA (NNPA) at 2.31% both as of March 31, 2022.
- The capital adequacy ratio of the Bank is 21.59% as on March 31, 2022. During FY 2021-22, the Bank raised equity capital of ₹ 150.02 crore.
- Net Worth (as per RBI guidelines) of the Bank as on March 31, 2022, was ₹1,420.76 crore as compared to ₹1,256.52 crore as at March 31, 2021.
- There are 686 Branches spread across 22 States and Union Territories as on March 31, 2022.
- The Bank expanded its footprints in the southern states viz. Andhra Pradesh, Kerala, Tamil Nadu and Karnataka during the year.

*Guided the organisational values of

Persistence is our innate quality

Responsible and Ethical in all our dealings

Inclusive in our approach

Diligent in our process

Excellence in all that we do

A determined approach to empower and enable the Bank's customers helped it to manage and run its outlets efficiently by providing a multi-pronged approach to deliver the services. Alternate channels such as ATMs, internet and mobile banking, call centre services, doorstep-banking were provided seamlessly, to ensure a disruption free service for its customers.

During the intermittent interference of the coronavirus, the Bank maintained a robust VPN infrastructure, which enabled its employees to work from home with no service disruptions and ensured that the customers were provided with adequate service support. The central processing centers at Mumbai and Varanasi continued their daily operations, in accordance with the safety guidelines provided by the Government, to ensure timely settlement of all transactions during the pandemic periods.

While the Bank continued to contain the spread of pandemic by stressing upon the importance of maintaining all the prescribed cautionary initiatives, it remains vigilant to constantly monitor the impact of COVID - 19 on its business and operations. During this period the Bank took the initiatives to ensure that all its employees are vaccinated with the requisite doses.

As the socio-economic and market scenario were not conducive, the Bank could not proceed with the initial public offer (IPO).

The Bank made representation through Association of Small Finance Bank to the regulators, for extension of time for undertaking the IPO.

FINANCIAL PERFORMANCE

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

(Amount in ₹ Crores)

Particulars	FY 21-22	FY 20-21	% Change
Deposits	10,074.18	7,507.57	34.19%
Investments	2,347.92	2,313.94	1.47%
Advances (Net)	10,228.15	8,216.86	24.48%
Net Worth*	1,420.76	1,256.52	13.07%
Net Interest Income	1,060.85	839.25	26.40%
Other Income	184.83	124.85	48.05%
Net Total Income	1,245.68	964.10	29.21%
Operating Expenses	736.34	545.06	35.10%
Provisions and Contingencies	447.88	307.22	45.78%
Net Profit	61.46	111.82	(45.03)%
Gross NPA Ratio	6.10%	3.75%	2.35%
Net NPA Ratio	2.31%	1.33%	0.98%
Capital Adequacy Ratio	21.59%	21.88%	(0.29) %
Deposits	10,074.18	7,507.57	34.19%
Business** (Deposit plus Net Advances) per employee	1.55	1.47	5.92%
Business Per Branch	29.60	28.18	5.04%
Appropriations			
Transfer to Statutory Reserve	15.37	27.95	(45.03)%
Transfer to Capital Reserve	0.23	8.43	(97.25)%
Transfer (from)/to Investment Fluctuation Reserve	(11.13)	13.67	(181.42)%
Dividend for the year, Including Tax Thereon	-	-	-
Number of Branches			
General Banking Branches	193	138	39.86%
Micro Banking Branches	493	420	17.38%
No. of Employees	12,617	10,361	21.77%

* Net worth computed as per RBI guidelines

**"Business" means net advances plus deposits (excluding inter-bank deposits)

BUSINESS UPDATE AND STATE OF BANK'S AFFAIRS

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

Liabilities Business

The Liabilities Business of the Bank, garnered through branches and alternate channels such as internet and mobile banking and ATMs aims to build a sustainable liabilities franchise with a mix of Retail and Institutional deposits. During FY 2021-22 the Bank built a diversified deposits portfolio and the aggregate deposits of the Bank at the end of the year stood at ₹10,074.18 crore. While the total deposits of the Bank grew by 34.19% on a YoY basis, the share of CASA deposit witnessed a growth of 69.80% (YoY). Further the share of CASA plus Retail Term Deposit (RTD) stood at 59.64% of total deposits.

During the period the Bank strategically focused on building a healthy and granular deposits profile. To further expand its outreach to a larger customer base, the Bank opened 55 General Banking (GB) branches during FY 2021-22 including opening up of branches in four southern states i.e., Andhra Pradesh, Karnataka, Tamil Nadu & Kerala thereby increasing Bank's GB branches presence to 193 locations spread across 20 States and 2 Union Territories as on March 31, 2022. The Bank continued to set-up its GB branches primarily in metropolitan and urban locations with a potential for sizeable deposits mobilization. The Bank further expanded presence of its Micro ATMs thereby providing cost efficient systems of offering basic banking facilities such as cash deposit, cash withdrawal, green pin generation among others.

In addition to strengthening the branch & ATM networks, the Bank further augmented its digital banking channels such as net banking, mobile banking, tab banking, digital onboarding, among others. The Bank also launched its UPI App during FY 2021-22.

Further to scaling up the retail deposits book, the Bank in addition is working towards broad basing its institutional deposit profile and Wholesale Liabilities in the Government & Institutional Business (GIB) segment.

Assets Business

As a Small Finance Bank (SFB), the Bank, which is primarily focused on micro banking products, has diversified its product offering to its customers viz. retail loans, unsecured loans, business loans, personal loans, and secured loans such as loans against property, wholesale lending that includes short term and long-term loan facilities to small and medium enterprises (SMEs), mid and large corporate and institutional clients and gold loans. In addition, we offer housing loans with a focus on affordable housing. Our micro banking and retail loan products are primarily aimed at customers who are not a part of the formal banking infrastructure.

(A) Micro Banking

Micro banking business is spread across 151 districts covering 12 states and provides a comprehensive package of financial inclusion products and business development services to the underprivileged or low-income individuals or groups who have limited access to financial services. In micro banking the bank offers 'Joint Liability Group' ("JLG") loans and business loans, cashless disbursement depositing in the designated bank account of the customer. In addition, the Bank provides micro banking loans through Business Correspondent ("BC") partners.

The Bank provides group loans built on the peer-guarantee loan model (Joint Liability Group), which enables individuals to take loans without having to provide collateral or security on an individual basis while promoting credit discipline. This is achieved through mutual support within the group, prudent financial conduct among the group, and prompt repayment of their loans.

During FY 2021-22 JLG business through Micro Banking ("MB") recorded a growth of 15.99% over the previous financial year. There were 74 new MB branches that were opened in existing states and in Rajasthan, a new state for MB business of the Bank. These were achieved despite the challenges due to COVID - 19 situation.

In order to meet the increasing fund requirement of customers who have completed multiple loan cycles and are considered as matured borrowers, the bank introduced the individual business loans. The Bank provides individual loans especially to those who have begun their formal credit under JLG.

The total JLG portfolio of Micro Banking stood at ₹ 8,002.41 crore as on March 31, 2022, with a total base of ₹ 23.08 Lakh clients consisting of active loans through the branch network.

The JLG portfolio through Business Correspondents reached ₹ 185.55 Crores in FY 2021-22. The Bank has Six (6) Business Correspondents who are operating in Six (6) states covering 49 districts through 78 branches.

The Bank has started distributing 2 new Third Party Products through MB vertical i.e.

- 1) **Daily Hospital Cash Benefits (DHCB)** w.e.f. January 2022, the Bank has rolled out a pilot of DHCB in the states of Bihar & U.P. with 2 partners i.e., Aditya Birla Health Insurance & Kotak General Insurance.

HospiCash (with riders) is a health insurance product wherein the customer is covered for hospitalization expenses for upto 30 days. In addition, it works as wage loss cover for micro banking customers due to hospitalization. Moreover, the policy covers the customer against unfortunate death or disability due to accident or illness.

HospiCash provides cash benefit in case an insured gets hospitalized. It is specifically designed to take care of the incidental expenses in case of hospitalization and provides fixed benefit for each day of hospitalization irrespective of the actual medical cost. As on March-22; the Bank has sold 6,138 policies (Premium Collected: ₹ 11.04 Lakh).

- 2) **Atal Pension Yojana (APY)** is open to all saving bank account holders. The Bank acts as a point of presence and aggregator to enroll subscribers through architecture of National Pension System.

The Bank started the pilot in September, 2021 before the full-fledge launch of APY across all branches in the month of January 2022.

As on March 2022, the total subscriber base stood at 4,821 with a contribution of ₹ 10.97 Lakh. The Bank was conferred the Award of Excellence – APY Big Believers (ABB) 4.0 PFRDA for its performance on APY.

(B) Retail Loans:

(a) Micro, Small & Medium Enterprises (MSME):

The Bank offers a combination of secured and unsecured loans (business and personal loans) to individuals and non-individual entities, such as micro, small, and medium enterprises ("MSME"). The Bank has devised bespoke products with flexible security requirements to make credit more accessible to the retail and MSME borrowers.

During FY 2021-22, retail assets loan book grew by 55.40% year-on-year to ₹ 825.37 crore, from ₹ 531.14 crore in FY 2020-21. The key drivers for growth in MSME book were addition of new locations and introduction of new product variants.

(b) Housing Loans (HL):

The Bank offers home loan solutions to customers looking for construction, purchase, repair and renovation of homes through assessment of our customer's repayment ability and provide bespoke loan solutions and offerings to customers.

As on March 31, 2022, the Bank offers HL through 44 branches with aggregate portfolio of ₹359.25 crore registering year-on-year growth of 63.60% compared to ₹ 219.59 Crore as on March 31, 2021.

(c) Wheels

The Wheels business was launched in October 2020 with 2 business i.e., Commercial Vehicles & Construction Equipment Loans is now being offered in Uttar Pradesh, Delhi NCR, Rajasthan, West Bengal, Jharkhand, Uttarakhand & Chandigarh regions from 15 banking outlets. The Bank's wheels loan portfolio grew from ₹12.78 crore in March 31, 2021 to ₹134.07 crore as on March 31, 2022.

(d) Gold Loans

In order to leverage the existing branch network and outlets of the Bank and to expand the bouquet of its existing products offering to the customers, the Bank introduced Gold Loan product on pilot basis in FY 2021-22. As on March 31, 2022, the Bank is offering its Gold Loan product from 20 banking outlets across 9 States / UTs of the Country.

(C) Wholesale Banking Business

The Wholesale lending vertical includes lending, deposits and other banking services provided to corporate customers of the Bank.

(a) Wholesale Lending

The Bank's wholesale lending book as on March 31, 2022 stood at ₹ 926.12 crore compared to ₹ 503.11 crore as on March 31, 2021. The Bank also offers non-fund-based limits in the form of bank guarantee to the customers through Wholesale Lending vertical.

(D) Business Correspondent (BC)

The strategy of the Bank is to build its Asset portfolio through a combination approach:

1. Own Branches
2. Partnership Approach

The partnership approach with a well-entrenched and networked individual/entity will help your Bank gain significant presence in those markets of business interest. As on March 31, 2022 the Bank had total loan book aggregating to ₹ 224.42 crore which comprised JLG loans (₹185.55 crore) and non-JLG loans (₹38.86 crore) being managed by 10 BC partners (including 6 BC partners for JLG). The Bank is further focusing on strengthening and deepening its BC partnerships including fintech partnerships for non-JLG loans.

A. FINANCIAL DISCLOSURES**Capital Raising**

During the financial year 2021-22, the Bank issued and allotted ₹ 4,71,69,809 Equity Shares at ₹31.80 each (face value of ₹ 10 each at the premium of ₹ 21.80 each) aggregating to ₹ 1,49,99,99,926 through Private Placement to the following:

Sr. No.	Name of Investor	Category	% of paid-up share capital held (as on March 31, 2022)
1	Triodos SICAV II - Triodos Microfinance Fund	Foreign Body Corporate	2.36
2	Growth Catalyst Partners LLC	Foreign Body Corporate	1.30
3	Bharti AXA Life Insurance Company Limited	Public Limited Company	2.63
4	Harish H. Engineer	Individual	0.38
5	ICICI Prudential Life Insurance Company Limited	Public Limited Company	0.49

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.
Tier 2 NCD (Sub-debt)	[ICRA] A (Stable)	ICRA	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. Outlook is stable.
Tier 2 NCD (Sub-debt)	CARE A (Stable)	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. Outlook is stable.

Dividend

The Bank's Board did not recommend dividend for the financial year ended on March 31, 2022.

Transfer to Reserves

As required under RBI regulations, the Bank had transferred the following amount to various reserves during the financial year ended March 31, 2022:

Amount transferred to	Amount in ₹ Crores
Statutory Reserve	15.37
Investment Fluctuation Reserve	(11.13)
Capital Reserve	0.23
Deduction due to fraud provision	10.52

Net Worth

As on March 31, 2022, the Bank's net worth stood at ₹ 1,420.76 crore (computed as per RBI guidelines). The net worth comprised of paid-up equity capital of ₹ 895.52 crore and free reserves of ₹ 669.00 crore excluding revaluation reserve, intangible assets, and deductions of ₹ 143.76 crore.

Internal Control and Compliance

The Bank's internal controls, policies and procedures are adequate and are reviewed periodically by the Internal Audit Department for all its business units. The Audit Committee and Board reviews the effectiveness of the control as per the regulatory requirements from time to time / regular intervals.

CORPORATE GOVERNANCE

Bank's Philosophy

The Bank continuously strives to adopt and adhere to the best governance practice, transparency, accountability with a strong focus and with a vision on long term value creation for all its stakeholders. The corporate governance framework is based on an effective and independent Board, segregation of Board supervisory role from the Senior Management team and the functioning of the various Board Committees as required under the applicable laws.

Corporate Governance report forming part of the Board's report for the year under review is attached separately as **Annexure A**.

Constitution of the Board of Directors

The Board of Directors of the Bank are constituted in accordance with the provisions of the Companies Act, 2013 (CA 2013), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, the Banking Regulation Act, 1949 (the BR Act, 1949) and the Articles of Association. The Board consists of eminent persons with considerable professional expertise in business administration, audit, banking, compliance, finance, human resource, risk, strategy, information technology and other related fields. Their experience and

professional credentials helped the Bank to gain insights for strategy formulation, monitoring control framework and direction, and adding value to set a strong foundation, enabling the overall growth objectives.

As on March 31, 2022, the Board comprises of **Eight (8)** Directors consisting of **Seven (7)** Non-Executive Directors, of which **Five (5)** are Independent Directors (including 1 woman Director) **two (2)** are Non-Executive Non-Independent Directors out of which one is a Nominee Director and **one (1)** Managing Director and Chief Executive Officer.

Pursuant to Section 196 and Section 203 of the Companies Act, 2013 and the approval of Reserve Bank of India vide their letter dated June 29, 2021, Mr. Govind Singh was re-appointed as Managing Director and Chief Executive Officer on September 21, 2021 for a period of 3 years.

Mr. Parveen Kumar Gupta was appointed as Independent Director w.e.f. September 01, 2021 and Part Time Non-Executive Chairman w.e.f. October 12, 2021.

Mr. Kajal Ghose, Independent Director who had completed his one term was re-appointed for further period of three years w.e.f. January 16, 2022, by the Members of the Bank at the Extraordinary General Meeting held on March 04, 2022.

Mr. Chandra Shekhar Thanvi was appointed as Non-Executive Non-Independent Director (liable to retire by rotation) of the Bank in the capacity of nominee of Small Industries Development Bank of India by the Members of the Bank at the Extraordinary General Meeting held on March 04, 2022.

Further, in terms of Section 152 of the Companies Act, 2013, Mr. Muralidharan Rajamani Non-Executive Director who retires by rotation this year, meets the fit and proper criteria as provided for under the RBI directions and as amended from time to time and being eligible offers himself for re-appointment at the 6th Annual General Meeting (AGM).

Statement on Declaration from Independent Directors:

A declaration under section 149(6) & (7) of the Companies Act, 2013 has been obtained from each of the Independent Directors.

Changes in the Board of Directors and Key Managerial Personnel during the financial year 2021-22 are as given below:

Sr. No. / KMP	Name of the Director	Designation	Date of Appointment	Date of Cessation	Reason for cessation
1.	Ms. Anita Ramachandran	Nominee Director	-	23.03.2022	Owing to professional commitments
2.	Mr. Chandra Shekhar Thanvi	Nominee Director	30.09.2021	-	-
3.	Mr. Govind Singh	Managing Director & CEO	Re-appointed for a period of 3 years w.e.f. 21.09.2021	-	-
4.	Mr. Govindasamy Sampath kumar	Nominee Director	-	28.09.2021	Withdrawal of Nomination by Nominating Entity
5.	Mr. Kajal Ghose	Independent Director	Re-appointed for a period of 3 years w.e.f. 16.01.2022	-	-
6.	Mr. Puranam Hayagreeva Ravikumar	Independent Director	-	19.07.2021	Completion of tenure
7.	Mr. Parveen Kumar Gupta*	Independent Director and Part Time Non-Executive Chairman	01.09.2021 Appointed for a period of 5 years as an Independent Director	-	-
8.	Mr. Muthiah Ganapathy	Company Secretary & Compliance Officer	22.03.2022	-	-
9.	Ms. Nutan Rane	Company Secretary & Compliance Officer	-	14.03.2022	Better prospects

*Appointed as Part-time Non - Executive Chairman with effect from October 12, 2021 for a period of 3 years, in line with RBI approval.

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 13 such Committees. All the Board Committees have a specific charter, and these Committees monitor activities falling within their terms of reference. Additional details of the Board Committees, its composition, attendance, meetings held during the FY 2021-22 etc. have been provided separately in Corporate Governance Report.

Board Evaluation:

In accordance with the Companies Act, 2013 (Act) and the framework for Board evaluation, the Nomination and Remuneration Committee and the Board of Directors had carried out, annual performance evaluation of the Board, its Committees and Directors individually. Further, a meeting of Independent Directors was held in accordance with the provisions of the Act.

A questionnaire was prepared for evaluation based on criteria which included providing strategic perspective, attendance, time devoted and preparedness for meeting, quality, quantity and timeliness of flow of information between the members of the Management, contributions at the meetings, effective decision - making ability, role and effectiveness of the Committee. The Directors completed the questionnaire and provided feedback on the functioning of the Board, its Committees and Directors individually.

B. STATUTORY DISCLOSURE

Annual Return

As required under the provisions of Sections 92(3) and 134(3)(a) of the Companies Act, 2013 read with the rules framed thereunder, 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 at the following link:

<https://www.utkarsh.bank/annual-return>

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 does not apply to the Bank.

Foreign Exchange Earnings / Outgo

The Bank has foreign exchange earnings of ₹1.48 crore during the financial year under review which includes incentives and cross border settlements. The total foreign exchange outgo during the financial year was ₹0.76 crore, which includes interest payment.

Whistle Blower Policy (Vigilance Mechanism)

The Bank, as a part of its prudent practice, has established a 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, ensure holistic and smooth operations of the Bank on an ongoing basis. The Department is adequately staffed and conducts investigations on 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 Vigilance Mechanism as part of the Whistle Blower Policy. This empowers the Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or instances of leakage of Unpublished Price Sensitive Information ("UPSI"), misappropriation of assets or violation of the Bank's Code of Conduct. Additionally, the Bank places zero tolerance for any incidents of doubtful integrity and corruption by employees. Towards this end, all employees are trained to maintain high standards of integrity in their work area.

The Whistle Blower policy is aimed at 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 probable

victimisation of employees who avail of this mechanism and allows direct access to the Chairperson of the Audit Committee of the Board, in exceptional cases.

The Audit Committee of the Board reviews the details of Whistle Blower complaints received, the subsequent action taken and the functioning of the Whistle Blower mechanism periodically.

The Audit Committee of the Board oversees the Vigilance Mechanism as well.

The Whistle Blower Policy is periodically communicated to the employees. The highlights of the Policy are available on the Bank's website at the following link: https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Whistleblower-policy_English.pdf. in which the email and contact details of the Chairperson of Audit Committee of the Board are provided 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.

Vigilance & Security

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

Vigilance & Security Department makes concerted efforts to reduce fraud, forgery, and burglary incidents in the Bank with the help of new ideas, technology, previous experiences, and adopting preventive vigilance measures with appropriate tools.

Statutory Auditors

RBI on April 27, 2021, had issued guidelines for appointment of Statutory Central Auditors/Statutory Auditors of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs). As per the said guidelines statutory audit of entities with asset size of ₹ 15,000 crore and above as at the end of previous year, should be conducted under joint audit of a minimum of two audit firms. The audit firms can be appointed as the Statutory Auditors ("SA") of the Bank for a period of 3 years only and thereafter, reappointment in the same entity will be possible only after a cooling period of six years. Further, prior approval of RBI for appointment/reappointment of SAs on an annual basis is required in terms of the above guidelines.

Based on recommendation of Audit Committee of the Bank, the Board of Directors at its meeting dated February 03, 2022, had proposed the appointment of M/s. Deloitte Haskins and Sells, Chartered Accountants and M/s. Kirtane & Pandit LLP, Chartered Accountants as Joint Statutory Auditors of the Bank subject to approval of the Shareholders of the Bank and prior approval of the Reserve Bank of India. RBI vide their letter dated April 29, 2022 approved the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants (FRN 117365W) and M/s. Kirtane & Pandit, LLP, Chartered Accountants (FRN 105215W) as the Joint Statutory Auditors for FY 2022-23. Accordingly, the proposal for their appointment would be placed in the ensuing 6th Annual General Meeting.

Employees Stock Option Plan (ESOP)

The Shareholders of the Bank had approved

- USFBL MD & CEO Employee Stock Option Plan 2020 ("**MD & CEO ESOP Plan**") in FY 2020-21
- USFBL Employee Stock Option Plan 2020 ("**ESOP Plan 2020**") approved by the Shareholders in FY 2021-22. The Bank at its discretion may grant upto 6,07,41,778 options under the ESOP Plan 2020.

As on March 31, 2022, out of 6,07,41,778 options under the ESOP Plan 2020, bank had granted 1,57,06,500 Options to employees (for FY 2020-21).

As of March 31, 2022, the Bank has granted 71,377 options and allotted 17,844 Equity Shares to Mr. Govind Singh, the Managing Director & CEO under the ESOP Plan 2020 towards his variable pay for FY 2019-20 as approved by RBI vide their letter dated August 31, 2021.

The Bank received approval for remuneration to MD & CEO for financial year 2020-21 from RBI on January 12, 2022 advising to defer non-cash component over next 3 years in 3 equal instalments of 33.33% each. Further, 50%

of cash component to be paid upfront and remaining 50% to be deferred in next 3 years in equal instalments. Accordingly, Bank has granted 4,56,817 ESOPs to MD & CEO at ₹ 14.01 per share w.e.f. January 12, 2022, with vesting over next three years in equal proportion i.e. 33.33% each year.

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.

Awards & Recognitions

- **50 Most Trusted BFSI Brands** – 2021 (Teams Marksmen and NDTV 24/7)
- **The Economic Times Best Brands** – 2021 by ET Edge
- **Best Places to work in India** – Ambition Box 2021 (#3rd mid-sized banking company)
- **Best IT Risk and Cyber Security Initiatives -IBA** – Banking Technology Awards 2021
- **Award of Excellence** – APY Big Believers (ABB) 4.0 PFRDA
- **FE Best Banks** – March 2022
Ranked 3 under **Efficiency & Strength and Soundness**
Ranked 2 under **Credit Quality under Small Finance Bank**
- **Fortune India** – March 2022 issue **Ranked 46** under **The Next 500 companies**

Particulars of Employees

The ratio of the remuneration of each Director to the employees' median remuneration and other details in terms of sub-section 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 FY 2021-22:-

Name of Director	Designation	Ratio
Mr. Puranam Hayagreeva Ravikumar	Part time Non-Executive Chairman of the Board (for Full month – April – June 2021 and 19 days of July 2021)	4.8:1
Mr. Parveen Kumar Gupta	Part time Non-Executive Chairman of the Board (for 20 days of Oct 2021, Nov 2021-March 2022))	4.8:1
Mr. Govind Singh	Managing Director and Chief Executive Officer	67.7:1

Apart from sitting fees, the Bank does not pay any remuneration to any Non-Executive Directors. The part time Non-Executive Chairman of the Board is entitled to a monthly remuneration, as approved by the RBI and the Shareholders of the Bank.

- (ii) The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary for FY 2021-22 are as follows:

Name of Director/KMP	Designation	Percentage (%) Increase
Mr. Parveen Kumar Gupta	Part time Non-Executive Chairman	No increment
Mr. Govind Singh	Managing Director and Chief Executive Officer	No increment *
Mr. Mukund Barsagade	Chief Financial Officer	#11.00%
Ms. Nutan Anand Rane	Company Secretary & Compliance Officer	No increment
Mr. Muthiah Ganapathy	Company Secretary & Compliance Officer	No increment

* As per RBI approval, there is overall increment of 20% in remuneration of MD & CEO, however, no increment is in Cash component. The increase in remuneration is in non-cash component.

increase was on fixed cost

The percentage increase in the median remuneration of employees in the financial year was 7.27%.

- (iii) The number of permanent employees on the rolls of the Bank, as on March 31, 2022 was 12,617 (includes 10,954 male employees and 1,663 female employees).
- (iv) Average percentile increase already made in the remuneration of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration.
- (v) Average increase in remuneration is 7.27% for employees other than managerial personnel and 3.34% for managerial personnel (Executive Directors including Managing Director and Chief Executive Officer, Chief Financial Officer, and Company Secretary).
- (vi) The key parameters for any variable component of remuneration availed by the Directors are as specified in the Remuneration Policy.
- (vii) Affirmation that the remuneration is as per the remuneration policy of the Bank: The Bank is in compliance with its 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 separately annexed as **Annexure B**.

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, Key Managerial Personnel ("KMPs") & Senior Management Officials.

The Nomination and Remuneration Policy is available on the website of the Bank at the following link: https://www.utkarsh.bank/uploads/pdf/ourpolicy/template_ten/Nomination_and_Remuneration_Policy.pdf

Remuneration of Executive Directors

The Board considered the recommendation of NRC, and approved the remuneration of Managing Director and Chief Executive Officer, with or without modifications, subject to members and regulatory approvals.

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

Remuneration of part time Non-Executive Chairman

The Nomination and Remuneration Committee recommends the remuneration of the part-time Non-Executive Chairman to the Board, which has been considered and approved by the Board in the same manner, and by the Shareholders of the Bank.

The remuneration payable to the part-time Non-Executive Chairman is subject to prior approval of RBI. Therefore, the remuneration or any revision in remuneration of the part-time Non-Executive Chairman is payable only after receipt of approval from RBI.

Remuneration of Non-Executive Directors (NEDs)

The NEDs (excluding Nominee Directors of the Bank) 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 meetings 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 emphasizing 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 ₹ 20 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 per cent (3%) of the net profits.

During FY 2021-22, the Bank has not paid any commission on profit or granted any stock options to NEDs.

Other Statutory Disclosures:

- The Bank has not changed its nature of business during FY 2021-22
- 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 FY 2021-22 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 entered into by the Bank with Directors, KMP 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 FY 2021-22, which would impact the going concern status of the Bank and its future operations.
 - There was no application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year under review. No proceeding is pending against Bank under the Insolvency and Bankruptcy Code, 2016 (31 of 2016).
- The details of Risk Management Policy & its framework are separately provided in the Management Discussion and Analysis Report
- The Bank is a subsidiary company of Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited). The Bank does not have any subsidiary or associate company. Hence the details of sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 are not applicable to the Bank;
- The provisions for maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 are not applicable to the Bank
- There are no adverse observations/qualifications in the Statutory Auditors' Report. Further, pursuant to Section 143(12) of the Companies Act, 2013, the Statutory Auditors of the Bank have not reported any instances of frauds committed in the Bank by its officers or employees
- 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. FY 2021-22 and the date of the Directors' Report
- During the period under review, there is no change in Credit Ratings of the Bank
- The Board is of the opinion that all the Independent Directors inducted during the year have requisite integrity, expertise, experience (including proficiency).
- The Members at the 17th Extraordinary General Meeting held on March 4, 2022 had approved the shifting of Registered office from "S-24/1-2, 1st Floor, Mahavir Nagar, Orderly Bazaar, Varanasi, Uttar Pradesh - 221002" to "Utkarsh Tower, NH - 31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi, Uttar Pradesh, PIN - 221105".

C. OTHER DISCLOSURES

Code of Conduct

For a financial institution, transparency and the highest standards of corporate governance are important 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, 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 of Conduct. Some of the areas that have been covered by the Code of Conduct are: fairness of employment practices, protection of intellectual property, integrity, customer confidentiality and conflict of interest. The Bank's Code of Conduct for Directors and senior management is hosted on the website of the Bank at <https://www.utkarsh.bank>.

Corporate Social Responsibility (CSR)

The 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 majority of Independent Directors.

The Board has approved CSR spend of ₹3.70 Crore during the FY 2021-22. Accordingly, the Bank has paid total corpus of CSR amount to Utkarsh Welfare Foundation, Section 8 company, specially formed 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 (supporting orphanages and care centres for the elderly). The Bank has a Board approved CSR policy in line with the provisions of Section 135 of the Companies Act 2013. The Bank's CSR spend, approved by the CSR Committee of the Board, is within such Board approved policy parameters.

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

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

The 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 / Indian Banks' Association (IBA) guidelines. The Bank complies with, various regulatory reporting requirements, as set out by the Financial Intelligence Unit (FIU) of the Government of India. The Bank has a transaction monitoring mechanism in line with regulatory requirements with an automated system solution, closely monitored by a centralised AML team. The Bank's employees are imparted training on KYC / AML aspects regularly. Executives of the Bank also attend periodic workshops/seminars organised by FIU - IND, RBI, IBA and National Institute of Bank Management (NIBM) 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

The Bank is committed to create 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 at workplace. We follow 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 Prevention of Sexual Harassment Policy ("POSH Policy") at Utkarsh Small Finance Bank is gender neutral and is implemented for all employees and other stakeholders/ partners. Any complaint of sexual harassment made against any individual working within the Bank's premises, including third-party vendors, is investigated in line with this POSH Policy.

The Internal Complaints Committee (ICC) of the Bank has laid down the processes and guidelines pertaining to sexual harassment related complaints. The ICC deals with all complaints relating to sexual harassment. The Bank does not tolerate any form of sexual harassment and all individuals of the Bank are responsible to ensure a workplace free of harassment.

POSH Policy is applicable to all employees (permanent/ fixed term/ on 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.

The Bank has also formulated Prevention of Sexual Harassment Policy, which is available at Bank's website at https://www.utkarsh.bank/uploads/pdf/ourpolicy/template_ten/Prevention_of_Sexual_Harassment_Policy.pdf

For FY 2021-22 a total of 11 cases were reported under POSH and all have been resolved.

Human Resources

The Bank's Human Resources Policy ("HR Policy") is aligned for the achievement of the Bank's vision and mission and constant efforts are made 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. The COVID-19 pandemic was a singular event for the entire world economy. The Bank was able to provide seamless services to its customers during this tough period while ensuring the health and safety of our employees. The Bank continues to serve its customers while adhering to the highest standards of safety protocols related to COVID-19.

The Bank has consistently made efforts to increase the participation of women employees in the workforce. At the close of FY 2021-22, the Bank had a total of 1,663 women employees in its workforce.

In its constant endeavor to promote learning and capacity building of all its employees, the Bank utilized its "Learning Management System (Utkarsh U-Learn)" to engage its employees through continuous educational programs delivered via e-modules and virtual classrooms.

Technology

We believe that information technology is one of the key differentiators for improving customer experience. The use of technology, over the years, has enabled us to scale up our operations in an efficient manner. We have collaborated with third party software solution providers to automate our backend operations, which are supported by a core banking system and loan management function. Our various technology platforms support major functions, such as, customer experience, enterprise accounting, expense management and human resources, process management, risk management, and governance. We provide end-to-end digital onboarding for a swift opening of savings bank account with limited documentation through handheld devices. In addition, we have enabled digital facilities including internet banking, mobile banking, corporate internet banking, bill payments, and debit cards services. We aim at leveraging technology to better serve our customers, identify opportunities, deliver innovative products and services to advance our goal of financial inclusion. We have introduced robotics process automation to increase efficiency and improve operational productivity. We have recently started analytics projects for better understanding of core customers and decision taking in real time. We believe this will increase our ability to deliver improved customer experience and facilitate customer acquisition and deepen our relationship with customers.

Secretarial Auditor and Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s S. N. Ananthasubramanian & Co., Practicing Company Secretaries conducted the secretarial audit of the Company for the financial year 2021-22.

The Secretarial Auditor's Report for the financial year 2021-22 does not contain any qualification, reservation, or adverse remark. Report of the Secretarial Auditor for the financial year 2020-21 in Form MR-3 is annexed to this report as Annexure D.

Compliance with Secretarial Standards

The Bank has complied with the provisions of Secretarial Standards specified by the Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs under Section 118(10) of the Companies Act, 2013.

Basel III (Pillar 3) Disclosures:

RBI Master Circular DBR.No.BP.BC.4/21.06.001/2015-16 dated July 01, 2015, on 'Prudential guideline on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF)' requires banks to make Pillar 3 disclosures, as applicable. These disclosures have not been subjected to audit or limited review. These disclosures are available on the Bank's website at <https://www.utkarsh.bank/>.

Prospects

Despite the challenges faced by the world economy and the Indian Banking Industry due to the impact of second and third wave of the COVID – 19 pandemic and looming Russia – Ukraine war, we will continue to work towards sustained level of growth of the business of the Bank in the coming financial year. The Directors are of the view that there is immense opportunity to cater to the unserved and underserved sections of client base in the country, particularly the area in which your Bank is currently operating.

The Bank has a fair presence in unserved and underserved sections and will continue to serve these sections by increasing its reach through increased presence at unbanked rural centre locations every year. Also, the Bank intends increasing its footprint in top 100 cities in terms of overall deposits and enhance its deposit base. Your Bank is evolving through increased presence on digital channels and will continue to adopt best digital services to serve its clients.

Directors' Responsibility Statement

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

- in the preparation of the annual accounts for the financial year ended March 31, 2022, the applicable accounting standards have been followed, and there is no material departure from the same;
- the Directors have selected 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 as on March 31, 2022, and of the profit of the Bank for the year ended;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 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, 2022 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

The Board expresses its gratitude to the Central and State Governments, Reserve Bank of India, Ministry of Corporate Affairs, SEBI, NABARD, SIDBI, MUDRA, NHB and all other Regulatory Authorities including Local Governing Bodies for the continuous support and guidance provided to the Bank.

The Board appreciates the precious support provided by the Auditors, Lawyers and Consultants. We place on record our appreciation for the contribution made by our employees at all levels. Our consistent growth has been made possible by their hard work, solidarity, cooperation and support.

The Directors wish to place on record their gratitude to Shareholders of the Bank for the confidence reposed by them and thank all the customers, vendors, and other business associates for their contribution to your Bank's growth and for extending their assistance and co-operation.

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

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 30, 2022

Parveen Kumar Gupta
Director
DIN – 02895343

Govind Singh
Managing Director & CEO
DIN – 02470880

ANNEXURE A

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Bank has been following principles of good Corporate Governance over the years. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency accountability and integrity.

1. PHILOSOPHY ON CODE OF GOVERNANCE

Our governance is guided by the cardinal principles of integrity, transparency, accountability, fair disclosures, responsibility, credibility. Implementation with integrity is our core passion. The Bank believes in adopting and adhering to the best recognised corporate governance practices and continuously benchmarking itself against each such practices. The Bank understands and respects its fiduciary role and responsibility towards its shareholders and other stakeholders and is firm to meet their expectations. The Bank believes that best Board governance practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value. The Bank has infused the philosophy of corporate governance into all its activities. The philosophy on corporate governance is an important tool for shareholder protection and maximization of their long-term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability, etc. serve as the means for implementing the philosophy of corporate governance in letter and spirit. The Bank's governance framework is based on the following principles:

- (i) Appropriate composition and size of the Board, with each member bringing in expertise in their respective domains
- (ii) Availability of information to the members of the Board and Board Committees to enable them to discharge their fiduciary duties
- (iii) High Involvement of Board and vital role in improving and maintaining the Banks processes and practices from time to time
- (iv) Timely disclosure of material operational and financial information to the stakeholders
- (v) Systems and processes in place for internal control and proper business conduct by the Board, senior management, and employees

2. THE BOARD OF DIRECTORS

The Board is entrusted with an ultimate responsibility of the management, directions, and performance of the Bank. As its primary role is fiduciary in nature, the Board provides leadership, strategic guidance, objective, and independent view to the Bank's management while discharging its responsibilities, thus ensuring that the management adheres to ethics, transparency, and disclosures. The members of the Board discuss each agenda item freely in detail.

a) Composition and Category of Directors:

The provisions of the Companies Act, 2013, the Banking Regulation Act, 1949, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable laws, govern the composition of the Board of Directors of the Bank ("Board").

The Board represents an optimum mix of professionalism, knowledge and experience as categorized below:

Sr. No.	Name of Director	Category
1.	Mr. Parveen Kumar Gupta	Part time Non – Executive Chairman and Independent Director
2.	Mr. Ajay Kumar Kapur	Independent Director
3.	Mr. Chandra Shekhar Thanvi	Nominee Director of SIDBI
4.	Mr. Kajal Ghose	Independent Director
5.	Ms. Kalpana Prakash Pandey	Independent Director
6.	Mr. Muralidharan Rajamani	Non-Executive Non-independent Director
7.	Mr. Nagesh Dinkar Pinge	Independent Director
8.	Mr. Govind Singh	Managing Director and Chief Executive Officer

Thus, the composition of the Board is in conformity with Companies Act, 2013, Reserve Bank of India Act, 1934 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

b) Profile of Board of Directors:

The profile of Board of Directors is provided in the corporate overview section of the Annual Report.

2.2 Board Meetings

The Board assembles at regular intervals to discuss and decide crucial matters and strategies to attain the goal in efficient manner and to cope up with the dynamic and competitive environment. During the FY 2021-22, the Board met 16 (Sixteen) times and the gap between two consecutive meetings did not exceed 120 days. The meetings of the Board were held on following dates:

Sr. No.	Day and Date of the Meeting
1	Sunday, April 25, 2021
2	Saturday, May 01, 2021
3	Monday, May 31, 2021
4	Wednesday, June 09, 2021
5	Tuesday, July 06, 2021
6	Thursday, July 15, 2021
7	Friday, July 23, 2021
8	Friday, July 30, 2021
9	Saturday, August 07, 2021
10	Saturday, August 21, 2021
11	Saturday, September 04, 2021
12	Friday, September 24, 2021
13	Monday, November 01, 2021
14	Tuesday, November 23, 2021
15	Thursday, February 03, 2022
16	Tuesday, March 22, 2022

2.3 Attendance of Directors and details of other Boards or Committees where Director/s are a Member or Chairperson

In consonance with Regulations 26(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, none of the Directors on the Board is a member of more than ten Committees and Chairperson in more than five Committees across all the Public Companies in which they

are Directors. The details of attendance of the Directors at the Board Meetings during the FY 2021-22 and at the last Annual General Meeting held on July 30, 2021, together with the number of other Directorships, and Committee Memberships/Chairmanships as on March 31, 2022, are as follows:

Sr. No.	Name of Director	Board meeting attendance during the year	Attendance at last AGM held on July 30, 2021	No. of other directorships in other companies as on 31.03.2022 [§]	No. of Committee Memberships and Chairmanship in USFBL as on 31.03.2022		No. of Committee Memberships and Chairmanship in other Companies as on 31.03.2022 [@]		Inter-se relations hip between Directors	No. of Shares held by Directors
					As member	As Chairperson	As member	As Chairperson		
1	Mr. Puranam Hayagreeva Ravikumar*	6	NA	-	-	-	-	-	Nil	-
2	Mr. Ajay Kumar Kapur	16	Present	-	5	1	-	-	Nil	-
3	Ms. Anita Ramachandran	15	Present	11	3	-	-	-	Nil	-
4	Mr. Govindasamy Sampath Kumar	5	Absent	-	-	-	-	-	Nil	-
5	Mr. Kajal Ghose	16	Present	-	6	3	-	-	Nil	-
6	Ms. Kalpana Prakash Pandey	16	Present	1	6	1	-	-	Nil	-
7	Mr. Muralidharan Rajamani	14	Present	1	7	2	-	-	Nil	-
8	Mr. Nagesh Dinkar Pinge	16	Present	9	7	1	8	2	Nil	-
9	Mr. Parveen Kumar Gupta**	6	NA	5	6	2	1	1		
10	Mr. Chandra Shekhar Thanvi***	4	NA	1	3	-	-	-	Nil	1
11	Mr. Govind Singh	16	Present	1	10	2	-	-	Nil	17845 [#]

Notes:

None of the Directors hold chairmanship in any other company as on 31.03.2022

* Mr. Puranam Hayagreeva Ravikumar ceased to be part- time Non – Executive Chairman and Independent Director w.e.f. July 19, 2021.

** Mr. Parveen Kumar Gupta appointed w.e.f. September 1, 2021.

*** Mr. Chandra Shekhar Thanvi appointed w.e.f. September 30, 2021.

[#] 1 share held as Nominee on behalf of Utkarsh CoreInvest Limited and 17,844 shares in individual capacity.

[§] Excluding directorship in Private Limited Companies and Section 8 Companies

[@] The Chairpersonship and membership of only Audit Committee and Stakeholders' Relationship Committee have been considered

2.4 Familiarization Programme for Independent Directors

Pursuant to Regulation 25(7) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires listed companies to conduct familiarization programme for the Independent Directors so as to familiarize them with the company, their roles, rights, responsibilities in the company, nature of the company in which the company operates, business model of the company, etc. Utkarsh Small Finance Bank Limited facilitates the members of its Board to familiarize themselves with the Bank and its operations to enable them to gain in depth and thorough understanding about the perspective of the Bank. The web link of the Policy for Familiarisation is mentioned below: https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Policy-for-familiarisation-Programme-for-Directors.pdf

2.5 Skills/Expertise/Competencies of the Board of Directors

The Board comprises of qualified members who bring in qualified skills, competence and expertise that enable them to make effective contributions to the Bank's working. The Board of Directors have expertise and extensive experience in the field of banking, Small Scale Industry, accounts, information technology, financial services, sales and marketing, corporate governance, finance, law, payment & settlement, and business administration. They uphold ethical standard, integrity and probity, and exercise their responsibility in the best interest of the Bank and all stakeholders.

2.6 Access to Information and Updation to Board

The Bank, in consultation with its Directors, prepares and circulates a tentative annual calendar for the meetings of the Committees/Board to facilitate and assist the Directors in planning their schedule to participate and render their valuable suggestions in the meetings.

The Bank regularly places, before the Board for its review, the agenda notes, necessary papers and information as required under the Companies Act, RBI requirements, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars issued by the Securities and Exchange Board of India and concerned Stock Exchanges from time to time such as quarterly results, quarterly updates, minutes of meetings of the Audit Committee and other Committees of the Board, risk management and mitigation measures, etc. comprehensively drafted notes for each agenda item along with background materials, wherever necessary, are circulated well in advance to the Board/Committee members, to enable them for making value addition as well as exercising their business judgement in the Board/Committee meetings. The Board reviews all information provided periodically for discussion and consideration at its meetings in terms of Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. These are submitted as a part of the agenda papers well in advance for the Board meetings. The Board also reviews the certification made by the Chief Financial Officer and Managing Director and Chief Executive Officer of the Bank regarding compliance of all applicable laws on quarterly basis. The Board maintains an Action Taken Report to record the actions taken on the matters since the last Board Meeting of the Bank and the matters forming part of such report are considered in the Board meeting itself.

2.7 Meeting of Independent Directors

In accordance with the provisions of SS 2.3 of the Secretarial Standard on the Meetings of Board of Directors, a Meeting of the Independent Directors of the Company was held on April 25, 2022, without the presence of the Non-Independent Directors and the members of the Management. The Meeting was attended by all the Independent Directors. They discussed matters, including, on the performance/ functioning of the Company, reviewing the performance of the Board, taking into account the views of Non-Executive & Non-Independent Director, assessed the quality, quantity and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform their duties, etc.

3. AUDIT COMMITTEE

The Audit Committee is formed to act as a channel of information supplied by the management to the auditors and to enable the auditor to have an independent approach in terms of audit conducted. The primary objective of an Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity, and quality of financial reporting.

a) Terms of Reference of Audit Committee

- i. Recommendation for appointment, remuneration and terms of appointment of auditors of the Bank.
- ii. Review and monitoring the auditor's independence and performance, and effectiveness of audit process.
- iii. Examination of the financial statement and the auditors' report thereon.
- iv. Scrutiny of inter-corporate loans and investments.
- v. Evaluation of internal financial controls and risk management systems.
- vi. Monitoring the end use of funds raised through public offers and related matters.
- vii. Providing direction and to oversee the operation of the audit function.
- viii. Review of the internal audit system with special emphasis on its quality and effectiveness.
- ix. 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, unreconciled entries in inter-company accounts and frauds.
- x. Discussion on the matters related to frauds.
- xi. Discussion and follow up for the audit observations relating to long form audit report.
- xii. Discussion and follow up for the observations relating to inspection report / risk assessment report of the RBI.

- xiii. Review the system of appointment of concurrent auditors and external auditors.
- xiv. Review of our Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- xv. Approval of payments to statutory auditors for other services rendered by them.
- xvi. Review with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval with particular reference to modified opinion(s) in the draft audit report.;
 - a. 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;
 - b. Changes, if any, in accounting policies & practices and reasons for the same.
 - c. Review of major accounting entries involving estimates based on the exercise of judgment by the management;
 - d. Review of Significant adjustments made in the financial statements arising out of audit findings;
 - e. Review of Compliance with statutory and legal requirements relating to financial statements;
 - f. Review of disclosure of any related party transactions.
 - g. Review and discuss qualifications in the draft audit report;
- xvii. Review, with the management, the quarterly financial statements before submission to the Board for approval along with Auditors Review Report;
- xviii. 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 utilized 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
- xix. Review with the management, performance and independence of statutory and internal auditors, adequacy of the internal control systems and effectiveness of audit process.
- xx. Obtain and review quarterly / half yearly reports of the Compliance Officer.
- xxi. 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.
- xxii. Discuss with internal auditors any significant audit findings and follow up thereon.
- xxiii. 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 our Board.
- xxiv. 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.
- xxv. 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.
- xxvi. Review of the functioning of the whistle blower-cum-vigil mechanism.
- xxvii. Approval of the appointment of the head of internal audit / chief internal audit officer before finalization of the same by the management. While approving the appointment, Audit Committee shall assess the qualifications, experience, background etc. of the candidate.
- xxviii. Approval or any subsequent modification of transactions of the company with related parties.




- xxix. Valuation of undertakings or assets of the Bank, wherever it is necessary.
- xxx. Review of information system audit and cyber security audit reports.
- xxxi. Discussion and follow up for audit observations relating to Information System audit and Cyber Security Audit.
- xxxii. Approving the appointment of the Chief Financial Officer or any other person heading the finance function or discharging that function after assessing the qualifications, experience and background, etc. of the candidate.
- xxxiii. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by our Board and/or specified/provided under the Companies Act or the Listing Regulations or by any other applicable law.
- xxxiv. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
- xxxv. Discussion and follow up for audit observations relating to Information System audit and Cyber Security Audit;
- xxxvi. To consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders
- xxxvii. Approval or any subsequent modification of transactions of the Bank with related parties provided that the Audit Committee make omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as may be prescribed
- xxxviii. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
 - a. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
 - b. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
- xxxix. The Audit Committee shall mandatorily review the following information.
 - 1. Management's discussion and analysis of financial condition and results of operations.
 - 2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management.
 - 3. Management letters/ letters of internal control weaknesses issued by the statutory auditors;
 - 4. Internal audit reports relating to internal control weaknesses;
 - 5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and
 - 6. Statement of deviations:
 - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of the Listing Regulations; and
 - b) annual statement of funds utilised for purposes other than those stated in the document/ prospectus/notice in terms of the Listing Regulations.

b) Composition, Names of Members and Chairperson (as on March 31, 2022)

In compliance with applicable regulatory requirements, the Audit Committee of the Bank comprises of following Board Members:

Sr. No.	Name of Director	Category	Designation
1.	Mr. Nagesh Dinkar Pinge	Non- Executive, Independent Director	Chairperson
2.	Mr. Ajay Kumar Kapur	Non- Executive, Independent Director	Member
3.	Mr. Kajal Ghose	Non- Executive, Independent Director	Member
4.	Ms. Kalpana Prakash Pandey	Non- Executive, Independent Director	Member

c) Particulars of meetings and attendance by the members of the Audit Committee

Sr. No.	Name	Designation	Apr 25, 2021	June 8, 2021	Aug 07, 2021	Aug 27, 2021	Nov 01, 2021	Nov, 22, 2021	Feb 02, 2022	Mar, 14, 2022
1.	Mr. Nagesh Dinkar Pinge	Chairperson								
2.	Mr. Kajal Ghose	Member								
3.	Ms. Kalpana Prakash Pandey	Member								
4.	Ms. Anita Ramachandran*	Member								
5.	Mr. Ajay Kumar Kapur	Member	NA							

*Ms. Anita Ramachandran ceased to be nominee director w.e.f. March 23, 2022.

 Present

LOA: Leave of Absence

4. NOMINATION AND REMUNERATION COMMITTEE**a) Terms of Reference**

- Review the structure, size, composition, diversity of our Board and make necessary recommendations to our 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 our Board level, and search for appropriate candidates who have the profile to provide such skill sets.
- Examine vacancies that will come up at our Board on account of retirement or otherwise and suggest course of action.
- Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a Director on our 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 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;

- vi. Review and recommend to our Board for approval of the total increase in manpower cost budget of our Bank as a whole, at an aggregate level, for the next year.
- vii. Recommend to our Board the compensation payable to the Chairman of our Bank.
- viii. Review the code of conduct and human resources strategy, policy and performance appraisal process within our Bank, as well as any fundamental changes in organization structure, which could have wide ranging, or high-risk implications.
- ix. Review and recommend to our Board for approval of the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of Managing Director and chief executive officer, the other whole time Directors, senior managers one level below our Board and other key roles and their progression to our Board.
- x. Review and recommend to our Board for approval:
 - a. the creation of new positions one level below Managing Director and CEO; and to approve Job descriptions & KRA's; and
 - b. appointments, promotions and exits of senior managers one level below the Managing Director and chief executive officer.
- xi. Set the goals, objectives, and performance benchmarks for our Bank and for Managing Director and CEO, the other whole-time directors for the financial year and over the medium to long term.
- xii. Review the performance of the Managing Director and CEO and other whole time Directors at the end of each year.
- xiv. Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, RBI or by any other regulatory or statutory body.
- xv. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to our Board a policy, relating to the remuneration of the Directors, key managerial personnel and other employees.
- xvi. Formulating of criteria for evaluation of the performance of the Independent Directors and our Board.
- xvii. Devising a policy on Board diversity.
- xviii. Identifying persons who qualify to become Directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to our Board their appointment and removal, and carrying out evaluations of every Director's performance.
- xix. Determining whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- xxx. Performing such other activities as may be delegated by our Board and/or specified/provided under the Companies Act or the Listing Regulations, or by any other regulatory authority.
- xxxi. Recommend to our board, all remuneration, in whatever form, payable to senior management.
- xxii. Performing such other functions as may be required for the performance of any of the above duties.
- xxiii. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- xxiv. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person

recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- a. use the services of an external agencies, if required;
- b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
- c. consider the time commitments of the candidates

xxv. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and to specify the manner for effective evaluation of performance of Board, its committees and individual Directors

b) Recent Composition, Names of Members and Chairperson (as on March 31, 2022)

In compliance with the applicable regulatory requirements, the Nomination and Remuneration Committee comprises of following Board Members:

Sr. No.	Name of Director	Category	Designation
1.	Mr. Kajal Ghose	Non- Executive, Independent Director	Chairperson
2.	Mr. Parveen Kumar Gupta	Non- Executive, Independent Director	Member
3.	Mr. Muralidharan Rajamani	Non- Executive, Non-Independent Director	Member

c) Particulars of meetings and attendance by the members of the Nomination and Remuneration Committee

Sr. No.	Name of Director	Designation	Apr 29, 2021	June 05, 2021	June 18, 2021	Jul 29, 2021	Aug 20, 2021	Nov 09, 2021	Marc 21, 2022
1.	Mr. Kajal Ghose	Chairperson							
2.	Ms. Anita Ramachandran****	Member							
3.	Mr. Puranam Hayagreeva Ravikumar *	Member				NA	NA	NA	NA
4.	Mr. Ajay Kumar Kapur**	Member	NA					NA	NA
5.	Mr. Parveen Kumar Gupta*****	Member	NA	NA	NA	NA	NA		
6.	Mr. Muralidharan Rajamani***	Member	NA	NA	NA	NA	NA	NA	NA

Note:* Mr. Puranam Hayagreeva Ravikumar ceased to be the member of the Nomination and Remuneration Committee w.e.f. July 19, 2021, post his retirement from the Board.

** Mr. Ajay Kumar Kapur ceases to be member of Committee after reconstitution of Committee in Board Meeting held on November 01, 2021.

*** Mr. Muralidharan Rajamani has appointed as a member in Committee after reconstitution of Committee held on March 22, 2022

**** Ms. Anita Ramachandran ceased to be nominee director of the Bank w.e.f. March 23, 2022.

*****Mr. Parveen Kumar Gupta was appointed as member of Nomination and Remuneration Committee on August 20, 2021

d) Performance Evaluation Criteria for Independent Directors:

The evaluation of the Independent Directors, which was done by the Board of Directors, was based on the following assessment criteria as laid by the Nomination and Remuneration Committee:

- Attendance and participation in the meetings.
- Raising of concerns to the Board.
- Extend or continue the term of appointment of Independent Director, based on the report of performance evaluation of the Independent Directors.
- Any other function as may be required from time to time by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Companies Act, 2013 and rules made there under and any other statutory, contractual, or other regulatory requirements to be attended by such Committee.

COMPOSITION OF OTHER COMMITTEES OF THE BANK, TERMS OF REFERENCE AND ATTENDANCE FOR FY 2021-22

0.1) IT Strategy Committee (as on March 31, 2022):

In compliance with the regulatory requirements, the IT Strategy Committee of the Board comprises of:

S. No.	Name	Category	Designation
1.	Mr. Kajal Ghose	Independent Director	Chairperson
2.	Ms. Kalpana Prakash Pandey	Independent Director	Member
3.	Mr. Nagesh Dinkar Pinge	Independent Director	Member
4.	Mr. Muralidharan Rajamani	Non-Executive Director	Member
5.	Mr. Arun Raman	Head Operations & IT	Member

Frequency of the meeting: The Committee meets once in a quarter.

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	June 05, 2021	Aug 02, 2021	Sep 24, 2021	Nov 09, 2021	Jan 12, 2022	Feb 01, 2022
1.	Mr. Kajal Ghose	Chairperson						
2.	Ms. Kalpana Pandey	Member						
3.	Mr. Govindasamy Sampath Kumar, SIDBI Nominee Director**	Member		LOA	LOA	NA	NA	NA
4.	Mr. Nagesh Dinkar Pinge	Member						
5.	Mr. Muralidharan Rajamani	Member						
6.	Mr. Arun Raman	Member						

Note:

** Mr. Govindasamy Sampath Kumar, has been ceased to be member of the committee post his resignation i.e., September 28, 2021.

0.2) Terms of Reference of IT Strategy Committee:

- I. Approving IT strategy and policies.
- II. Ensuring that management has an effective strategic planning process in place;
- III. Ensuring that the business strategy is aligned with the IT strategy;
- IV. Ensuring that the IT organizational structure serves business requirements and direction;
- V. Oversight over implementation of processes and practices that ensures IT delivers value to businesses;
- VI. 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;
- VII. Ensuring proper balance of IT investments for sustaining Bank's growth;
- VIII. Assess exposure to IT risks and its controls and evaluating effectiveness of management's monitoring of IT risks;

- IX. Assessing management's performance in implementing IT strategies;
- X. Assessing if IT architecture has been designed to derive maximum business value;
- XI. Reviewing IT performance measurement and contribution to businesses;
- XII. To approve capital and revenue expenditure in respect of IT procurements;
- XIII. 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;
- XIV. To monitor performance of IT function towards ensuring delivery on time and within budget, with appropriate functionality and with intended benefits.
- XV. Review of Information System audit and Cyber Security audit reports & Inspection reports
- XVI. Discussion and follow up for audit observations relating to Information System audit and Cyber Security Audit & Inspection reports;

2.1) Risk Management Committee ("RMC") (as on March 31, 2022)

In compliance with the regulatory requirement, the constitution of Risk Management Committee comprises of:

S. No.	Name	Category	Designation
1.	Mr. Ajay Kumar Kapur	Independent Director	Chairperson
2.	Ms. Kalpana Prakash Pandey	Independent Director	Member
3.	Mr. Muralidharan Rajamani	Non-Executive Director	Member
4.	Mr. Parveen Kumar Gupta	Part time Chairman & Independent Director	Member
5.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee meets once in a quarter and as and when required.

Attendance and meetings of the Committee were held during the year:

Sr. No.	Name of Director	Designation	June 01, 2021	Jul 30, 2021	Oct 29, 2021	Feb 01, 2022
1.	Mr. Ajay Kumar Kapur***	Chairperson				
2.	Ms. Kalpana Pandey****	Chairperson				
3.	Mr. Muralidharan Rajamani	Member				
4.	Mr. Puranam Hayagreeva Ravikumar*	Member		NA	NA	NA
5.	Mr. Govind Singh	Member				
6.	Mr. Parveen Kumar Gupta**	Member	NA	NA	NA	

Note:

* Mr. Puranam Hayagreeva Ravikumar has been ceased to be member of Committee post his resignation July 19, 2021.

**Mr. Parveen Kumar Gupta has been appointed as member post reconstitution of Committee held on November 01, 2021.

***Mr. Ajay Kumar Kapur has been appointed as Member & Chairperson of the Committee w.e.f. May 31, 2021.

****Ms. Kalpana Prakash Pandey was Chairperson of the Committee w.e.f. May 30, 2021 and thereafter is a member of the Committee.

2.2) Terms of Reference of Risk Management Committee:

- I. To perform the role of Risk Management in pursuance of the Risk Management Guidelines issued periodically by RBI and Board;
- II. To oversee and advise to the Board on:
 - a. defining risk appetite, tolerance thereof and review the same, as appropriate;
 - b. The systems of risk management framework, internal control and compliance to identify, measure, aggregate, control and report key risks;
 - c. 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 organization of their actions and decisions.
- III. To advise the Board on all high level risk matters;
- IV. 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;
- V. 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;
- VI. To review the asset liability management (ALM) of the Bank on a regular basis;
- VII. To provide to the Board with such additional assurance as it may require regarding the quality of risk information submitted to it;
- VIII. To decide the policy and strategy for integrated risk management containing various risk exposures of the Bank including the credit, market, liquidity, operational risks including IT Risk, Cyber Risk and reputation risk.
- IX. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- X. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- XI. To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- XII. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
 To formulate a detailed risk management policy which shall include:
 - i). A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - ii). Measures for risk mitigation including systems and processes for internal control of identified risks.
 - iii). Business continuity plan.
- XIII. Approve various Risk Management policies
- XIV. Measures for risk mitigation including systems and processes for internal control of identified risks.
- XV. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems
- XVI. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such Committees, as per the framework laid down by the Board of Directors
- XVII. To formulate & approve and revise various Risk Management policies at such intervals as may be considered necessary









3.1) Corporate Social Responsibility Committee (as on March 31, 2022)

In compliance with the regulatory requirement, the composition of Corporate Social Responsibility Committee comprises of:

S. No.	Name	Category	Designation
1.	Mr. Muralidharan Rajamani	Non- Independent Director	Chairperson
2.	Mr. Ajay Kumar Kapur	Independent Director	Member
3.	Ms. Kalpana Prakash Pandey	Independent Director	Member
4.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee meets half yearly basis and as an when required by the Bank.

Attendance and meetings of the Committee were held during the year:

Sr. No.	Name of Director	Designation	June 03, 2021	Nov 10, 2021
1.	Mr. Muralidharan Rajamani	Chairperson		
2.	Mr. Puranam Hayagreeva Ravikumar *	Chairperson		NA
3.	Ms. Kalpana Prakash Pandey	Member		
4.	Mr. Govind Singh	Member		
5.	Mr. Ajay Kumar Kapur**	Member	NA	

Note:

* Mr. Puranam Hayagreeva Ravikumar has been ceased to be member of Committee post his resignation July 19, 2021.

** Mr. Ajay Kumar Kapur appointed as a member of the Committee w.e.f. November 04, 2021

Terms of Reference of Corporate Social Responsibility

- I. Formulation and recommendation to our Board, the Corporate Social Responsibility (CSR) strategy of the Bank including the CSR Policy and its implementation.
- II. Formulation and recommendation to our Board, the CSR activities to be undertaken by our Bank, either directly or through Utkarsh Welfare Foundation or through any other entity working for the welfare of society and determining the CSR projects / programmes which our Bank plans to undertake during the year of implementation, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same;
- III. Conducting an impact-assessment of the various initiatives undertaken in terms of the CSR Policy at periodic intervals;
- IV. Instituting a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by our Bank;
- V. Reviewing and recommending the annual CSR report for our Board's approval and for public disclosure.
- VI. Our Corporate Social Responsibility Committee shall:
 - a. formulate, review and recommend to our Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by our Bank as specified in Schedule VII;
 - b. recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
 - c. monitor the Corporate Social Responsibility Policy of our Bank from time to time.

- VII. To consider and review the CSR Initiatives of our Bank with 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;
- VIII. To review annual CSR policy of our 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;
- IX. To undertake CSR programmes/ projects with the approval of our 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;
- X. To consider and review the thematic areas under CSR initiatives of our 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.
- XI. To undertake the CSR activities to be undertaken by our Bank through Utkarsh Welfare Fund/ Identified CSR Implementing Partner;

4.1) Special Committee to Monitor Large Value Frauds (as on March 31, 2022)

In compliance with the regulatory requirement, the composition of Special Committee to Monitor Large Value Frauds comprises of:

S. No.	Name	Category	Designation
1.	Mr. Govind Singh	Managing Director & CEO	Chairperson
2.	Mr. Chandra Shekhar Thanvi	Nominee Director	Member
3.	Mr. Kajal Ghose	Independent Director	Member
4.	Mr. Nagesh Pingre	Independent Director	Member
5.	Mr. Parveen Kumar Gupta	Independent Director	Member

Frequency of the meeting: The Committee meets a quarterly and as and when a fraud involving an amount of ₹50.00 Lakh and above comes in light.

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	June 04, 2021	Jul 31, 2021	Nov 08, 2021	Dec 30, 2021	Feb 04, 2022	Mar 21, 2022
1.	Mr. Govind Singh	Chairperson						
2.	Mr. Govindasamy Sampath Kumar, SIDBI Nominee Director*	Member		LOA	NA	NA	NA	NA
3.	Mr. Nagesh Dinkar Pingre	Member						
4.	Mr. Kajal Ghose	Member						
5.	Ms. Anita Ramachandran**	Member						
6.	Mr. Chandra Shekhar Thanvi***	Member	NA	NA	LOA	LOA		
7.	Mr. Parveen Kumar Gupta****	Member	NA	NA	NA	NA	NA	NA

Note:

*Mr. Govindasamy Sampath Kumar, ceased to be the Member of Committee w.e.f. November 04, 2021

** Ms. Anita Ramachandran ceased to be Nominee Director w.e.f. March 23, 2021

***Mr. Chandra Shekhar Thanvi was appointed as member of the Committee w.e.f. November 04, 2021

****Mr. Parveen Kumar Gupta was appointed as member of the Committee w.e.f. March 22, 2022

4.2) Terms of Reference of Special Committee to Monitor Large Value Frauds

- I. The major function of the Special Committee is to monitor and review all the frauds of ₹50.00 Lakh and above;

Identify systemic lacunae, if any that allowed perpetration of the fraud; and put in place measures to plug the same;
- II. Identify reasons for delay, if any, in detection and reporting to top management of the Bank and RBI;
- III. Monitor progress of CBI/Police investigation and recovery position;
- IV. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff related action, if required, is completed quickly;
- V. Review efficacy of the remedial action taken to prevent recurrence of frauds, such as, strengthening of internal controls;
- VI. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds preventive measures against frauds.

5.1) Customer Service Committee (as on March 31, 2022)

The composition of Customer Service Committee is as mentioned below:

S. No.	Name	Category	Designation
1.	Ms. Kalpana Prakash Pandey	Independent Director	Chairperson
2.	Mr. Chandra Shekhar Thanvi	Nominee Director	Member
3.	Mr. Muralidharan Rajamani	Non-Executive Director	Member
4.	Mr. Govind Singh	Managing Director & CEO	Member
5.	Mr. Parveen Kumar Gupta	Independent Director	Member

Frequency of the meeting: The Committee meets once in every quarter.

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	June 07, 2021	July 31, 2021	Nov 02, 2021	Feb 01, 2022
1.	Ms. Kalpana Prakash Pandey	Chairperson				
2.	Mr. Govindasamy Sampath Kumar, SIDBI Nominee Director*	Member		LOA	NA	NA
3.	Mr. Muralidharan Rajamani	Member				
4.	Mr. Chandra Shekhar Thanvi**	Member	NA	NA	NA	
5.	Mr. Govind Singh	Member				
6.	Mr. Parveen Kumar Gupta***	Member	NA	NA	NA	

Note:

*Mr. Govindasamy Sampath Kumar ceased to be member of the Committee w.e.f. September 28, 2020.

** Mr. Chandra Shekhar Thanvi Gupta has appointed in Committee as member w.e.f. November 04, 2021

*** Mr. Parveen Kumar Gupta has appointed in Committee as member w.e.f. November 04, 2021

5.2) Terms of Reference of Customer Service Committee:

- I. Overseeing functioning of the Bank's Customer Service Standing Committee setup for customer service;
- II. To review level of customer service in the Bank including customer complaints and the nature of their resolutions;
- III. Provide guidance in improving customer service;
- IV. Review any award passed by the Banking Ombudsman in response to any customer complaint filed with the Ombudsman;
- V. The Committee may address formulation of a Comprehensive Deposit;
- VI. 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;
- VII. The Committee may also examine any other issues having a bearing on the quality of customer service rendered;
- VIII. To ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank;








6.1) Capital Structuring & Fund Raise Committee (as on March 31, 2022)

The composition of Capital Structuring & Fund Raise Committee comprises of:

S. No.	Name	Category	Designation
1.	Mr. Parveen Kumar Gupta	Part time Chairman & Independent Director	Chairperson
2.	Mr. Nagesh Dinkar Pinge	Independent Director	Member
3.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee meets as and when required (with minimum one meeting in a financial year).

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	Jul 06, 2021	Jul 23, 2021	Sept 18, 2021
1.	Mr. Puranam Hayagreeva Ravikumar *	Chairperson		NA	NA
2.	Mr. Parveen Kumar Gupta**	Member	NA	NA	NA
3.	Ms. Kalpana Prakash Pandey [§]	Chairperson	NA	NA	NA
4.	Mr. Nagesh Dinkar Pinge*	Member			
5.	Mr. Govind Singh	Member			

Note: *Mr. PH Ravikumar ceased to be member in Committee post his resignation on July 19, 2021.

** Mr. Parveen Kumar Gupta has been appointed in Board w.e.f. November 04, 2021.

[§] Ms. Kalpana Prakash Pandey was appointed as Chairperson of the Committee w.e.f. July 23, 2021 till November 03, 2021.

Terms of Reference of Capital Structuring & Fund Raise Committee

- I. To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the RBI, SEBI, the RoC and any other governmental, statutory or regulatory authorities as may be required in connection with the Offer and accept on behalf of our Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications / amendments as may be required in the draft red herring prospectus, the red herring prospectus and the prospectus, as applicable.
- II. To finalize, settle, approve, adopt and file in consultation with the Selling Shareholder(s) and BRLMs where applicable, the draft red herring prospectus, the red herring prospectus, the prospectus, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/ modifications as may be required by SEBI, the RoC or any other relevant regulatory, governmental and statutory authorities or in accordance with Applicable Laws.
- III. To decide in consultation with the Selling Shareholder(s) and /or the BRLMs on the actual Offer size, timing, pricing, discount, reservation and all the terms and conditions of the Offer, including the price band (including offer price for anchor investors), bid period, offer price, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Offer including to make any amendments, modifications, variations or alterations in relation to the Offer.
- IV. To appoint and enter into and terminate arrangements with the BRLMs, Underwriters to the Offer, Syndicate Members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, Sponsor Bank, Refund Bankers to the Offer, registrars, legal advisors, auditors, and any other agencies or persons or intermediaries to the Offer and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLMs.
- V. To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the prospectus, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement, escrow and sponsor bank agreement, agreements with the Registrar to the Offer and all other documents, deeds, agreements and instruments whatsoever with the Registrar to the Offer, legal advisors, auditors, stock exchange(s), BRLMs and any other agencies/intermediaries in connection with the Offer with the power to authorise one or more officers of our Bank to execute all or any of the aforesaid documents or any amendments thereto as may be required or desirable in relation to the Offer.
- VI. To seek, if required, the consent and/or waiver of the lenders of our Bank, customers, parties with whom our Bank has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents and/or waivers that may be required in relation to the Offer or any actions connected therewith.
- VII. To open and operate bank accounts in terms of the escrow and sponsor bank agreement and to authorize one or more officers of our Bank to execute all documents/deeds as may be necessary in this regard.
- VIII. To open and operate bank accounts of our Bank in terms of Section 40(3) of the Companies Act, and to authorize one or more officers of our Bank to execute all documents/deeds as may be necessary in this regard.
- IX. To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer.
- X. To accept and appropriate the proceeds of the Offer in accordance with the Applicable Laws.
- XI. To approve the implementation of any corporate governance requirements that may be considered necessary by our Board or the CSFR Committee or as may be required under the Applicable Laws or the Listing Regulations and listing agreement(s) to be entered into by our Bank with the relevant stock exchanges, to the extent allowed under law.

- XII. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of our Bank with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more recognised stock exchanges in India, with power to authorize one or more officers of our Bank to sign all or any of the aforesaid documents.
- XIII. To authorize and approve notices, advertisements in relation to the Offer in consultation with the relevant intermediaries appointed for the Offer.
- XIV. To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLMs.
- XV. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and/ or modify, as the case maybe, agreements and/ or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of our Bank to execute all or any of the aforesaid documents.
- XVI. To make applications for listing of the Equity Shares in one or more recognised stock exchanges in India for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of our Bank, where necessary.
- XVII. To settle all questions, difficulties or doubts that may arise with regard to the Offer, including such issues or allotment, terms of the IPO, utilisation of the IPO proceeds and matters incidental thereto as it may deem fit.
- XVIII. To submit undertaking/certificates or provide clarifications to the SEBI, the RoC, RBI and the Stock Exchanges.
- XIX. To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the CSFR Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the CSFRC Committee shall be conclusive evidence of the authority of the CSFRC Committee in so doing.
- XX. To delegate any of its powers set out under (i) to (xx) hereinabove, as may be deemed necessary and permissible under Applicable Laws to the officials of our Bank.
- XXI. To approve the list of 'group of company (ies)' of our Bank, identified pursuant to the materiality policy adopted by our Board, for the purposes of disclosure in the DRHP, RHP and Prospectus.
- XXII. Deciding, negotiating and finalizing the pricing and all other related matters regarding the Pre-IPO Placement, including the execution of the relevant documents with the investors in consultation with the BRLMs and in accordance with Applicable Laws;
- XXIII. Taking on record the approval of the Selling Shareholder(s) for offering their Equity Shares in the Offer.
- XXIV. To withdraw the draft red herring prospectus or the red herring prospectus or to decide to not proceed with the Offer at any stage in accordance with Applicable Laws and in consultation with the BRLMs.
- XXV. To appoint, in consultation with the BRLMs, the registrar and other intermediaries to the Offer, in accordance with the provisions of the SEBI Regulations and other Applicable Laws including legal counsels, banks or agencies concerned and entering into any agreements or other instruments for such purpose, to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc. and to terminate any agreements or arrangements with such intermediaries/ agents.

XXVI. To act in a non-executive role to take action in order to report to, and assist, our Board in fulfilling its responsibilities relating to capital structure and fund raise management.

XXVII. To obtain outside legal or other professional advice/services. Matters to be considered in relation to the above including but not limited to below:

- a. Capital restructuring strategy and execution;
- b. Rights issue, Pre-IPO and IPO;
- c. IPO allocation to domestic & international market and market timing;
- d. Appointment of financial advisor, investment bankers and book running lead manager(s)
- e. Appointment of legal and other advisors;
- f. Appointment of tax, regulatory & accounting advisors;
- g. Appointment of rating agencies;
- h. Valuation report from registered valuer;
- i. Offer document preparation and verification process;
- j. Legal documentation finalisation and sign off process;

XXVIII. To call any member of our Bank personnel, or outsiders with relevant experience and expertise, if it considers this necessary.

XXIX. To select the stock exchange for listing of securities.

XXX. To authorize personnel to represent our Bank before regulatory bodies and filing/signing/execution of necessary application/documents.

XXXI. To take other actions considered necessary or prudent to fulfil the responsibilities of the committee, provided that no other action is taken without the approval of our Board.

XXXII. To act in a non-executive role to take action in order to:

- a. Be a forum to consult and report in relation to the capital structure and ongoing financing strategy;
- b. Review and recommend to our Board in relation to setting strategy for capital structuring management, equity fund raise and debt financing;
- c. Review and monitor the company's financing strategy and advise our Board whether the financing arrangements have been entered into on appropriate terms, at an appropriate cost and are appropriate financing arrangements for their purpose;
- d. Advise our Board on any matters identified during the course of carrying out its duties that might have a significant impact on the ability of our Bank to raise financing in the future or place restrictions on equity;
- e. Appointment of advisors as required for advice and / or execution of our Bank's capital structuring and fund raise strategy;
- f. Review and recommend to our board regarding terms of debt financing proposals/offers.

7.1) Credit Approval Committee (as on March 31, 2022)

In compliance with the regulatory requirements, the constitution of Credit Approval Committee comprises of:

S. No.	Name	Category	Designation
1.	Mr. Parveen Kumar Gupta	Independent Director	Chairperson
2.	Mr. Kajal Ghose	Independent Director	Member
3.	Mr. Ajay Kumar Kapur	Independent Director	Member

Frequency of the meeting: The Committee meets as and when required.

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	Jun 25, 2021	Jun 28, 2021	Sept 20, 2021	Oct 26, 2021	Oct 29, 2021	Nov 26, 2021	Dec 20, 2021	Dec 24, 2021	Dec 30, 2021	Jan 28, 2022	Jan 29, 2022	Feb 07, 2022	Feb 24, 2021	Mar 19, 2022	Mar 24, 2022
1.	Mr. Kajal Ghose	Member															
2.	Mr. Puranam Hayagreeva Ravikumar **	Member			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
3.	Mr. Muralidharan Rajamani*	Member	NA	NA				NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
4.	Mr. Ajay Kapur	Member															
5.	Mr. Parveen Kumar Gupta***	Member	NA	NA	NA	NA	NA										

Note: *Mr. Muralidharan Rajamani has ceased to be member w.e.f. November 04, 2021

**Mr. Puranam Hayagreeva Ravikumar has ceased to be member post his resignation

***Mr. Parveen Kumar Gupta has been appointed in Committee as member wef November 04, 2021.

7.2) Terms of Reference of Credit Approval Committee

- I. 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.
- II. To monitor credit exposures of the Bank.

8.1) Special Committee for Corporate Office Building Project (as on March 31, 2022)

The constitution of Special Committee for Corporate Office Building Project is as mentioned below:

S. No.	Name	Category	Designation
1.	Mr. Kajal Ghose	Independent Director	Chairperson
2.	Mr. Nagesh Dinkar Pinge	Independent Director	Member
3.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee meets as and when required.

Attendance and meetings of the Committee held during the year: No meeting held in FY 2021-22**8.1) Terms of Reference of Special Committee for Corporate Office Building Project:**

- I. To receive, shortlist, reject proposals from Land-Owners for the proposed purchase of land by the Bank;
- II. To meet and negotiate with the land-owners regarding proposed acquisition of land;
- III. To finalise the terms of land purchase including but not limited to cost of acquisition, manner of payment, etc.;
- IV. To authorize official(s) of the Bank to do certain acts, deeds and things in relation to purchase of land by the Bank;
- V. To deal with all matters related to award of contracts, obtaining requisite.

Approvals and monitoring progress of the Corporate Office Building project




9.1) Review Committee for Identification of Wilful Defaulters (as on March 31, 2022)

In compliance with the regulatory requirements, the constitution of Review Committee for Identification of Wilful Defaulters is as mentioned below

S. No.	Name	Category	Designation
1.	Mr. Govind Singh	Managing Director & CEO	Chairperson
2.	Mr. Nagesh Dinkar Pinge	Independent Director	Member
3.	Mr. Chandra Shekhar Thanvi	Nominee Director	Member

Frequency of the meeting: The Committee meets as and when required.

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	Mar 21, 2022
1.	Mr. Govind Singh	Chairperson	
2.	Mr. Nagesh Pinge	Member	
3.	Mr. Chandra Shekhar Thanvi, SIDBI Nominee Director	Member	

9.2) Terms of Reference of Review Committee for Identification of Wilful Defaulters:

- To review, confirm and take decision about 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 about identification of "wilful defaulter."





10.1 STAKEHOLDERS' RELATIONSHIP COMMITTEE (AS ON MARCH 31, 2022)

In compliance with the regulatory requirements, the composition of Stakeholders' Relationship Committee comprises of the following Board Members:

S. No.	Name	Category	Designation
1.	Mr. Muralidharan Rajamani	Non-Executive Director	Chairperson
2.	Mr. Ajay Kumar Kapur	Independent Director	Member
3.	Mr. Govind Singh	Managing Director & CEO	Member
4.	Ms. Kalpana Prakash Pandey	Independent Director	Member

Frequency of the meeting: The Committee meets at least once in a year.

10.2 Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	Category	Mar 21, 2022
1.	Mr. Muralidharan Rajamani	Chairperson	Non-Executive Director	
2.	Mr. Ajay Kumar Kapur	Member	Non- Executive Independent Director	
3.	Ms. Kalpana Prakash Pandey	Member		
4.	Mr. Govind Singh	Member	Managing Director & CEO	

- No complaints received from the Stakeholders of the Bank during the financial year 2021-22.

Terms of Reference of Stakeholders' Relationship Committee

- I. Considering and resolving grievances of shareholder's, debenture holders and other security holders.
- II. 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.
- III. Allotment of Equity Shares, approval of transfer or transmission of Equity Shares, debentures or any other securities.
- IV. Issue of duplicate certificates and new certificates on split/consolidation/renewal etc.
- V. Overseeing requests for dematerialization and rematerialization of securities.
- VI. Spreading awareness amongst security holders for protection of their rights and interest(s).
- VII. Carrying out any other function as assigned by our Board from time to time related with security holders of our Bank.
- VIII. Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures, or any other securities.
- IX. Review of measures taken for effective exercise of voting rights by shareholders.
- X. Review of adherence to the service standards adopted by our Bank in respect of various services being rendered by the Registrar and Share Transfer Agent.
- XI. Review of the various measures and initiatives taken by our Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of our Bank.
- XII. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time.
- XIII. Carrying out any other functions contained in the Companies Act, 2013, the Listing Regulations and/or equity listing agreements (if applicable), as and when amended from time to time.

11 COMMITTEE OF DIRECTORS FOR NEW INITIATIVES (AS ON MARCH 31, 2022)

The Board in its meeting held on March 22, 2022 approved formation of a Board Level Committee, viz, Committee of Directors for New Initiatives comprising of:

S. No.	Name	Category	Designation
1.	Mr. Parveen Kumar Gupta	Part Time Non-Executive Chairman and Independent Director	Chairperson
2.	Mr. Muralidharan Rajamani	Non-Executive Director	Member
3.	Mr. Nagesh Dinkar Pinge	Independent Director	Member
4.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee shall meet as and when needed, but at least twice in a year.

During FY 2021-22, no meeting of the Committee was held.

Terms of Reference of Committee of Directors for New Initiatives

- To review the strategic initiatives, plan, budget, revised budget approved by the Board.
- To review & guide on new initiatives proposals relating to Bank's business/operations before submission of the same to the Board
- To consider and engage with management consultants, advisors, service providers as may be required.
- To approve & recommend to the Board for approval the policies not being covered by other Board Committees.
- To consider, review and recommend transformation projects to the Board / other concerned committees
- To consider, review and recommend to the Board inorganic growth opportunities
- To review and approve matters not being covered by other Board Committee
- To carry out any other roles and responsibilities as is mandated by the Board from time to time including any modification or amendment as may be applicable

12 REMUNERATION OF DIRECTORS KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

The details remuneration policy and criteria of making payment to executive and non-executive directors of the Bank is forming the part of Board report.

a) Details of Remuneration to the Directors**i) Remuneration of Executive Director:**

The details of remuneration paid to Executive Director for the year ended March 31, 2022 as provided for in the Board's report

ii) Remuneration of Non- Executive Director:

S. No.	Name of Director	Sitting Fees (in ₹)	Commission/ Monthly Honorarium (in ₹)
1.	Mr. Puranam Hayagreeva Ravikumar	9,40,000	3,61,290 [#]
2.	Ms. Kalpana Prakash Pandey	31,40,000	
3.	Ms. Anita Ramachandran	-	-
4.	Mr. Govindasamy Sampath Kumar	-	-
5.	Mr. Kajal Ghose	41,00,000	-
6.	Mr. Nagesh Dinkar Pinge	30,50,000	-
7.	Mr. Ajay Kumar Kapur	35,30,000	-
8.	Mr. Muralidharan Rajamani	24,60,000	-
9.	Mr. Parveen Kumar Gupta	14,40,000	5,64,516 ^{##}

[#] The remuneration paid till July 19, 2021 in line with RBI approval.

^{##} The remuneration paid from October 12, 2021 in line with RBI approval.

Note: a) None of the Independent Directors of the Bank holds shares of the Bank.

b) The Bank has not entered in any service contracts with Managing Director or any other Director.

13 GENERAL BODY MEETING

a) Location and time where last three Annual General Meetings were held:

Financial Year	Location	Date and Time	Special Resolutions Passed
2020-2021	S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi UP 221002	Friday, July 30, 2021, at 01:00 P.M.	Re-appointment of Mr. Govind Singh as the Managing Director & Chief Executive Officer of the Bank for further period of 3 (three) years with effect from September 21, 2021, to September 20, 2024
2019-20	S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi UP 221002	Monday, July 20, 2020, at 11:00 A.M.	Appointment of Ms. Kalpana Prakash Pandey as an Independent Director.
2018-19	S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi UP 221002	Monday, August 5, 2019, at 03:00 P.M.	Appointment of PH Ravikumar as an Independent Director. Appointment of Mr. Prakash Kumar as a Non-Executive Director (Nominee Director). Appointment of Mr. Govind Singh as Managing Director of the Bank. Approval for borrowing powers as per section 180 (1) (c) of the Companies Act, 2013. Approval for issue of debt securities on private placement basis.

14 MEANS OF COMMUNICATION

The Board believes that effective communication of information is an essential component of corporate governance. The Bank regularly interacts with Shareholders through multiple channels of communication such as Bank's website and stipulated communications to Stock Exchanges where the Bank's securities/other instruments are listed for announcement of Financial Results, Annual Report, Bank's policies, notices and outcome of meetings etc.

a) Quarterly/Half Yearly/Annual Results:

The Bank being debt listed is required to submit the quarterly, half-yearly/annually unaudited/ audited financial results to the Stock Exchange. The financial results of the Bank were submitted to the Stock Exchanges and were published in one English daily newspaper circulating Nationally and other daily newspaper published in the vernacular language, where the registered office of the Bank is situated. Currently these are not sent individually to the Shareholders.

b) Newspapers wherein results are normally published:

The Financial Results are generally published in daily newspapers – Financial Express (English Newspaper) and other newspapers circulating widely in whole of India.

c) Website:

The Bank has a website addressed as <https://www.utkarsh.bank/>. It contains the basic information about the Bank – details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Bank who are responsible for assisting and handling investor grievances and such other details as may be required under regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 from time to time. The Bank ensures that the contents of this website are periodically updated.

d) The details of news released by the Bank during the year is addressed on the website. The link of the website is <https://www.utkarsh.bank>

15 GENERAL SHAREHOLDERS INFORMATION

Sr. No.	Particulars	Details
a.	Annual General Meeting, Date and Time	6 th Annual General Meeting Saturday, July 30, 2022, at 1:00 P.M. IST through Video Conferencing / Other Audio-Visual Means as set out in the Notice convening the Annual General Meeting.
b.	Financial Year	The Bank follows the financial year starting from 1st April to ending on 31st March every year.
c.	Stock Code	BSE: 949694
d.	ISIN	ISIN (Debt): INE735W08020, INE396P08066, INE735W08012, INE735W08038
e.	Listing on Stock Exchange (for Debt Securities)	BSE Limited (BSE) P J Towers, Dalal Street, Fort, Mumbai – 400001 Bank has deposited the annual listing fees to the stock exchange(s) where the securities of the Bank are listed.
f.	Dematerialisation of Shares	All shares of the Bank are held in dematerialised form.
g.	Address of Correspondence and Contact Detail	The Company Secretary & Compliance Officer Utkarsh Small Finance Bank Limited First Floor, Om Prakash Arcade, Central Avenue, Chembur (East) Mumbai-400 071
h.	Credit Rating Details	For Tier-II NCDs – ICRA A (Stable Outlook) Certificate of Deposit – ICRA A1+
i.	Share Transfer System	The Bank's shares are under compulsory dematerialised mode and the Registrar and Share Transfer Agent of the Bank monitor the entire share transfer process.
j.	Registrar and Share Transfer Agent	For Shares: M/s. KFIN Technologies 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

16 OTHER DISCLOSURES

a) Materially Significant Related Party Transactions

A related-party transaction is a deal or arrangement between two parties who are joined by a pre-existing business relationship or common interest. All Related Party Transactions entered during the year were in ordinary course of the business and on arm's length basis. The Bank presents a statement of all related party transactions before the Audit Committee on a quarterly basis, specifying the nature, value, terms, and conditions of the transactions.

Transactions with related parties include, monetary transactions or relationships between the Bank and its Directors, the management or relatives is disclosed in the Note No. 18.19 of financial statements of this report for the year ended March 31, 2022.

The Policy on Related Party Transaction is hosted on the website of the Bank at:

https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Related-Party-Transactions-Policy.pdf

b) Details of Non- Compliances and Penalties during last 3 years

Regulatory Body	Particulars of Non- Compliance	F.Y. 2020-2021	F.Y. 2019-2020	F.Y. 2018-2019
Companies Act, 2013		Nil		
Reserve Bank of India Act, 1934	<ul style="list-style-type: none">Enforcement Department, RBI Central Office, vide its letter dated July 6, 2021 and Order of date issued by the Adjudicating Committee of Executive Directors of RBI, advised of having imposed a monetary penalty of ₹ 1 crore on the Bank by RBI in exercise of the powers conferred under Section 47A of the Banking Regulation Act, 1949. The penalty has been levied in the matter of contravention of RBI directions by the Bank observed with respect to the advances sanctioned to a NBFC and its Group companies in February 2018. The Bank paid the penalty amount of ₹ 1 crore to RBI on July 17, 2021.In line with the Advisory issued by Banking Ombudsman, RBI New Delhi on January 4, 2022, basis the complaint received by the Office of the Banking Ombudsman from the customer of another bank, as advised by the Banking Ombudsman, New Delhi, the Bank transferred to the said complainant's bank a sum of ₹ 17,500/- on January 9, 2022 for onward credit to the complainant's account. In the instant case, the beneficiary account of the transactions under reference was held with the Bank.			
Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements). 2015		Nil		

c) Whistle Blower Policy

The details on Whistle Blower Policy and Vigilance Mechanism are forming the part of Board Report.

d) Compliance with Mandatory / Non-mandatory requirements

The Bank has complied with all the mandatory corporate governance requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The non-mandatory requirements have been adopted to the extent and in the manner as stated at the appropriate positions in this report.

e) Total fees paid to Statutory Auditors of the Bank

Total fees of ₹ 1.64 crore (includes remuneration and certification fees) were paid by the Bank for FY 2021-22 for the services rendered by the Statutory Auditors.

f) Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of this Annual Report.

g) CEO and CFO Certification

The Managing Director and Chief Executive Officer (MD & CEO) and the Chief Financial Officer (CFO) of the Bank have certified on the correctness and completeness of the Financial Statements including the Cash Flow Statement for FY 2021-22, and compliances with Bank's Code of Conduct, effectiveness of internal controls etc. The certificate is forming the part of the Annual Report of the Bank.

h) Postal Ballot

During the FY 2021-22, no resolutions were passed by means of postal ballot.

i) Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

The Bank has not dealt in commodity for FY 2021-22 or hedging commodity activities for FY 2020-21 and therefore, there was no need to take forward cover in respect of its foreign currency exposure for import of raw materials and traded goods during the financial year ended March 31, 2022.

- j) The Bank has not issued any Global Depository Receipt / American Depository Receipt / Warrant or any convertible instrument, which is likely to have impact on the Company's equity.

k) Plant Locations

The Bank does not have ambit in any manufacturing sector and hence does not have any manufacturing plant. Therefore, this clause is not applicable on the Bank.

l) Risk Management

Risk management is embedded in the Bank's operating framework. The Bank believes that managing risks helps in maximizing returns. The Bank's approach to addressing business risks is comprehensive and includes periodic review of such risks and a framework for mitigating controls and reporting mechanism of such risks. The Board, the Audit Committee and Risk Management Committee review the risk management framework periodically. The Bank has laid down procedures to inform the Board about the risk assessment and minimization procedures, to ensure that executive management controls risk through means of properly defined framework.

m) Code of Conduct for Prevention of Insider Trading

In compliance with the Securities and Exchange Board of India (Prevention of Insider Trading) Regulations, 2015 as amended till date, the Bank has a comprehensive code of conduct and the same is being strictly adhered to by the Directors, senior management and other persons covered by this code. The Bank regularly follows closure of trading window prior to the publication of price sensitive information. The Bank has been informing the Directors, senior management and other persons covered by the code about the same and advising them not to trade in Bank's Securities, during the closure of trading window period. Currently the Bank has listed its Debt on the BSE Limited and filed the Draft Red Herring Prospectus with the SEBI and the Stock Exchanges.

n) Details of Adoption of non - mandatory requirement

The Board of Directors consisting of persons with considerable professional expertise and experience provides leadership and guidance to the management. More than half of Directors in the Board are Non-Executive Independent Directors to ensure integrity, transparency and proper conduct in the interest of stakeholders.

o) Disclosures of Compliance

The Bank has complied with all the provisions specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the FY 2021-22 to the extent is applicable.

ANNEXURE B

Particulars of Employees

Details of Employees drawing remuneration more than the limits specified in Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, during the FY 2021-22.

Sr. No.	Name of the Employee	Designation of the Employee	Remuneration received by the Employee (In ₹)	Nature of Employment	Qualifications and Experience	Date of Commencement of Employment	Age of Employee (Years)	Last Employment Held	Percentage of Equity Shares held by the Employee in the Company	Whether any such Employee is a relative of any Director or Manager of the Company and if so, name of such Director or Manager
1	*Govind Singh	MD & CEO	#2,01,53,140	Permanent	B.Com	21-Sep-18	57	Utkarsh Coreinvest Limited.	Negligible	Ramesh Chandra Singh
2	Mukund Shyamrao Barsagade	CFO	11,507,417	Permanent	CA	11-Jun-18	52	Fino Payment Bank Ltd.	NA	-
3	N V Shiv Kumar	Head-Assets	9,853,075	Permanent	B.Sc.	30-Dec-20	53	IndusInd Bank Ltd.	NA	-
4	Sachin Shamkant Patange	Chief Compliance Officer	9,735,056	Permanent	MBA	1-Jan-19	54	DCB Bank Ltd.	NA	-
5	Alok Pathak	Chief Risk Officer	9,510,063	Permanent	B.Sc. and Banking Compliance Professional Examination (IIBF)	5-May-16	46	Yes Bank	NA	-
6	Hitain Sharma	Chief Human Resource Officer	9,311,558	Permanent	MBA	9-Dec-19	46	Aditya Birla Capital Limited	NA	-
7	Trilok Nath Shukla	Head- MB	9,041,002	Permanent	MA	1-Jan-17	48	Cashpor Micro Credit	NA	-
8	Arun Raman	Head- Operations	8,709,829	Permanent	BTECH & MBA	10-Aug-20	52	AI Ahli Bank, Kuwait	NA	-
9	Rahul Sinha	Head- Collection, RCU & Data Analytics	8,212,563	Permanent	Master of Management Studies	12-Apr-17	51	Bajaj Finance	NA	-
10	Peeush Jain	Head- Liabilities	7,587,863	Permanent	B.Sc.	20-Apr-20	47	Lakshmi Vilash Bank Ltd.	NA	-

*As on March 31, 2022, the 17,844 Equity Shares were allotted to Mr. Govind Singh, the Managing Director & CEO under USFBL Employee Stock Option Plan 2020 ("ESOP Plan 2020")

includes Annual Bonus for FY 2019-20 & 2020-21

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 30, 2022

Parveen Kumar Gupta
Director
DIN - 02895343

Govind Singh
Managing Director & CEO
DIN - 02470880

ANNEXURE C

Corporate Social Responsibility Report of Financial Year 2021-22

1. BRIEF OUTLINE ON CSR POLICY OF THE COMPANY.

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 have been largely focussed 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, natural resources, and improve sanitation and hygiene. All the projects or programs activities have been 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 betterment. 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 invests in continuous efforts to positively impact the society particularly, the underserved and unsecured communities. The Bank has formulated policies for social development based on following guiding principles:

- 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

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 CSR activities are implemented through Utkarsh Welfare Foundation.

The Corporate Social Responsibility Committee comprises :

- a) Mr. Muralidharan Rajamani (Chairperson);
- b) Ms. Kalpana Prakash Pandey (Member);
- c) Mr. Govind Singh (Member); and
- d) Mr. Ajay Kumar Kapur (Member).

Following are the functions of the CSR Committee

- i. Formulation and recommendation to our Board, the Corporate Social Responsibility (CSR) strategy of the Bank including the CSR Policy and its implementation.
- ii. Formulation and recommendation to our Board, the CSR activities to be undertaken by our Bank, either directly or through Utkarsh Welfare Foundation or through any other entity working for the welfare of society and determining the CSR projects / programmes which our Bank plans to undertake during the year of implementation, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same.
- iii. Recommendation to our Board, the amount of expenditure to be incurred for CSR activities.
- iv. Review and monitoring the compliance of initiatives undertaken and evaluate performance of the activities against the agreed targets.
- v. Ensuring an impact-assessment of various initiatives undertaken in terms of the CSR Policy at periodic intervals.
- vi. Instituting a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by our Bank.
- vii. Reviewing and recommending the annual CSR report for our Board's approval and for public disclosure.
- viii. Performing such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, RBI or by any other regulatory or statutory body.
- ix. Our Corporate Social Responsibility Committee shall:
 - a) formulate, review and recommend to our Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by our Bank as specified in Schedule VII;
 - b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
 - c) monitor the Corporate Social Responsibility Policy of our Bank from time to time.
- x. To consider and review the CSR Initiatives of our Bank with 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.
- xi. To review annual CSR policy of our 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.
- xii. To monitor and review the CSR activities to be undertaken by our Bank through Utkarsh Welfare Foundation/ Identified CSR Implementing Partner.
- xiii. To undertake CSR programmes/ projects with the approval of our 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.
- xiv. 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, RBI or by any other regulatory or statutory body applicable to Bank.

- xv. To consider and review the thematic areas under CSR initiatives of our Bank which currently comprises Financial Awareness, Primary education, Health Camps, Health Awareness Programme, Health Infrastructure Support, Skill development and Vocational Training, Cluster based comprehensive village development programme, Supporting Orphanages and Support to Elderly Care.

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 programs 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 programs as listed below.

During the financial year 2021-22, CSR Activities were primarily focussed on financial awareness, health initiatives, primary education, skill vocational and enterprise development, supporting orphanage and old age homes, Cluster based comprehensive village development programme and other initiatives.

Impact Intervention

During the financial year 2021-22, especially in context of the pandemic scenario, a multi-pronged plan was adopted to address the problem through projects focused on healthcare and improving the economic resilience of low-income households and micro-entrepreneurs in underserved and underprivileged regions. Support for local health/hospital facilities was initiated as a preparedness step in anticipation of future pandemic waves and building the rural health infrastructure. Short-term measures have been focused on relief and rehabilitation activities, whereas medium to long-term measures was meant for economic recovery.

During FY 2021-22, apart from the outreach-based project and programmes, the foundation undertook a number of impact-based interventions including the setting up of Smart Classes and Nutrition Gardens in the Village Development Programme. The bank through the foundation has undertaken the impact-based initiatives for strengthening the healthcare infrastructure of local institutions and hospitals and also by setting up E-clinics in remote rural geographies for mitigating the effects of the COVID-19 pandemic

Updates on Financial Literacy Activities and other activities under CSR on behalf of Utkarsh Small Finance Bank Limited (USFB) during FY 2021-22

The Bank overachieved its target outreach across all key thematic interventions such as Financial Literacy, Healthcare, Skill, vocational and enterprise and Village Development. A total of 2,20,038 beneficiaries were covered through various CSR initiatives against target outreach of 1,14,266 as on March 31, 2022.

There is a paradigm shift from outreach to outcome-based approach in project interventions. With this intended objective, the implementation partner Utkarsh Welfare Foundation continued with the community resource person model aimed at capacity building of the communities at local level in a sustainable manner.

During the FY 2021-22, the second wave of COVID-19 pandemic had adversely affected all and sundry, but the impact has been severe for the section at the bottom of the pyramid in terms of both health and economic hardships. For the year, CSR initiatives were focused around mitigating the effects of the COVID-19 pandemic besides focussing on key thematic areas such as financial literacy, skill, vocational and enterprise development, education and village development initiatives undertaken.

In this direction, the foundation collaborated with M-Insure, Parul Sevashram Hospital, Mahamana Pandit Madan Mohan Malviya Cancer Centre, Community Health Centres and Primary Health Centre to intensify the COVID-19 response mechanisms.

The Programme wise break-up of Outreach Plan and Achievement is as under:

Partner / Programs	Activity	Annual Outreach Target for FY 2021-22	Annual Achievement Outreach FY 2021-22	Percentage Achieved
Educational & Health initiatives				
Gender Integrated Financial Literacy - CRT	Financial Literacy	34,240	1,08,839	317.90
Mobile Van Polyclinic Camps	Polyclinic Camp	21,120	30,753	145.60
Regular Polyclinic Camps	Polyclinic Camp	4,320	7,144	165.40
E-Clinic OPD	E-Clinic	34,560	35,001	101.30
E-Clinic Promotional & Awareness Activity	E-Clinic	-	3,259	0.00
Special Health Camps	E-Clinic	-	1,594	
COVID-19 & Health Awareness Training	Health Awareness	8,976	28,245	314.70
Health Infra Support	Health Infra	8	8	100
Livelihood Restoration of Migrants post COVID Pandemic				
Livelihood Restoration of Migrants post COVID Pandemic	COVID Initiatives	10,000	4,500	45
Mahila Udyami Sashaktikaran Program-Skill & Enterprise development				
Credit Linkage & Business Formalization process	Skill & Enterprise	200	350	175
Cluster based comprehensive -Village Development Program				
Smart Class Initiative		1100	1100	100
Enhancing Best Agricultural practices		250	250	100
Livelihood Promotion & Enterprise Development through Nurturing APC				
Mobilization & Orientation	Skill & Enterprise	750	353	47.10
Collaborative Project on Micro-Enterprise Promotion Program with SIDBI				
Enterprise Training	Skill & Enterprise	600	543	90.50
Credit Linkage and Business Development Support	Skill & Enterprise	200	32	16
Grand Total		1,16,424	2,21,971	190.65

A. Financial Education initiatives

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 enhancing capabilities of the targeted beneficiaries through right

information, instructions, and advice. As a part of CSR initiative, the total beneficiary outreach under financial awareness since its inception is 3,25,944.

For the FY 2021-22 the total beneficiary outreach achieved through corporate social responsibility initiative under financial awareness programs is 1,08,839 against the annual target of 34,240 beneficiaries.

i. Gender Integrated Financial Literacy – Classroom 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, digital financial 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 aides are 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 classroom training for every batch.

The program was conducted across 11 districts in Bihar, 1 district in Himachal Pradesh, 4 districts in Jharkhand, 5 districts in Madhya Pradesh, 7 districts in Uttarakhand and 9 districts in Uttar Pradesh. During FY 2021-22, total 1,08,839 beneficiaries have successfully completed the 3 days' classroom training in 8,533 batches against the annual target of 34,240 beneficiaries. Also, the total 64,292 beneficiaries attended the refresher training during FY 2021-22.

The bank through the foundation has helped to strengthen the Financial Literacy programme, replicate, and scale up the model with the support of new partnerships.

B. 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 medicines are being provided as a part of the initiative. The programmes are implemented in collaboration with select hospitals, ensuring quality health service under the strict supervision of healthcare professionals and practitioners. ICT enabled innovative solution of E-clinic has enabled access to essential services to the underserved and underprivileged areas. Health Infrastructure support towards COVID preparedness and strengthening the existing healthcare infrastructure has also been undertaken. Three approaches have been adopted to deliver Polyclinics (OPD services) in the underserved and underprivileged geography such as Regular Polyclinics through locations, Mobile Polyclinics with route plan for extending primary health care services and Special Health Camps in local areas focused on women and children.

i. Polyclinics (OPD Services):

During FY 2021-22, the program ran across 5 states i.e., Bihar, Jharkhand, Madhya Pradesh, Uttarakhand and Uttar Pradesh covering 4 districts in Bihar (Bhojpur, Kaimur, Patna and Rohtas), 3 districts in Jharkhand (Giridih, Hazaribagh and Koderma), 2 districts in Madhya Pradesh (Jabalpur, Rewa and Satna), 7 districts in Uttar Pradesh (Chandauli, Gorakhpur, Jaunpur, Kushinagar, Maharajganj, Mirzapur and Varanasi) and 1 district in Uttarakhand (Roorkee). Total beneficiaries' outreach under health initiative is 30,753 beneficiaries through 174 mobile van polyclinics against the annual target of 21,120 beneficiaries. The beneficiaries' outreach under regular polyclinic camps is 7,144 through 65 regular camps against the annual target of 4,320 beneficiaries. Apart from Regular and Mobile Van Polyclinics UWF also conducted Special Health Camps focused on malnourishment and well-being, especially for women and children. Total beneficiaries' outreach under special health camps is 1,594.

ii. Health Awareness:

In addition to the Polyclinics, Health Awareness sessions have been conducted with an objective to promote the concept of "Prevention is better than cure", highlighting preventive measures across

range of health issues concerning local areas such as Malnutrition, Anaemia, Diarrhoea, Hygiene, Malaria, Menstrual health, AYUSH remedies and other locally prevalent diseases. During FY 2022, the total 2,493 Health Awareness sessions were organised and attended by 28,245 beneficiaries against the target of 8,976 beneficiaries. The SOP / guidelines were designed to organise OPD and health awareness camps complying with the COVID 19 related protocols.

iii. COVID Vaccine Awareness:

The whole country experienced an unprecedented second wave of the COVID-19 pandemic with a devastating impact on health, lives, and livelihoods. In the above light, the foundation conducted COVID Vaccines Awareness sessions during every health and financial awareness trainings. The objective was to eliminate vaccination myths, hesitancy or any kind of social barrier regarding COVID-19 vaccination and also to provide right, consistent, and timely information on the COVID-19 vaccine (Availability, safety, & timelines) to the rural population. In this regard, suitable COVID awareness audio visuals modules, posters, banners, and flash cards were developed to sensitize the rural population and build public confidence in the safety and efficacy of the vaccine. Wall paintings in numerous villages of Bihar, Himachal Pradesh, Jharkhand, Madhya Pradesh, Uttarakhand, and Uttar Pradesh were done to reach maximum rural population for stronger visual connect. The trainings were focused on opinion leaders in the villages such as Pradhan, ASHA, Aanganwaadi Worker for spreading the messages in the community.

iv. E-clinics:

During FY 2021-22, UWF set up 13 E-clinics of which 11 were in Uttar Pradesh and 2 in Uttarakhand. These E-clinics were set up with an objective to transform healthcare in remote areas with ICT (Information and Communication Technologies). The E-clinics enable effective, preventive, safe and easily accessible healthcare from specialist doctors. Primary healthcare services (qualified doctor consultation and prescribed medicines) through E-clinic set up are offered free of cost to each of the beneficiaries visiting the centre. E-clinics have enabled access of qualified professional physician (MBBS) based care in remote locations, where even normal healthcare is not timely and effective. During FY 2021-22, the 13 E-clinic were able to cater to 35,001 beneficiaries/patients cumulatively.

v. Strengthening Health Infrastructure towards COVID-19 preparedness support:

The onset of the COVID-19 pandemic had put pressure on the existing Healthcare system, which was felt grossly inadequate especially during the peak COVID times to cater to the medical needs of the society. Considering the severity of the situation, the Government of India prioritized its attention towards further strengthening of Healthcare Infrastructure in India. Under these circumstances, Utkarsh Welfare Foundation (UWF) extended its support to improve upon the existing healthcare infrastructure in the identified area of operations. As a preparedness measure towards anticipating further pandemic waves, a meaningful and valuable support to local health / hospitals / institutions was undertaken.

- Utkarsh Welfare Foundation extended its support to Mahamana Pandit Madan Mohan Malviya Cancer Centre (MPMMCC), Varanasi by equipping them with surgical instruments, ICU Beds, Wheelchairs, Oxygen Flow Meters, Waiting Chairs, Bedside lockers, and Revolving Stools.
- To mitigate the risks/effects of the COVID-19 pandemic UWF collaborated with Parul Sevashram Hospital by providing them with an "ICU on Wheels" for carrying out medical activities and towards emergency response.
- COVID-19 infrastructure preparedness support was extended to select Community Health Centres (CHCs) and a Primary Health Centre in Varanasi region. CHC Cholaapur, CHC Haathi Bazaar, CHC Jakkhini, CHC Misirpur, CHC Gangapur and PHC Chiraigaon were equipped with R.O. Plants, Radiant Warmers, Water Chillers, Solar Lights, Signage Boards, High Flow Nasal Cannula, Hospital Beds, ICU Beds, Wheelchairs, Seating Chairs, Oxygen Cylinders, Hospital linen and others towards strengthening the rural healthcare infrastructure of Varanasi.

vi. Highlights- AYUSH:

The Foundation has developed flash cards containing the essential points of Ayurveda, Yoga, Unani, Naturopathy, Siddha, and Homoeopathy. The awareness classroom training was organized and run in three states viz. Bihar, Madhya Pradesh, and Uttar Pradesh.

vii. Guidelines followed at Polyclinics, Special Health Camps and Health Awareness Programs under prevailing COVID-19 situation:

- a) The site / location identification for organizing health should not be under any restriction for organizing such activities by the district administration.
- b) Regular interaction with local village panchayat and its representatives and apprising them about the camp and schedule.
- c) All the three counters namely registration counter, counselling and medicine distribution counter should have minimum five (5) meters of distance between them.
- d) In front of all counters (registration counter, doctor's counter, and medicine distribution counter) should have minimum eight (8) to 10 circles for managing Queue waiting for their turns.
- e) The UWF staff & partnering hospital to continuously educate the gathering on the importance of maintaining social distancing and ensure that all the beneficiaries get free counselling and medicine.
- f) The time slab for OPD camps has been increased from morning 09.00 am to evening 04.00 pm in-order to avoid mass gathering. At the venue, gathering is discouraged and patients in a batch size of 25 to 30 are allowed at a time.
- g) During the entire period of the camp the entry is allowed in batch mode only.
- h) It is mandatory that patients coming/visiting should either have face mask or cover their face with towel or any suitable cloth etc. It is ensured that hands are properly sanitized / washed with soap.
- i) Partnering hospital & UWF staff to continuously wear mask and regularly sanitize their hands during the entire camp. Specially, the Doctor at the counselling desk should wear PPE kit during the entire camp duration.
- j) Special precaution to be taken in registration counter while getting patients sign for registration in register. The person in charge should wear glove & face mask during registration process.
- k) Patients with COVID-19 symptoms are advised / referred to visit government hospital or nearby COVID check-up facility.
- l) Villagers and hospital / organization staff, in the periphery of health camp, were not allowed to have any edibles.
- m) Regular announcement by hospital / organization staff for migrant workers attending the health camp to show enough proof / evidence of their complete check-up else to return.

C. Skill and Enterprise Development Initiative – Collaborative Projects**i. Micro Enterprise Promotion Program (MEPP):**

Micro Enterprise Promotion Program (MEPP) 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 USFBL CSR support for the promotion of two Micro Enterprise Promotion Centres launched in December 2018 in the districts of Ghazipur & Varanasi (Uttar Pradesh). The program is being implemented with the support of four (4) project staffs, two each in Ghazipur & Varanasi (Uttar Pradesh).

For the FY 2021-22 the project targeted to train 600 beneficiaries and facilitate credit linkages for 200 entrepreneurs for setting up enterprise. During FY 2021-22 and up till March 31, 2022, total 32 entrepreneurs, were credit linked for amount of ₹ 62.71 Lakh and 543 entrepreneurs were trained and supported on Business Development Services.

ii. Livelihood Promotion & Enterprise Development through Nurturing Artisan Producer Company (APC):

Artisan activity has been a part and parcel of the weaver population of most of the national regions. Artisan Producer Company (APC) Project has been conceptualized with an objective towards upliftment of socio-economic status of local Varanasi based weavers through collectivization and training & capacity building approach. Utkarsh Welfare Foundation (UWF) aims to mobilize 750 weavers on every technical knowledge and practical know-how aspects focusing Financial Management, Knowledge of Yarns, Business Practices and Social Protection Schemes etc. related to weaving, significantly impacting their lives by keeping the tradition and culture of Varanasi at the forefront.

The approach of getting this body of artisan producers into a company is to create an eco-system which serves all its members through increasing their annual income. The inter-dependent eco-system will serve all the financial needs of its producers and share the value addition into their lives.

- Conducted batch wise training and mobilization activities for weavers of Varanasi.
- Documentation of different weaving process and Classification of Yarns used in saree preparation.
- Prepared the Facilitator Toolkit Guide for training and mobilization of weavers.
- Documentation of Weavers specific Challenges and Facilitation Scope through conducted Focused Group Discussion (FGD) program on March 23rd, 2022.
- Conducted one day classroom training and field exposure visit for Master Weavers and Board Members related to weaving business management practices under APC Project on January 29th & 31st, 2022.
- Prepared the Presentation documentation of different saree designs based on Hand loom and Power loom.
- Fulfilling the necessary yearly compliance matters related to Artisan Producer Company (APC) project.
- Conducted field orientation program for 353 shareholders and facilitating them with toolkit for weaving activities.
- Prepared the three years business plan focusing Saree Production under APC Project.

iii. Mahila Udyami Sashaktikaran Program (MUSP) Project:

The project being implemented in Madhya Pradesh, Uttar Pradesh, Bihar, Uttarakhand. The profiling and onboarding of 350 women micro entrepreneurs on digital platform were completed. The handholding of 350 women entrepreneurs as on-going process is in continuation. Hand-holding such as credit linkage facilitation support, bookkeeping, business formalization and registration.

Stock Register maintained by all 350 beneficiaries. Total 68 credit linkages have been done, from formal financial institutions. Baseline of 350 micro-entrepreneurs have been completed and on-boarded online. As on date, March 31, 2022, other initiatives such as 52 Aadhaar Corrections, 16 onboarded on E-commerce platforms, 105 started using Unified Payment Interface (UPI), 21 PAN cards, 3 GSTs, 98 ITRs, 123 Udyam Registrations, 02 Market Linkages and 05 FSSAI Licences have been successfully completed.

D. Cluster based Comprehensive Village Development Program:

Village adoption plan envisages integrated and holistic development of identified villages in consultation with village community. Emphasis under this program is on participatory planning amid convergence of various development programmes for overall development of the selected villages. Five Villages namely Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur under Arajiline block in Varanasi district have been identified for the intensive development programmes.

i. Smart Class Initiative (Learning Enhancement Program for School Children):

Initially, 300 children in the age group of 5-12 years were identified and enrolled under Learning Enhancement Program (LEP) under which these children were being tutored on Language skills (English and Hindi), Numeracy skills, Science and Drawing with the use of various creative learnings tools, audio-visually, games, and participatory tools.

To provide the rural children with access to technology enabled education, UWF set up ICT enabled Smart Classes in all the primary schools of all five (05) villages viz. Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur of Arajiline Block in Varanasi. The aim is to provide experiential learning to the children with an improved pedagogy. The Smart Classes bridges the rural urban digital divide by enabling learning through audio-visual tools and other innovative and engaging techniques of digital learning. The digital classes consist of textual/audio files and lecture capture videos or pictorial videos shared through online applications such as DIKSHA and other digital platforms. Presently, more than 1,000 children in the age group of 5-12 years are learning through the ICT enabled Smart Classes. The program is operational in five (05) villages viz. Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur of Arajiline Block in Varanasi with the support of Smart Class Executives at field level. Baseline of approximately 1,100 students has been done

ii. School Nutrition Garden:

In alignment with the guidelines issued by the Ministry of Human Resource Development on School Nutrition Gardens and SDG 3 (Good Health and Well-being), UWF has set up five (05) Nutritional Gardens in primary schools of all five (05) villages viz. Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur of Arajiline Block in Varanasi. These School Nutrition Gardens have been setup with the objective of supplementing the nutritional needs of the rural children. The produce from School Nutrition Gardens will be used in the preparation of mid-day meals to enhance the dietary diversity of the students. Apart from the nutritional benefits, the gardens will also provide the children with first-hand experience with nature and gardening as well as develop their knowledge regarding nutritional aspects of vegetables.

iii. Enhancing best Agricultural practices through reduction in use of chemical pesticides:

UWF intends to promote best agricultural practices among farmers of the target area. Herewith, the farmers are provided continuous support through regular capacity building programs focusing on enhancing their knowledge of the modern techniques of farming in all the five (05) villages viz. Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur.

Total 5 Farmer Groups (Gram Kisan Vikas Samiti) consisting of 50+ farmers each have been formed for agriculture training in every village. The farmers in Gram Kisan Vikas Samiti are encouraged to minimize the use of chemical-based pesticides and replace them with natural ones. The farmers are provided with knowledge about the preparation as well as the usage of vermi pit. The initiative has so far tested 30 soil samples of the farmlands to assess the quality of soil and has further facilitated the setup 5 vermi compost pits and preparation of natural pesticides with the five (5) Farmer Groups for improving the soil fertility.

The Farmer Groups have been provided with agricultural inputs viz. reaper, irrigation pipe, drums, vermi pit bags and others for use in a collective approach. The aim is to provide technical support for modern farming practices to increase the efficiency of the farmers and encourage them to adopt best practices of agriculture.

iv. Financial Literacy:

During FY 2021-22, total 3,191 beneficiaries attended the financial literacy training through 247 batches, under village Development Program.

v. Financial Inclusion Initiative through BC:

Efforts towards deepening financial inclusion was facilitated in the Villages under village development program. UWF facilitated linkage with Individual BCs (Business Correspondent) in the selected villages under the program. Total transaction of ₹ 64,071, has been facilitated through the BC during FY 2021-22.

vi. Health Awareness:

Health Awareness sessions have been conducted in VDP villages with an objective to promote the concept of "Prevention is better than cure", highlighting preventive measures across range of health issues concerning local areas such as Malnutrition, Anaemia, Diarrhoea, Hygiene, Malaria, Menstrual health, AYUSH remedies and other locally prevalent diseases. During FY 2021-22 total 2,327 beneficiaries attended the Health Awareness Training program in 259 batches. The program implemented in five (5) VDP Villages viz. Bhimchandi, Dholapur, Dindaspur, Karnadandi and Mahmadpur of Arajiline Block in Varanasi. The training mechanism also included on the necessary safety COVID protocols to be followed in daily life.

E. Other Welfare Initiatives**i. Mask Distribution at Health Camps:**

In view of COVID-19 pandemic, as UWF initiative of Mask distribution is in process; the masks have been distributed in scheduled health camps organized in States i.e., Jharkhand, Bihar, Madhya Pradesh, and Uttar Pradesh. Utkarsh Welfare Foundation has distributed a total of 41,250 masks which includes masks with Utkarsh Logo during the FY 2021-22.

ii. Supporting homes for Orphanages for children and old age homes for elderly, destitute and poor:

The Company continued its support to special homes for children and elderly persons. The company sponsored meals and provided them with some items for their daily needs. For better engagements and understanding needs, monthly visits by volunteers are organized for the orphanages and old age homes on a regular time-to-time basis, necessary and required needs have been provided to the homes of special children and elderly person.

iii. Web Portal MIS:

In continuation to previous progress, the Online MIS management on pilot basis is in progress and already on progressive stage in both Financial Literacy and Health Initiative. Total 4,292 data on financial literacy have been uploaded during the FY 2021-22. Similarly, in health OPD camps and training health awareness camps also, the online data uploading is also under process. As on March 31, 2021, total 53,581 beneficiaries' data and 4,905 trained beneficiaries' data have been uploaded in M2i application.

F. CSR initiatives with Utkarsh Welfare Foundation (UWF) activity in UPCERA Newsletter by UNDP:

Foundation's COVID-19 relief initiatives regularly featured in the newsletter of Uttar Pradesh COVID-19 economic recovery alliance (UPCERA) initiatives of UNDP.

Geographical Span

During the FY 2021-22 the CSR activities were spread across various districts in seven states namely Bihar, Himachal Pradesh, Gujarat, Jharkhand, Madhya Pradesh, Uttarakhand, and Uttar Pradesh.

2. COMPOSITION OF CSR COMMITTEE, ATTENDANCE AND MEETINGS:

The composition of CSR Committee, Number of Meetings and the attendance of the Members are mentioned in Corporate Governance Report i.e. Annexure A forming the part of this Annual Report.

3. WEB-LINK PROVIDED WHERE COMPOSITION OF CSR COMMITTEE, CSR POLICY AND CSR PROJECTS APPROVED BY THE BOARD ARE DISCLOSED ON THE WEBSITE OF THE COMPANY.

- i. <https://www.utkarsh.bank/csr-activities>
- ii. [utkarsh.bank/csr-documents](https://www.utkarsh.bank/csr-documents)
- iii. <https://www.utkarsh.bank/committees-of-bank>

4. PROVIDE THE DETAILS OF IMPACT ASSESSMENT OF CSR PROJECTS CARRIED OUT IN PURSUANCE OF SUB-RULE (3) OF RULE 8 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014, IF APPLICABLE (ATTACH THE REPORT).

The impact assessment of CSR projects is not applicable to the Bank for FY 2021-22

5. DETAILS OF THE AMOUNT AVAILABLE FOR SET OFF IN PURSUANCE OF SUB-RULE (3) OF RULE 7 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014 AND AMOUNT REQUIRED FOR SET OFF FOR THE FINANCIAL YEAR, IF ANY

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
1	NA	NA	NA
2	NA	NA	NA
3	NA	NA	NA
	TOTAL	NA	NA

6. AVERAGE NET PROFIT OF THE COMPANY AS PER SECTION 135(5).

₹ 1,83,55,32,970.33

7. a) Two percent of average net profit of the company as per section 135(5)

The Board had approved CSR budget of ₹ 3,70,00,000

b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.

₹ 2,78,856 (Interest earned on SB Account).

c) Amount required to be set off for the financial year, if any

Not Applicable

d) Total CSR obligation for the financial year (7a+7b- 7c).

₹ 3,72,78,856 (CSR Contribution for Activities +Interest Earned)

8. a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹3,72,78,856	NA	NA	NA	NA	NA

b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sr. No	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Project duration	Amount allocated for the project (in ₹).	Amount spent in the current financial Year (in ₹).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹).	Mode of Implementation Direct (Y/N)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number.
1	Interest earned on SB account						2,78,856					
2	Financial Literacy, Digital Literacy, women empowerment,	Schedule VII (ii) & (iii)	Yes	Bihar; Uttar Pradesh; Madhya Pradesh; Jharkhand	Bihar (Darbhanga, Kaimur, Patna & Rohtas); UP (Chandauli, Deoria, Gorakhpur, Mirzapur, Sonbhadra & Varanasi); MP (Satna); Jharkhand (Barahi, Giridih & Koderma)	12 months	87,00,000	87,00,000		NA	N	Utkarsh Welfare Foundation CSR00000763
3	Healthcare initiative and covid relief support	Schedule VII (i) & (xii)		Bihar, Jharkhand, Madhya Pradesh, Uttar Pradesh and Uttarakhand	Bihar (Bhojpur, Kaimur & Rohtas); Jharkhand (Hazaribagh & Koderma); MP (Satna Jabalpur, Katni & Rewa); UP (Gorakhpur, Kushinagar, Maharajganj, Mirzapur & Varanasi); UK (Roorkee)	12 months	1,86,00,000	1,88,78,856		NA	N	Utkarsh Welfare Foundation CSR00000763
4	Skill & Enterprise development initiative for enhancing livelihoods and rural development ,supporting orphanage and old age homes	Schedule VII (ii) & (x)		Uttar Pradesh;	UP (Chandauli, Deoria, Ghazipur, Gorakhpur, Mirzapur, Sonbhadra & Varanasi)	12 Months	97,00,000	97,00,000		NA	N	Utkarsh Welfare Foundation CSR00000763
TOTAL							3,72,78,856	3,72,78,856		NA		

c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in ₹).	Mode of implementation on-Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State	District			Name.	CSR Registration number.
1.	NA	NA	NA	NA	NA	NA	NA	NA	NA
2.	NA	NA	NA	NA	NA	NA	NA	NA	NA
3.	NA	NA	NA	NA	NA	NA	NA	NA	NA
TOTAL		NA	NA	NA	NA	NA	NA	NA	NA

d) Amount spent in Administrative Overheads

NIL

e) Amount spent on Impact Assessment, if applicable

Not Applicable

f) Total amount spent for the financial year (8b+8c+8d+8e)

It is ₹ 3,72,78,856

g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	NA
(ii)	Total amount spent for the financial year	NA
(iii)	Excess amount spent for the financial year [(ii)-(i)]	NA
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NA
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	NA

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (In ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.	2021-22	-	3,70,00,000	NA	NA	NA	-
2.	2020-21	35,40,048	2,16,51,518	NA	NA	NA	35,40,048
3.	2019-20	-	1,00,000,00	NA	NA	NA	-
	TOTAL	35,40,048		NA	NA	NA	-

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed /Ongoing
1.	NA	NA	NA	NA	NA	NA	NA	NA
2.	NA	NA	NA	NA	NA	NA	NA	NA
3.	NA	NA	NA	NA	NA	NA	NA	NA
	TOTAL	NA	NA	NA	NA	NA	NA	NA

10. IN CASE OF CREATION OR ACQUISITION OF CAPITAL ASSET, FURNISH THE DETAILS RELATING TO THE ASSET SO CREATED OR ACQUIRED THROUGH CSR SPENT IN THE FINANCIAL YEAR (ASSET-WISE DETAILS).

- a) Date of creation or acquisition of the capital asset(s). – Not Applicable
- b) Amount of CSR spent for creation or acquisition of capital asset. – Not Applicable
- c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. – Not Applicable
- d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). – Not Applicable

11. SPECIFY THE REASON(S), IF THE COMPANY HAS FAILED TO SPEND TWO PER CENT OF THE AVERAGE NET PROFIT AS PER SECTION 135(5).

For and on behalf of the Board of Directors

Sd/-

Muralidharan Rajamani

Chairperson of Corporate Social Responsibility Committee
DIN – 01690363

Sd/-

Govind Singh

Managing Director & CEO
DIN – 02470880

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, 2022

[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
Utkarsh Tower, NH - 31 (Airport Road), Sehmalpur, Kazi Sarai,
Harhua, Varanasi, Uttar Pradesh, PIN - 221105.

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 “**Bank**”) for the financial year ended **March 31, 2022**. 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 Bank’s books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on **March 31, 2022**, complied with the statutory provisions listed hereunder and also that the Bank 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, 2022** 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, 1996 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 Overseas Direct Investment as there was no reportable event during the period under review
- 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 Securities covered in the regulations were 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;
 - d. Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (up to 12th August, 2021) and The Securities and Exchange Board of India (Share Based Employee Benefits and

Sweat Equity) Regulations, 2021 (with effect from 13th August, 2021) - **Not applicable as the Securities covered in the regulations were not listed on any stock exchange.**

- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (up to 15th August, 2021);
 - 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 Bank 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 (up to 9th June, 2021) and The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (with effect from 10th June, 2021)- **Not applicable as the Equity shares of the Bank were not listed on any stock exchange;**
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - **Not applicable as the Securities covered in the regulations were not listed on any stock exchange**
 - i. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (with effect from 16th August, 2021)
- 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;

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 Bank with BSE Limited. - **To the extent applicable to the listed debt securities of the Bank.**

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

We further report that: -

- The Board of Directors of the Bank is duly constituted with proper balance of Executive Director, Non-Executive Directors, Independent Directors and at least a 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 / Committee 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

- a) review of compliance mechanism established by the Bank,
- b) basis 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) and
- c) efforts made by the Bank to further strengthen the compliance mechanism,

we are of the opinion that the Bank is setting up systems and enhancing processes to commensurate with its size and operations, to monitor and ensure compliance with the applicable laws, rules, regulations and guidelines

- We note that RBI vide letter dated 6th July 2021 has imposed penalty of ₹ One crore on the Bank for contravention of RBI directions by the Bank with respect to advances sanctioned to a NBFC and its group companies. The said penalty has been paid by the Bank on 17th July 2021.

We further report that during the financial year ended 31st March, 2022 following events have occurred which has a major bearing on the Bank's affairs in pursuance of the laws, rules, regulations, guidelines, standards, etc.:

- The Bank has pursuant to special resolution passed by shareholders at the Extraordinary General Meeting held on 26th July 2021 and 23rd August 2021, issued and allotted 4,71,69,809 equity shares at an issue price of ₹ 31.80 per equity share (including premium of ₹ 21.80 per equity share) aggregating to ₹ 150.02 crore, to various investors by way of Preferential Issue on Private Placement basis.
- The Bank has pursuant to the Utkarsh Small Finance Bank Limited Employee Stock Option Plan 2020 (Scheme) issued and allotted 17,844 equity shares to the Managing Director and CEO of the Bank by way of ESOP on January 22, 2022.
- The Company has with respect to debt securities listed on the Stock Exchange, filed a Settlement Application in terms of SEBI (Settlement and Proceedings) Regulations 2018 on 24th December 2021 with Securities Exchange Board of India:
 - (i) suo moto on certain inadvertent disclosure related non compliances under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and
 - (ii) in response to SEBI's letter dated 10th November 2021 on alleged violations of Sections 23(1), 26 read with Section 2(70), 33(1), 40 and 42 of the Companies Act, 2013 read with Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rules 2014.

The final decision of SEBI on the matter is awaited.

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
 Peer Review No.: 606/2019

Viswanathan N.S.

Partner

ACS: 61955 | COP No. 24335
 UDIN: A061955D000213073

April 26, 2022 | Thane

ANNEXURE-A

To,
The Members,
Utkarsh small Finance Bank Limited
CIN: U65992UP2016PLC082804
Utkarsh Tower, NH - 31 (Airport Road),
Sehmalpur, Kazi Sarai,
Harhua, Varanasi,
Uttar Pradesh, PIN - 221105.

Our Secretarial Audit Report for the financial year ended 31st March, 2022, of even date, is to be read along with this letter.

Management's Responsibility

1. It is the responsibility of the management of the Bank 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 Bank with respect to secretarial compliances.
3. We have conducted the Audit as per the applicable Auditing Standards issued by the Institute of Company Secretaries of India.
4. We believe that audit evidence and information obtained from the Bank's management is adequate and appropriate for us to provide a basis for our opinion.
5. Wherever required, we have obtained reasonable assurance whether the statements prepared, documents or Records, in relation to Secretarial Audit, maintained by the Bank, are free from misstatement.
6. Wherever required, we have obtained the Management's representation about the compliance of laws, rules and regulations and happening of events, etc.

Disclaimer

7. We have conducted our Audit remotely, based on the records and information made available to us through electronic platform by the Company, due to Covid 19 pandemic induced lockdown and restrictions in place, for the purpose of issuing this report.
8. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.
9. We have not verified the correctness and appropriateness of financial records and books of accounts of the Bank.

For **S. N. ANANTHASUBRAMANIAN & CO.**

Company Secretaries
ICSI Unique Code: P1991MH040400
Peer Review No.: 606/2019

Viswanathan N.S.

Partner
ACS: 61955 | COP No. 24335
UDIN: A061955D000213073

April 26, 2022 | Thane

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, 2022, 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, 2022, its profit and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with 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 on the financial statements.

EMPHASIS OF MATTER

We draw attention to Note 18.27 of Schedule 18 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank's operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

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 of 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
Information Technology (IT) Controls Framework 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	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. 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

Key Audit Matters	How our audit addressed the key audit matter
<p>Solution (CBS) itself has many interfaces. All these data streams directly affect the financial accounting and reporting process of the Bank.</p> <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>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>financial objectives including completeness, accuracy, authorization and validity of transactions.</p> <p>We gathered a 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> <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>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>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>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>Classification and Provisioning for Advances (Refer accounting policies under note 17.4 (B) of Schedule 17 and Schedule 9 and note 18.4.1, 18.4.8, 18.14.5 and 18.27 of schedule 18 to the financial statements)</p> <p>The Bank's portfolio of loans and advances primarily (76.34%) consists of exposure to Micro finance lending. Balance of such loans and advances at March 31, 2022 (Net of Provisions) was ₹ 10,228.15 crores.</p> <p>In accordance with the Reserve Bank of India (the "RBI"), Income Recognition, Asset Classification and Provisioning Norms (IRAC norms), Circulars on Resolution Framework for COVID-19 related stress and restructuring of advances dated August 06, 2020 and dated 5 May 2021(together 'Resolution Framework') and other circulars, notifications and directives issued by the RBI (from time to time), the Bank classifies its advances to performing and non-performing categories which consists of Standard and Sub-standard, Doubtful and Loss (non-performing) and also recognizes appropriate provisions.</p> <p>Implementation of RBI circulars also required the bank to implement the changes in its base Information technology applications.</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ol style="list-style-type: none"> 1. Tested on sample basis, effectiveness of Bank's control over new lending, annual review /renewal of credits and controls over the monitoring of credit quality followed by collection and recoveries. 2. Evaluated the existences and operative effectiveness of controls over classification of loans under standard, sub-standard, doubtful and loss categories with reference to their days-past-due (DPD) status (including consideration of the Regulatory Package and Resolution framework) and provisioning of advances. 3. Carried out inquiries of management to ascertain whether observations raised by the RBI during their annual inspections have been complied with. 4. Reviewed Bank's policy including SOPs with respect to implementation of Resolution framework (guidelines) and tested sample to ascertain effectiveness of implementation of those guidelines by the Bank.

Key Audit Matters	How our audit addressed the key audit matter
<p>The Bank, as per its governance framework, recognises provisions towards performing and non-performing advances basis Management's assessment of borrower's credit profile subject to and guided by minimum provisioning levels prescribed under the relevant RBI guidelines.</p> <p>Classification of advances to performing and non-performing categories requires consideration of the quantitative and qualitative factors including the 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> <p>We have identified classification and provisioning of advances as key audit matter in the view of significant judgement and estimates involved in the process as well as requirement to comply with the norms laid down by the RBI guidelines.</p>	<ol style="list-style-type: none"> 5. Considered Board approved policy and internal laid down policy for higher provision for NPAs and stressed assets, advances covered under Resolution Framework, stressed sectors, adopted by the Bank. 6. Re-performed, for a sample of retail and wholesale portfolios, the calculation of provisions to determine the accuracy of the same. 7. 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. 8. Held specific discussions with the Credit and Risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. 9. Tested provision created for fraud accounts as at March 31, 2022 as per the RBI circular; 10. We had taken the walkthrough of the NPA automation process in the current financial year and tested the core functionality for selected sample and tested the computation of provisions. 11. With respect to contingency provision held as at March 31, 2022 towards unforeseen risk and stress emanating from certain portfolio of advances and potential impact of COVID -19 pandemic, we broadly reviewed the underlying assumptions and estimates used by the management in arriving at the provision amount. However, since the full impact of COVID-19 is still 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.

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 forming part of the Annual Report but does not include the financial statements, and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information 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 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 relevant rules issued thereunder, provision of section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the 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, Banking Regulations Act, 1949 and the RBI Guidelines 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 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 the 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 year 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.

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 read with section 133 of the Act read with 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 purposes 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. 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;
 - d. 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 10 branch for the purpose of our audit;
 - 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, 2022, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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 matter to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

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, as amended, 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 Note 18.29 of Schedule 18 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 Note 18.28 of Schedule 18 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;
 - (iv) (a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts under note 18.26 of Schedule 18, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - (iv) (b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts under note 18.26 of Schedule 18, no funds have been received by the Bank from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - (iv) (c) Based on the audit procedures that are considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
 - (v) The Bank has not declared nor paid any dividend during the year and has not proposed final dividend for the year. Hence, reporting the compliance with section 123 of the Act is not applicable.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Sd/-

Purushottam Nyati

Partner

Membership No.118970

UDIN: 22118970AHUBND8086

Place: Mumbai

Date: April 25, 2022

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, 2022]

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, 2022 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, 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, 2022, 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

Sd/-

Purushottam Nyati

Partner

Membership No.118970

UDIN: 22118970AHUBND8086

Place: Mumbai

Date: April 25, 2022

Balance Sheet

as at March 31, 2022

(₹ in '000s)

	Schedule	As at 31 March 2022	As at 31 March 2021
CAPITAL AND LIABILITIES			
Capital	1	8,955,215	8,483,339
Reserves and Surplus	2	6,767,753	5,200,187
Deposits	3	100,741,826	75,075,681
Borrowings	4	25,719,349	26,078,252
Other Liabilities and Provisions	5	8,453,555	6,541,664
Total		150,637,698	121,379,123
ASSETS			
Cash and balances with Reserve Bank of India	6	5,338,972	2,749,383
Balances with banks and money at call and short notice	7	13,377,519	8,948,777
Investments	8	23,479,238	23,139,356
Advances	9	102,281,473	82,168,575
Fixed Assets	10	2,865,335	1,811,712
Other Assets	11	3,295,161	2,561,320
Total		150,637,698	121,379,123
Contingent Liabilities	12	564,192	620,727
Bills for Collection		-	-
Significant accounting policies	17		
Notes to the financial statements	18		

Schedules referred to above form an integral part of the Financial statements. The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

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/-
Parveen Kumar Gupta
Chairman
DIN : 02895343

Sd/-
Kajal Ghose
Director
DIN : 07702190

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

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA 048560

Sd/-
Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 25 April 2022

Place : Mumbai
Date : 25 April 2022

Profit and Loss Account

for the year ended March 31, 2022

(₹ in '000s)

	Schedule	For the year ended 31 March 2022	For the year ended 31 March 2021
I INCOME			
Interest Earned	13	18,488,126	15,809,873
Other Income	14	1,848,334	1,248,490
Total		20,336,460	17,058,363
II EXPENDITURE			
Interest Expended	15	7,879,625	7,417,407
Operating Expenses	16	7,363,446	5,450,572
Provisions and Contingencies	18.14.5	4,478,773	3,072,233
Total		19,721,844	15,940,212
III PROFIT			
Net Profit for the year		614,616	1,118,151
Balance in Profit and Loss account brought forward from previous year		2,072,483	1,454,825
Total		2,687,099	2,572,976
IV APPROPRIATIONS			
Transfer to Statutory Reserve		153,654	279,538
Transfer (from) / to Investment Fluctuation Reserve		(111,273)	136,658
Transfer to Capital Reserve		2,322	84,297
Deduction during the year	18.4.8	105,156	-
Balance carried over to Balance Sheet		2,537,240	2,072,483
Total		2,687,099	2,572,976
V EARNINGS PER EQUITY SHARE	18.15		
Basic EPS (₹)		0.70	1.46
Diluted EPS (₹)		0.70	1.46
Face Value per share (₹)		10	10
Significant accounting policies	17		
Notes to the financial statements	18		

Schedules referred to above form an integral part of the Financial statements. The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

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/-
Parveen Kumar Gupta
Chairman
DIN : 02895343

Sd/-
Kajal Ghose
Director
DIN : 07702190

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

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA 048560

Sd/-
Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 25 April 2022

Place : Mumbai
Date : 25 April 2022

Cash Flow Statement

for the year ended 31 March 2022

(₹ in '000s)

S. Particulars No	For the year ended 31 March 2022	For the year ended 31 March 2021
I Cash flow from operating activities		
Profit before taxes	797,128	1,514,366
Adjustments for:-		
Depreciation on fixed assets	408,840	295,770
(Reversal of Depreciation) / Depreciation on investments, net	(149,409)	193,011
Amortization of premium on Held to Maturity Investment	174,921	105,630
Profit on sale & Redemption of HTM portfolio	(4,137)	(150,264)
Unrealised loss on external commercial borrowings	(6,039)	(18,475)
Write-off of non-performing advances	2,193,834	352,368
Provision for standard advances and other contingencies	(17,115)	601,561
Provision for non-performing advances (net of reversal)	2,024,254	1,714,530
(Profit) / Loss on sale of fixed assets (Net)	(625)	211
Other provisions and write off	171,957	24,080
(i)	5,593,609	4,632,788
Adjustments for:-		
(Increase) / Decrease in investments	5,563,628	(6,832,882)
Increase in advances	(24,344,484)	(21,419,513)
Increase in deposits	25,666,144	22,723,556
(Increase) / Decrease in other assets	(389,259)	430,787
Increase in other liabilities and provisions	1,745,693	593,643
(ii)	8,241,722	(4,504,409)
Payment of direct taxes (iii)	(543,769)	(963,008)
Net cash flow (used in) / generated from operating activities (A)	13,291,562	(834,629)
II Cash flow from/(used in) investing activities		
Purchase of fixed assets including capital work in progress	(1,466,733)	(793,685)
Proceeds from sale of fixed assets	4,895	173
Purchase of held to maturity securities	(5,924,886)	(4,530,968)
Net cash flow (used in) investing activities (B)	(7,386,724)	(5,324,480)

Cash Flow Statement

for the year ended 31 March 2022

(₹ in '000s)

S. Particulars No	For the year ended 31 March 2022	For the year ended 31 March 2021
III Cash flow from/(used in) Financing Activities		
Proceeds from issue of share capital (net of share issue expenses)	1,466,357	2,370,384
Net (repayments of) borrowings	(352,864)	(653,641)
Net cash flow generated from financing activities (C)	1,113,493	1,716,743
IV Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C)	7,018,331	(4,442,366)
V Cash and cash equivalents at the beginning of the year	11,698,160	16,140,526
VI Cash and cash equivalents at the end of the year	18,716,491	11,698,160
Notes to the Cash Flow Statement:		
Cash and cash equivalents includes the following:		
(i) Cash and Balances with Reserve Bank of India (Refer Schedule 6)	53,38,972	27,49,383
(ii) Balances with Banks in Current Accounts (Refer Schedule 7)	7,37,519	6,48,777
(iii) Money at Call and Short Notice (Refer Schedule 7)	1,26,40,000	83,00,000
Cash and cash equivalents at the end of the year	1,87,16,491	1,16,98,160

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 - Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

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/-
Parveen Kumar Gupta
Chairman
DIN : 02895343

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Director
DIN : 07702190

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Govind Singh
Managing Director & CEO
DIN : 02470880

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA 048560

Sd/-
Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 25 April 2022

Place : Mumbai
Date : 25 April 2022

Schedules Forming Part of the Balance Sheet

as at March 31, 2022

SCHEDULE 1 - CAPITAL

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
Authorised Capital		
1,300,000,000 Equity shares of ₹10/- each (31 March 2021: 1,300,000,000 Equity shares of ₹10/- each)	13,000,000	13,000,000
200,000,000 Preference shares of ₹10/- each (31 March 2021: 200,000,000 Preference shares of ₹10/- each)	2,000,000	2,000,000
Issued, subscribed and fully paid-up capital		
895,521,522 Equity shares of ₹10/- each (31 March 2021: 848,333,869 Equity shares of ₹10/- each)	8,955,215	8,483,339
TOTAL	8,955,215	8,483,339

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
1. Statutory Reserve		
Opening balance	993,202	713,664
Addition during the year	153,654	279,538
Deduction during the year	-	-
Total	1,146,856	993,202
2. Capital Reserve*		
Opening balance	87,885	3,588
Addition during the year	2,322	84,297
Deduction during the year	-	-
Total	90,207	87,885
3. Share Premium		
Opening balance	1,857,545	377,778
Addition during the year	1,028,373	1,514,048
Deduction during the year	33,892	34,281
Total	2,852,026	1,857,545
4. Investment Fluctuation Reserve		
Opening balance	189,072	52,414
Addition during the year	(111,273)	136,658
Deduction during the year	-	-
Total	77,799	189,072
5. ESOP Outstanding		
Opening balance	-	-
Addition during the year	63,875	-
Deduction during the year	250	-
Total	63,625	-
6. Balance in Profit and Loss Account	2,537,240	2,072,483
TOTAL (1 to 6)	6,767,753	5,200,187

*Amount transferred to capital reserve represents gain on sale of HTM investments

SCHEDULE 3 - DEPOSITS

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
A. 1. Demand Deposits		
i) From banks	380,008	60,164
ii) From others	3,244,782	1,537,561
Total	3,624,790	1,597,725
2. Savings Bank Deposits	18,908,056	11,672,199
3. Term Deposits		
i) From banks	28,229,159	22,261,621
ii) From others	49,979,821	39,544,136
Total	78,208,980	61,805,757
TOTAL (1 to 3)	100,741,826	75,075,681
B. i Deposits of branches in India	100,741,826	75,075,681
ii Deposits of branches outside India	-	-
TOTAL	100,741,826	75,075,681

SCHEDULE 4 - BORROWINGS

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
1. Borrowings in India		
i) Reserve Bank of India	2,370,000	870,000
ii) Other banks	-	100,000
iii) Other institutions and agencies		
a) Government of India	-	-
b) Financial institutions	19,383,100	21,019,900
iv) Capital instruments		
a) Borrowing in the form of bonds and debentures (subordinated debt included in Tier 2 capital)	2,350,000	2,350,000
v) Other borrowings*	116,249	146,964
Total borrowings in India	24,219,349	24,486,864
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	-	-
iii) Other borrowings	-	91,388
Total borrowings outside India	1,500,000	1,591,388
TOTAL (1 + 2)	25,719,349	26,078,252
Secured borrowings included in 1 and 2 above	2,370,000	981,388

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)

	As at 31 March 2022	As at 31 March 2021
1. Bills payable	436,448	387,406
2. Inter office adjustments (net)	-	-
3. Interest accrued	3,822,477	2,881,992
4. Others (including provisions)	4,194,630	3,272,266
TOTAL (1 to 4)	8,453,555	6,541,664

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
1. Cash in hand	832,692	627,425
2. Balances with Reserve Bank of India		
i) In current account	4,506,280	2,121,958
ii) In other accounts	-	-
TOTAL (1 to 2)	5,338,972	2,749,383

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

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
1. In India		
i) Balances with banks		
a) In current accounts	702,881	620,204
b) In other deposit accounts	34,638	28,573
ii) Money at call and short notice		
a) With banks	12,640,000	8,300,000
b) With other institutions	-	-
Total (i+ii)	13,377,519	8,948,777
2. Outside India		
In current accounts	-	-
In other deposits accounts	-	-
Money at call and short notice	-	-
Total	-	-
TOTAL (1 + 2)	13,377,519	8,948,777

SCHEDULE 8 – INVESTMENTS

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
1. Investments in India (net of provisions)		
i) Government securities *	20,484,527	21,488,552
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	-	1,168,299
v) Subsidiaries / joint ventures	-	-
vi) Others (certificate of deposits and mutual funds)	2,994,711	482,505
Total	23,479,238	23,139,356
2. Investments Outside India (net of provisions)		
i) Government securities	-	-
ii) Subsidiaries / joint ventures	-	-
iii) Others (equity shares and bonds)	-	-
Total	-	-
Total in Investments in India (net of provisions)	23,479,238	23,139,356
3. Investments		
i) Gross value of investments		
a) In India	23,523,455	23,332,982
b) Outside India	-	-
	23,523,455	23,332,982
ii) Provision for depreciation		
a) In India	44,217	193,626
b) Outside India	-	-
	44,217	193,626
iii) Net value of investments		
a) In India	23,479,238	23,139,356
b) Outside India	-	-
	23,479,238	23,139,356

* Include securities of ₹152.87 crore (31 March 2021: ₹647.86 crore) pledged for clearing facilities and margin requirement

SCHEDULE 9 – ADVANCES (NET OF PROVISIONS)

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
A.		
i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	1,123,303	668,320
iii) Term loans	101,158,170	81,500,255
Total	102,281,473	82,168,575
B.		
i) Secured by tangible assets (includes advances against fixed deposit and book debts)	22,494,036	11,355,939
ii) Covered by Bank/Government guarantees	1,169	1,512
iii) Unsecured	79,786,268	70,811,124
Total	102,281,473	82,168,575

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
C.1 Advances in India		
i) Priority sector	84,393,070	70,592,070
ii) Public sector	-	-
iii) Banks *	75,000	-
iv) Others	17,813,403	11,576,505
Total	102,281,473	82,168,575
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)	102,281,473	82,168,575

* Amount of ₹7.50 crores as on 31 March 2022 (31 March 2021: Nil) comes under priority sector advance

SCHEDULE 10 - FIXED ASSETS

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
1. Premises		
i) At cost at 31st March of the preceding year	121,202	121,202
ii) Additions during the year	1,001,300	-
iii) Deductions during the year	-	-
iv) Accumulated depreciation to date	777	-
Total	1,121,725	121,202
2. Other Fixed Assets (including furniture and fixtures)		
i) At cost at 31st March of the preceding year	1,776,730	1,337,171
ii) Additions during the year	1,005,102	440,607
iii) Deductions during the year	19,479	1,047
iv) Accumulated depreciation to date	1,126,052	764,202
Total	1,636,301	1,012,529
3. Leased Assets		
i) At cost at 31st March of the preceding year	238,058	226,984
ii) Additions during the year	10,091	11,074
iii) Deductions during the year	-	-
iv) Accumulated depreciation to date	150,035	119,032
Total	98,114	119,026
4. Capital Work in Progress	9,195	558,955
TOTAL (1 to 4)	2,865,335	1,811,712

SCHEDULE 11 – OTHER ASSETS

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
1. Inter-office adjustment (net)	-	-
2. Interest accrued	931,848	743,578
3. Tax Paid in advance/tax deducted at source (net of provision)	-	325,082
4. Stationery and stamps	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-
6. Deferred Tax Asset (net)	926,627	579,709
7. Others	1,436,686	912,951
TOTAL (1 to 7)	3,295,161	2,561,320

SCHEDULE 12 – CONTINGENT LIABILITIES

(₹ in '000s)

	As at 31 March 2022	As at 31 March 2021
1. Claims against the bank not acknowledged as debts	-	-
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	173,300	213,050
ii) Outside India	-	-
6. Acceptances, endorsements and other obligations	-	-
7. Other items for which the bank is contingently liable	390,892	407,677
TOTAL (1 to 7)	564,192	620,727

SCHEDULE 13 – INTEREST EARNED

(₹ in '000s)

	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Interest / discount on advances / bills	16,461,263	13,857,437
2. Income on investments	1,549,252	1,486,918
3. Interest on balance with Reserve Bank of India and Other inter bank funds	477,248	465,184
4. Others	363	334
TOTAL (1 to 4)	18,488,126	15,809,873

SCHEDULE 14 – OTHER INCOME

(₹ in '000s)

	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Commission, exchange and brokerage	568,626	366,230
2. Profit/(Loss) on sale/redemption of Investments (net)	(133,341)	151,626
3. Profit/(Loss) on revaluation of investments	104,986	(193,011)
4. Profit/(Loss) on sale of land, building and other assets (net)	625	-
5. Miscellaneous Income	1,307,438	923,645
TOTAL (1 to 5)	1,848,334	1,248,490

SCHEDULE 15 – INTEREST EXPENDED

(₹ in '000s)

	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Interest on deposits	5,756,674	4,795,455
2. Interest on Reserve Bank of India / Inter-bank borrowings	66,645	64,174
3. Others	2,056,306	2,557,778
TOTAL (1 to 3)	7,879,625	7,417,407

SCHEDULE 16 – OPERATING EXPENSES

(₹ in '000s)

	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Payments to and provisions for employees	4,298,255	3,262,041
2. Rent, taxes and lighting	463,504	354,994
3. Printing and stationery	109,924	91,725
4. Advertisement and publicity	50,387	17,703
5. Depreciation on Bank's property	408,840	295,770
6. Director's fees allowances and expenses	23,591	13,721
7. Auditors' fees and expenses	16,435	13,033
8. Law charges	125,557	100,457
9. Postage, telegrams, telephones, etc.	198,142	111,203
10. Repairs and maintenance	126,915	92,891
11. Insurance	78,393	52,664
12. Other expenditure*	1,463,503	1,044,370
TOTAL (1 to 12)	7,363,446	5,450,572

* Includes professional charges, service charges for core banking software and ATM, traveling and other expenses

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

17.1 Background

Utkarsh Small Finance Bank Limited (“Company” or “the Bank”), incorporated on 30 April 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 23 January 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 04 October 2017 and was published in the Gazette of India on 07 November 2017. The Bank is subsidiary of Utkarsh Core Invest Limited (“the Holding Company”).

The Reserve Bank of India (“RBI”) issued license no. MUM:125 on 25 November 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 21 January 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 03 May 2017.

17.2 Basis of preparation

The accompanying financial statements have been prepared and presented under the historical cost convention, unless otherwise stated, and on accrual basis of accounting, in accordance with accounting principles generally accepted in India, including the provisions of the Banking Regulation Act, 1949, the Master Direction on Financial Statements – Presentation and Disclosures issued by Reserve Bank of India dated on August 30, 2021, as amended from time to time and various other orders/circulars/directions issued by the RBI in this regard, the Accounting Standards specified under Section 133 of the Companies Act, 2013 to the extent applicable and practices prevailing 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.

The accompany financial statements have been prepared as prescribed under the historical cost.

A Revenue Recognition

- a) Interest income on performing assets is recognised on accrual basis. Interest income on non-performing assets is recognised on realisation;
- b) For other than JLG, till 24 September 2021, recoveries in respect of all past due loan accounts including classified as NPA is appropriated towards charges, interest, overdue and thereafter towards principal. From 25 September 2021 onwards except for Micro Finance (JLG) Loans and Relationship Management based products, recoveries in respect of all EMI based performing assets is appropriated towards interest, principal of each EMI followed by penal interest and then charges. For Non-performing assets, appropriation is made towards principal, interest of each EMI followed by oldest penal interest due and then oldest charges for the product defined;

- c) For JLG Loans and Relationship Management Based products, recoveries is appropriated towards instalment(s) outstanding and Outstanding, respectively;
- d) Penal Interest or Overdue Principal Interest and charges are recognized on collection basis except in case of Relationship Management based products where such penal interest or charges are recognized on accrual basis;
- e) Loan processing fees collected from the borrowers is recognized over the tenure of the loan;
- f) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due;
- g) Recoveries in respect of debts written off are recognized in the year in which such amounts is recovered and the same are disclosed under "Other Income";
- h) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront;
- i) 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;
- j) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.
- k) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis;
- l) Dividend is accounted on an accrual basis when the right to receive the dividend is established;
- m) Income from distribution of third party products is recognised on the basis of business booked;
- n) Recoveries in respect of purchase of Direct Assignment pools are to be appropriated as per appropriation methodology followed by the originators; and
- o) All other fees are accounted for as and when they become due.

B Advances

a) Accounting and Classification

Advances are classified as performing and non-performing (NPA) as per RBI guidelines. Restructured assets are classified and provided for in accordance with the guidelines issued by the RBI from time to time. In respect of advances where resolution plan is under implementation or implemented under the RBI guidelines on "Resolution Framework for COVID 19-related Stress" and "Micro, Small and Medium Enterprises (MSME) Sector – Restructuring of Advances.

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.

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 made 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'.

Loans reported as fraud are classified appropriately and fully provided for immediately without considering the value of security.

c) Floating Provision

The Bank recognises floating provision as per the Board approved policy, which is in addition to the specific, contingent 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 for NNPA Ratio & Provision is included in 'Other Liabilities and Provisions'.

C Investments

Classification and valuation of Bank's Investments is carried out in accordance with relevant RBI guidelines/directions 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.

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 and Reverse 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.

g) Investment Fluctuation Reserve.

Out of net profits earned during the year, transfer is made to Investment Fluctuation Reserve, for an amount not less than the lower of the (a) net profit on sale of investments during the year (b) net profit for the year less mandatory appropriations, till the balance in such Investment Fluctuation Reserve reaches a level of at least 2% of the aggregate HFT and AFS portfolio. Draw down from the Investment Fluctuation Reserve has been made in accordance with the applicable RBI guidelines.

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.

Capital work in progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. For assets purchased/ sold during the year, depreciation is being provided on pro rata basis by the Bank. 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. The cost of an intangible asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. 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. For assets purchased/ sold during the year, amortisation is being provided on pro rata basis by the Bank."

Impairment of Assets

In accordance with Accounting Standard 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 factor. 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. Depreciation is provided on the revised carrying amount of the asset over its remaining useful life

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 holding company of 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').

The BANK has formulated Employees Stock Option Schemes, and the policy will be applicable to all scheme. The Bank measures compensation cost relating to employee stock options using the Fair value method as per the Guidance Note on 'Accounting for Employee Share based Payments' issued by the ICAI and same is charged to Profit & Loss Account.

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."

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 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 - SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

18.1.1 Regulatory Capital

Capital Adequacy Ratio is computed as per operating guidelines issued by RBI for Small Finance Banks and amended thereafter.

(₹ in crore)		
Particulars	As at 31 March 2022	As at 31 March 2021
i) Common Equity Tier 1 (CET) capital	1,420.76	1,256.52
ii) Additional Tier 1 capital	-	-
iii) Tier 1 capital (i + ii)	1,420.76	1,256.52
iv) Tier 2 capital	275.70	119.25
v) Total capital (Tier 1+Tier 2)	1,696.46	1,375.77
vi) Total Risk Weighted Assets (RWAs)	7,857.05	6,287.71
vii) Common Equity Tier 1 (CET) capital ratio (%)	18.08%	19.98%
viii) Tier I capital ratio (%)	18.08%	19.98%
ix) Tier II capital ratio (%)	3.51%	1.90%
x) Capital to Risk Weighted Assets Ratio (CRAR) (%)	21.59%	21.88%
xi) Leverage Ratio	9.49%	10.38%
xii) Percentage of the shareholding of the Government of India in public sector banks	-	-
xiii) Amount of paid-up equity capital raised during the year *	150.02	240.47
xiv) Amount of additional Tier I capital raised	-	-
xv) Amount of Tier II capital raised (Refer 18.1.2) below	-	195.00

* includes share premium of ₹102.84 crores (31 March 2021: ₹151.40 crores against the fresh issue of equity shares)

Notes:

- The Bank has followed Basel II Capital Regulations dated 01 July 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 08 October 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 01 July 2015 for the purpose of computing Capital Adequacy Ratio.
- As per RBI, letter DBR.NBD. No. 4502/16.13.218/2017-18 dated 08 November 2017, 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 31 March 2022 (31 March 2021: ₹195 crores)

For the year ended 31 March 2021

(₹ in crore)					
Particulars	Nature of Security	Date of Issue	Coupon Rate %	Tenure	Amount
IDFC First Bank	Non-Convertible Debenture	26-Jun-20	12.5	84	195.00
Total					195.00

Note: On June 20, 2020, the Bank issued "12.50% Non Convertible Debentures (NCDs)" to IDFC First Bank Limited aggregating ₹195 crores. Necessary RBI reporting was done on 29 June 2020. Department of Regulation, RBI Central Office, vide its letter dated 13 January 2021 has advised us that the offer document of the NCDs not being in compliant with relevant

RBI instructions, these instruments do not qualify for inclusion in Tier II capital. The Bank, basis the legal opinion obtained in the matter and having reviewed the relevant documentation, is of the view that the said issue of NCDs is in compliance with RBI guidelines. The Bank, vide its letter dated 10 March 2021 has made a detailed submission along with supporting documents, to RBI requesting it to consider the NCDs as eligible Tier II capital instrument. Pending approval/response from RBI, the bank had not considered the NCD in the financial year 2021 for Tier II capital. As per RBI confirmation received on 01 July 2021, the NCD has been considered in Tier II capital as on 31 March 2022. Had the Bank considered above NCD as part of Tier II capital as on 31 March 2021, the ratio would have been 24.98%.

18.1.3 Capital Infusion

During the year ended 31 March 2022, the Bank has issued 47,169,809 equity shares as fresh issue and 17,844 equity shares under ESOP scheme having face value of ₹10 each at a premium of ₹21.80 and ₹4.01 respectively for cash aggregating to ₹1,500,249,920.

During the year ended 31 March 2021, the Bank has issued 89,061,647 equity shares having face value of ₹10 each at a premium of ₹17 each for cash aggregating to ₹2,404,664,469 on 08 March 2021.

(₹ in crore except share data)

Particulars	For the year ended		For the year ended	
	31-Mar-22		31-Mar-21	
	Number of shares	Amount	Number of shares	Amount
Outstanding as at the beginning of the year	848,333,869	848.33	759,272,222	759.27
Shares issued during the year	47,187,653	47.19	89,061,647	89.06
Outstanding at the end of the year	895,521,522	895.52	848,333,869	848.33

18.1.4 Draw down from Reserves

The Bank has made draw down of ₹14.19 crore during the year ended 31 March 2022 from Investment Fluctuation Reserve due to reduction in AFS and HFT investment portfolio (31 March 2021: ₹0.50 crore).

18.2.1 Asset Liability Management

a) Maturity pattern of certain items of assets and liabilities is given below:

(₹ in crore)

	As at 31 March 2022										Total
	1 day	2 to 7 days	8 to 14 days	15 to 30 Days	31 Days to months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	
Deposits	63.35	412.34	120.61	799.01	502.38	405.41	1,605.22	2,253.24	3,805.65	48.76	10,074.18
Loans & Advances*	129.88	95.74	79.46	269.48	470.37	474.82	1,421.56	2,602.86	3,481.36	515.79	10,228.15
Investments	37.71	83.12	166.84	162.56	147.97	80.69	263.55	492.84	864.17	12.71	2,347.92
Borrowings**	0.01	0.07	0.08	0.18	17.00	167.00	264.35	625.73	1,260.61	41.44	2,571.93
Foreign currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

a) Maturity pattern of certain items of assets and liabilities is given below:

(₹ in crore)

	As at 31 March 2021										Total
	1 day	2 to 7 days	8 to 14 days	15 to 30 Days	31 Days to months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	
Deposits	31.01	266.92	364.88	191.84	237.08	361.93	1,190.89	1,313.33	3,449.05	53.67	7,507.57
Loans & Advances*	140.34	77.78	91.71	254.70	422.81	437.18	1,257.23	2,171.31	2,965.40	283.48	8,216.86
Investments	735.32	35.12	87.46	25.25	84.45	49.84	221.56	294.63	705.61	42.80	2,313.94
Borrowings**	0.01	0.06	300.07	0.16	20.31	16.98	303.18	245.79	1,253.99	271.73	2,607.82
Foreign currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign currency Liabilities	-	-	-	-	-	-	4.57	4.57	-	-	9.14

* amounts disclosed are net off provision for non-performing assets

** includes foreign currency liabilities Nil (31 March 2021: ₹9.14 crore)

Note:

1. 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.

18.2.2 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.

Following is the quantitative disclosures relating to LCR for the year ended 31 March 2022, wherein the amounts are average of daily positions during the quarter:

	Three months ended 31 March 2022		Three months ended 31 December 2021			Three months ended 30 September 2021			Three months ended 30 June 2021		
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)										
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:										
(i)	Stable Deposits										
(ii)	Less Stable Deposits										
3	Unsecured wholesale funding, of which:										
(i)	Operational deposits (all counterparties)										
(ii)	Non-operational deposits (all counterparties)										
(iii)	Unsecured debt										
4	Secured wholesale funding										
5	Additional requirements, of which										
(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										

(₹ in crore)

	Three months ended 31 March 2022		Three months ended 31 December 2021				Three months ended 30 September 2021				Three months ended 30 June 2021			
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
6 Other contractual funding obligations	55.64	55.64			362.57	362.57	637.31	637.31	549.47	549.47				
7 Other contingent funding obligations	16.26	0.49			14.16	0.42	21.30	0.64	-	-				
8 TOTAL CASH OUTFLOWS		2,035.73				1,996.72		2,411.82		2,352.75				
Cash Inflow														
9 Secured lending (e.g. reverse repos)	-	-			-	-	-	-	-	-				
10 Inflows from fully performing exposures	547.79	273.89			521.47	260.74	508.23	254.11	499.49	249.74				
11 Other cash inflows	194.88	189.20			183.68	180.24	114.12	89.09	95.48	95.48				
12 TOTAL CASH INFLOWS	742.66	463.09			705.15	440.98	622.35	343.20	594.97	345.22				
13 TOTAL HQLA		2,726.60				3,427.91		3,674.25		3,857.51				
14 Total Net Cash Outflows (8-12)		1,572.64				1,555.74		2,068.62		2,007.53				
Liquidity Coverage Ratio (%)		173.38%				220.34%		177.62%		192.15%				

Following is the quantitative disclosures relating to LCR for the year ended 31 March 2021, wherein the amounts are average of daily positions during the quarter:

(₹ in crore)											
Three months ended 31 March 2021			Three months ended 31 December 2020			Three months ended 30 September 2020			Three months ended 30 June 2020		
Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)	3,067.22	3,205.44	3,091.52	2,574.50						
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:										
(i)	Stable Deposits	116.15	5.81	70.04	3.50	55.69	2.78	63.14	3.16		
(ii)	Less Stable Deposits	3,124.38	312.44	2,713.43	271.34	2,382.47	238.25	1,964.46	196.45		
3	Unsecured wholesale funding, of which:	1,851.36	1,294.60	1,388.55	933.62	1,348.67	855.10	1,165.63	711.71		
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-		
(ii)	Non-operational deposits (all counterparties)	755.49	198.73	609.13	154.20	576.09	82.52	551.26	97.34		
(iii)	Unsecured debt	1,095.87	1,095.87	779.42	779.42	772.58	772.58	614.37	614.37		
4	Secured wholesale funding		-	-	-	-	120.33	-	-		
5	Additional requirements, of which	320.34	16.02	303.14	15.16	276.29	13.81	242.31	12.12		
(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	320.34	16.02	303.14	15.16	276.29	13.81	242.31	12.12		

(₹ in crore)

	Three months ended 31 March 2021			Three months ended 31 December 2020			Three months ended 30 September 2020			Three months ended 30 June 2020		
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)
6 Other contractual funding obligations	559.55	559.55	472.71	472.71	472.71	252.57	252.57	252.57	129.37	129.37	129.37	129.37
7 Other contingent funding obligations	-	-	-	-	-	-	-	-	-	-	-	-
8 TOTAL CASH OUTFLOWS		2,188.42		1,696.33	1,696.33		1,482.84		1,052.81		1,052.81	
Cash Inflow												
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	481.02	240.51	459.50	229.75	229.75	164.11	82.06		-		-	
11 Other cash inflows	128.24	128.24	219.85	219.85	219.85	217.85	217.85	217.85	71.69	71.69	71.69	71.69
12 TOTAL CASH INFLOWS	609.26	368.75	679.35	449.60	449.60	381.96	299.91	299.91	71.69	71.69	71.69	71.69
13 TOTAL HQLA		3067.22		3205.44	3205.44		3091.52		2574.50		2574.50	
14 Total Net Cash Outflows (8-12)		1819.67		1246.73	1246.73		1182.93		981.12		981.12	
Liquidity Coverage Ratio (%)		168.56%		257.11%	257.11%		261.34%		262.41%		262.41%	

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 used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

18.3 Investments

18.3.1 Composition of Investments Composition of Investments as at 31 March 2022

	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	
Held to Maturity												
Gross	1,963.35						1,963.35					1,963.35
Less: Provision for non-performing investments (NPI)	-						-					-
Net	1,963.35						1,963.35					1,963.35
Available for Sale												
Gross	89.52					299.47	388.99					388.99
Less: Provision for depreciation and NPI	4.42					-	4.42					4.42
Net	85.10					299.47	384.57					384.57
Held for Trading												
Gross							-					-
Less: Provision for depreciation and NPI							-					-
Net							-					-
Total Investments	2,052.87					299.47	2,352.34					2,352.34
Less: Provision for non-performing investments	-					-	-					-
Less: Provision for depreciation and NPI	4.42					-	4.42					4.42
Net	2,048.45					299.47	2,347.92					2,347.92

Composition of Investments as at 31 March 2021

	Investments in India						Investments outside India				Total Investments	
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others		Total Investments outside India
Held to Maturity												
Gross	1,387.94	-	-	-	-	-	-	1,387.94	-	-	-	1,387.94
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	1,387.94	-	-	-	-	-	-	1,387.94	-	-	-	1,387.94
Available for Sale												
Gross	780.16	-	-	116.83	-	-	48.37	945.36	-	-	-	945.36
Less: Provision for depreciation and NPI	19.24	-	-	0.12	-	-	-	19.36	-	-	-	19.36
Net	760.92	-	-	116.71	-	-	48.37	926.00	-	-	-	926.00
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	2,168.10	-	-	116.83	-	-	48.37	2,333.30	-	-	-	2,333.30
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	19.24	-	-	0.12	-	-	-	19.36	-	-	-	19.36
Net	2,148.86	-	-	116.71	-	-	48.37	2,313.94	-	-	-	2,313.94

18.3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
i) Movement of provisions held towards depreciation on investments		
a) Opening balance	19.36	0.06
b) Add: Provisions made during the year	4.42	19.36
c) Less: Write off/write back of excess provisions during the year	19.36	0.06
d) Closing balance	4.42	19.36
ii) Movement of Investment Fluctuation Reserve		
a) Opening balance	18.91	5.24
b) Add: Amount transferred during the year	3.06	14.17
c) Less: drawdown	14.19	0.50
d) Closing balance	7.78	18.91
iii) Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category	2.00%	2.00%

18.3.3 Sale and transfers to/from HTM category

For the year ended 31 March 2022, 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. For the previous year ended 31 March 2021, 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, Where the value of sales and transfers of securities to/from HTM category exceeds 5 per cent of the book value of investments held in HTM category at the beginning of the year, banks shall disclose the market value of the investments held in the HTM category. The excess of book value over market value for which provision is not made shall also be disclosed. The 5 per cent threshold referred to above shall exclude:

- The one-time transfer of securities to/from HTM category with the approval of Board of Directors undertaken by banks at the beginning of the accounting year.
- Direct sales from HTM for bringing down SLR holdings in HTM category consequent to a downward revision in SLR requirements by RBI.
- Sales to the Reserve Bank of India under liquidity management operations of RBI like Open Market Operations (OMO) and the Government Securities Acquisition Programme (GSAP).
- Repurchase of Government Securities by Government of India from banks under buyback / switch operations.
- Repurchase of State Development Loans by respective state governments under buyback / switch operations.
- Additional shifting of securities explicitly permitted by the Reserve Bank of India.

18.3.4 Non-SLR investment portfolio

Non-performing non-SLR investments

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
a) Opening balance	-	-
b) Add: Addition during the year since 1st April	-	-
c) Less: Reduction during the above year	-	-
d) Closing balance	-	-
e) Total provision held	-	-

18.3.5 Issuer Composition of Non-SLR investments:

Issuer composition as at 31 March 2022 of non-SLR investments

(₹ in crore)

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSUs	-	-	-	-	-
2	FIs	99.90	-	-	-	-
3	Banks	149.67	-	-	-	-
4	Private Corporates	49.90	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	299.47	-	-	-	-

Issuer composition as at 31 March 2021 of non-SLR investments

(₹ in crore)

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSUs	40.71	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	124.49	23.59	-	-	-
7	Provisions held towards depreciation	(0.12)	-	-	-	-
	Total	165.08	23.59	-	-	-

18.3.6 Repo/Reverse Repo/MSF Transactions for the year ended 31 March 2022 (In Face Value Terms)

(₹ in crore)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2022
A	Securities sold under repo/MSF				
i.	Government securities	83.64	1,421.39	559.20	226.90
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-
B	Securities purchased under reverse repo				
i.	Government securities	0.91	1,726.57	668.92	1,202.39
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-

Repo/Reverse Repo/MSF Transactions during the year ended 31 March 2021 (In Face Value Terms)

(₹ in crore)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2021
	Securities sold under repo/MSF				
i.	Government securities	83.64	708.60	429.56	83.64
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-
	Securities purchased under reverse repo				
i.	Government securities	0.81	1,450.44	910.07	830.00
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-

- (i) The days on which there were Nil outstanding have been ignored while arriving at the amount of minimum outstanding during the year.
- (ii) Actual number of days of transactions have been considered in computation of daily average outstanding during the year.
- (iii) In respect of triparty repo and triparty reverse repo transactions, amount of funds borrowed or lent have been disclosed in the tables above

18.4 Asset Quality

18.4.1 Classification of advances and provisions held

(₹ in crore)

Particulars	As at 31 March 2022					
	Standard Advances	Non-performing Advances				Total
		Sub-standard	Doubtful	Loss	Total Non-performing Advances	
(i) Gross Standard Advances and NPAs						
Opening balance	8,100.39	311.04	4.24	-	315.28	8,415.67
Add: Additions during the year					653.83	
Less: Reductions during the year *					320.95	
Closing balance	9,982.56	615.80	32.36	-	648.16	10,630.72
* Reductions in Gross NPAs due to						
(i) Up – gradations					51.11	
(ii) Recoveries (excluding recoveries made from up-graded accounts)					50.46	
(iii) Technical/ Prudential Write-offs					219.38	
(iv) Write-offs other than those under (iii) above					-	
(ii) Provisions (excluding Floating Provisions)						
Opening balance of provisions held	38.35	194.56	4.24	-	198.80	237.15
Add: Fresh provisions made during the year					472.32	
Less: Excess provision reversed/ Write-off loans **					268.54	
Closing balance of provisions held	48.92	370.30	32.28	-	402.58	451.50
(iii) Net NPAs						
Opening balance		116.48	-	-	108.81 ***	
Add: Fresh additions during the year					179.40	
Less: Reductions during the year					52.41	
Closing balance		245.50	0.08	-	235.80 ****	
(iv) Floating Provision						
Opening balance						7.67
Add: Additional provision made during the year						2.11
Less: Amount drawdown during the year						-
Closing balance of floating provision						9.78
(v) Technical write-offs and the recoveries made thereon						
(a) Opening balance Technical/ Prudential written-off accounts						240.54
(b) Add: Technical/ Prudential write-offs during the year						219.38
(c) Less: Recoveries made from previously technical/ prudential written-off accounts during the year						29.46
(d) Closing balance						430.46

Particulars	As at 31 March 2021					Total
	Standard Advances	Non-performing Advances			Total Non-performing Advances	
		Sub-standard	Doubtful	Loss		
(i) Gross Standard Advances and NPAs						
Opening balance	6,264.30	41.01	3.64	-	44.65	6,308.95
Add: Additions during the year					309.58	
Less: Reductions during the year *					38.95	
Closing balance	8,100.39	311.04	4.24	-	315.28	8,415.67
* Reductions in Gross NPAs due to						
(i) Up – gradations					2.98	
(ii) Recoveries (excluding recoveries made from up-graded accounts)					0.64	
(iii) Technical/ Prudential Write-offs					35.33	
(iv) Write-offs other than those under (iii) above					-	
(ii) Provisions (excluding Floating Provisions)						
Opening balance of provisions held	31.07	23.71	3.64	-	27.35	58.42
Add: Fresh provisions made during the year					208.91	
Less: Excess provision reversed/ Write-off loans **					37.46	
Closing balance of provisions held	38.35	194.56	4.24	-	198.80	237.15
(iii) Net NPAs						
Opening balance		17.30	-	-	11.09 ***	
Add: Fresh additions during the year					99.21	
Less: Reductions during the year					1.49	
Closing balance		116.48	-	-	108.81 ****	
(iv) Floating Provision						
Opening balance						6.21
Add: Additional provision made during the year						1.46
Less: Amount drawdown during the year						-
Closing balance of floating provision						7.67
(v) Technical write-offs and the recoveries made thereon						
(a) Opening balance Technical/ Prudential written-off accounts						209.55
(b) Add: Technical/ Prudential write-offs during the year						35.33
(c) Less: Recoveries made from previously technical/ prudential written-off accounts during the year						4.34
(d) Closing balance						240.54

** Write back includes excess provision ₹49.16 crores and Reversal on account of write off ₹219.38 crores (31 March 2021)
Write back includes excess provision ₹2.13 crores and Reversal on account of write off ₹35.33 crores)

*** net off floating provisions amounting to ₹7.67 crores (31 March 2021: ₹6.21 crores)

**** net off floating provisions amounting to ₹9.78 crores (31 March 2021: ₹7.67 crores)

The movement of NPA and provision for NPA (excluding write off) does not include accounts classified as NPA and were upgraded during the year.

The closing NPA Provision of 31 March 2022 includes provision against fraud cases amounting to ₹2.69 crores.

Bank had accelerated the provisioning matrix by 15% for all sub-standard advances in March 2021 Quarter, which was continued till June 2021. From July 21 onwards considering the current analysis of portfolio and collection, Bank has changed its provisioning matrix which is higher than prescribed by RBI. Further, with effect from January 2022, the Bank has revised its policy in relation to secured portfolio which is in line with RBI guidelines. The Impact of such change in provisioning is ₹89.76 crores.

During the year ended March 2021, the Bank has made change in accounting estimate with respect to provision towards NPA portfolio. As a result, provisions and contingencies for the year ended 31 March, 2021 are higher by ₹46.66 crores followed by corresponding reduction to the profit before tax.

Ratios (in Per Cent)	As at 31 March 2022	As at 31 March 2021
Gross NPA to Gross Advances	6.10%	3.75%
Net NPA to Net Advances	2.31%	1.33%
Provision coverage ratio	63.62%	65.49%

18.4.2 Sector Wise Advances and Gross NPAs:

(₹ in crore)

Sl. No.	Sector	As at 31 March 2022		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	5,756.37	435.44	4.93%
2	Advances to industries sector eligible as priority sector lending	693.53	38.10	0.43%
	Textiles	221.85	15.38	0.17%
	Vehicle, Vehicle parts and Transport Equipment	128.87	4.10	0.05%
	Food Processing	99.19	9.60	0.11%
3	Services	2,062.30	127.76	1.45%
	Trade	1,378.05	62.24	0.71%
	Other services	438.62	56.35	0.64%
4	Personal loans	316.02	16.43	0.19%
	Housing	173.44	7.13	0.08%
	Vehicle	126.74	-	0.00%
	Sub-total (A)	8,828.22	617.73	7.00%
B	Non Priority Sector			
1	Agriculture and allied activities	7.42	-	0.00%
2	Industry	142.55	1.10	0.06%
	Vehicle, Vehicle parts and Transport Equipment	115.04	1.08	0.06%
3	Services	1,451.23	18.79	1.04%
	Non-banking financial companies	857.63	-	0.00%
4	Personal loans	201.30	10.54	0.58%
	Housing	193.55	10.12	0.56%
	Sub-total (B)	1,802.50	30.43	1.68%
	Total (A+B)	10,630.72	648.16	6.10%

(₹ in crore)

Sl. No.	Sector	As at 31 March 2021		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	4,873.07	202.44	2.79%
2	Advances to industries sector eligible as priority sector lending	180.94	5.62	0.08%
	All engineering	35.29	1.06	0.01%
	Food processing	39.98	2.16	0.03%
	Wood and wood products	48.79	1.04	0.01%
3	Services	2,023.25	84.74	1.17%
	Trade	948.47	29.93	0.41%
	Other services	244.58	21.87	0.30%
4	Personal loans	172.49	10.62	0.15%
	Housing	112.04	1.34	0.02%
	Sub-total (A)	7,249.75	303.42	4.19%
B	Non Priority Sector			
1	Agriculture and allied activities	1.39	0.01	0.00%
2	Industry	4.07	0.07	0.01%
	All Engineering	0.44	-	0.00%
	Food processing	0.92	0.02	0.00%
3	Services	1,047.73	8.20	0.70%
	Non-banking financial companies	490.80	-	0.00%
4	Personal loans	112.72	3.59	0.31%
	Housing	112.25	0.59	0.05%
	Sub-total (B)	1,165.91	11.87	1.02%
	Total (A+B)	8,415.66	315.29	3.75%

* 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 18.14.4

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.

For loans disbursed prior to 1 July 2020, the existing circular before the below mentioned revised circular was considered for classification of loan under Priority Sector Lending.

The Bank has classified loan under Priority Sector Lending (PSL) across various categories based on Master Directions FIDD. CO.Plan.BC.5/04.09.01/2020-21 dated 04 September 2020 with effect from 01 July 2020.

18.4.3 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

18.4.4 Particulars of Restructured Accounts:

During the year ended 31 March 2022 and 31 March 2021, the Bank has not implemented Resolution Plan for any of the borrowers in accordance with the RBI Circular dated June 7, 2019 on Prudential Revised Framework for Resolution of Stressed Assets ("Framework").

18.4.5 Divergence in asset classification and provisioning:

RBI vide circular no. DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and DBR.BP.BC.No.32/21.04.018/2018-19 dated April 01, 2019, has directed that banks shall make suitable disclosures, wherever (a) the additional provisioning requirement assessed by RBI exceeds 10 percent of the reported profit before provisions and contingencies for the reference period, or (b) the additional Gross NPA identified by RBI exceeds 15 percent of the published incremental Gross NPA for the reference period, or both. The financial statements for the year ended 31 March 2022 and 31 March 2021 have not been subjected to inspection by RBI as on date of financials and accordingly, the said disclosure is not applicable.

18.4.6 Transfer of loans exposures

(a) Details on loans not in default

- (i) Loans acquired during the year ended 31 March 2022 under the RBI Master Direction on Transfer of Loan Exposure dated 24th September, 2021 are given below:

(₹ in crores except number of months)

Particulars	Retail Segment	
	Assignment (MSME)**	
	Wheels	MSME
Mode of acquisition		
Aggregate principal outstanding of loans acquired as at 31 March 2022	78.08	14.67
Weighted average residual maturity (Number of months)	44.09	104.47
Weighted average holding period (Number of months)*	12.67	10.26
Retention of beneficial economic interest by the originator	10%	10%
Coverage of tangible security (Weighted average LTV)	Weighted Average LTV 90%	Weighted Average LTV 61%
Rating-wise distribution of loans acquired by value	NA	NA

* Weighted average holding period is contract origination date to pool cut off date

** As per SFB operational guidelines to meet the requirement of shortfall in meeting the sub-targets with in 40% PSL target

- (ii) There is no transfer of loan not in default during the year ended 31 March 2022 and 31 March 2021.

(b) Details of stressed loans transferred / acquired during the year

There is no transfer or acquisition of stressed loans (NPA / SMA) during the year ended 31 March 2022 and 31 March 2021.

18.4.7 Security Receipts (SR)

There is no investments held as security receipts received by sale of NPA to Securitization / Reconstruction Company as at 31 March 2022 and 31 March 2021.

18.4.8 Details of provisioning pertaining to fraud accounts

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Number of frauds reported	*87	30
Amount involved in frauds	32.58	0.24
Amount of provision made for such frauds	31.43	0.19
Amount of Unamortised provision debited from 'other reserves' as at the end of the year	10.52	-

The Bank has recovered the amount of ₹1.15 crore (31 March 2021 - ₹0.05 crore) against amount involved in frauds/robbery cases from accused staff as well as from insurance partner till 31 March 2022.

*Total 115 have been considered as 1 fraud for reporting purpose in line with FMR reports.

During the year ended 31 March 2022, the Bank recognized exposure in respect of 115 accounts with an outstanding of ₹29.95 crore (NPA: ₹11.62 crore) as fraud and provided in full, in accordance with the RBI Circular dated April 18, 2016, by debiting ₹19.43 crores to Profit and Loss Account (NPA Provision ₹10.26 crore) and ₹10.52 crores to Balance in Profit and Loss Account under 'Reserves and Surplus'. In accordance with the said RBI Circular, the Bank has charged to the Profit and Loss account an amount of ₹19.43 crores during the year ended 31 March 2022. The balance amount will be reversed to Profit and Loss Account in the ensuing two quarters in the financial year 2022-23.

18.4.9 Disclosure under Resolution Framework for COVID-19-related Stress:

(₹ in crore except number of accounts)

Type of borrower	(A) Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of 30 September 2021**	Of (A), aggregate debt that slipped into NPA during the half year	Of (A) amount written off during the half year	Of (A) amount paid by the borrowers during the half year	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of 31 March 2022
Personal Loans	94.86	19.37	0.00	34.86	40.63
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	346.36	125.20	0.01	130.95	90.20
Total	441.22	144.57	0.01	165.81	130.83

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

** Includes cases where request received till September 30, 2021 and implemented subsequently.

Amount paid by the borrower during the half year is net of addition in the borrower account including additions due to interest capitalization.

RBI vide a circular dated January 1, 2019 permitted a one-time restructuring of existing loans to Micro Small and Medium Enterprises (MSME) without a downgrade in the asset classification, and this facility was extended vide circular dated February 11, 2020, circular dated August 6, 2020 and circular dated May 5, 2021 subject to certain conditions. Details of such loans to MSME that are restructured under the extant guidelines and classified as standard are as below:

(₹ in crore except number of accounts)

Year ended	No. of accounts restructured	Amount Outstanding - Restructured facility	Amount Outstanding - Other facilities of the customer
31-Mar-22	6	0.41	0.02
31-Mar-21	0	0.00	0

18.5 Exposure

18.5.1 Exposure to Real Estate Sector

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
1) Direct exposure		
(a) Residential Mortgages -	1,093.99	590.91
of which housing loans eligible for inclusion in priority sector advance	178.91	120.04
(b) Commercial Real Estate	16.71	14.69
(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)	90.31	86.89
Total Exposure to Real Estate Sector	1,201.01	692.49

Exposure to residential mortgage includes collateral in the nature of commercial property of ₹242.42 crores as on 31 March 2022. (31 March 2021 - ₹97.23 crores)

18.5.2 Exposure to Capital Market:

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(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;	-	-
(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)	-	-
Total Exposure to Capital Market	-	-

18.5.3 Risk Category wise Country Exposure:

The Bank's exposures are concentrated in India, hence country risk exposure as at 31 March 2022 is ₹Nil (31 March 2021: ₹Nil).

18.5.4 Unsecured Advances

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
i) Total unsecured advances of the bank	7,978.63	7,081.11
ii) Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	-	-
iii) Estimated value of such intangible securities	-	-

18.5.5 Advances secured by book debts

Advances secured by tangible assets includes advances against book debts of ₹888.49 crores (31 March 2021: ₹475.08 crores)

18.5.6 Factoring exposures

The Bank does not have factoring exposure as on 31 March 2022 and 31 March 2021.

18.5.7 Intra-Group exposures

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
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	-	-
Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	-	-

18.5.8 Unhedged Foreign Currency Exposure (UFCE) of Bank's Customer

The borrowers of the Bank do not have any Unhedged Foreign Currency Exposure as at 31 March 2022 and 31 March 2021.

18.5.9 Details of Single / Group Borrower limit

The Bank has complied with the limits prescribed under extant guidelines with regards to exposure to single borrower and group of the borrower during the year ended 31 March 2022 and 31 March 2021.

18.6 Concentration of Deposits, Advances, Exposures and NPAs**18.6.1 Concentration of Deposits**

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Total Deposits of twenty largest depositors	2,895.27	2,026.28
Percentage of deposits of twenty largest depositors to total deposits of the Bank	28.74%	26.99%

18.6.2 Concentration of Advances

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Total Advances to twenty largest borrowers*	578.32	426.83
Percentage of advances to twenty largest borrowers to total advances	5.44%	5.07%

* excluding advances against Bank's own term deposits

18.6.3 Concentration of Exposures

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Total Exposure to twenty largest borrowers / customers	760.39	527.34
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	6.96%	6.15%

Credit Exposure excludes the exposures which are 100% cash backed

18.6.4 Concentration of NPA's

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Total Exposure to the top twenty NPA accounts	6.81	2.66
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	1.05%	0.84%

18.7 Derivatives :

18.7.1 Forward Rate Agreement/ Interest Rate Swap/ Cross currency swap :

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
i) The notional principal of swap agreements *	-	7.93
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	1.21
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	-	1.05

* Pertains to cross currency swap

18.7.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
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 year ended	-	-
3 Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding and not "highly effective" as on year ended	-	-
4 Mark-to-Market value of exchange traded interest rate derivatives and currency derivatives outstanding and not "highly effective" as on year ended	-	-

18.7.3 Risk Exposure in Derivatives:

The Bank has not engaged in any derivatives contracts during the year ended 31 March 2022 and 31 March 2021. However, Bank acquired a CCS contract pursuant to Business Transfer Agreement from Holding Company in the year ended 31 March 2017. The disclosure to the extent applicable is given below.

Qualitative disclosure on risk exposure in derivatives as at 31 March 2022

Banks shall disclose their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The disclosure shall also include:

- the structure and organization for management of risk in derivatives trading,
- the scope and nature of risk measurement, risk reporting and risk monitoring systems,
- policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
- accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

Quantitative disclosure on risk exposure in derivatives

(₹ in crore)

Sr. Particular No.	For the year ended 31 March 2022			
	Currency derivatives			Interest rate derivatives
	Forward Contract	Currency Option	Currency Swap	
(i) Derivatives (Notional Principal Amount)				
a) For hedging	-	-	-	-
b) For trading	-	-	-	-
(ii) Marked to Market Positions				
a) Asset (+)	-	-	-	-
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	-	-	-	-
Nil	-	-	-	-
b) on trading Nil	-	-	-	-
Nil	-	-	-	-

(₹ in crore)

Sr. No.	Particular	For the year ended 31 March 2021			
		Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	7.93*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	-	-	1.05	-
	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	-	-	-
		Nil	-	-	-
	b) on trading	Nil	-	-	-
		Nil	-	-	-

* Pertains to cross currency swap

18.7.4 Credit Default Swap

The Bank has not entered into Credit Default Swap during the year ended 31 March 2022 and previous year ended 31 March 2021.

18.8. Disclosures relating to Securitization

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
1. No of SPEs holding assets for securitisation transactions originated by the originator	-	-
2. Total amount of securitised assets as per books of the SPEs	-	-
3. Total amount of exposures retained by the originator 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	-	-
* Others	-	-
4. Amount of exposures to securitisation transactions other than MRR	-	-
a) Off-balance sheet exposures	-	-
i) Exposure to own securitizations	-	-

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
* First loss	-	-
* Others	-	-
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	-	-
5. Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation	-	-
6. Form and quantum (outstanding value) of services provided by way of credit enhancement, liquidity support, post-securitisation asset servicing, etc.	-	-
7. Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided. (a) Amount paid (b) Repayment received (c) Outstanding amount	-	-
8. Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc.	-	-
9. Amount and number of additional/top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans, etc.	-	-
10. Investor complaints (a) Directly/Indirectly received and; (b) Complaints outstanding	-	-

18.9 Off- Balance Sheet SPVs sponsored

There are no off balance sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

18.10 Transfers to Depositor Education and Awareness Fund (DEA Fund)

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Opening balance of amounts transferred to DEA Fund	-	-
Add: Amounts transferred to DEA Fund during the year	-	-
Less: Amounts reimbursed by DEA Fund towards claims	-	-
Closing balance of amounts transferred to DEA Fund	-	-

18.11 Disclosure of complaints:**18.11.1 Summary information on complaints received by the bank from customers and from the Offices of Ombudsman**

Sr. No	Complaints received by the bank from its customers	As at 31 March 2022	As at 31 March 2021
	Complaints received by the bank from its customers		
1	Number of complaints pending at beginning of the year	239	51
2	Number of complaints received during the year *	18,469	12,615
3	Number of complaints disposed during the year *	18,566	12,427
3.1	Of which, number of complaints rejected by the bank	79	64
4	Number of complaints pending at the end of the year	142	239
	Maintainable complaints received by the bank from Office of Ombudsman		
5	Number of maintainable complaints received by the bank from Office of Ombudsman	47	58
5.1	Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	46	52
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	1	3
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the Scheme.

* The above information does not include complaints redressed within 1 working day and is as certified by the Management and relied upon by the auditors

18.11.2 Top five grounds of complaints received by the bank from customers:

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
As at 31 March 2022					
Ground - 1 (Account opening/difficulty in operation of accounts)	112	4,998	37%	25	-
Ground - 2 (Internet/Mobile/Electronic Banking)	37	4,912	69%	27	-
Ground - 3 (ATM/Debit Cards)	33	3,817	109%	52	-
Ground - 4 (Loans and advances)	1	1,293	153%	14	-
Ground - 5 (Mis-selling/Para-banking)	-	420	57%	-	-
Others	56	3,029	-12%	24	-
Total	239	18,469	46%	142	-

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
As at 31 March 2021					
Ground - 1 (Account opening/ difficulty in operation of accounts)	2	3,658	-56%	112	-
Ground - 2 (Internet/Mobile/ Electronic Banking)	15	2,907	-17%	37	1
Ground - 3 (ATM/Debit Cards)	10	1,825	-48%	33	-
Ground - 4 (Loans and advances)	-	512	-81%	1	-
Ground - 5 (Mis-selling/Para- banking)	2	268	-73%	-	-
Others	22	3,445	-2%	56	-
Total	51	12,615	-44%	239	1

Note :- above disclosure is compiled by management and relied upon by auditors

18.12 Penalties imposed by the Reserve Bank of India

Enforcement Department, RBI Central Office, vide its letter dated July 6, 2021 and Order of date issued by the Adjudicating Committee of Executive Directors of RBI, advised of having imposed a monetary penalty of ₹1 crore on the Bank by RBI in exercise of the powers conferred under Section 47A read with Section 46(4) of the Banking Regulation Act, 1949. The penalty has been levied in the matter of contravention of RBI directions by the Bank observed with respect to the advances sanctioned to a NBFC and its Group companies in February 2018. The Bank paid the penalty amount of ₹1 crore to RBI on July 17, 2021. No penalty was imposed by RBI on the Bank during the year ended 31 March 2021.

18.13 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 31 Mar 2022, The NRC comprises of two Independent Directors viz Mr. Kajal Ghose and Mr. Parveen Kumar Gupta, one non-independent Director viz Mr. Muralidharan Rajamani and one Nominee Director viz Ms. Anita Ramachandran (the Nominee Director has remained in NRC till 22 Mar 2022).

Role and functions of the Committee related to Nomination

A. Appointment criteria and qualifications

- To identify and approve appointment of persons who are qualified to become directors in the bank and who may be appointed as KMPs or SMPs in the bank, who possess integrity, independence, adequate knowledge, skill, qualification, experience in the field of his/her specialisation commensurate with the proposed role and responsibility as Director, KMP or SMP and shall have the ability to manage the responsibility assigned to him/her.
- To ensure that the Bank appoints or continues the employment of any person as Managing Director / Whole-time Director subject to the conditions laid down under Part I of Schedule V of the Companies Act, 2013 and in line with extant RBI guidelines and relevant provisions of the Banking Regulation Act 1949.

- iii) To ensure that the Bank shall appoint or continue the service of any person as Independent Director subject to the provisions of Section 149 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and Banking Regulation Act 1949.
- iv) Appointment for any Senior Management Personnel (Executives one level below the MD & CEO) shall be approved by the Committee, subject to the candidate having been interviewed by at least two (2) members of the Committee. Basis the recommendation of the panel members, the Committee may approve the appointment. Appointment of any executive whose fixed salary exceeds ₹0.70 crores p.a. will need to be approved by the NRC.

B. Following are the functions of Nomination and Remuneration Committee:

1. 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.
2. 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.
3. To evaluate the performance of the members of the Board and provide necessary report to the Board
4. Advise criteria for evaluation of Independent Directors and the Board & its Committees and carry out evaluation of every directors' performance.
5. To formulate the criteria for determining qualifications, positive attributes and independence of a director.
6. To recommend to the Board a policy, relating to the remuneration for directors, Key Managerial Personnel, Senior Management Personnel and other employees.
7. To formulate criteria for payment to Key Managerial Personnel and Senior Management Personnel performance based incentives / rewards based on Bank's performance.
8. Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
9. 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.
10. 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.
11. Review and recommend to the Board for approval 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.
12. 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.
13. Recommend to the Board the compensation payable to the Non-Executive Chairman of the Bank.
14. Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any material changes in the organization structure which could have wide ranging implications.

15. Review and recommend to the Board for approval of various other HR related policies including the Talent Management Policy and Succession Policy in the Bank for ensuring business continuity, especially at the level of Board, MD & CEO, other Whole Time Directors, Senior Management Personnel (one level below the MD & CEO and other key roles).

16. Review and recommend to the Board for approval:

1. the creation of new positions one level below MD & CEO, wherever required
2. appointments, promotions and exits of senior managers one level below the MD & CEO

b) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

No external consultant has been engaged in the current year.

c) Scope of the Bank's remuneration policy (eg. 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 09 January 2017 and the same has been reviewed by the Board of Directors in its meeting in 20 March 2021 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further the NRC has approved the revised remuneration structure of Managing Director and CEO subject to approval of Reserve Bank of India. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. The policy is applicable to MD & CEO, WTD and employees in Risk and Compliance department.

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 31 March 2022 were 12,617 (31 March 2021: 10,361)

B. Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Nomination and Remuneration Committee ("NRC") and the Board, 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 also 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.

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: There has been no change in the Bank's remuneration policy during the past year.

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 individual and overall functional performance and is not linked to any business outcomes. The same is also reflected in their KRA's. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk and Compliance.

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: There has been no change in the nature and type of measures over the past year.

D. Description of the ways in which the Bank seeks to link performance during a performance measurement year 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.

As a part of the performance management process in the bank at the beginning of each financial year, the bank rolls out individual KRA's to each and every employee in the bank. These KRA's are broken down based on the strategic objectives and business budgets set by the Board of the bank. Apart from regular feedback which each manager provides to his / her subordinates a bank as formal process of Mid-Year Review and Year End Review to assess performance of each role holder in the bank. Based on the performance review at an organizational / Functional / Individual the bank decided on percentage of salary increments to be given at various levels of performance.

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 various deferral arrangement of variable remuneration in the bank broadly are as follows –

- a) For MD & CEO & Senior Management Team – As per the RBI guideline on Material Risk Takers, MD & CEO & SMT who have been classified as MRT's suitable deferral is being done. For FY 2020-21, as a part of the MD & CEO – 1.27 Crore (comprising cash ₹0.063 Cr. and non-cash ₹0.64 Cr) is approved as variable for the performance period FY 2020-21, out of which cash ₹0.63 Cr. is adjusted with the excess fixed pay of the MD & CEO for the financial year 2021-22 from the available cash bonus upfront.
- b) All ESOP 's which are granted across all levels in the organization have deferral arrangement in them
- c) Monthly / Quarterly Variable Pay – Based on the nature of the scheme , deferral arrangements are made in the same which differ from channel to channel.

The fraction of deferral to be considered is dependent upon –

- a) Guidelines issued by the Regulator from time to time
- b) Approval as per the overall performance framework approved by the NRC and the Board
- c) Driving right behaviours via the various incentive schemes.

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. This policy deals with the deferred payment of variable pay and claw back rule. In the year ended 31st Mar'22, an amount of ₹0.10 Cr. was paid to MD & CEO as a part of variable pay for the FY 2019-20.

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 Chief Manager and above grade subject to performance. Employees in sales function do have incentives based on monthly business performance.

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 KRA at the beginning of year and achievement against them.

Quantitative Disclosure–

As at 31 March 2022 and 31 March 2021 the quantitative disclosure covers MD & CEO and Material Risk takers.

(₹ in crore, except numbers)

Sr. No.	Particulars	As at 31 March 2022	As at 31 March 2021
1(i)	Number of meetings held by the Nomination and Remuneration Committee during the financial year.	6	10
1(ii)	Remuneration paid to its members during the financial year (sitting fees)	0.08	0.11
2(i)	Number of employees having received a variable remuneration award during the financial year.	7	5
2(ii)	Number and total amount of sign-on awards made during the financial year.	-	-
2(iii)	Details of Joining bonus, if any, paid as joining / sign on bonus	-	-
2(iv)	Details of severance pay, in addition to accrued benefits, if any.	-	-

(₹ in crore, except numbers)

Sr. No.	Particulars	As at 31 March 2022	As at 31 March 2021
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	For MD & CEO, ₹1.27 crores (comprising cash ₹0.63 crores and non-cash ₹0.64 crores is approved as variable for the performance period FY 2020-21, out of which cash ₹0.63 crores is adjusted with the excess fixed pay of the MD & CEO for the financial year 2020-21 from the available cash bonus upfront. The deferred non cash remuneration in the form of ESOPs are as below- In FY 22-23 - 0.35 crores In FY 23-24 - 0.17 crores In FY 24-25 - 0.07 crores ESOPs offered to material risk takers have deferral clauses as per existing USFBL - ESOP scheme and the deferred cost of ESOPs are as below- In FY 22-23 - 0.61 crores In FY 23-24 - 0.36 crores In FY 24-25 - 0.12 crores In FY 25-26 - 0.04 crores	For MD & CEO Annual Cash Bonus of 0.45 crores for FY 19 -20 has been split into the following In FY 19-20 - 0.25 crores In FY 20-21 - 0.06 crores In FY 21-22 - 0.07 crores In FY 22-23 - 0.07 crores The same is subject to RBI approval. Apart from the above, ESOPS have also been proposed for MD & CEO as per USFBL - ESOP scheme. These are also subject to RBI approval Apart from that the UCL ESOPs offered to VP and above employees have deferral clauses as per the existing UCL - ESOP scheme
3(ii)	Total amount of deferred remuneration paid out in the year.	-	-
4	Breakdown of amount of remuneration awards for the year *	-	-
	Fixed	Fixed : 6.88	Fixed : 7.12
	Variable	Variable: 0.6	Variable: 0.76
	Deferred	Deferred: Nil	Deferred: Nil
	Non-deferred	Non-deferred: 7.48	Non-deferred: 7.88
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	-	-
6	Number of MRTs identified**	7 MRTs & 1 WTD	8 MRTs & 1 WTD
7(i)	Number of cases where malus has been exercised.	-	-
7(ii)	Number of cases where clawback has been exercised.	-	-

(₹ in crore, except numbers)

Sr. No.	Particulars	As at 31 March 2022	As at 31 March 2021
7(iii)	Number of cases where both malus and clawback have been exercised.	-	-
8	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	0.03 crores & 51 times	0.03 crores & 55 times

*Remuneration excludes the cost accounted under Employee Stock Option Plan of the Holding Company and Gratuity & Leave encashment related costs which is accounted at entity level based on actuarial valuation.

** As per RBI Circular No.23/29.67.001/2019-20 dtd 04 November 2019 effective from FY 2020-21.

Accrual of bonus have not been considered since employee level bifurcation is not available at the time of provision for bonus. The bonus paid during the year pertains to previous financial years.

Apart from the above, variable pay amounting to ₹0.20 crores has been approved by RBI for MD & CEO for FY 2019-20. Cash component of ₹0.10 crores of the same has been paid to MD & CEO during current year. The balance ₹0.10 crores is in the form of USFBL - ESOPs as per RBI approval.

Apart from the above, ₹1.27 crores (comprising cash ₹0.063 crores and non-cash ₹0.64 crores) is approved as variable for the performance year FY 2020-21, out of which cash ₹0.63 Cr. is adjusted with the excess fixed pay of the MD & CEO for the financial year 2020-21 from the available cash bonus upfront.

18.14.1 Business Ratios:

(in crores except percentages and ratio)

Particulars	As at 31 March 2022	As at 31 March 2021
(i) Interest income as a % to Working funds ¹	14.43%	14.64%
(ii) Non-Interest income as a % to Working funds ¹	1.44%	1.16%
(iii) Cost of deposits ⁶	7.01%	8.01%
(iv) Net interest margin ⁷	8.80%	8.34%
(v) Operating profit ² as a % to Working funds ¹	3.97%	3.88%
(vi) Return on Assets ⁴ (Working funds ¹)	0.48%	1.04%
(vii) Business ³ (Deposit plus Net Advance) per employee ⁵	1.55	1.47
(viii) Profit per employee ⁵ *	0.01	0.01

Notes

- 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.
- Operating profit is net profit/ (loss) for the year before provisions and contingencies.
- "Business" means net advances plus deposits (excluding inter-bank deposits).
- Return on Assets is net profit/ (loss) after tax divided by working funds.
- Productivity ratios are based on average employee number.
- Cost of deposit as % to average deposit
- Net interest income as % to sum of average portfolio and average investments

*Profit per employee is ₹54,483 [31 March 2021: ₹122,175]

18.14.2 Disclosure of Fees / Remuneration Received in respect of Bancassurance Business

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
i) Fee / Remuneration from Life Insurance Business	14.88	7.96
ii) Fee / Remuneration from General Insurance Business	0.07	0.01

18.14.3 Disclosure of Fees / Remuneration Received in respect of Marketing and distribution

The Bank has received ₹0.36 crores towards marketing & distribution during the year ended 31 March 2022. (31 March 2021: ₹2.10 crores)

18.14.4 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
General category	-	-
Micro enterprises	-	-
Agriculture	-	-
Small/marginal farmers	9,255.00	4,100.00
Total	9,255.00	4,100.00

Following are the details of PSLC purchased by the Bank.

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
General category	-	-
Micro enterprises	750.00	-
Agriculture	-	-
Small/marginal farmers	-	-
Total	750.00	-

18.14.5 Break up of Provisions and Contingencies debited to Profit & Loss Account

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
i) Provisions for NPI	-	-
ii) Provision towards NPA	202.43	171.45
iii) Provision made towards Income tax	52.94	60.08
iv) Other Provisions and Contingencies	192.50	75.69
a Technical write off	219.38	35.24
b Provision for standard assets	10.57	7.28
c Provision on restructured assets	(29.27)	52.65
d Floating provision	2.11	1.46
e Provisions made towards deferred Tax (Net)	(34.69)	(20.46)
f Provision against fraud	9.17	-

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
g Contingency provision	65.00	-
h Provision on COVID 19	(50.13)	0.17
i Provision on SMA due to COVID 19	-	(1.40)
j Others	0.36	0.75
Total provisions	447.87	307.22

18.14.6 Implementation of IFRS converged Indian Accounting Standards (Ind AS)

The Bank submits its Proforma Ind-AS financials on half yearly basis to RBI based on the GAP assessment carried out by the Bank. The Bank is currently handling the impact analysis and reporting offline by using excel based models. However, the Bank is in the process of identifying system solutions and hiring skilled resources to implement Ind-AS accounting.

18.14.7 Payment of DICGC Insurance Premium (including GST)

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
i) Payment of DICGC Insurance Premium	8.24	5.40
ii) Arrears in payment of DICGC premium	-	-

18.14.8 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 31 March 2022 and previous year ended 31 March 2021.

18.14.9 Details of item under Other expenditure head exceeds one per cent of the total income

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Banking software charges	44.77	38.25

18.14.10 Details of item under Miscellaneous income head exceeds one per cent of the total income

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
i Income from sale of Priority sector lending certificate	66.91	63.73
ii Recovery in written off account	29.66	0.10

18.15 Earnings Per Share (EPS)

(₹ in crore, except per share data)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Basic		
Weighted average number of equity shares - Basic	878,110,556	765,128,330
Net profit after tax available for equity shareholders (₹)	61.46	111.82
Basic earnings per share	0.70	1.46
Diluted		
Weighted average number of equity shares - Basic	878,110,556	765,128,330
Add: Weighted average number of potential equity shares on account of employee stock options	2,097,153	0
Weighted average number of equity shares - Diluted	880,207,709	765,128,330
Net profit after tax available for equity shareholders (₹)	61.46	111.82
Diluted earnings per share	0.70	1.46
Face value per share	10	10

18.16 Employee Stock Option Plan ("ESOP") -

A. Options granted by Holding Company

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 1,200,000 equity shares have been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved by the Holding Company for the purpose of ESOP scheme.

During the year ended 31 March 2022, the Holding Company granted Nil options to the Bank's employees (31 March 2021: 2,159,575 options).

The options vested can be exercised within a period 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	Special grant
On completion of 1 year	25%	10%
On completion of 2 years	25%	20%
On completion of 3 years	25%	45%
On completion of 4 years	25%	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 01 April 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 31 March 2022	For the year ended 31 March 2021
Number of equity shares:		
Outstanding at the beginning of the year	4,910,739	3,856,398
Granted during the year	-	1,659,575
Granted during the year with grant effective date pertaining to FY 2019-20	-	500,000
Lapsed/Cancel during the year	633,617	685,829
Exercised during the year	717,462	207,558
Previous year adjustments	-1,300	-211,847
Outstanding at the end of year	3,558,360	4,910,739
Exercisable at the end of year	1,291,488	1,118,318

The compensation cost is calculated based on the intrinsic value method, 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 Holding company'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 31 March 2022	For the year ended 31 March 2021
Profit/(loss) after tax		
- As reported	61.46	111.82
- Proforma	56.84	106.93
(Loss)/Earnings per share		
Basic		
Weighted average number of shares	878,110,556	765,128,330
EPS as reported (₹)	0.70	1.46
Proforma EPS (₹)	0.65	1.40

The following assumptions are used for calculation of fair value of grants issued.

(₹ in crore, except per share data)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Dividend yield	0.00%	0.00%
Expected volatility	61% to 47%	61% to 47%
Risk free interest rate	4.39 % to 5.55%	4.39 % to 5.55%
Expected life in years	2 to 5	2 to 5

B. Out of options granted by Bank

During the FY 2019-20, 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.

During the year the Bank has granted 16,234,694 option under the Utkarsh Small Finance Bank Limited (USFBL) Employee Stock Option Plan 2020, to employees as under :-

Date of Grant	For the year ended 31 March 2022		For the year ended 31 March 2021	
	Number of Options	Exercise Price	Number of Options	Exercise Price
November 6, 2020 *	71,377	14.01	-	-
August 1, 2021	15,611,500	27.00	-	-
October 1, 2021	15,000	30.00	-	-
October 18, 2021 to January 1, 2022	80,000	31.80	-	-
January 22, 2022**	456,817	14.01	-	-

Shares vested to the employees have an exercise period of two years.

*The bank received approval from RBI on 31st August 2021 for grant of 71,377 options as a part of the annual bonus for MD & CEO for FY 2019 - 20, options were granted out of banks shares with effect from 6th November 2020 under the said scheme.

**The bank received approval for remuneration to MD & CEO for financial year 2020-21 from RBI on 12 January 2022 advising to defer non-cash component over next 3 years in 3 equal instalments of 33.33% each. Further, 50% of cash component to be paid upfront and remaining 50% to be deferred in next 3 years in equal instalments. Accordingly, bank has granted 4,56,817 ESOPs to MD & CEO at ₹ 14.01 per share w.e.f. January 12, 2022 with vesting over next three years in equal proportion i.e. 33.33% each year.

These options are vested on graded basis as follows:

Vesting details	Grant	Grant dated January 22, 2022 to MD & CEO
On completion of 1 year	25%	33.33%
On completion of 2 years	25%	33.33%
On completion of 3 years	25%	33.33%
On completion of 4 years	25%	

Stock option activity under ESOP Plan of the Bank is as below:

(₹ in crore, except per share data)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Number of equity shares:		
Outstanding at the beginning of the year	-	-
Granted during the year	16,163,317	-
Granted during the year with grant effective date pertaining to FY 2020-21	71,377	-
Lapsed/Cancel during the year	1,894,250	-
Exercised during the year	17,844	-
Outstanding at the end of year	14,322,600	-
Exercisable at the end of year	-	-

The compensation cost is calculated based on the fair value of the options under black scholes model and amortised over the grant period.

The following assumptions are used for calculation of fair value of grants issued.

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Dividend yield	0.00%	-
Expected volatility	49.8% to 48.8%	-
Risk free interest rate	4.48% to 5.80%	-
Expected life in years	2 to 5	-

18.17 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, except per share data)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Provident Fund (refer note below)	25.18	19.17
ESI	3.36	2.66

Note: The above amount is netted off with amount of ₹0.47 crores received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended 31 March 2022 (31 March 2021: ₹1.32 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 lacs 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.

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 31 March 2022	As at 31 March 2021
Opening defined benefit obligation	15.66	11.28
Current service cost	4.75	4.24
Past service costs	-	-
Interest cost	0.77	0.61
Actuarial losses/ (gains)	(0.43)	(0.11)
Benefits paid	(1.28)	(0.36)
Closing defined benefit obligation	19.47	15.66

Change in the plan assets

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Opening fair value of plan asset	14.58	10.81
Expected return on plan assets	0.94	0.80
Employers Contributions	4.68	3.76
Benefit paid	(1.28)	(0.36)
Actuarial gains / (losses) on plan assets	(0.08)	(0.43)
Closing fair value of plan assets	18.84	14.58

Net liability / (asset) recognized in the balance sheet

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Present value of funded obligation	19.47	15.66
Fair value of plan assets	18.84	14.58
Deficit/ (Surplus)	0.63	1.08
Net liability / (asset) recognized in the balance sheet	0.63	1.08

Net cost recognised in the profit and loss account

(₹ in crore)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Current service cost	4.75	4.24
Past service costs	-	-
Interest cost	0.77	0.61
Expected return on plan assets	(0.94)	(0.80)
Net actuarial losses / (gains)	(0.35)	0.32
Total cost of defined benefit plans included in Schedule 16	4.23	4.37
Payments to and provisions for employees		

Reconciliation of opening and closing net liability / (asset) recognised in the balance sheet

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Opening net liability	1.08	0.47
Expenses as recognised in profit & Loss account	4.23	4.37
Employers contribution	(4.68)	(3.76)
Net liability / (asset) recognised in balance sheet	0.63	1.08

Experience adjustment and details of obligations and assets

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Present value of funded obligation	19.47	15.66	11.28	7.34	4.22
Fair value of plan assets	18.84	14.58	10.81	5.92	5.74
Deficit / (Surplus)	0.63	1.08	0.47	1.42	(1.52)
On Plan Liabilities (gains) / losses	(0.43)	0.85	0.75	0.35	0.29
On Plan Assets (losses) / gains	(0.08)	(0.43)	(0.14)	(0.20)	(0.14)

A breakup of Investments under plan assets of gratuity fund is as follows:

(₹ in crore, except per share data)

Category of assets	As at 31 March 2022	As at 31 March 2021
Funds with LIC(through gratuity trust)	100%	100%

Reconciliation of opening and closing net liability / (asset) recognised in the balance sheet

(₹ in crore, except per share data)

Particulars	As at 31 March 2022	As at 31 March 2021
Discount rate	5.75%	4.95%
Expected rate of return on plan asset	6.84%	6.45%
Salary escalation	7.00%	7.00%
Attrition rate	13.10% to 31.90%	13.10% to 31.90%

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.

18.18 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 18 April 2007 read with DBR.BP. BC No.23/21.04.018/2015-16 dated 01 July 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 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 sale of PSL certificates, para banking activities like Bancassurance, etc.

Geographical segments: The business operations of the Bank are concentrated in India hence the Bank is considered to operate in domestic segment only.

The following table sets forth the business segment results:

(₹ in crore)

Particulars	For the year ended 31 March 2022				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	78.56	1,751.98	203.10	-	2,033.64
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue	78.56	1,751.98	203.10	-	2,033.64
Segment Results	(58.41)	105.43	32.70	-	79.71
Unallocated expenses					-
Operating Profit/(Loss)	(58.41)	105.43	32.70	-	79.71
Income Tax expense (including deferred tax)					18.25
Net Profit					61.46
Segment Assets	926.96	9,427.90	4,258.60	-	14,613.46
Unallocated Assets					450.31
Total Assets					15,063.77
Segment Liabilities	4,791.05	6,067.67	2,595.95	-	13,454.67
Unallocated Liabilities					36.80
Capital & Reserves					1,572.30
Total Liabilities					15,063.77

(₹ in crore)

Particulars	For the year ended 31 March 2021				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	51.90	1,459.86	213.38	-	1,725.14
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue	51.90	1,459.86	213.38	-	1,725.14
Segment Results	(43.84)	168.20	27.08	-	151.44
Unallocated expenses					-
Operating Profit/(Loss)	(43.84)	168.20	27.08	-	151.44
Income Tax expense (including deferred tax)					39.62
Net Profit	(43.84)	168.20	27.08		111.82
Segment Assets	503.74	7,798.90	3,533.89	-	11,836.54
Unallocated Assets					301.38
Total Assets					12,137.91
Segment Liabilities	3,634.22	4,491.45	2,628.30	-	10,753.98
Unallocated Liabilities					15.58
Capital & Reserves					1,368.35
Total Liabilities					12,137.91

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

18.19 Related Party Transactions

The Bank's related parties for the year ended 31 March 2022 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Fellow Subsidiary

Utkarsh Welfare Foundation

Consequent to the disinvestment by Utkarsh Core-Invest Limited (UCL) on February 26, 2022, UWF is no longer a subsidiary of UCL and consequently fellow subsidiary of the Bank.

However, it continue to be the related party of the Bank due to common directorship and as relatives of the common director are the members in UWF

3. Key Management Personnel ('KMP')

Mr. Govind Singh- Managing Director and CEO

Mr. Mukund Barsagade- Chief Financial Officer

Mrs. Nutan Rane- Company Secretary (upto 14 March 2022)

Mr. Muthiah Ganapathy - Company Secretary (w.e.f. 22 March 2022)

4. Enterprise where KMP exercise significant influence

RAAG Family Private Trust

5. Post-employment benefit plan

Utkarsh Small Finance Bank Employees' Gratuity Trust

6. Relatives of Key Management Personnel

Name of KMP	Father and Mother	Spouse and Children	Other relatives
Mr. Govind Singh	Father - deceased	Revati Govind Singh (Spouse)	Ramesh Chandra Singh (Brother)
	Parveti Devi (Mother)	Ankur Singh (Son)	Renu Singh (Sister in Law)
		Achin Singh (Son)	
Mr. Mukund Barsagade	Both deceased	Sonali Barsagade (Spouse)	Vijay Barsagade - Brother
		Vedant Barsagade (Son)	Vidya Vijay Barsagade (Sister in law)
			Anil Barsagade (Brother)
			Kalpana Barsagade (Sister in Law)
			Shobha Kshirsagar (Sister)
Ms. Nutan Rane	Both deceased		Vijay Kshirsagar (Brother in law)
		Anand Rane (Spouse)	Pradeep Khair (Brother)
		Varun Rane (Son)	Pooja Pradeep Khair (Sister in law)
			Sandeep Khair (Brother)
			Priya Sandeep Khair (Sister in law)
Mr. Muthiah Ganapathy	Both deceased		Rajesh Khair (Brother)
			Pramodini Rajesh Khair (Sister in law)
		Lakshmi Devi (Spouse)	Mukesh (Brother)
		Aarna (Daughter)	
		Arshini (Daughter)	

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 2022.

Items / Related Party	₹ in crore)	Utmarsh CoreInvest Ltd (Holding Company)	Utmarsh Welfare Foundation (Fellow Subsidiary)	Utmarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Nutan Rane (CS)	KMP: Muthiah Ganapathy (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	KMP Relative - Revati Govind Singh	KMP Relative - Ankur Singh	KMP Relative - Achin Singh	KMP Relative - Ramesh Chandra Singh	KMP Relative - Renu Singh	KMP Relative - Parvati Devi	Total
Deposits Outstanding as on 31 March 2022	37.52	1.67	0.05	0.68	0.17	*0.00	0.01	0.01	-	0.28	*0.00	0.03	0.13	0.24	0.09	40.87
Amount deposited during the year (excluding CASA deposit)	20.79	-	-	-	-	-	-	-	-	-	-	-	0.07	-	0.04	20.90
Amount repaid during the year (excluding CASA deposit)	11.43	-	-	-	-	-	-	-	-	-	-	-	0.11	-	0.02	11.56
Maximum deposit outstanding during the year	37.64	2.52	1.77	1.31	0.29	0.02	0.01	0.01	*0.00	0.51	0.18	0.32	0.14	0.24	0.09	45.04
Interest paid	2.56	0.09	0.01	0.07	0.01	*0.00	*0.00	*0.00	*0.00	0.03	*0.00	0.01	0.01	*0.00	*0.00	2.79
Remuneration to KMP	-	-	-	**2.02	1.13	0.27	0.04	0.04	-	-	-	-	-	-	-	3.46
Equity shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution towards CSR & CER	-	4.10	-	-	-	-	-	-	-	-	-	-	-	-	-	4.10
ESOP cost cross charged (Refer Schedule 17.1)	0.79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.79
Service charge for collections	0.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03
Rent for office space	0.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.08
ESOP granted	-	-	-	0.78	0.34	-	-	-	-	-	-	-	-	-	-	1.12
Transactions (collection and payment) carried out on behalf of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Payable/(Recoverable)	0.61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.61

* Amount less than ₹50,000 is shown as Nil

** Includes annual bonus of ₹ 0.63 crore and reversal of salary paid in FY 2020-21 of ₹ 0.65 crores for the differential amount post approval of RBI vide letter dated 12 January 2022 for remuneration of MD & CEO for FY 2020-21.

Note:

- 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.
- Refer note 18.16 on ESOP grant to MD & CEO

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 2021.

Items / Related Party	(₹ in crore)													
	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)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	KMP Relative - Revati Govind Singh	KMP Relative - Ankur Singh	KMP Relative - Achin Singh	KMP Relative - Ramesh Chandra Singh	KMP Relative - Renu Singh	KMP Relative - Parvati Devi	Total
Deposits Outstanding as on 31 March 2021	31.54	1.83	0.09	1.25	0.23	0.00*	0.00*	0.53	0.12	0.32	0.15	0.25	0.08	36.39
Amount deposited during the year (excluding CASA deposit)	19.52	-	-	0.00*	-	-	-	-	-	-	0.02	0.40	0.05	19.99
Amount repaid during the year (excluding CASA deposit)	13.60	-	-	0.00*	-	-	-	-	-	-	0.01	0.41	-	14.02
Maximum deposit outstanding during the year	31.61	2.40	1.85	1.47	0.28	0.03	0.00*	0.53	0.94	0.73	0.15	0.25	0.08	40.32
Interest paid	2.11	0.07	0.00*	0.04	0.01	0.00*	0.00*	0.01	0.03	0.03	0.01	0.04	0.00*	2.35
Service charges collected	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remuneration to KMP	-	-	-	2.38**	1.05	0.33	-	-	-	-	-	-	-	3.76
Equity shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution towards CSR & CER	-	2.30	-	-	-	-	-	-	-	-	-	-	-	2.30
ESOP cost cross charged (Refer Schedule 17.1)	1.40	-	-	-	-	-	-	-	-	-	-	-	-	1.40
Service charge for collections	0.01	-	-	-	-	-	-	-	-	-	-	-	-	0.01
Rent for office space	0.08	-	-	-	-	-	-	-	-	-	-	-	-	0.08
ESOP granted	-	-	-	-	0.55	-	-	-	-	-	0.17	-	-	0.72
Transactions (collection and payment) carried out on behalf of Bank	0.88	-	-	-	-	-	-	-	-	-	-	-	-	0.88
Amount Payable/(Recoverable)	0.62	-	-	-	-	-	-	-	-	-	-	-	-	0.62

* Amount less than ₹50,000 is shown as Nil

** Includes provision for annual bonus for FY 2019-20 of ₹0.25 crore and salary increment for FY 2020-21 of ₹0.29 crore

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

18.20 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹46.35 crores (31 March 2021 : ₹35.50 crores) 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 31 March 2022	As at 31 March 2021
Due within one year	42.65	37.44
Due later than one year and not later than five years	193.25	155.23
Due later than five years	95.50	55.90
Total	331.40	248.57

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 31 March 2022 are as follows:

(₹ in crore)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	5.42	1.30	4.12
Due later than one year and not later than five years	8.69	1.64	7.05
Due later than five years	0.51	0.06	0.45
Total	14.62	3.00	11.62

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2021 are as follows:

(₹ in crore)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	5.30	1.56	3.74
Due later than one year and not later than five years	12.74	2.32	10.42
Due later than five years	0.60	0.06	0.54
Total	18.64	3.94	14.70

18.21 Current Tax and Deferred Tax

a. Current Tax

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Provision for Income tax	52.94	60.08
Provision for Deferred tax	(34.69)	(20.46)
MAT credit entitlement	-	-
Total	18.25	39.62

b. Deferred Tax

Major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Deferred tax assets:		
Provision for assets	63.47	37.45
Unamortised processing fees on advances	21.88	14.95
Finance lease	2.93	3.36
Provision against Lease Equalisation	3.70	2.58
Provision on Casual Leave	0.99	0.82
Others	0.28	0.20
	93.25	59.36
Deferred tax liabilities:		
Depreciation on fixed assets	0.13	0.66
Gain on mark to mark on external commercial borrowings	-	-
Unamortised processing fee on borrowings	0.46	0.73
	0.59	1.39
Net deferred tax assets / (liability)	92.66	57.97

18.22 Disclosure Under The Micro, Small And Medium Enterprises Development Act, 2006

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
a. Principal amount due to suppliers under MSMED Act, 2006	6.53	4.44
b. Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	-	-
c. Payment made to suppliers (other than interest) beyond the appointed day during the year	51.96	5.02
d. Interest paid to suppliers under MSMED Act (Section 16)	-	-
e. Interest due and payable towards suppliers under MSMED Act for payments already made	0.23	0.07
f. Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (including interest mentioned in (e) above)	0.23	0.07

18.23.1 Contingent liabilities

1. Description of nature of contingent liabilities is set out below:

- There is a capital commitment towards open purchase orders.
- Pending litigation against the Bank.
- Demands against tax assessments.

Refer Schedule 12 for amounts relating to contingent liabilities.

18.23.2 Letter of comfort

Bank has not issued any letters of comfort during the year ended 31 March 2022 and previous year ended 31 March 2021. Further, there are no outstanding comfort letters as at 31 March 2022 and 31 March 2021.

18.24 The board of directors in their meeting dated 09 June 2021 decided to contribute towards corporate social responsibility up to ₹3.70 crore as required to be spent by Section 135 of the Companies Act, 2013.

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
a) Gross amount required to be spent by the Company during the year	3.70	2.03
b) Amount spent during the year on purposes other than construction/ acquisition of any asset		
Paid in cash	3.70	2.50
Yet to be paid	-	-
Total of amount spent	3.70	2.50

18.25 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 31 March 2022	As at 31 March 2021
At cost at March 31 of preceding year	19.57	12.53
Additions during the year	15.80	14.22
Deductions during the year	-	0
Accumulated depreciation to date	12.30	7.18
Net block	23.07	19.57

18.26 The Bank, as part of its normal banking business, grants loans and advances, makes investments, provides guarantees, to and accepts deposits and borrowings from its customers and borrowing from entities. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements and banks internal policies as applicable.

Other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank (Ultimate Beneficiaries). The Bank has not received any fund from any parties (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

18.27 COVID-19 pandemic had an extraordinary impact on macroeconomic conditions in India and around the world during the previous financial years and which continued during the current financial with second and third wave year, though with comparatively less severity. The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to volatility in global and Indian financial markets and a decrease in global and local economic activities. The uptake of economic activity has since improved supported by relaxation of restrictions mainly due to among others administration of the COVID vaccines to a large population in the country. The extent to which the COVID-19 pandemic including subsequent waves, if any, may impact the Bank operations and asset quality will depend on the future developments, which are highly uncertain. Basis the bank's assessment towards unforeseen risk and stress emanating from certain portfolio of advances, the Bank, as a prudent measure, has made contingency provision of ₹65 crores. The Bank also holds adequate provisions towards Non-performing and restructuring assets as at 31 March 2022. The stress test was undertaken by the Bank from time to time and complying with regulatory requirements under IRAC & provisioning norms prescribed. The Bank is well capitalised to be able to face any further upheavals, which the Bank may face in times to come due to the various socio- economic conditions.

18.28 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.

18.29 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.

18.30 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/-
Parveen Kumar Gupta
Chairman
DIN : 02895343

Sd/-
Kajal Ghose
Director
DIN : 07702190

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

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA 048560

Sd/-
Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 25 April 2022

Place : Mumbai
Date : 25 April 2022

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 financial statement and the cash flow statement of the year and that to the best of our knowledge and belief:
 - o These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - o 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 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 financial report in 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.
 - o Significant changes in internal control over financial reporting during the year;
 - o Significant changes in accounting policies during the year and the same have been disclosed in the Notes of the financial statements; and
 - o 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

Partners in Progress

PUBLIC SECTOR BANKS:



DEVELOPMENT FINANCIAL INSTITUTIONS:



NATIONAL BANK FOR
AGRICULTURE AND RURAL
DEVELOPMENT



राष्ट्रीय
आवास बैंक
NATIONAL
HOUSING BANK

PRIVATE SECTOR BANKS:



FINANCIAL INSTITUTIONS:



राष्ट्रीय
आवास बैंक
NATIONAL
HOUSING BANK

FOREIGN INSTITUTIONAL INVESTORS:



AUDITORS:

HARIBHAKTI & CO. LLP
Chartered Accountants

*Now known as British International Investment (BII)

CREDIT BUREAU PARTNERS:



SYSTEM PARTNERS:



CORPORATE INTERNET BANKING:



CARD PAYMENT AND DIGITAL BANKING:



INSURANCE PARTNERS:



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उत्कर्ष बँकेची
खारघरमध्ये शाखा

मुंबई : उत्कर्ष स्मॉल फायनान्स बँकेने नवी मुंबईतील खारघर येथे नवीन शाखा नुकतीच सुरू केली. या शाखा विस्तारानंतर बँकेच्या देशात ५७१ शाखा झाल्या असून महाराष्ट्रातील शाखांची संख्या ५२ झाली आहे. बँकेच्या मते खारघर हे महामुंबईतील झपाट्याने वाढणारे व्यवसायाच्या दृष्टीने महत्त्वाचे शहर आहे. येथील ग्राहक आता बँकेच्या बचत खाते, ठेव योजनांसह, विमा आणि गुंतवणूक योजनांचाही लाभ घेऊ शकतील.

मुंबई : उत्कर्ष स्मॉल फायनान्स बँकेने नवी मुंबईतील खारघर येथे नवीन शाखा नुकतीच सुरू केली. या शाखा विस्तारानंतर बँकेच्या देशात ५७१ शाखा झाल्या असून महाराष्ट्रातील शाखांची संख्या ५२ झाली आहे. बँकेच्या मते खारघर हे महामुंबईतील झपाट्याने वाढणारे व्यवसायाच्या दृष्टीने महत्वाचे शहर आहे. येथील ग्राहक आता बँकेच्या बचत खाते, ठेव योजनांसह, विमा आणि गुंतवणूक योजनांचाही लाभ घेऊ शकतील.

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जागरण संवाददाता, वाराणसी : जिलाधिकारी कौशल राज शर्मा ने महामना पंडित मदनमोहन मालवीय कैसर सेंटर में नये आइसीयू मेडिकल कक्ष का फीता काटकर उद्घाटन किया। इसके लिए उत्कर्ष बैंक ने सीएसआर के तहत आवश्यक चीजें जैसे बेड, व्हील चेयर, दवाएं आदि उपकरण उपलब्ध कराए।

जिलाधिकारी ने बैंक की सहायता करते हुए कहा कि बैंक ने कई क्षेत्रों में कार्य किया है लेकिन कैसर अस्पताल के लिए इतना बड़ा कार्य करेंगे ये मैंने कभी सोचा नहीं था।

उन्होंने अस्पताल के निदेशक डा. सत्यजीत प्रधान, अन्य डाक्टरों व मेडिकल के सभी स्टाफ के कार्यों की तारीफ करते हुए कहा कि साढ़े तीन साल की अवधि में इतनी ख्याति प्राप्त कर ली। इस अवसर पर बैंक के चेयरपर्सन हिमेंद्रु पी माथुर, त्रिलोक नाथ शुक्ला, डा. संदीप चौधरी आदि मौजूद रहे।

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विस्तृत समाचार के लिए हमारी सेवाएं लें।

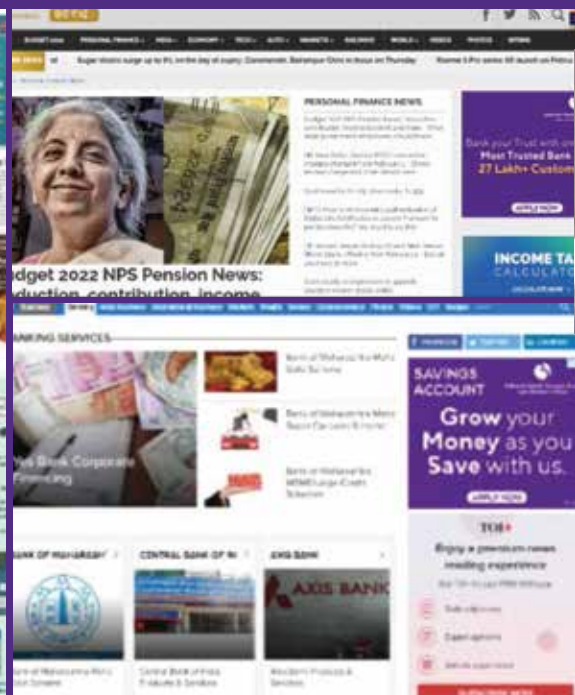
Marketing and Branding

Marketing and Branding is instrumental to establish a customer connect and outreach at Utkarsh Small Finance Bank. In order to keep its customers informed of new and innovative products and services offered by them, the Bank undertakes several specific measures under the purview of branding and marketing. The Bank had undertaken many such measures, in addition to its ATL and BTL campaigns during FY 2021-22. With the increasing adoption of digitalisation across the country, the Bank also launched relevant digital campaigns during the year.

HIGHLIGHTS, FY 2021-22

Branding

- Metro stations in Delhi NCR
- LED vans in Mumbai
- Hoardings near GB branch
- Buses
- Newspapers, Television and Radio
- Co-branding: with MSME customers at Branch catchment area with QR Customers
- Branding on traffic booths





Marketing and Branding

Branch Branding

Various Branding initiatives were undertaken to create impactful visibility for both new branch launches and existing branches across the country.



Launch of New Products



Activities

To increase the Brand visibility, the Bank had rolled out activities and implemented initiatives to gain optimal mileage for the Brand.



Digital Branding

The Bank had rolled out Digital and Social Media campaigns to reach out to its customers as well as increase the visibility of the Brand. The Bank took a multi prong approach to make its presence significant in the digital and social media platforms.



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NOTES

This image shows a full page of a handwriting practice worksheet. It consists of multiple sets of three horizontal dashed lines, providing a guide for letter height and placement. The lines are evenly spaced across the entire page, which is otherwise blank.

Corporate Information

BOARD OF DIRECTORS

Mr. Parveen Kumar Gupta

Part-time Non-Executive Chairman and Independent Director

Mr. Ajay Kumar Kapur

Non-Executive Independent Director

Mr. Chandra Shekhar Thanvi

Nominee Director of SIDBI
(Non-Executive Non-Independent)

Mr. Kajal Ghose

Non-Executive Independent Director

Ms. Kalpana Prakash Pandey

Non-Executive Independent Director

Mr. Muralidharan Rajamani

Non-Executive Non-Independent Director

Mr. Nagesh Dinkar Pinge

Non-Executive Independent Director

Mr. Govind Singh

Managing Director and Chief Executive Officer

KEY MANAGERIAL PERSONNEL

Govind Singh

Managing Director & CEO

Mr. Mukund Barsagade

Chief Financial Officer

Mr. Muthiah Ganapathy

Company Secretary

STATUTORY AUDITORS

M/s Haribhakti & Co. LLP
Chartered Accountants
705, Leela Business Park,
Andheri-Kurla Road, Andheri (E),
Mumbai – 400059, Maharashtra

SECRETARIAL AUDITORS

M/s S. N. Ananthasubramanian & Co.
Company Secretaries
10/25-26, 2nd Floor, Brindaban,
Thane – 400601, Maharashtra

REGISTRAR & SHARE TRANSFER AGENT

For Equity Shares

M/s. KFIN Technologies Limited
Selenium Building, Tower-B,
Plot No. 31 & 32, Financial District,
Nanakramguda, Serilingampally,
Hyderabad, Rangareddi, Telangana – 500032

For Listed Debentures

M/s. NSDL Database Management Limited
4th Floor, Trade World, 'A' Wing,
Kamala Mills Compound, Lower Parel (West),
Mumbai – 400013, Maharashtra

DEBENTURE TRUSTEE

Catalyst Trusteeship Limited

(Erstwhile GDA Trusteeship Limited)
Office No. 83-87, 8th Floor, Mittal Tower,
"B Wing", Nariman Point,
Mumbai – 400021, Maharashtra

IDBI Trusteeship Services Limited

Ground Floor, Asian Building,
17, R Kamani Rd, Ballard Estate, Fort,
Mumbai – 400001, Maharashtra

REGISTERED & CORPORATE OFFICE

Utkarsh Tower, NH – 31 (Airport Road),
Sehmalpur, Kazi Sarai, Harhua,
Varanasi, Uttar Pradesh – 221 105.

CIN: U65992UP2016PLC082804

Website: www.utkarsh.bank

E-mail: shareholders@utkarsh.bank



Utkarsh Small Finance Bank

Aapki Ummeed Ka Khaata

(A Scheduled Commercial Bank)

REGISTERED & CORPORATE OFFICE

Utkarsh Tower, NH - 31 (Airport Road),
Sehmalpur, Kazi Sarai, Harhua,
Varanasi, Uttar Pradesh - 221 105.

Website: www.utkarsh.bank