

Annual Report 2022-23



Utkarsh Small Finance Bank
Aapki Ummeed Ka Khaata

(A Scheduled Commercial Bank)



Resilient **Growth,**
Inclusive Approach

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To view this report online,
please visit:

www.utkarsh.bank



Resilient Growth, Inclusive Approach

The volatility in the global markets has had a ripple effect on our economy in general and the BFSI industry in particular. While speaking about the Banking industry in the country, a lot has been weathered through the years. The changing dynamics are quickly becoming the norm. Be it Technology, the fast growth of AI and IoT, the adaptive mechanism to the socio-economic conditions amongst others, Industries today have to be rigorous about the situational awareness and its adaptability within the organisation and out of it.

As a Bank, it becomes imperative to instil the urgency to adapt to the changing times, not only to the employees and stakeholders, but also to customers who are the backbone of our Bank. There is no quick fix approach, and it needs a resilient and inclusive approach. It is imperative to acknowledge the adaptability of these changes, vary from community to community, person to person and from organisation to organisation.

At Utkarsh Small Finance Bank, we have weathered the many storms that have come our way with a resilient rigour yet with an inclusive approach. Our approach to changes has been strongly supported by the core Values of our organisation, which has stood as a strong pillar and helped us face these challenges with PRIDE*.

Inclusivity stems from making meaningful connections across strata. The constant discovery and service of new markets, and of the underserved/underbanked audience categories have helped us take that step further to gain momentum in an unpredictable market scenario.

We believe in an inclusive growth; therefore, we always endeavour to match up our existing core competencies to the needs of our customers and stakeholders. Resilience is the underlying tone of your Bank's culture that continues to help in its growth from strength to strength.

As we look back at the year that has just gone by and step into the next financial year, we can say with conviction that the Resilient Growth has been possible due to an Inclusive Approach!

* Guided by our values of PRIDE - Persistence is our innate quality, Responsible and Ethical in our dealings, inclusive in our approach, Diligent in our process, Excellence in all that we do.

Inclusion Embedded In Our DNA

Embarked on its journey as a small finance bank in 2017 with the objective of ensuring financial inclusion of the unbanked and underbanked sections of the society, Utkarsh Small Finance Bank Limited (USFBL) has come a long way and emerged as one of the leading SFBs in the country. Headquartered in Varanasi, the Bank has a strong presence in the rural and semi-urban geographies on the back of a robust network of 830 branches, 287 ATMs and 546 micro ATMs.

Five things to know about us

ETHOS

VISION



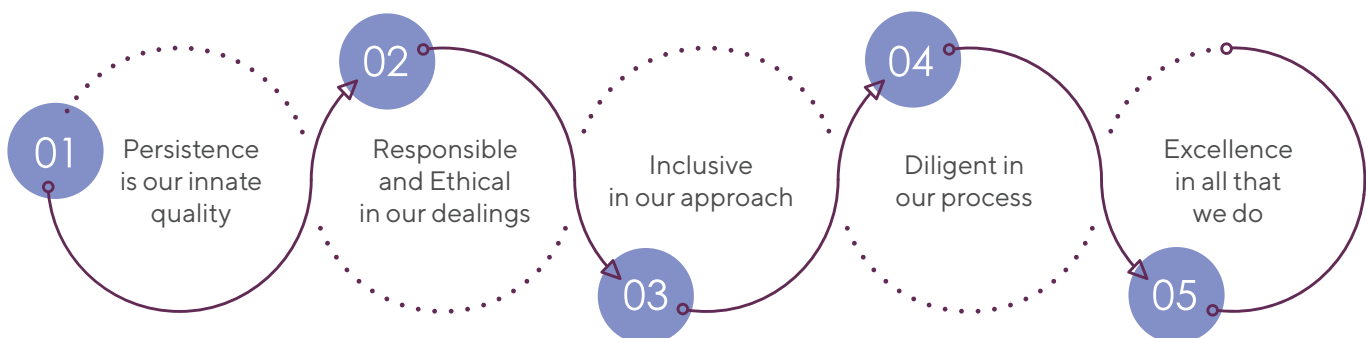
To be the most trusted, digitised bank that is financially and socially inclusive, and creates value across social strata through insightful and viable solutions.

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 best-in-class customer experience.

OUR VALUES! OUR PRIDE!





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The Utkarsh Tower, our Corporate Office is situated in the city of our genesis – Varanasi. The tower is a testimony to the passion with which the Bank has been built over the years. It stands tall today reflecting the DNA of the Bank and its commitment towards Financial Inclusion.

The Utkarsh Tower is a certified Green Building which includes water management, waste management, energy efficiency initiatives among others.

It resonates with the true spirit of the Bank that believes in resilience and inclusivity.



PRODUCTS

We have a diversified product portfolio that serves the banking needs of our Customers.



Assets

- Microbanking Group Loans
- Microbanking Individual Loans
- MSME & Small Business Loans
- Housing Loans
- Strategic LAP
- Retail Loans
 - Loan against property
 - Business loans
 - Personal loans
 - Overdraft loans
- Loans to Small Corporates
- Commercial Vehicle and Construction Equipment Loans
- Loans to NBFC, HFCs etc.
- Gold Loans



Liabilities

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



Services

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



Digital Banking Channels

- Internet Banking
- Mobile Banking
- Digi On-boarding

Inclusion Embedded In Our DNA



STAKEHOLDERS ASSOCIATED WITH UTKARSH COREINVEST LIMITED - PROMOTER COMPANY

Aavishkaar Bharat Fund 1.60%	Aavishkaar Goodwill India Microfinance Development Company II Limited 4.07%	Aavishkaar Venture Management Services Private Limited 0.01%	British International Investment PLC 13.95%	Faering Capital India Evolving Fund II 7.78%
Faering Capital India Evolving Fund III 2.08%	HDFC Ergo General Insurance Company Limited 1.05%	HDFC Life Insurance Company Limited 3.16%	Hero Enterprise Partner Ventures 4.92%	Housing Development Finance Corporation Limited 0.44%
ICICI Prudential Life Insurance Company Limited 4.22%	International Finance Corporation 2.83%	Jhelum Investment Fund I 3.25%	Lok Capital Growth Fund 1.91%	Mr. Govind Singh 0.001%
NMI Frontier Fund KS 7.83%	Other Shareholders 8.46%	RAAG Family Private Trust 2.93%	RBL Bank Limited 9.86%	responsAbility Participations Mauritius 4.92%
Sarva Capital LLC 3.02%	Shriram Life Insurance Company Limited 4.90%	Small Industries Development Bank of India 4.32%	Triodos SICAV II – Triodos Microfinance Fund 2.23%	Utkarsh ESOP Welfare Trust 0.25%



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Our Insurance Partners



Aditya Birla Health Insurance Company Limited

Bharti AXA Life Insurance Company Limited



Future Generali India Insurance Company Limited

HDFC Ergo General Insurance Company Limited



HDFC Life Insurance Company Limited

ICICI Prudential Life Insurance Company Limited

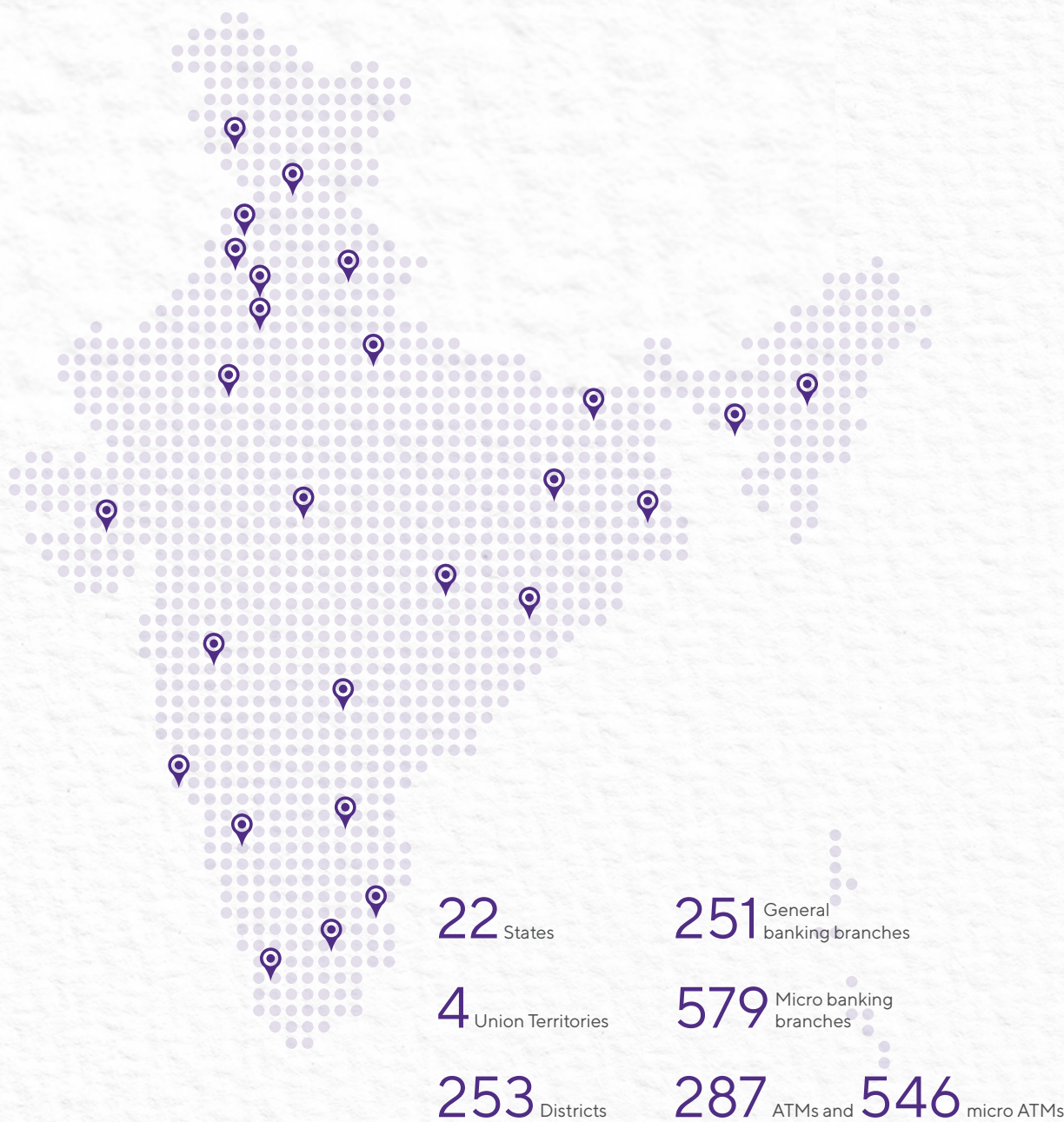


Kotak Mahindra General Insurance Company Limited

Inclusion Embedded In Our DNA

PRESENCE

We have been gradually expanding our presence across geographies and strengthening our footprint in existing locations with the launch of new branches, ATMs and micro ATMs.



**Map not to scale. For illustrative purpose only.*

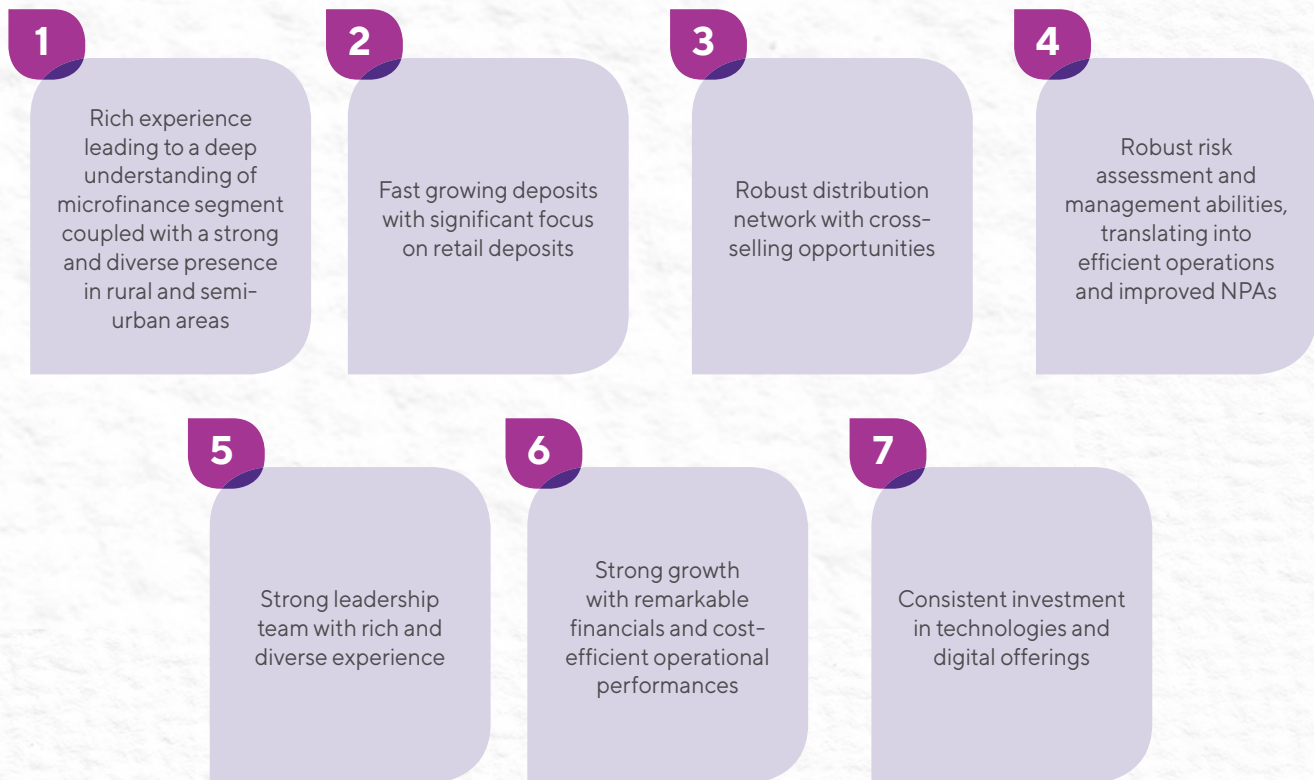


	States	Loan Book as on March 31, 2023 (₹ crore)	% Distribution
1	Bihar	4,309	30.88%
2	Uttar Pradesh	3,627	25.98%
3	Maharashtra	1,702	12.20%
4	Jharkhand	873	6.25%
5	Haryana	762	5.46%
6	NCT of Delhi	492	3.52%
7	Madhya Pradesh	488	3.49%
8	Odisha	396	2.84%
9	Telangana	255	1.83%
10	Uttarakhand	216	1.55%
11	Gujarat	191	1.37%
12	Chhattisgarh	146	1.04%
13	Rajasthan	144	1.03%
14	West Bengal	124	0.89%
15	Punjab	71	0.51%
16	Karnataka	63	0.45%
17	Assam	47	0.34%
18	Kerala	18	0.13%
19	Tamil Nadu	17	0.12%
20	Himachal Pradesh	10	0.07%
21 *	Chandigarh and other States	6	0.04%
	Total	13,957	100.00%

*We have operations in 26 states and UTs including Andhra Pradesh, Goa, Jammu & Kashmir, Meghalaya and Puducherry.

Inclusion Embedded In Our DNA

STRENGTHS DIFFERENTIATING US



RECOGNITION BESTOWED ON US

Recognised as 'Paragon of Branding Excellence' and awarded for 'Brand of the Year 2022' by Team Marksmen Daily and media partner India Today

Awarded for 'Best IT Risk & Cyber Security Initiatives' at the Indian Banks' Association Banking Technology Awards 2021

Ranked 46 under 'The Next 500 Companies 2022' by Fortune India

Recognised as one of the 'Promising Brands 2022' by Economic Times

Received award from PFRDA for qualifying the contest 'Beat the Best & Be the Best' (May 9, 2022 to June 30, 2022) under APY

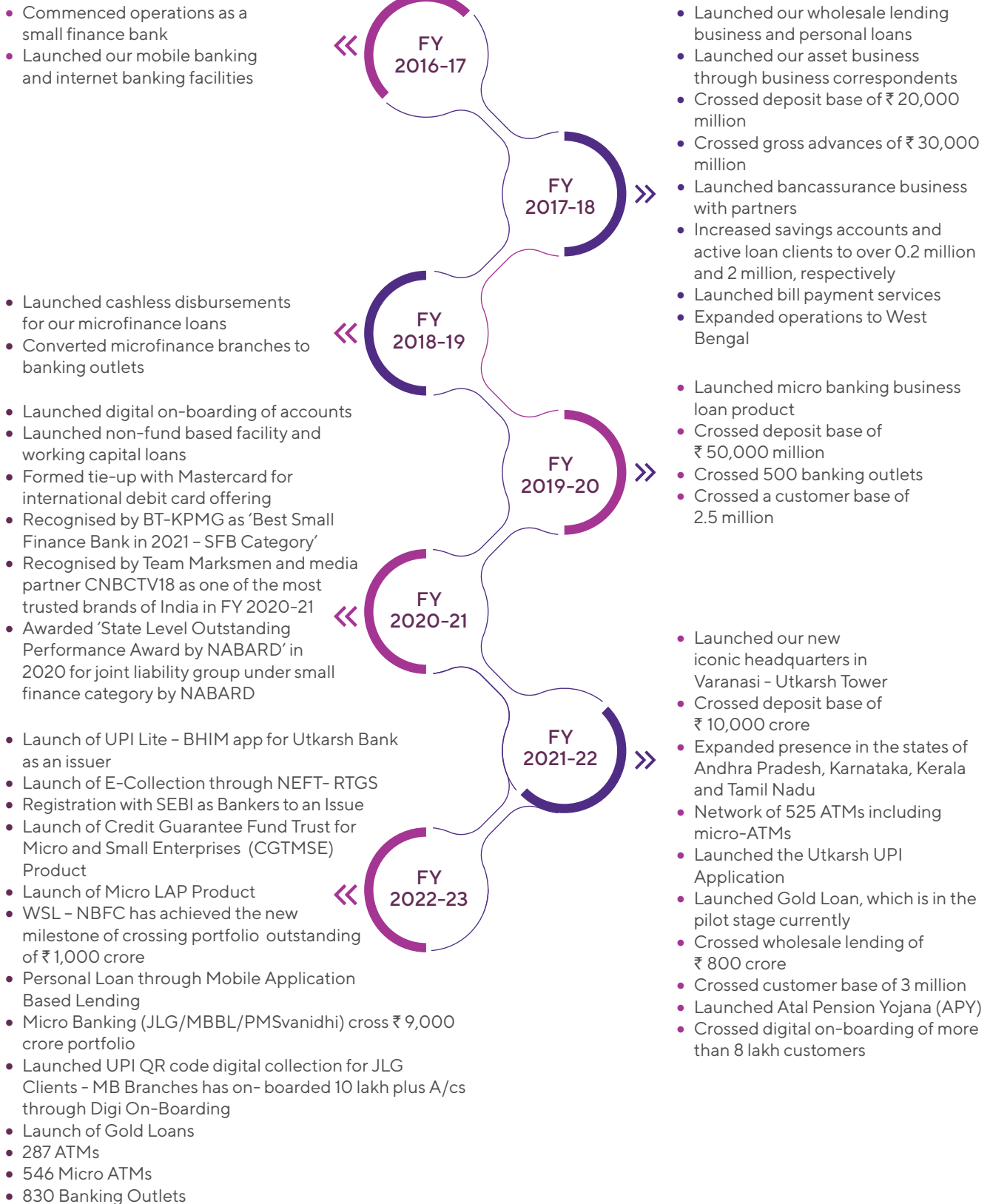
Received an award under special category from IBA for the Best 'IT Risk Management'

Accredited with 'GRIHA Award' for the Integrated Water Management at Utkarsh Tower

Ranked 2nd under the Small Finance Bank category by BT-KPMG Survey



JOURNEY ACROSS THE YEARS



Chairman's Message



Growing from strength to strength

It gives me immense pleasure to inform you that your Bank performed significantly well in the financial year 2022-23 and recorded its highest PAT of ₹ 405 crore. We have indeed come a long way since our inception in 2017, with the objective of ensuring financial inclusion for the underbanked and unbanked sections of the country. Today, we have emerged as one of the leading small finance banks in the country with a strong foothold across 26 states and union territories, with 830 branches, 287 ATMs and 546 micro ATMs.

SECTORAL BACKDROP

The Indian economy was faced with disruption caused by rising inflation. The CPI inflation for India during FY 2022-23 is estimated at 6.8% compared to 5.5% during FY 2021-22. The Government and the Reserve Bank of India took several measures to counter the rising inflation, such as increasing the REPO rate by 225 bps, reducing import duty to zero on major inputs such as coking coal, phase-wise reduction in excise duty on petrol and diesel, and prohibition on export of wheat. These measures, coupled with strong credit growth, helped India grow its GDP at an estimated 7.2% in FY 2022-23 compared to 9.1% in FY 2021-22*.

The small finance banking sector has grown rapidly over the past few years. It has facilitated financial inclusion of the largely unbanked masses of the country. Because of the predominantly unsecured nature of the advances to the weaker sections of the society, the impact of COVID-19 on SFBs was severe. However, the sector has managed to successfully navigate

the challenges by making judicious use of the regulatory dispensations and is now poised to grow strongly in the coming years. No new licences for setting up SFBs were given during the year, though a number of applications have been received by RBI.

RESILIENT GROWTH

Your Bank took cognizance of the post Pandemic ripples and the evolving global economic scenarios and reimagined and redefined its journey for the financial year. It augured well for the Bank in its growth during the course of the year.

FY 2022-23 saw us sustain our growth trajectory with total income of ₹ 2,804.29 crore in FY 2022-23 compared to ₹ 2,033.65 crore in FY 2021-22, registering a y-o-y growth of 38%. Our operating profit stood at ₹ 838.32 crore in FY 2022-23 compared to ₹ 511.93 crore in FY 2021-22, clocking a y-o-y growth of 64%. Our growth was supported by an increase in our gross loan portfolio, rise in deposits, improvement in NPAs, and operational expansion across



The small finance banking sector has grown rapidly over the past few years. It has facilitated financial inclusion of the predominantly unbanked masses of the country.

*<https://thewire.in/economy/indias-gdp-growth-slows-to-7-2-in-fy23-against-a-9-1-rise-in-fy22>



new a geographies. FY 2022-23 saw us attain a balanced growth across both the liability and asset segments, and saw us reduce our dependency on primary markets such as Uttar Pradesh and Bihar, in addition to diversifying our non-micro finance loan book and retail asset portfolio. The FY 2022-23 saw our asset segment grow by 31%, and our liability segment grow by 36%. Strengthening our digital offerings with increased investments in technology helped us in easy onboarding of customers, reduce operational costs and improve our NPAs. All these factors translated into resilient growth for us during FY 2022-23.

Further, FY 2022-23 also saw us bolster our government and institution business significantly. We have established a specific team working on the empanelment with various state governments. Some of the success in this business came from the empanelment with the government of Maharashtra for salary and pension accounts; government of Chhattisgarh for deposits; and the Indian Clearing Corporation as an authorised bank for collateral deposit. This business has the potential of generating sustained revenues for us.

INCLUSIVE APPROACH

Being a small finance bank, our primary focus has always been on ensuring financial inclusion of the people who have remained unbanked or underbanked. Our biggest chunk of revenues is carved by the micro-finance segment, wherein Joint Liability Groups (JLGs) play an instrumental role. In our endeavour to cater to the credit requirements of our customers, we have been continuously expanding

our presence across the nation, and serving our customers with varied products. Our inclusive approach is not only limited to our customers, but also covers our employees. We are on a constant endeavour to not only align the goals of our employees with that of the Bank, but also ensure inclusive growth of all our employees. At Utkarsh, we believe in being a responsible corporate citizen. Our partnership with Utkarsh Welfare Foundation (UWF) addresses significant development challenges in economically backward regions of Bihar, Jharkhand, Madhya Pradesh, Odisha, Uttar Pradesh and Uttarakhand which is reflective of our inclusive approach. UWF's CSR initiatives provide project implementation support for healthcare infrastructure projects, supporting healthcare programs, and promoting education initiatives that benefit the community.

LOOKING FORWARD

Going forward, we expect that while Micro-finance will remain the core strength of the Bank, we will continue strengthening our lending towards MSMEs, Housing and Wheels Loan Portfolio. Additionally, the increasing number of branches will help us expand our geographical reach across India. In order to strengthen our portfolio, we are also proactively working on third-party partnerships, launching digitalised personal loans and aspirational products such as credit cards. Our focus remains on achieving balanced and sustained growth on the back of consistent improvement in efficiency, strong human capital, robust risk assessment, diversified product portfolio, and incremental use of technology.



We are on a constant endeavour to not only align the goals of our employees with that of the Bank, but also ensure inclusive growth of all our employees.

ACKNOWLEDGEMENT

On a closing note, I would like to state that we have been taking confident strides towards building a stronger tomorrow for the Bank driven by an inclusive approach. I would like to express my gratitude to all the members of the Board for their constant support and guidance. I would also want to acknowledge the constant support of the entire team of Utkarsh Small Finance Bank Limited for their unparalleled contribution towards the strong growth of the Bank over the past few years. Further, I would like to extend my appreciation to our customers, shareholders and investors for their unstinted faith in us.

Regards,

Parveen Kumar Gupta
Chairman

Managing Director and CEO's Message

A year of Resilience and Inclusive Growth

I am pleased to present to you the 7th Annual Report of Utkarsh Small Finance Bank Limited (USFBL) for FY 2022-23. The year was marked by a major challenge arising from the increase in interest rates to counter inflation. However, we have managed to sail through these challenges and have emerged stronger.

The past few years have been a testimony to the dynamics of changes which your Bank witnessed in its journey. And the last Financial Year was no different. The challenges yet again drew us back to the drawing board to reimagine the way we deliver on our operating metrics in our business. We had multiple forces at play, yet I am proud to say that your Bank has navigated these challenges with determination, and with a commitment to our values and our mission. Our growth this year is a testament to the hard work and dedication of our employees, the support of our shareholders, and the trust and loyalty of our customers, backed by a positive culture of change which resulted in the Bank clocking its highest profit since its inception in 2017.



I am happy to report that we have sustained our growth trajectory in the face of the disruption caused by the rising inflation across the globe during FY 2022-23.



RESILIENCE – OUR DNA

We are operating in an environment which requires resilience, inclusivity and promote a culture of fostering teamwork and inspiring growth.

The FY 2022-23 witnessed the gross NPAs in the small finance banking sector at a high level owing to COVID-led non-repayments arising and fresh slippages out of restructured loans. However, our robust business model and strong risk assessment capabilities kept our NPAs under control at a strong 3.23%. We have embarked on a journey based on certain strategic priorities which not only aid us in mitigating these challenges, but also in building the foundation for a strong and inclusive growth for our stakeholders. The Bank

has undertaken an Organisation-wide transformation journey for promising outcomes in the form of improved productivity, reduction in turnaround times and better customer experience.

We have continued to expand our reach and have made significant impact at the grassroots levels. We have invested in new technologies, products and services, while maintaining our focus on quality, and sustainability. In the course of our business, we have built strong partnerships and alliances, while being grounded to our commitment to our core values of PRIDE*. We adapted to the changing market conditions and implemented measures that

*Guided by our values of PRIDE – Persistence is our innate quality, Responsible and Ethical in our dealings, Inclusive in our approach, Diligent in our process, Excellence in all that we do and Ethical in our dealings, inclusive in our approach, Diligent in our process, Excellence in all that we do.



helped us in integrating a seamless approach to the way we conducted our business and serviced our customers.

Our resilient growth can be attributed to our steadfast commitment to innovation, agility and customer-centricity. We have invested significantly to meet the evolving needs of our customers. In addition, we optimised our operations to enhance efficiency and reduce costs, while ensuring that we maintain the highest standards of quality and service.

SUSTAINING GROWTH TRAJECTORY

I am happy to report that we have sustained our growth trajectory in the face of the disruption caused by the rising inflation across the globe during FY 2022-23. The year saw our total deposits increasing from ₹ 10,074.18 crore to ₹ 13,710.14 crore in the year 2022-23, clocking a y-o-y growth of 36%. On the other hand, FY 2022-23 also saw a 31% growth in our total advances, from ₹ 10,630.72 crore for March 31, 2022 to ₹ 13,957.11 crore in March 31, 2023. We have been successful in maintaining a balanced growth in both our advances and deposits segments which will enable us to fortify our advances portfolio even further.

During FY 2022-23, your Bank reported an operating profit (pre-provisions) of ₹ 838.32 crore compared to ₹ 511.93 crore in FY 2021-22, registering a y-o-y growth of 64%. Our PAT stood at ₹ 405 crore for the year 2022-23 compared to ₹ 61.46 crore for the year 2021-22. Additionally,

our Return on Assets (RoA) and Return on Net Worth (RoE) for the year stood at 2.42% and 22.84% respectively, compared to 0.48% and 4.14% for FY 2021-22.

FY 2022-23 also saw us expanding our footprint across several states, thereby, strengthening our position across the country. We not only expanded our presence across new markets, but also strengthened our foothold in existing markets with the launch of 144 new banking outlets.

A STRATEGIC PATH FORWARD

Our key strategic priorities are as follows:

1. Leveraging the Bank's extensive franchise and presence
2. Diversifying retail asset portfolio
3. Growing retail mix across geographies
4. Improving CASA mix
5. Financial inclusion
6. Strengthening of controls
7. Improving efficiency of operations
8. Incremental use of technology and digital offerings

During FY 2022-23, we expanded our footprints in new geographies such as Goa, Jammu & Kashmir, Meghalaya and Puducherry. Your Bank strives to provide its services and products through extensive

network such as Banking Outlets and BCs. Our aim is to strengthen our national presence and gain optimal growth by providing services guided by our core values of PRIDE*

On the asset side, we have constantly endeavoured to carve our own niche, with our incremental focus on retail assets, housing loans and wheels portfolio. Our focus on diversifying our retail asset portfolio during FY 2022-23 has been validated by the launch of new products such as micro LAP. We have identified low ticket size loans as our sweet spot and will focus on low ticket size products to maximise value going forward.

In order to grow our retail asset mix across geographies, we have not only focussed on expanding to new markets, but are also working on deeper penetration in existing markets such as Bihar, Chhattisgarh, Uttar Pradesh. We are gradually transitioning into a bank with a strong pan-India presence.

To ensure improvement in CASA mix, we have undertaken specific measures towards our payments system such as the launch of UPI and mobile banking, bill pay among others. Our CASA deposits increased from ₹ 2,253.29 crore in March 31, 2022 to ₹ 2,863.74 crore as on March 31, 2023, registering a y-o-y growth of 27%.

Your Bank implements stringent controls to ensure policies and procedures that govern the bank's operations, including risk management and compliance

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At the heart of our success is our inclusive approach. We believe that a diverse and inclusive approach is essential for a sustainable growth.

procedures are in place and are adhered to. Regular audits and reviews are conducted to ensure that the bank's control mechanisms are effective and that any weaknesses are identified and addressed. We have taken concrete actions towards further strengthening our policies, processes and controls in the last year.

I firmly believe that our Bank's success is directly tied to the quality of our human capital. We pride ourselves on attracting, retaining, and developing top talent in the industry. Our employees are our most valuable asset, and we invest heavily in their training and development to ensure they have the skills and knowledge necessary to provide our clients with exceptional service. We also foster a culture of diversity, equity, and inclusion, recognising that a workforce with varied backgrounds and perspectives leads to better decision-making and ultimately, better outcomes for our clients. Our commitment to our human

capital is unwavering, and we will continue to prioritise it as we grow and evolve further as a Bank.

Being a small finance bank, financial inclusion remains embedded in the very core of our philosophy. We remain focussed on not only catering to the financing needs of our JLG customers, but also our non-JLG customers to achieve balanced growth. The year ended for us with a strong customer base of more than 3.5 million.

FY2022-23 also saw us augmenting our technology capabilities. We strengthened our data analysis capabilities and digital onboarding process and invested in software upgradation in order to stay up to date with advancements in technology. Additionally, we took a big step in partnering with global consulting firm KPMG to audit our processes and technologies and suggest Best Practices in technology upgradation. We have also partnered with international professional services firm PwC to help us with the implementation of these technology upgradations.

At the heart of our success is our inclusive approach. We believe that a diverse and inclusive approach is essential for a sustainable growth. We have made significant progress in fostering a culture of inclusivity and diversity in our business model. We have implemented policies and programs that promote equal opportunities for all communities across strata to have access to financial independence.

These have enabled us to broaden our product offerings and tap

new markets. In the process, we continued to invest in our people, processes, and systems.

Your Bank has carefully curated the investment options to provide our clients with diverse options for their financial goals. We are committed to providing exceptional service and helping our clients achieve their investment objectives.

Another key area of focus for us this year has been sustainability and responsible business practices. We recognise that our success is closely linked to the health and well-being of our communities and we are committed to doing our part to create a more sustainable and equitable future. We have implemented new initiatives and programs to promote social and environmental responsibility through the Bank's CSR. We have strengthened our partnerships with various stakeholders in order to leverage on our collective impact and create positive change.

We continue to create value to serve our clients with a focussed approach by launching tailor-made services which are aligned to their needs, while keeping the pace of acquisition in line with the growth trajectory of the bank.

The Bank is poised to strengthen its technological capabilities and digital solutions to tap the growth potential ahead. We are confident that through new fintech partnerships, enhanced product & service offerings and key initiatives, we are positioned well to take advantages of the opportunities and look forward to



creating more meaningful value for our customers.

In addition, to serve our institutional segment clients, we have on-boarded team of specialist as part of our GIB Liabilities Team and will be revamping our TASC offering which will be bespoke solutions which suits our clients financial needs. We will be looking to mobilise substantial deposits by deepening existing relationship and on boarding new clients' such as local government bodies, municipal committees, clubs, societies through our dedicated team all across our Branches.

THE PATH FORWARD

Our keen focus on our strategic priorities will enable us to deliver seamless and balanced growth over the next few years. Additionally, we are focussing on improving our quality of loan portfolios, strengthen our risk assessment abilities and Third Party Products/ other income / fee income share from the institutional business. We are actively working on new bancassurance and technology partnerships which will help us diversify our product portfolio and stay ahead of the curve. Our winning mindset and ability to stand out in the market is also reflected in multiple external recognitions that the Bank received for its performance. The list of our recognition is provided in the initial pages of this report.

ACKNOWLEDGEMENT

I appreciate every effort undertaken by the Board to guide and support the Bank throughout the year. I value the faith that our

customers continue to have in us. I would also like to extend my thanks to the Regulators for their guidance and support to drive the growth of the sector. I would like to take the opportunity to thank our employees for their continuous efforts in helping us achieve the desired goals.

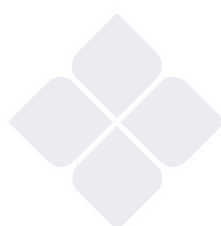
I thank our investors, shareholders, and our promoter Utkarsh CoreInvest Limited, for their unwavering faith and constant guidance in helping us achieve resilient growth through an inclusive approach. I also extend my gratitude to the families of all our employees who have supported us through thick and thin. Additionally, I would like to thank our partners and rating agencies for their continued support and trust in helping us grow over the years.

Regards,

Govind Singh
Managing Director & CEO



We continue to create value to serve our clients with a focussed approach by launching tailor-made services which are aligned to their needs, while keeping the pace of acquisition in line with the growth trajectory of the bank.



CFO's Message



Consistent strides holding us in good stead!

I am happy to share with everyone that despite the headwinds we faced during FY 2022-23 arising from dynamic interest rates, we have successfully clocked the highest-ever profit in the history of our Bank.



We set a record of the highest-ever profit made by the Bank in its history at ₹ 405 crore. Our net worth crossed the ₹ 2,000 crore mark during FY 2022-23.

CONSISTENCY IS THE KEY

Utkarsh is synonymous with the word 'consistency'. At Utkarsh, we have been constantly catering to the financing needs of the unbanked masses across the country. Over the past few years, we have been consistently adapting to the changing market conditions, by identifying and responding to new trends and opportunities, and taking decisive measures to not only counter challenges, but also stay ahead of the curve. This is validated through the diversification of our product portfolio to cater to the changing needs of the customers; consistently improving operational efficiencies and seamless customer experiences, and ongoing investments in technology, innovation and training and development of our employees. All these measures not only enables us to strengthen

our growth trajectory but also ensures the inclusive growth of all our stakeholders, comprising investors, customers, employees and communities. Our focus is to be the 'most preferred brand' in the small finance banking space.

VALIDATED BY RESULTS

The year under review bore witness to volatile interest rates and a liquidity crunch. Additionally, there was a significant impact on inflation across the globe arising from geopolitical tensions and the lingering effect of COVID-19. Despite being faced with certain challenges, I am pleased to announce that we have had an excellent year.

We are happy to report total deposits of ₹ 13,710.14 crore in FY 2022-23, growing at 36% y-o-y. Our gross loan portfolio stood at



₹ 13,957.11 crore in FY 2022-23, growing at 31% y-o-y. We set a record of the highest-ever profit made by the Bank in its history at ₹ 405 crore. Our net worth crossed the ₹ 2,000 crore mark during FY 2022-23.

Despite the high interest rates during the year under review, we have been able to sustain our CASA mix at 20.9% as on March 31, 2023 compared to 22.4% as on March 31, 2022. Additionally, our net NPAs reduced to 0.39% as on March 31, 2023 compared to 2.31% as on March 31, 2022. Our gross NPAs reduced to 3.2% as on March 31, 2023 compared to 6.1% as on March 31, 2022. This validates our focus on improving the quality of assets and the strong risk assessment abilities of our underwriting team. We have also been successful in maintaining a healthy capital adequacy ratio of 20.6% during FY 2022-23 against the minimum requirement of 15% stipulated by RBI regulations. FY 2022-23 also saw us improving our cost efficiencies with our cost of funds at 7%, cost of deposits at 6.7% and cost to income ratio at 54.1%.

STRENGTHS DRIVING PERFORMANCE

Over the years, we have been leveraging our key business strengths to fortify our positions and emerge as the 'Bank of Choice' in the small finance banking sector. Our key strengths are as follows:

1. In-depth understanding of the microfinance segment, leveraging which, we have constantly strengthened our presence across rural and semi-urban market
2. Diversified product portfolio and robust distribution network and strong cross-selling opportunities, enabling us to cater to varied customer needs across the country
3. Fast-growing branch network enabling us to grow our deposit base ever faster, thereby, strengthening CASA mix
4. Robust risk management and effective operations, ensuring improvement in NPAs and cost efficiencies over the years
5. Experienced management team with rich experience and diverse expertise, helping us navigate through challenges better and emerge stronger.

LOOKING AHEAD

Going forward, our focus remains undeterred on undertaking conscious efforts towards utilising existing resources, network, automation, and digitisation more efficiently. We will continue to drive productivity, increase our customer base, and enhance cross-selling opportunities. We remain poised on tapping refinance and fund-raising opportunities to augment our capital in the foreseeable future. Additionally, our focus also remains on protecting our capital, strengthening our balance sheet, mitigating risks arising from uncertain events on the back of robust underwriting capabilities, strong cost efficiencies, decisive measures, prudent provisioning, and maintaining optimum liquidity.

RECOGNISED FOR EFFORTS

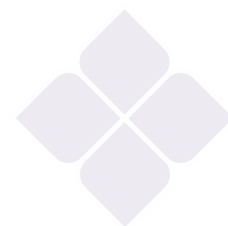
In April 2023, credit rating agency ICRA upgraded our credit rating from A (Positive outlook) to A+ (Stable outlook), which is a testament to our resilient performance.

ACKNOWLEDGEMENT

Lastly, I would like to close my statement by extending my heartfelt gratitude to the Board for their constant guidance. I would also like to thank the investors, employees and customers for their constant support, without which, we would not have delivered resilient growth in the face of challenges.

Regards,

Sarju Simaria
Chief Financial Officer



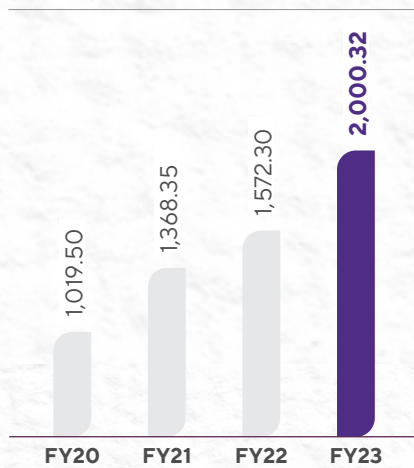
Resilience Validated by Results

At Utkarsh, our consistent growth over the past few years is a result of our deep understanding of the microfinance segment, strong focus on retail assets and deposits, and a diversified product suite. Our widespread network, strategic partnerships and robust risk assessment capabilities continues to strengthen our growth trajectory.

Balance Sheet Indicators

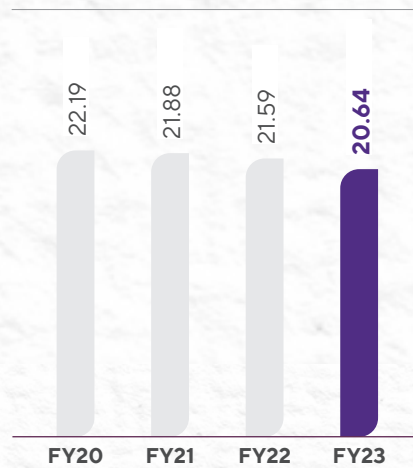
NETWORTH (CAPITAL + RESERVES)

(₹ crore)



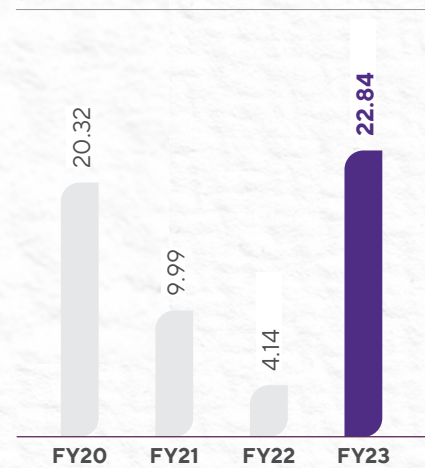
CAPITAL ADEQUACY RATIO (%)

(%)



RETURN ON AVERAGE EQUITY

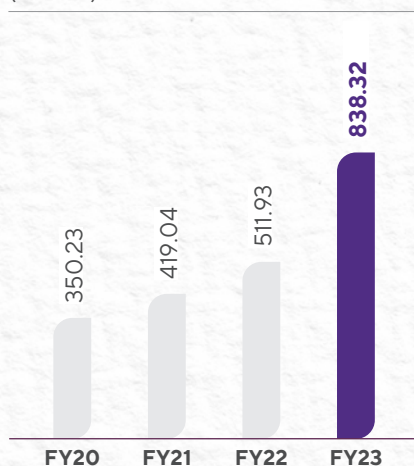
(%)



Profit and Loss Indicators

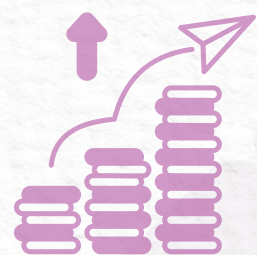
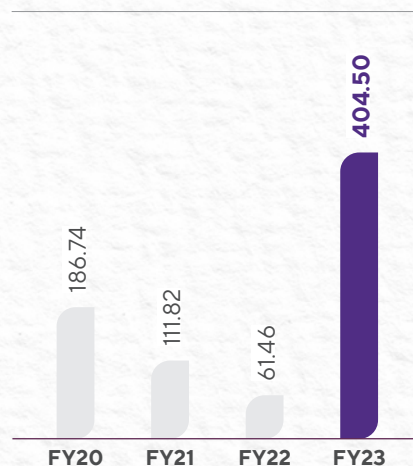
PRE-PROVISIONING OPERATING PROFIT

(₹ crore)



PROFIT AFTER TAX

(₹ crore)

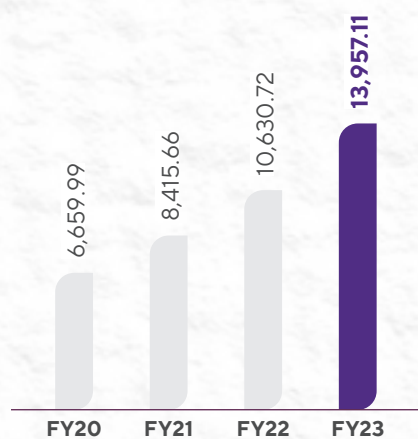




Operational Indicators

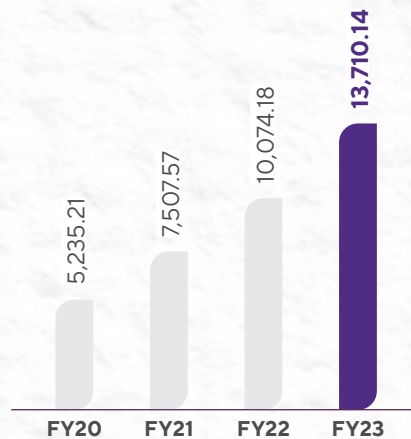
GROSS LOAN PORTFOLIO

(₹ crore)



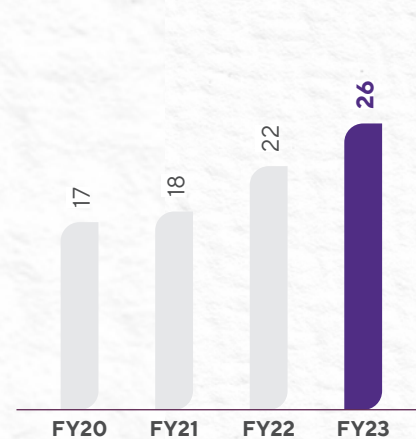
DEPOSITS

(₹ crore)



BANK OUTREACH


(number of States and UTs)



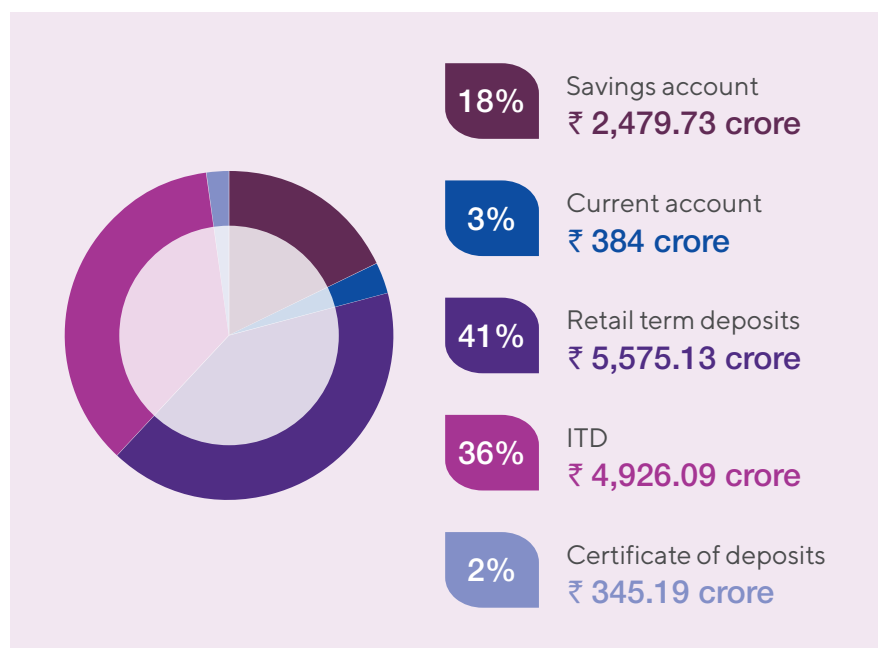
Sharpening Focus on Liability Segment

FY 2022-23 saw us bolstering our liability segment by expanding across new markets, opening new branches, launching micro ATMs, diversifying the portfolio, and enhancing customer experience on the back of digital offerings.




₹ 13,710.14 crore
 Size of total deposits

CONTRIBUTION TO DEPOSITS





In FY 2022-23, the banking sector witnessed hardened interest rate scenario and tight liquidity environment, especially in the second half of FY 2022-23. Against this backdrop, we continued our focus on expanding our liabilities business by growing our footprint across the country. During FY 2022-23, we launched 144 new branches, taking our total network to 830 branches across the country with a strong presence in 26 states and union territories. We have benchmarked our branches, products, channels and services with the established banks in the country and are at par with them.

Our retail term deposits during FY 2022-23 stood at ₹ 5,575.13 crore compared to ₹ 3,755.36 crore in FY 2021-22, clocking a y-o-y growth of 48.46%. FY 2022-23 saw good traction in retail deposits, thereby, strengthening our CASA mix. Our total CASA and retail term deposits portfolio grew from ₹ 6,008.64 crore in FY 2021-22 to ₹ 8,438.87 crore in FY 2022-23, which stood at 61.55% of total deposits during the year. Our aggregate deposits stood at ₹ 13,710.14 crore during FY 2022-23 compared to ₹ 10,074.18 crore in FY 2021-22, clocking a y-o-y growth of 36.09%.

Strengthening deposit share from retail liabilities has been at the forefront of our focus. We opened 58 new general banking branches, taking our total general banking branches to 251 as on March 31, 2023. During FY 2022-23, we also launched several ATMs and micro

ATMs, taking our total ATM network to 833, including 546 micro ATMs. FY 2022-23 saw us expand our footprint across 4 new states and union territories, namely Goa, Jammu and Kashmir, Meghalaya, and Puducherry.

During FY 2022-23, we worked on making the customer experience with the bank a seamless process. Our efforts were directed at strengthening our digital channels, comprising mobile banking, net banking, tab banking, corporate internet banking, digital onboarding, self-onboarding, UPI payment, and customer relationship management, among others. We onboarded a total of 5.7 lakh savings account through digital onboarding during FY 2022-23. The total depositors with our Bank as on March 31, 2023 stood at 20.4 lakh.

We also worked on boosting our government and institutional business through a dedicated team focussed on empanelment with state governments. During FY 2022-23, we were empanelled with government of Maharashtra for salary and pension accounts, with Indian Clearing Corporation as an authorised bank for collateral deposit, and with the government of Chhattisgarh for deposits. This product segment is poised for strong growth and will help us generate sustained revenues. Additionally, going forward, the launch of new branches is expected to generate incremental revenues and strengthen our liabilities segment.



During FY 2022-23, we were empanelled with government of Maharashtra for salary and pension accounts, with Indian Clearing Corporation as an authorised bank for collateral deposit, and with the government of Chhattisgarh for deposits.

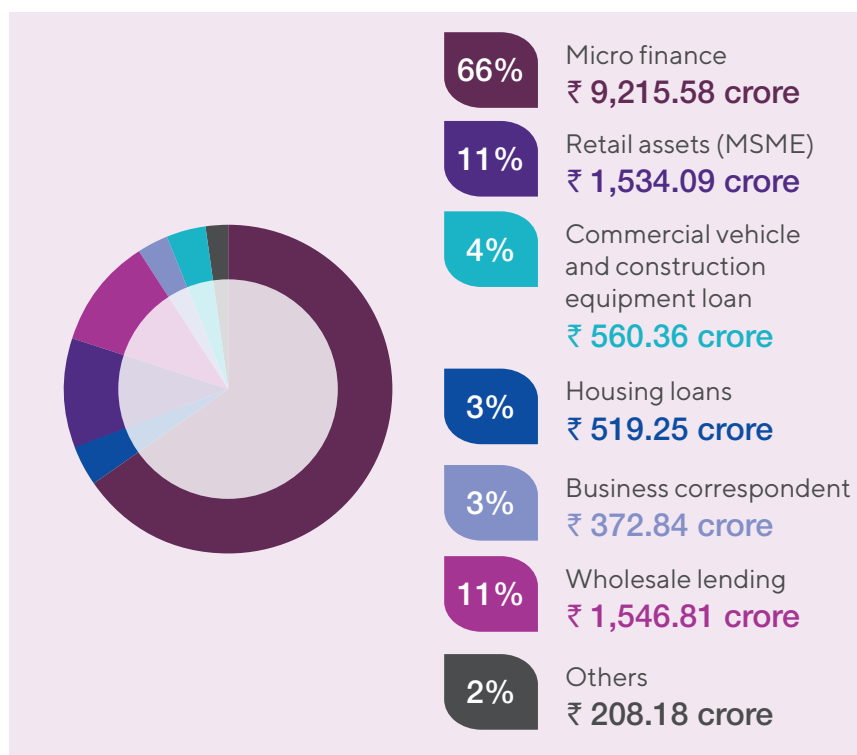
Strengthening Our Asset Segment

Over the years, we have emerged from a traditional micro finance company to a small finance bank aiding in financial inclusion of the unbanked and underbanked masses of the country across rural and semi-urban geographies.



₹ 13,957.11 crore
Size of total loan book

CONTRIBUTION TO LOAN BOOK





In line with our vision of being a trusted, digitised bank that is financially and socially inclusive, we have focussed on specific products such as affordable housing loans, wheels loans, and retail assets, among others. Over the years, we have diversified our product portfolio by consistently launching new products such as 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.

The majority of our revenues of 31.29% were from the rural and semi-urban geographies during FY 2022-23. We have identified that predominantly the loans from our major markets like Uttar Pradesh and Bihar have relatively lower ticket size. Hence, we have been actively expanding our presence across new geographies to de-risk our dependence on these two markets.

The FY 2022-23 saw the launch of new products such as micro loans against property (LAP), gold loans, and CGTMSE product, among others. We launched e-stamp and e-sign facility for gold loan borrowers during FY 2022-23. Our total assets grew at 26.91% to reach ₹ 19,117.54 crore in FY 2022-23 over ₹ 15,063.77 crore in FY 2021-22 clocking a y-o-y growth of 31.29%. FY 2022-23 also saw our portfolio of MSME loans and housing loans cross the milestones of ₹ 1,500 crore and ₹ 500 crore respectively. Our micro finance business grew by 15.16% during FY 2022-23 to

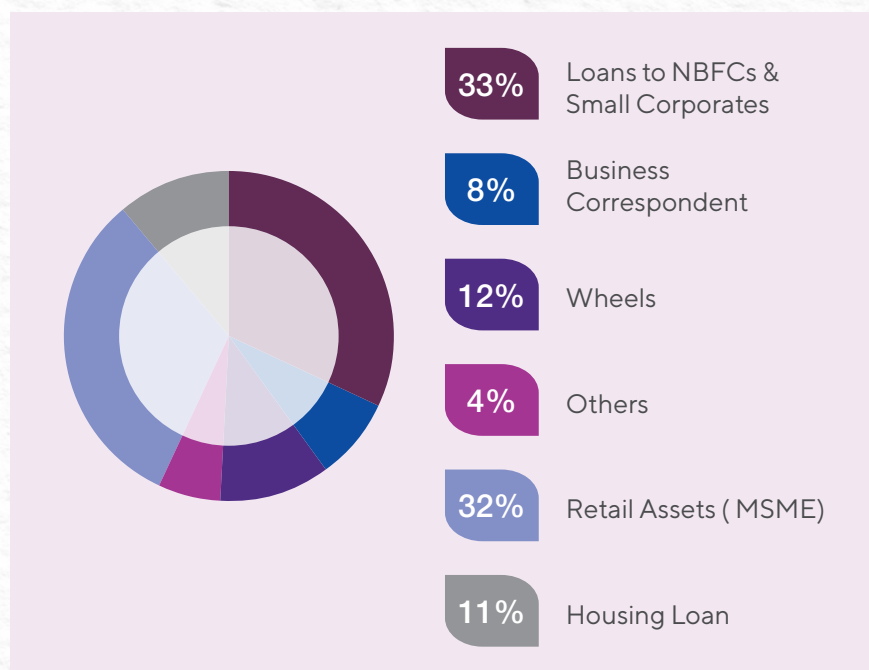
reach ₹ 9,215.58 crore as on March 31, 2023. Additionally, FY 2022-23 also saw us enter partnerships for the launch of new products in retail assets such as dealer finance overdraft and personal loan through mobile application-based lending. We also partnered with Yubi and Moneyboxx Finance Limited during FY 2022-23 for asset partnership on online platforms.

During FY 2022-23, our non-micro finance business carved a total share of 34% of the total business. Our non-micro finance loan book grew by 80% y-o-y to reach ₹ 4,741.53 crore as on March 31, 2023. The major composition of our non-micro finance loan book was carved by wholesale lending which stood at 32.6%, followed by retail assets contributing 32.4%, and housing loans contributing 11%.



We have identified that predominantly the loans from our major markets like Uttar Pradesh and Bihar have relatively lower ticket size. Hence, we have been actively expanding our presence across new geographies to de-risk our dependence on these two markets.

CHART ON COMPOSITION OF NON-MICRO FINANCE LOAN BOOK



Ensuring Inclusive Growth of Employees

At Utkarsh, employee-centricity is embedded in our very DNA. In order to ensure inclusive growth of employees and ensure transparency and equity, we have sound human resources policies in place. Additionally, we have proactively adopted human resources (HR) strategies to effectively align business goals with our employee goals.



Human Resources is the soul of the Bank which implements its strategies of bringing in a team of passionate and committed workforce through a range of activities including recruitment, to deployment and training to talent retention and engagement to seamlessly support to achieve our vision and mission. We endeavour to provide an environment of learning, skill development, team work coupled with motivation and mentoring.

Our HR structure comprises recruitment, HR operations, training vertical and employee engagement supported by a zonal HR structure providing the last-mile connect. We have adopted a technology-enabled and automation-focussed approach towards delivering HR

services to our employees. We also provide real-time access to key HR services through our mobile-enabled online human resource management system.

At Utkarsh, 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 with good working conditions, contributing to sustainable economic growth. On the back of this culture, our employee base has grown to more than 15,400 people, comprising people from diverse backgrounds and experiences. Our focus towards diversity among the workforce remains steadfast to balance the representation across genders and

background. During FY 2022-23, we added 2,807 employees, of which, 1,381 were female employees. The employee strength of the Bank as on March 31, 2023 was 15,424.

LEARNING AND DEVELOPMENT

Human resources is one of the core functions of the Bank, which is entrusted with the responsibility of managing the entire lifecycle of an employee while striking a positive impact.

In our constant endeavour to promote learning and upskilling for all our employees, we have in place a 'Learning Management System' (Utkarsh U-Learn) to upskill our employees with the help of continuous educational



programmes through e-modules and virtual classrooms. We have been in the process of training our employees and creating an internal pool of well-groomed talent. We have tie-ups with various institutions to train our employees to enable them to grow and work in new geographies and products. Under the purview of our learning and development, we have been upskilling our employees for various roles through role-based certifications, process and product certifications and other soft skills training, among others. Additionally, we undertook workplace training programs such as Utkarsh Pragati (refresher training), Utkarsh Udaan (role-change trainings), Utkarsh Saksham (capacity building certification programs and mandatory certifications). We undertook specific initiatives for workplace training such as promotion trainings, mandatory certification programs and soft skill programs, among others. We motivate our employees to participate in various external programs conducted by regulatory and industry consortium bodies, helping our employees to stay updated with the latest developments in the industry. We have an in-house team of well-qualified trainers comprising of retired bankers, senior management employees and training experts.

As part of the talent management initiative, we organised a vision execution workshop, and identified a list of competencies based on which a '360-degree feedback' was conducted for the senior management team. For the critical role holders of the Bank, the management has created a strong leadership pipeline by identifying and mapping employees who

could be probable successors in the next few years. We have been developing these identified talents by taking them through various development initiatives. Additionally, we have tie-ups with external institutions, industry consortium bodies and learning partners to help us stay updated with the latest developments in the industry. During the year under review, more than 14,000 employees were trained under various programs via 578 training sessions. FY 2022-23 saw us initiate CEO and CXO mentoring club, wherein select employees are groomed by engaging them in various meaningful projects.

We constantly strive to promote digitisation and have undertaken measures to digitalise the lifecycle management program of our employees. Such measures comprise recruitment and onboarding of employees digitally, and issuing digital ID cards, among others.

With the Bank consistently growing in scope and scale of operations over the years, we have started to decentralise our HR process while ensuring that adequate checks and balances are maintained.

CULTURE OF INCLUSIVE GROWTH

At Utkarsh, nurturing a culture of conducive growth for our employees remains at the forefront of our focus. We believe in hiring the right set of people at the right positions, to ensure optimal hiring efficiency. We provide qualified and skilled banking jobs to experienced bankers and graduates recruited straight after completing their training. Over the years, we have created a diverse workforce with individual goals aligned to that of

the organisation. We provide our employees individual progression and a strong career growth. In ensuring this, we have been providing training programmes to our employees comprising of induction training, functional training, coaching and mentoring which enhances the technical, functional and soft skills of the employees.

At Utkarsh, we have a diversified team of well-qualified trainers comprising of retired bankers, senior management employees and training experts, who conduct various in-house trainings organised by us. Our focus on digitisation is reflected through the trainings we conduct through online learning platforms.

We have been on a constant strive to expand, nurture and retain our talent base that complements our growth strategy. We believe in developing our own internal talent pool and creating a robust career plan for each of our employees, helping them grow and guiding them in every step of the way. 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.

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 a performance management system. We are committed to provide our employees with a healthy work-life balance, ensuring they stay motivated to work on one hand, and are leading a healthy life on the other. In order to keep our

Ensuring Inclusive Growth of Employees



Our performance management system is completely digitalised, with all related activities including goal setting and appraisals done using the online platform

employees motivated, we also undertake specific initiatives such as fitness programmes in office, support on emotional and mental well-being, annual functions, sports day and festival celebrations.

Our performance management system is completely digitalised, with all related activities including goal settings and appraisals. We have a mechanism in place to mitigate risks emanating from adverse employee behaviour and acts of omission or commission. The human resource policies are reviewed on a periodic basis with changes in the regulatory requirements issued by the regulator/ and as per the business requirements.

In order to make employee onboarding experience smoother and more efficient, we have introduced an online joining platform, namely 'Digidesk'. This is a third-party platform which streamlines paperwork, offers digital signatures, provides easy access to new joining forms, and eliminates the need for paper-based documentation. This user-friendly interface ensures that new employees feel supported and confident as they start their new role at Utkarsh. With the help of

this platform, we have been able to eliminate data entry part of the HR SPOC owing to the fact that candidates can furnish the required documents directly through software, making the onboarding process easier and convenient not only for the new joinee, but also for the HR SPOC. Another technical feature added in the onboarding process is the use of an online portal provided by the service partner for processing employee ID cards. This has simplified and expedited the onboarding process, enabling HR to submit new joinees' ID card details online and track the progress. The use of this online portal has significantly reduced the processing time for ID cards, making the entire onboarding process simpler and faster.

FY 2022-23 saw us engage with third parties 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 third parties for providing training and development for our employees, and deployment of a learning management system.

PREVENTION OF SEXUAL HARASSMENT

We have remained committed to creating a safe environment where all employees are treated with respect and dignity. We have a zero-tolerance policy on the issue of sexual harassment at the workplace, and follow all the guidelines prescribed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act,

2013. The Prevention of Sexual Harassment Policy ('POSH Policy') is implemented for all employees and stakeholders/partners, and any complaint of sexual harassment made against any individual working on the Bank's premises, including third-party vendors, is investigated in line with this POSH Policy.

Our Internal Complaints Committee (ICC) has laid down the processes and guidelines pertaining to sexual harassment related complaints. The ICC deals with all complaints relating to sexual harassment. We do 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 our website for information and compliance thereof. The Bank has formulated Prevention of Sexual Harassment Policy, which is available at Bank's website at: https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Prevention-of-SexualHarassment-Policy.pdf (corporate communication to update the link of POSH policy under website.)

During FY 2022-23, a total of 13 cases were reported under POSH. Out of 13 cases, 11 cases have been resolved and 2 cases are under investigation.

EMPLOYEE ENGAGEMENT

We are cognisant of the instrumental role played by employee engagement in creating a culture of excellence in the organisation. We have robust engagement channels that allows our employees to share their feedback and suggestions. We are in the process of implementing an online grievance redressal platform to address grievances of employees in a transparent and time-bound manner. We have a seamless online HR query helpdesk to answer the queries of all employees.

We have in place a specific initiative, namely 'Utkarsh Sampark', in which all employees attend a townhall remotely from their respective locations. This is led by the Managing Director and the senior management team to keep the employees updated on the various initiatives undertaken by the Bank. Through these town halls, we capture employee feedback and disseminate important and strategic messages. The FY 2022-23 saw us celebrate our 6th anniversary with much fanfare and gusto.

All these measures translate into strong employee retention for the Bank. This is validated by the fact that we have awarded 495 employees for completing 5 years with the organisation through the Long Service Award.

EMPLOYEE RECOGNITION

We believe in recognising the efforts of our employees fairly by adequately compensating them based on their performance, both short and long term. Employee

In an endeavour to engage and motivate employees, the HR and training department arranges theme-based employee engagement initiatives on a monthly basis. Few of these initiatives are as follows:

- Kargil ke Veer - Kargil Vijay Diwas
- Tree Plantation drive on World Nature Conservation Day
- 75th Azadi ka Amrit Mahotsav - Har Ghar Tiranga - Independence Day celebration
- Show your creativity - Children's Day Celebration
- Diwali Celebration
- Republic Day Celebration
- Embrace Equity
- Health Talk
- Leadership Talk Series - In order to maintain transparency in communication, an initiative 'Leadership Talks' has been launched wherein the members of the senior management share their success stories with the employees

benefits like 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 any hassles. We also

recognise our best performers and celebrate organisation citizenship behaviour through various awards for innovation, risk mitigation, vigilance and customer service, among others.



Promoting Inclusive Growth Among Communities

At Utkarsh, we are cognisant of the responsibilities that we have towards the communities. We shoulder these responsibilities through our CSR implementation agency, namely Utkarsh Welfare Foundation (UWF), which undertakes CSR measures under the purview of healthcare, rural infrastructure, education and skill development and training.



UWF primarily works towards community upliftment measures in Uttar Pradesh, Bihar and Uttarakhand, along with other activities in other states such as Madhya Pradesh, Jharkhand and Odisha. Across all these states, the Foundation is focussed on aiding the economically backward classes facing challenges such as inadequate infrastructure, poor healthcare facilities, and limited access to education.

Since its very inception in August 2010, the social commitment efforts comprising of financial awareness, health, skill development, micro-enterprise training and sustainable

livelihoods has remained at the forefront of the Foundation's focus. The Foundation had made a sustainable impact in the lives of the community through a multi-thematic, service-oriented market-led approach. The intervention spearheaded by UWF have predominantly been focussed on developing ideas and solutions that are based on a deep understanding of the needs of low-income households in remote and underserved areas.



The intervention spearheaded by UWF have predominantly been focussed on developing ideas and solutions that are based on a deep understanding of the needs of low-income households in remote and underserved areas.



The key interventions undertaken by the Foundation during FY 2022-23 are as follows:

To ensure financial inclusion of the backward classes, UWF has been imparting financial literacy training through physical (community-based learning) and e-learning platforms (digital mode).



To provide infrastructure support to the community, the Foundation has trainers/resource persons in place to help in the implementation by facilitating exposure to basic technological infrastructure to the community.



To address the gap in digital infrastructure, UWF has been proactively promoting e-learning, digital inclusion and lifelong learning opportunities.



To strengthen existing healthcare infrastructure, UWF has been providing infrastructural support to healthcare institutions towards strengthening health responses.



To address the challenges in primary healthcare, the Foundation has been undertaking various interventions focussing on preventive healthcare services by providing health awareness training through community and e-learning platforms.



To enhance access to quality primary healthcare services in remote geographies, UWF has been running e-clinics, polyclinic camps and special health camps.



To build economic resilience for marginalised groups and low-income households, UWF has been providing various upskilling trainings to the backward classes, and help them in employment generation.



To protect the environment, UWF has been promoting sustainable agri-practices and environment conservation activities.



Promoting Inclusive Growth Among Communities

Partner / Programs	Annual Achievement
E-Clinics	72,342
Financial Awareness	74,830
Health Awareness Camps	37,691
Polyclinics	23,313
Special Health Camps	8,770
Uttarakhand Initiatives (Swasthya Mitra, Education & Farm Based Initiatives)	10,871
Weavers Support Program	180
Village Development Programme	4,125
Health Entrepreneurship	-
Health Infra Support	1
MUSP	200
Total	2,32,323

Case studies validating our commitment

FINANCIAL LITERACY



Guriya Devi
Rahiyar, Darbhanga

Guriya Devi, a resident at Rahiyar village of Darbhanga, Bihar, is a homemaker and a mother of four daughters. Her education is limited to matriculation. During the disruption caused by COVID-19 Pandemic, her husband lost his job, adversely impacting the financial situation of the family. Together with her husband, Hemkant, she used to work in animal husbandry and agriculture, in addition to running a shop.

When Hemkant lost his job as a labourer, his family had to depend on other sources of income. Guriya Devi was unable to support the family financially due to lack of financial literacy. When the UWF team visited her village, she got exposure to digital and financial literacy through the training conducted by the Foundation. Leveraging these newly acquired knowledge, Guriya opened her own Customer Service Point (CSP). She also signed up for the Atal Pension Yojna, in addition to other relevant measures towards saving money to enable her to build her own home in the foreseeable future. With the savings she generated, she not only supported her family, but also bought a new scooter for herself.





Pinky Devi
Ararua, Rohtas

Pinky Devi is a resident of Ararua in the Kargahar block of Rohtas district in Bihar. She has a family of four, including 2 children. Her education is limited to class 10, and she belongs to the economically backward class. Her husband is a daily wage farmer and is the only earning member of the family. Their two children go to school.

With her limited exposure to financial literacy, and her husband's low income, it was a serious challenge for the family to meet their expenses and ensure continuation of education for their children. With the hope a brighter tomorrow, she attended the four-day classroom training program on financial literacy conducted by UWF. The program inculcated in her the knowledge and awareness of financial planning, savings, insurance, banking concepts, budgeting, and social protection schemes through various tools such as flipcharts and audio-visual games.

Post the training, she enrolled in the Atal Pension Yojna together with her husband, and started saving small amounts. She also learned about the usage and implementation of various digital banking services. She has started focussing on long-term savings and has been managing expenses better.



Case studies validating our commitment

E-CLINIC



Samsheeda
Bhadarpur, Haridwar

Samsheeda, a resident of Bhadarpur village, Haridwar, is a mother of two. Initially, she was hesitant of visiting the e-clinic run by UWF, owing to its unconventional nature compared to other clinics in the village. She visited the e-clinic for consultation of her gastric issues and headaches, wherein, she spoke to the doctor virtually, and discussed various daily food habits and fitness practices that would help in countering her health condition. Additionally, she was prescribed medicines by the doctor. Post this experience, she continued visiting e-clinic for other health concerns and diligently follows the medicines prescribed by the doctors. She is thankful for the regular healthcare services provided by the Foundation to the community with the help of such e-clinics.



Leadership that Inspires Confidence

At Utkarsh, we have a robust governance framework in place with our Company values, ethical business practices and targeted policies at its core. We take immense pride in the rich experience and diverse skills and expertise of our Board. The Board meets at periodic intervals to review the Bank's performance.

Board of Directors



Chairman



Member

- | | |
|--|--|
| 1 Audit Committee | 8 Review Committee for Identification of Wilful Defaulters |
| 2 Capital Structuring and Fund Raise Committee | 9 Risk Management Committee |
| 3 Corporate Social Responsibility Committee | 10 Special Committee for Corporate Office Building Project |
| 4 Credit Approval Committee | 11 Special Committee to Monitor Large Value Frauds |
| 5 Customer Service Committee | 12 Stakeholders' Relationship Committee |
| 6 IT Strategy Committee | 13 Committee of Directors for New Initiatives |
| 7 Nomination and Remuneration Committee | |



Mr. Parveen Kumar Gupta

Part-Time Chairman of the Board and Non-Executive Independent Director

Mr. Parveen Kumar Gupta is an Independent Director and Part-Time Non-Executive Chairman of our Bank. He retired as Managing Director, retail, and digital banking, from State Bank of India (SBI). He has rich experience in the banking sector of more than 37 years, and has held various positions in the SBI Group, including Managing Director (compliance and risk, SBI), Whole-time director, Managing Director and Chief Executive Officer (SBI Capital Markets Ltd), Deputy Managing Director and Chief Financial Officer (global markets, SBI), Deputy Chief Executive Officer (SBI-Macquarie Infra. Mgmt. (P) Ltd.), and Chief General Manager (global markets, SBI).

He holds a bachelor's degree in commerce from Guru Nanak Dev University and is an associate member of the Institute of Company Secretaries of India. He is also a certified associate of the Indian Institute of Bankers.

Further, he is currently a Director on the Board of Hiranandani Financial Services Private Limited, BOI Star Investment Managers Private Limited, Midland Microfin Limited, Growth Source Financial Technologies Private Limited, Light Microfinance Private Limited. He was a member of the expert committee on Micro, Small & Medium Enterprises, headed by Mr. U.K. Sinha, former Chairman of the SEBI, constituted by RBI.





Mr. Ajay Kumar Kapur

Non-Executive Independent Director

Mr. Ajay Kumar Kapur is an Independent Director of our Bank. He holds a bachelor's degree in Engineering (industrial engineering) from University of Roorkee (now known as Indian Institute of Technology, Roorkee). He was previously associated with Punjab Tractors Limited, Industrial Development Bank of India, India SME Technology Services Limited and SIDBI.



Mr. Chandra Shekhar Thanvi

Nominee Director – SIDBI

Mr. Chandra Shekhar Thanvi is a Non-Executive Director (nominee of SIDBI) at our Bank. He has a bachelor of technology degree in mining engineering from Banaras Hindu University, Varanasi, and a master's degree in business administration from the University of Rajasthan.

At present he is serving as the Chief General Manager heading administration and premises vertical and the MSME promotional initiatives vertical in SIDBI. Prior to joining 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., Chief Executive Officer of National Credit Guarantee Company Ltd.



Mr. Kajal Ghose

Non-Executive Independent Director

Mr. Kajal Ghose is an Independent Director at our Bank. He holds a bachelor's degree in commerce from Ranchi University and a diploma in human resource development from All India Institute of Management Studies, Chennai. He is a certified associate of the Indian Institute of Bankers. He previously worked as the Chief General Manager at SBI, and at Stratosphere IT Services Private Limited and Kovid Group Analytics India Private Limited. He is a member of the board of advisors of Datawise Management Services India Private Limited, and a Senior Advisor to PayU India. He currently is a member of the investment committee of New Leaf Investment Advisors LLP.



Leadership that Inspires Confidence



Ms. Kalpana Prakash Pandey

Non-Executive Independent Director

Ms. Kalpana Prakash Pandey is an Independent Director at our Bank. She holds a bachelor's degree in science (Chemistry, Physics and Mathematics) and master's degree in science (Physics) from Garhwal University, in addition to a master's degree in technology (computer science and technology) from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She also holds a post-graduate diploma in electronics and communication engineering from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She has previously served 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 at our Bank. He holds a bachelor's degree in science (mathematics) from the University of Madras and a master's degree in arts (branch III -economics) from the University of Madras. He has completed the management of managers programme from Stephen M. Ross School of Business, University of Michigan, and is a certified associate of the Indian Institute of Bankers. He was previously associated with Edelweiss Tokio Life Insurance Company Limited, Leadership Centre Private Limited, ICICI Bank Limited, Dhanlaxmi Bank Limited and L&T Finance Limited.



Mr. Nagesh Dinkar Pinge

Non-Executive Independent Director

Mr. Nagesh Dinkar Pinge is an Independent Director at our Bank. He holds a bachelor's degree in law from the University of Mumbai and is a qualified chartered accountant registered with the ICAI. He was previously associated with Tata Motors Limited, JSW Energy Limited, Reliance Retail Limited, ICICI Bank Limited and NKGSB Co-op Bank Limited.



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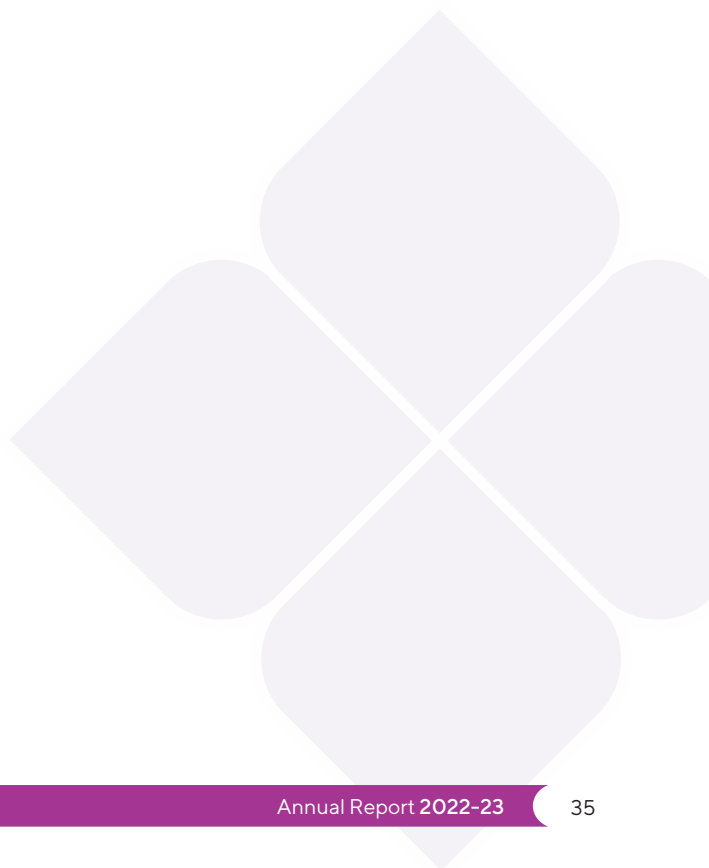
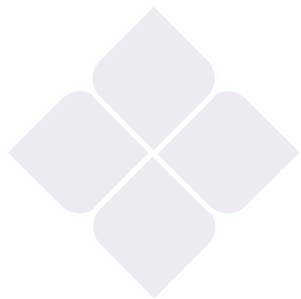
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Mr. Govind Singh

Managing Director & CEO

Mr. Govind Singh is the Managing Director and Chief Executive Officer at our Bank. He holds a bachelor's degree in commerce from Delhi University, and is a certified associate of the Indian Institute of Bankers. He was the Assistant General Manager at ICICI Bank Limited previously. He was the Managing Director and Chief Executive Officer of our Promoter Group. He has also been associated with Surya Fincap Limited, UTI Bank Limited, Allahabad Bank, State Bank of Patiala, and Bank International Indonesia.



Key Managerial Personnel



Mr. Govind Singh

Managing Director & CEO

Mr. Govind Singh is the Managing Director and Chief Executive Officer at our Bank. He holds a bachelor's degree in commerce from Delhi University, and is a certified associate of the Indian Institute of Bankers. He was the Assistant General Manager at ICICI Bank Limited previously. He was the Managing Director and Chief Executive Officer of our Promoter Group. He has also been associated with Surya Fincap Limited, UTI Bank Limited, Allahabad Bank, State Bank of Patiala, and Bank International Indonesia.



Mr. Sarju Simaria

Chief Financial Officer

Mr. Sarju Simaria is the Chief Financial Officer of our Bank with effect from October 31, 2022. He is responsible for the financial affairs of our Bank. He holds a bachelor's degree in commerce from the University of Bombay and is an associate of the ICAI. He received the 'CA CFO- for Large Corporates-BFSI Award' from the Committee for Members in Industry of Business (CMI&B), ICAI in the year 2022 and 'CFO Lifetime Achievement Award' at the CFO Vision & Innovation Summit & Awards in the year 2022. He has experience in the field of financial management and has previously worked at SUN F&C Asset Management (I) Pvt. Ltd., Edelweiss Tokio Life Insurance Company Limited, Fino Payments Bank Limited, ECL Finance Limited and Edelweiss Financial Services Limited as their chief financial officer and at Canbank Investment Management Services Ltd., HDFC Asset Management Company Limited, AIG Global Asset Management Company (India) Private Limited and American International Group, Inc.



Mr. Muthiah Ganapathi

Company Secretary

Mr. Muthiah Ganapathy is the company secretary of our Bank. He is also the compliance officer of 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



Leadership Team



Mr. Abhijeet Bhattacharjee
Chief Information Officer

Mr. Abhijeet Bhattacharjee, is the Chief Information Officer (CIO) at 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. Alok Pathak
Chief Risk Officer

Mr. Alok Pathak, Chief Risk Officer at 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. Amit Acharya
Head-Credit

Mr. Amit Acharya is the Head of Credit at 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 and banking with expertise in credit risk management, credit policy and portfolio monitoring, startup launch and turnarounds, business transformation and process re-engineering across all spectrums 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 and MSME). He also had stints with Kotak Bank and ICICI Bank, among others.



Mr. Arun Raman
Head Operations

Mr. Arun Raman is the Head of Operations at 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

Mr. Hitain Sharma is the Chief Human Resources Officer at 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. R Murugesan
Chief of Internal Vigilance (CIV)

Mr. R Murugesan is the Chief of Internal Vigilance (CIV) at our Bank. He has done his M. Phil. (Commerce) from Alagappa University and holds a PGDPM from Annamalai University, in addition to 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. Rahul Dey
Head - Internal Audit

Mr. Rahul Dey is the Head of Internal Audit at 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 certified 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, BILT Tree Tech Limited as its Assistant Manager, and at our Promoter as its Vice President.



Mr. Mukesh Singh Verma
Chief Compliance Officer

Mr. Mukesh Singh Verma is the chief compliance officer of our Bank and joined our Bank w.e.f. April 13, 2023. He is responsible for maintaining compliance standards at our Bank. He has completed his bachelor's in commerce honour's (accounting & finance) and bachelor's of law (Honours) from Himalayan University, Arunachal Pradesh. He is a fellow member of the ICSI. He has completed the online courses from Coursera Inc. on regulatory compliance comprising courses on- what is compliance?; effective compliance programs; privacy law and data protection and what is corruption: anti-corruption and compliance, from the University of Pennsylvania, USA and fintech risk management, from the Hong Kong University of Science and Technology, Hong Kong. He has experience in providing regulatory compliance services covering RBI regulations. He has previously worked at North East Small Finance Bank, AU Small Finance Bank Limited, Himachal Fibres Limited and Religare Finvest Limited.



Mr. Sanjay Sharda

Head – Consumer Banking

Mr. Sanjay Sharda is the head – consumer banking of our Bank and joined our Bank w.e.f. February 1, 2023. He is responsible for enhancing the digital banking system for the customers and ensuring customer retention at our Bank. He has completed his bachelor's in commerce (Honours) from Deshbandhu College, University of Delhi and a master's degree in business administration from Clarion University of Pennsylvania, USA. He has experience in the banking sector and previously worked at HDFC Bank Limited, Kotak Mahindra Bank Limited, BNP Paribas India, IndusInd Bank Limited and Citibank N.A.



Mr. Umesh Arora

Head Assets – Retail & Wholesale Lending

Mr. Umesh Arora is the head – assets of our Bank and joined our Bank w.e.f. March 20, 2023. He is responsible for ensuring quality of asset portfolio and monitoring the business vertical targets of our Bank. He has completed his bachelor's in commerce (Honours) from University of Delhi and a master's degree in business administration from Indira Gandhi National Open University, New Delhi. He has experience in the banking sector and has previously worked at UTI Bank Limited as its assistant vice president and Axis Bank Limited.



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. 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.

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. Abhijeet Bhattacharjee - 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. Kajal Ghose - Chairman
Mr. Nagesh Dinkar Pinge - Member
Mr. Govind Singh - 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

COMMITTEE OF DIRECTORS FOR NEW INITIATIVES

Mr. Parveen Kumar Gupta - Chairperson
Mr. Muralidharan Rajamani - Member
Mr. Nagesh Dinkar Pinge - Member
Mr. Govind Singh - Member

* Independent Director

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INDIAN ECONOMY REVIEW

The inflationary pressure across the world has also impacted the Indian economy. As per its second advance estimates, the Government estimated the Indian economy to grow by 7.2% in 2022-23 compared to 9.1% in 2021-22. The year also witnessed rising power, fuel and food costs. The Consumer Price Index (CPI) of India was estimated at 6.7% in 2022-23, compared to 5.5% in 2021-22. The target range for inflation was fixed at 4% with an upper tolerance of 6%. However, between April and October 2022, the CPI was outside the target range set by the Centre. To bring inflation under control, RBI increased the policy repo rate under the liquidity adjustment facility (LAF) by 250 basis points from 4.0% to 6.50% during 2022-23. Additionally, the Government cut down import duty on major inputs such as ferronickel, coking coal, among others to zero; rolled out phase-wise reduction in excise duty of petrol and diesel; waived off customer duties on cotton; and prohibited export of wheat. This coupled with strong credit growth in the country has enabled the Indian economy to sustain its position as the fastest-growing economy in the world. Aggregate bank deposit and credit during 2022-23 was estimated at 9.6% and 15% respectively, compared to 8.9% and 9.6% during 2021-22.

With the increasing thrust of Government on infrastructure and capital expansion and strong credit growth, the country is poised for a sustained growth in the foreseeable future. The Union Budget 2023-24 speaks volumes of the Government's increasing focus on infrastructure, financing new businesses, and making India more self-reliant and self-employed. The GDP growth of the country in 2023-24 is projected at 6.5%.

(Source: IMF, PIB)

INDUSTRY OVERVIEW

Indian banking industry

India is home to 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. Bank credit stood at ₹ 129.26 lakh crore as on November 4, 2022. The credit to non-food industries in India stood at ₹ 128.87 lakh crore as on November 4, 2022. As of November 2022, the total bank deposits on the other hand grew to ₹ 173.7 trillion from ₹ 170.6 lakh crore in April 2022. The growth in the deposits and credit in the banking sector was largely driven by the increasing working population of India and the rise in disposable incomes coupled with growing focus on an improved lifestyle.

Between 2020 and 2022, bank assets (both private and public banks) in the country saw a substantial growth. In 2022 alone, the total assets of public banks and private banks in India stood at US\$ 1,594.51 billion and US\$ 925.05 billion respectively. Over the years, the focus by the Centre has been on improving the asset quality of banks by undertaking several reforms. As a result of the successful reforms, the gross non-performing asset (NPA) ratio of the banking sector came down from a peak of 14.6% in March 2018 to 5.53% in December 2022. This is further estimated to touch 4.9% by March 2023. On the back of declining NPAs, all Public Sector Banks (PSBs) were profitable in 2022-23, with the average profit standing at ₹ 70,167 crore in 9M 2022-23, compared to ₹ 66,534 crore in 2021-22. On the other hand, the provision coverage ratio of PSBs increased from 46% in March 2022 to 89.9% in December 2022.

With the substantial outlay on infrastructure and capital expenditure by the Government in its Union Budget 2023-24, economic activities are expected to be on the rise with increased employment generation and credit penetration across the country.

(Source: IBEF, Economic Survey)

Small finance banking industry

Small finance banks (SFB) are a specific segment of banking created by the RBI with the objective of ensuring financial inclusion by primarily extending basic banking services to unserved and underserved sections of the society, including small and marginal farmers, small business units, micro and small industries, and unorganised entities.

Being a new segment in the banking sector, the SFBs have been making strong inroads into the credit market and enabling financial inclusiveness across the country. SFBs currently hold a minor market share of 1.14% in advances and 0.71% in deposits of the entire banking sector as on March 31, 2022. However, these banks have a good deposit

mobilisation and outreach among the under-banked masses, which would drive their market share multifold in the foreseeable future. The total deposits of SFBs in 2021-22 stood at ₹ 1,45,730.5 crore compared to ₹ 1,09,472.5 crore in 2020-21, clocking a y-o-y growth of 33.1%.

The advances book for SFBs have grown at a CAGR of 40% over the past 4 years, compared to private sector banks which have clocked a CAGR growth of 18% for the same period. As on March 31, 2022, the aggregate risk weighted assets of SFBs stood at ₹ 1,12,382 crore. The total liabilities for SFBs in 2021-22 stood at ₹ 2,03,076.2 crore in 2021-22, growing at 24.2% y-o-y. Further, the gross non-performing assets of SFBs in 2021-22 was pegged at 4.9% compared to 5.4% in 2020-21.

(Source: RBI)

Demand drivers

- **Increasing population:** With a population of 1.4 billion in 2022, India stood as the second-largest populous country in the world. The rising population has also been driving credit growth
- **Rising disposable incomes:** The per capita net national income in India is estimated to have increased from ₹ 1,48,524 in 2021-22 to ₹ 1,72,276 in 2022-23 at current prices, thereby, indicating the growing ability to spend
- **Rising credit penetration:** Banking penetration has grown by leaps and bounds over the decades. The ratio of per capita bank deposits to income rose from 15.8 in 1972 to 71.2 in 2022. During the same period, the ratio of per capita credit to income jumped from 12.2 to 51.3, indicating the strong growth trajectory
- **Rising demand in construction:** Being the second-largest population in the world translates into a growing demand for housing. The country saw residential sales of ~3,64,900 units in 2022, compared to 2,36,500 units in 2021, clocking a y-o-y growth of a whopping 54%, indicating strong demand of housing finance

Microfinance industry

Microfinance institutions (MFIs) and non-banking financial companies (NBFCs) are also focussed on financial inclusion in unbanked and underbanked people of India. Such institutions provide door-to-door service and primarily bank on their enduring relationships with customers on the back of strong engagement. The contribution of the MFI sector to the overall GDP of the country was pegged at 2.7%. Further, the MFI sector has created jobs for 1.32 crore people across the country since 2000, driving employment generation in India. As per a study undertaken by MFIF, the total number of MFI beneficiaries in India stood at 6.2 crore.

The outstanding for MFI sector in 2022-23 was estimated to reach ₹ 3.25 lakh crore, compared to ₹ 2.7 lakh crore, registering a y-o-y growth of 20.3%. The collection efficiency ratio of the sector during the Pandemic of 2021 and 2022 had been affected as group gatherings did not take place properly. The collection efficiency ratio in the MFI sector increased from 70% during the COVID-impacted years of 2020 and 2021 to 97% today.

(Source: RBI, MFIF)

Micro, Small and Medium Enterprises (MSME)

The Micro, Small and Medium Enterprises (MSME) sector in India comprises more than six crore enterprises. Over the years, the sector has emerged as a highly vibrant and dynamic sector of the Indian economy, fostering entrepreneurship, and generating self-employment opportunities at comparatively lower capital cost. The sector contributes about 45% of the total manufacturing output of India and has a share of 30% in the GDP of the country.

Non-availability of funds is the biggest challenge faced by the sector. The Government is cognisant of this challenge and to ensure easy scalability of MSMEs in the country, it has been focussing on inclusive finance. The Union Budget 2023-24 saw the announcement of the launch of revamped credit guarantee scheme worth ₹ 9,000 crore which would enable collateral-free loans of ₹ 2 lakh crore to small scale businesses. Further, this would also enable cost of funds to be less than 1% of the normal banking rates, thereby, translating into a strong growth trajectory for the MSME sector in the foreseeable future.

As stated by RBI, aggregate outstanding advances to MSMEs stood at ₹ 20.44 lakh crore in 2021-22. The gross NPA for MSMEs in scheduled commercial banks (SCBs) declined from 7.6% in 2021-22 to 6.1% in 2022-23 in December 2022. Additionally, the Economic Survey 2022-23 states that the credit growth to the MSMEs has been remarkably high at 30.6% between January and November 2022, supported by the Emergency Credit Line Guarantee Scheme (ECLGS) of the Government of India.

(Source: PIB, RBI)

Housing finance

With India being the second-most populous country in the world, the demand for residential space in the country has constantly been on the rise. Now with the increasing demand of housing, the demand for housing finance has also been seeing a strong growth momentum over the past few years. Further, with the economy heading towards normalcy after the disruptions caused by COVID-19, the per capita income has been on the rise as well. Along with the affordability of houses in the modern era, it has been providing the push to the housing finance sector which is expected to grow at a CAGR of 20.58% between 2022 and 2027. A stronger optimism comes from the budgetary allocation of ₹ 79,000 crore for 2023-24, a 66% rise over the previous budget.

(Source: PIB)

Commercial vehicle & construction equipment finance

The total sales of commercial vehicles (CV) for 2022-23 stood at 9,62,468 units compared to 7,16,566 units in 2021-22, registering a robust y-o-y growth of 34.3%. With the post-COVID normalisation and 'back to work' focus of almost every organisation, the number of daily commuters have drastically increased, leading to the increasing demand for CVs. This has consistently driven the need of financial assistance for buying commercial vehicles, thereby driving the growth of CV finance across the country.

The Indian construction equipment (CE) market stood at ~US\$ 5.6 billion in 2021. On the back of the huge focus of the Government on capital expenditure, the CE market is projected to reach US\$ 9.4 billion by 2027, growing at a CAGR of ~8% between 2022 and 2027. This is expected to drive the construction equipment financing scope in the country.

(Source: Statista, SIAM)

THE BANK'S OVERVIEW

Banks and Financial Institutions play an instrumental role in ensuring the sustainable and well-diversified growth of a country as well as ensuring adequate flow of credit to all deserving sectors, industries, and borrowers. The role of Small Finance Banks (SFBs) becomes even more critical as SFBs serve primarily the unserved and underserved population of the country in relatively under-penetrated geographies and build a culture of responsible lending.

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. The Bank has well diversified presence and franchise through its 830 banking outlets spread across 22 States and 4 Union Territories of the Country as on March 31, 2023. Further, 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, 2023, 27.35% of the Bank's banking outlets were located in URCs as against the regulatory minimum requirement of 25%. The Bank is expanding its franchise and presence continuously, which is also reflected in the fact that the Bank opened more than 270 branches during last two financial years FY22 & FY23 despite COVID disruption. These new branches are expected to add significant ammunition to growth potential for the Bank as well as building diversified business profile.

USFBL offered its banking services through 830 banking outlets as on March 31, 2023, these branches are classified internally as Micro-banking (MB) and General banking (GB) branches. As on March 31, 2023, the Bank had 579 MB branches and 251 GB branches. MB branches focus primarily on micro finance lending & financial inclusion space, located primarily in rural & semi urban geographies while GB branches focus primarily on deposits mobilisation & other lending products i.e. Home Loans, MSME and other retail offerings, located primarily in metropolitan & urban location.

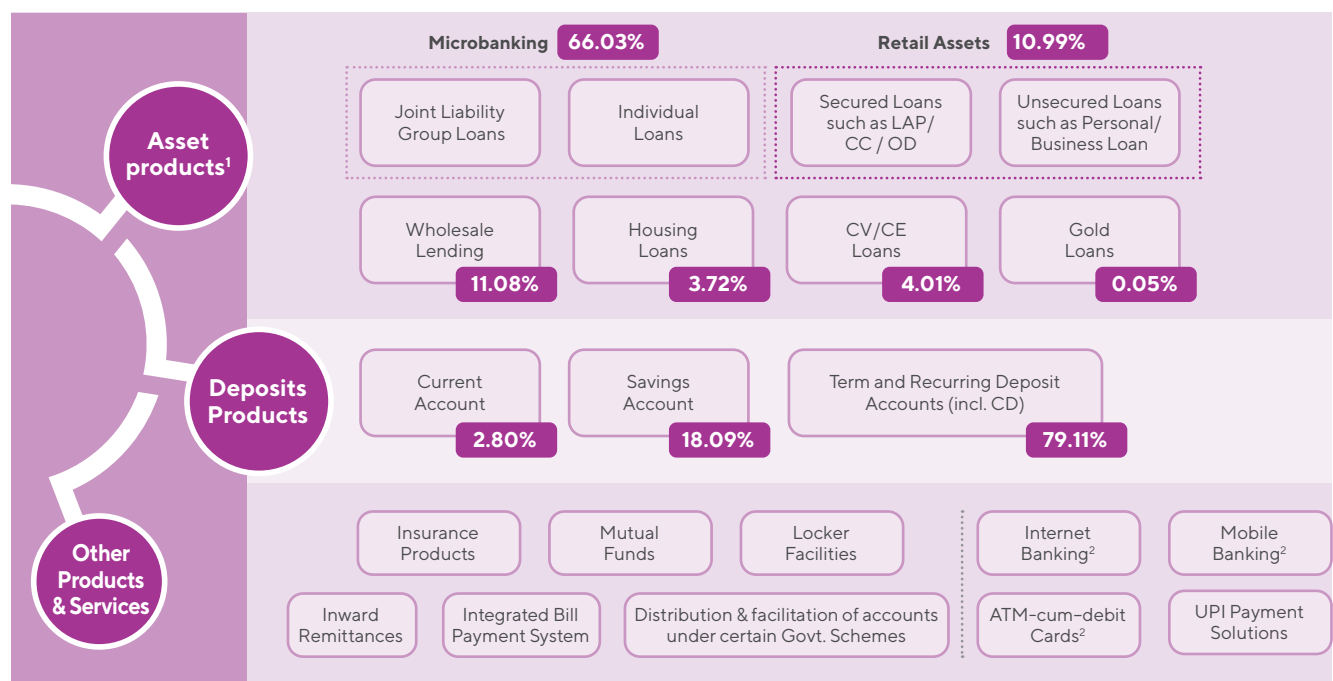
USFBL aims to promote financial inclusion and provide access to banking services to underserved and unserved sections of the society such as women entrepreneurs, low-medium-income households, micro and small enterprises, and affordable housing. Keeping in view the objective of the Bank to serve the underserved and unserved, USFBL has adequate presence in the less financial penetrated areas of Bihar, Uttar Pradesh and Jharkhand which accounted for 63.11% of the portfolio as on March 31, 2023. 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.

Overall, the Bank serves a total customer base of more than 3.5 million, supported by a strong workforce of 15,424 employees as on March 31, 2023. The Gross loan portfolio of the Bank stood at ₹ 13,957.11 crore as on March 31, 2023.

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 other retail loan products. The Bank has augmented its product profile by offering retail loans comprising secured business loans to MSMEs, housing loans with a focus on affordable housing, unsecured business loans, personal loans, CV & CE loans & gold loans. Our micro banking and retail loans are focussed primarily on the customers who does not fall in the hemisphere of the formal banking infrastructure. The Banks aims at providing customer delight by offering a bouquet of banking products and meeting all day-to-day requirements of the customers.

On the liabilities side, the Bank offers products like Savings Account and Current Accounts with variants suitable to different profiles. A variety of Term deposits and Recurring deposits are available at customer's disposition. Further, USFBL also offers 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, mobile banking and UPI. Our deposits have grown from ₹ 10,074.18 crore as of March 31, 2022 to ₹ 13,710.14 crore as on March 31, 2023.

Focus on Financial inclusion, offer a range of financial products and services that address the specific requirements of customer segments

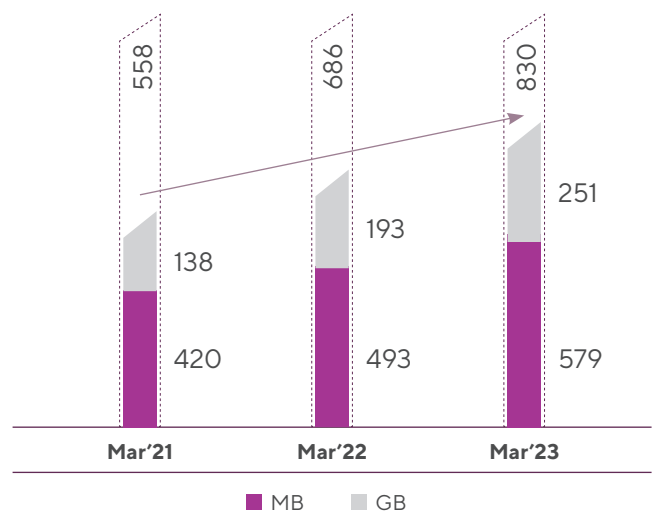


¹ Remaining portfolio split for FY23 includes - Business Correspondents: 2.67% and Others (include staff loans and overdrafts against deposits): 1.45%

² Other Distribution channels

USFBL Branch Network







272 new branches opened in FY22 & FY23



Utkarsh Small Finance Bank

The Bank is led by the Managing Director and Chief Executive Officer, Mr. Govind Singh, who has over 25 years of experience in the banking and financial services sector. Our Board comprises individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our Senior Management team has significant experience in the banking and financial services industry, enabling the bank to grow in sustainable and responsible manner.

Key highlights of our Financial Performance during FY23

OPERATIONS	ASSETS	LIABILITIES	FINANCIAL PERFORMANCE	CAPITAL STRUCTURE	ASSET QUALITY
					
830 vs. [686] Banking Outlets	₹ 13,957 crore vs. [₹ 10,631 crore] Gross Loan Portfolio	₹ 13,710 crore vs. [₹ 10,074 crore] Deposits	₹ 405 crore vs. [₹ 61 crore] Profit After Tax	₹ 2,000 crore vs. [₹ 1,572 crore] Capital + Reserves	3.23% vs. [6.10%] Gross NPA
287/546 vs. [215/310] ATMs/Micro ATMs	31.3%/11.3% Gross Loan Portfolio Growth (YoY/QoQ)	36.1%/6.7% Deposits Growth (YoY/QoQ)	₹ 838 crore vs. [₹ 512 crore] Operating Profit	18.25% vs. [18.08%] Tier 1 CRAR	0.39% vs. [2.31%] Net NPA
26 vs. [22] States & UTs	₹ 12,443 crore vs. [₹ 9,046 crore] Disbursements during FY23	20.89% vs. [22.37%] CASA Ratio	9.57% vs. [8.80%] Net Interest Margin	20.64% vs. [21.59%] CRAR	0.22% vs. (1.26%) Standard Restructured Book
15,424 vs. [12,617] Employees	66.03% vs. (75.28%) Share of Micro Finance*	6.96% vs. [7.47%] Cost of Funds	54.15% vs. [58.90%] Cost to Income FY23	2.42%/22.84% vs. [0.48%/4.14%] RoAA / RoAE	88.29% vs. [63.62%] PCR excluding Technical Write Off
					₹ 13 crore vs. [₹ 65 crore] Additional Contingency Provisions

Figures in [] represent FY22; *based on Gross Loan Portfolio

BUSINESS PERFORMANCE

The Bank has strong rural and semi-urban presence with around 63% of our branches in semi-urban and rural locations as of March 31, 2023. The Bank has clearly laid out strategy of continuous focus on rural and semi-urban segments for asset side build-up while equal focus on rural, semi-urban, urban, and metropolitan locations for its liabilities franchise strength.

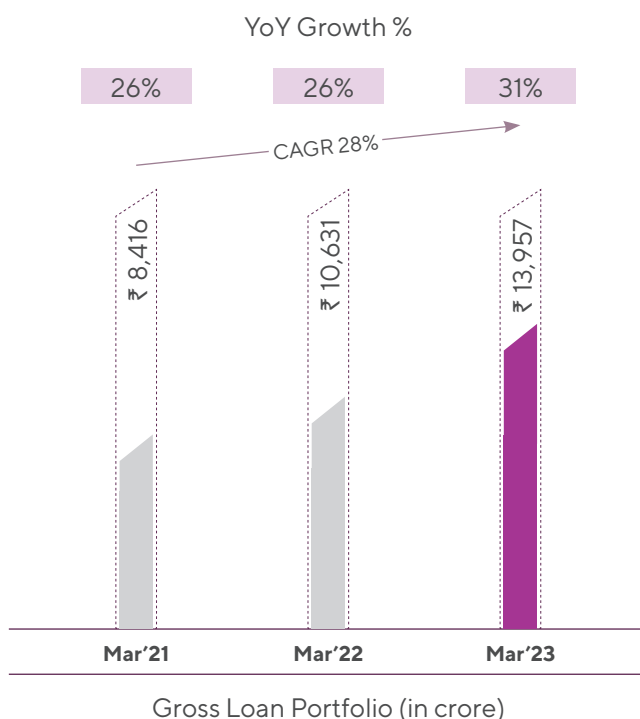
States	Total Banking Outlets	MB Outlets	GB Outlets	MSME Locations	HL Locations	Wheels Locations	Gold Locations
BIHAR	206	188	18	9	3	3	5
UTTAR PRADESH	168	126	42	17	12	15	21
JHARKHAND	75	64	11	3	1	2	0
MAHARASHTRA	68	36	32	17	9	-	11
NCT OF DELHI	28	4	24	3	1	1	14
Other States	285	161	124	30	19	10	31
Total	830	579	251	79	45	31	82

Bank's MB branches are more focussed on offering micro-credit and other retail loans to its customers (joint liability group loans, individual loans, PM SVANidhi and other retail loan products) while also offering deposits and payment services to the customers. GB branches focus more on garnering deposits as these locations offer

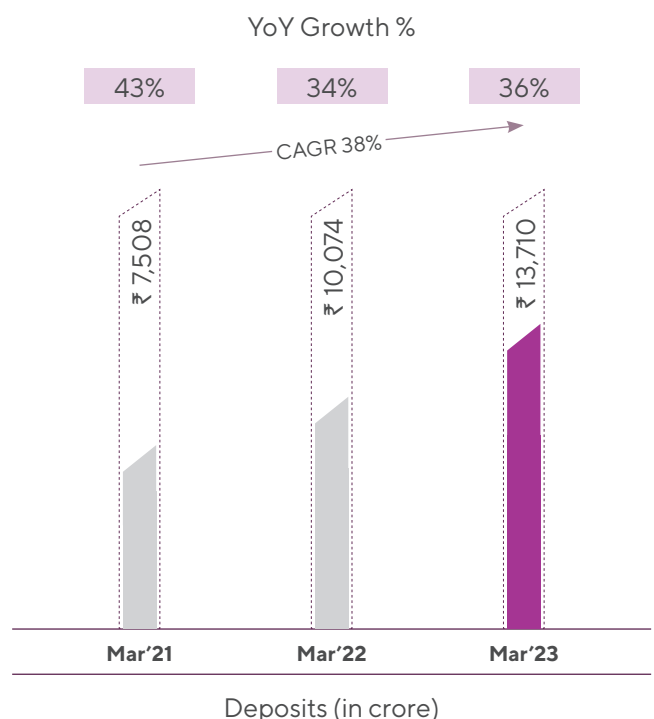
sizeable potential for deposit mobilisation. The Bank, in addition, offers MSME, housing loan, CV / CE loans, and gold loan products through its select General Banking (GB) and Micro-Banking branches. As of March 31, 2023, the Bank was operating its MSME lending vertical and housing loan vertical across 79 and 45 branches respectively. The existing branch infrastructure / network provides significant cross-sell opportunities as well as opportunity to spread its existing products to significantly large number of locations.

The Bank has witnessed a healthy growth during FY 2022-23, our total assets grew by 26.91% to ₹ 19,117.54 crore during FY 2022-23. 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 31.29% and 36.09% respectively during FY 2022-23 and stood at ₹ 13,957.11 crore and ₹ 13,710.14 crore respectively as on March 31, 2023.

Loan Book Growth



Deposits Growth



Liabilities – Deposits

The Bank offers a variety of demand and time deposit products along with other services through which our customers can address their savings and transactional needs. Our product suite includes a range of deposit products including saving accounts, salary accounts, current accounts, recurring and fixed deposits (with callable and non-callable options) and locker facilities. We offer diversified liabilities products at competitive rates targeted primarily at retail customers from all segments led by senior citizens, middle-class individuals, and self-employed and salaried individuals. We have been strengthening our product profile through launch of new products like Business Plus Account, QR code-based current account opening etc.

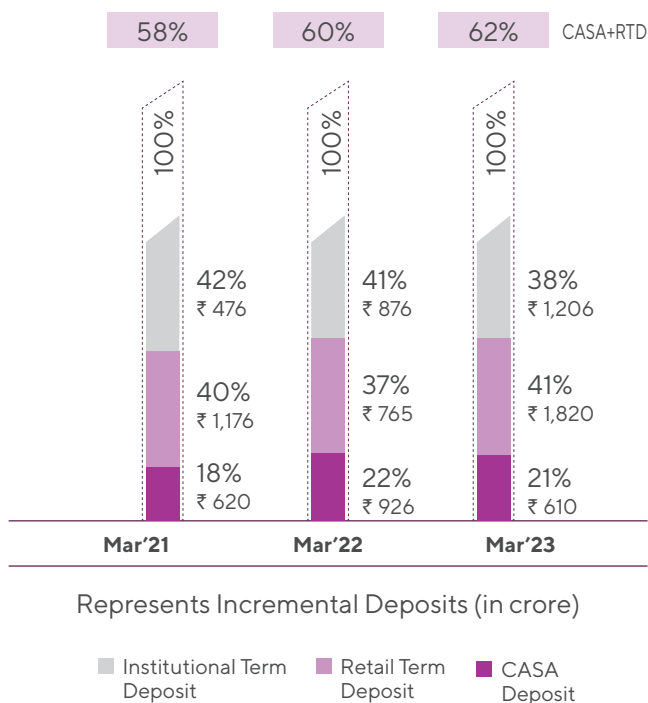
The Bank's total deposit base grew by 36.09% in FY 2022-23 to ₹ 13,710.14 crore as of March 31, 2023 from ₹ 10,074.18 crore as on March 31, 2022. Deposit mobilisation from retail customers remain the most stable source of funding to the Bank and is keenly focussed by the management for a healthy and granular deposits profile. In a bid to further strengthen its reach to the larger customer segment, the Bank opened 58 General Banking (GB) branches during FY 2022-23, taking the Bank's total GB branches to 251 spreads across 26 states / UTs of the country as of March 31, 2023. During FY 2022-23, the Bank has expanded its presence to four additional States/ UTs i.e. Goa, Jammu & Kashmir, Meghalaya & Puducherry to enhance its presence across the country.

The Bank offers deposits products from all 830 banking branches of the Bank. USFBL's branch network is also complemented by 287 ATMs as on March 31, 2023. The Bank has penetrated the presence of Micro ATMs significantly in FY 2022-23 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, 2023

Retail term deposits has been a key driver for Bank's deposits growth in FY23. The Bank's retail term deposits (RTD) grew by 48.46% to ₹ 5,575.13 crore as of March 31, 2023. The growth in retail term deposits in FY23 was supported by Bank's increasing branch network, suitable products for its deposits, competitive rate of interest and customer-first approach.

Bank's CASA deposits grew by 27.09% in FY23 to ₹ 2,863.74 crore as of March 31, 2023 from ₹ 2,253.29 crore as of March 31, 2022. While Bank's CASA deposits grew at healthy pace of 27.09% in FY23, the growth in CASA deposits was impacted by hardened interest rate scenario because of which depositors would have preferred term deposits over saving deposits.



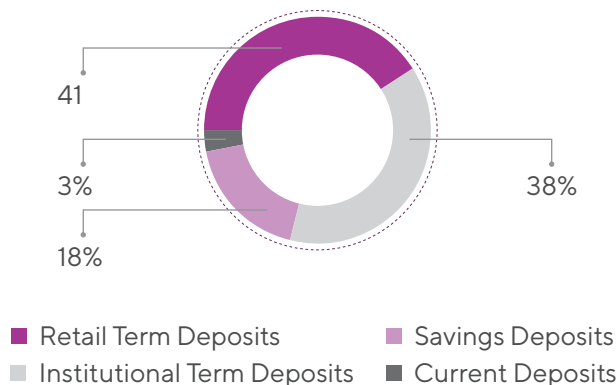
Blocked Amount (ASBA) through multiple channels to its depositors for application in various IPO's through their bank accounts, thereby further strengthening Bank's offering for the customers. Additionally, basis the registration as BTI, the Bank will be able to handle collection in IPO's as Sponsor Bank as well as payment of interest and dividends on behalf of various companies, thereby generating zero cost float and fees.

The Bank has onboarded more than 6 lakh new deposits accounts during FY 2022-23 (including BSBDA accounts), taking the total number of depositors to more than 20 lakh as on March 31, 2023. The Bank is taking proactive steps for easier and convenient on-boarding of customers through its digital channels including digital onboarding of clients.

Furthermore, the Bank is actively monitoring & assessing the fintech space including growth potential and cost-efficient mode of financial products distribution. During FY23, the Bank entered into a partnership with one of the fintech companies to offer Bank's term deposit products to the large client base of fintech platform.

In addition to building retail deposits profile, the Bank is also focussing on broad-basing of its institutional deposit profile 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.

Deposits composition



Overall, the Bank has been focussing on building the share of CASA plus retail term deposits continuously, the share of CASA and retail term deposits increased to 61.55% of total deposits of the Bank as of March 31, 2023, compared to 59.64% of total deposits as on March 31, 2022.

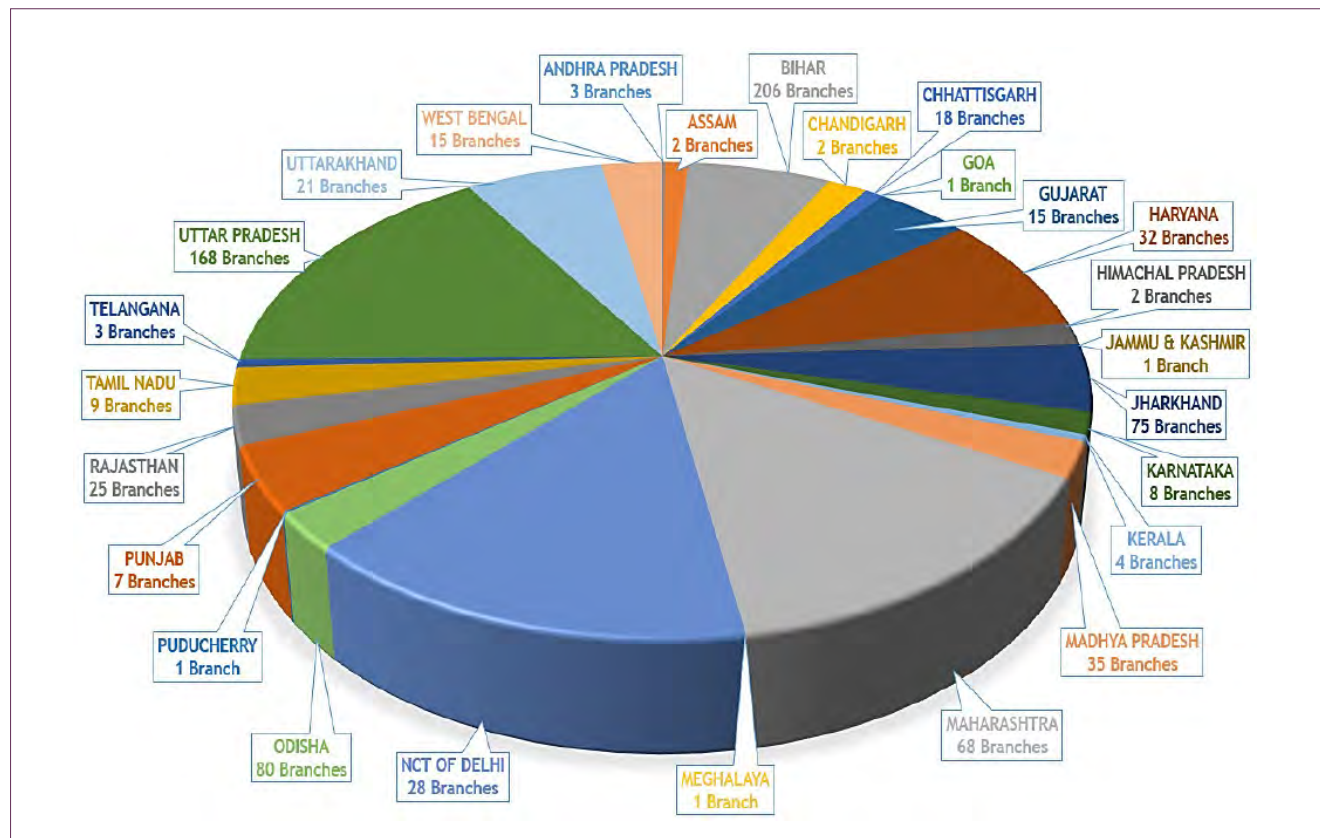
In addition to strengthening its physical presence of branches & ATM, the Bank prioritised ease of banking for the customers through digital channels such as net banking, mobile banking, tab banking, digital onboarding & UPI offering, among others. The Bank launched its UPI App during FY 2021-22. Furthermore, Utkarsh SFB is the only bank among SFBs, live on UPI Lite Application which enables small ticket transfers of up to ₹ 200 far more conveniently.

In a bid to strengthen its offering for its retail customer base, the Bank entered into a partnership with ICICI Direct to offer three-in-one product to its deposit clients. The Bank has received registration with the SEBI as Banker to an Issue (BTI) which will enable the Bank to offer the facility of Application Supported by

Geographically well diversified mix of deposits

As a strategy to build diversified deposits profile, the Bank has been continuously expanding its franchise and presence, as on March 31, 2023, the Bank is present in 22 states and 4 UTs. The Bank's deposits are fairly well diversified across states and UTs with no state accounting for more than 20% of the Bank's total deposits as on March 31, 2023.

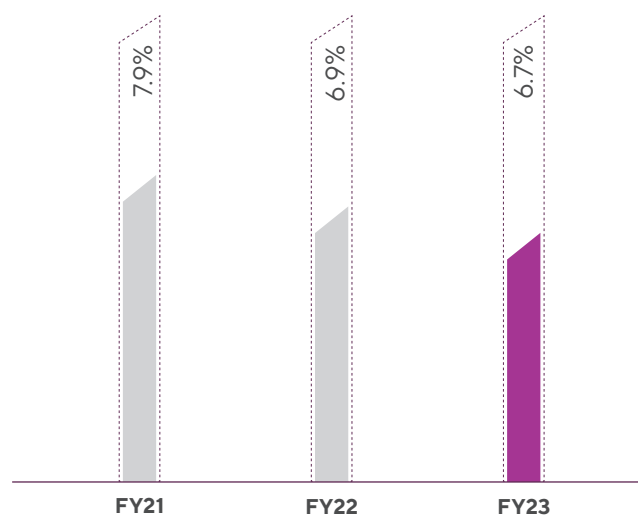
Geographical Split of Deposits



FY23 had posed significant challenge with respect to hardened interest rates on account high inflation rates worldwide which led to significant increase in interest rate offered by the Bank. The rise in the interest rate is predominantly the result of rising inflation and the tightening of the monetary policy by the RBI. Despite the hardened interest rate scenario, the Bank has been able to keep its cost of funds under control at the same level as of FY22 supported by re-pricing of earlier borrowings / deposits at relatively competitive cost. The Bank witnessed marginal decline in the cost of deposits by 21 bps from 6.92% in FY 2021-22 to 6.71% in FY 2022-23.

The hardened interest rate scenario is likely to post challenges in terms of increase in cost of funds in FY24 as well.

Cost of Deposits



Overall, Management expects deposits growth potential for the Bank to be healthy considering our enhancing franchise & presence as well as parity of tax rate for investment in debt mutual funds for investors in line with Bank's deposits as well as introduction of tax deduction at source on listed NCD, both of which improves attractiveness of deposits as an investment source for the savers.

Other products and offerings

In order to strengthen our deposit base, increase in its CASA ratio and to offer multi-channel customer experience, we intend to enhance our digital offering at various touchpoints of customer life cycle, for instance, digital onboarding, self-onboarding, internet and mobile banking, corporate internet banking, micro-ATMs and customer relationship management. In order to cater to the requirements of all customer segments, we will continue to offer and develop liability products with differentiated offerings catering to each segment through platforms such as internet and Mobile Banking and supported by our wide network of Banking Outlets and ATMs and micro-ATMs. Besides offering Rupay debit cards for domestic use, we offer international Mastercard debit cards. To facilitate ease of transactions for our customer, we intend to offer a range of products and solutions including internet payment gateway, UPI payment solutions, e-NACH and public financial management system.

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.

Customer services and digitalisation

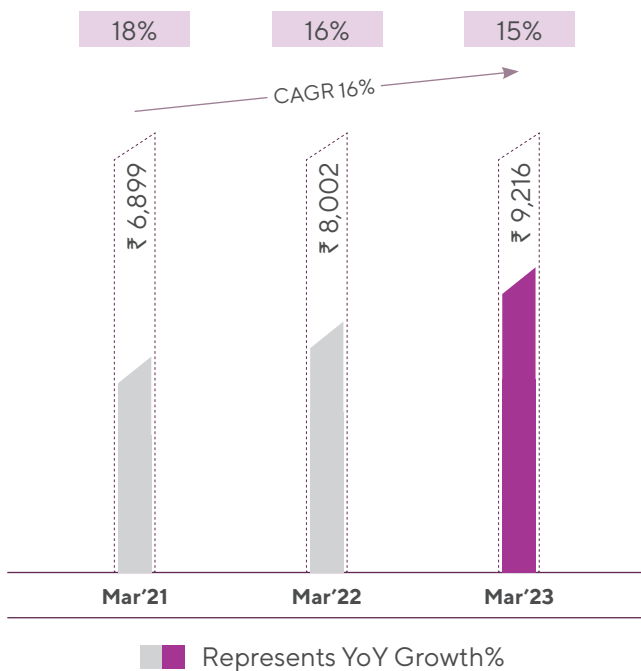
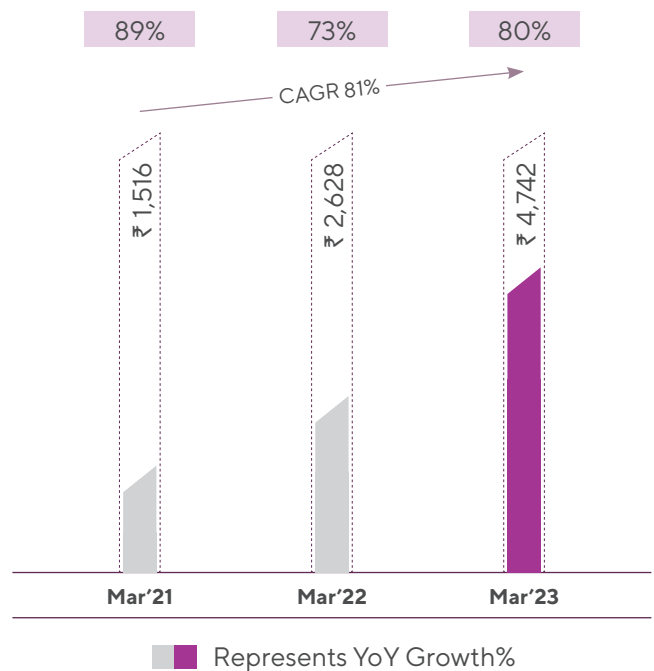
USFBL has been constantly upgrading our technology-driven process and system, with an aim to provide superior customer experience. In view of achieving a strong technological infrastructure process, the Bank has focussed on building a strong technological infrastructure with high availability and a robust architectural foundation for overall deposit growth. It is the prime objective of the Bank 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 offers the under-mentioned digital solutions:-

- **Internet Banking & Mobile Banking:** Bank offers advanced applications to the customers, which is secure and robust and offers ease of operation.
- **Digi On Boarding:** In order to digitise customer acquisition, our Bank had launched tablet-based account opening system.
- **Utkarsh UPI Application:** Utkarsh UPI application with enhanced security features including two-factor authentication along with SIM and device binding, makes it convenient to transact digital payments.
- **Fintech:** As part of the Bank's digital first approach, we are exploring partnerships with fintech companies to expand on our digital initiatives.
- **UPI Lite:** Launched UPI Lite thus allowing single click payment without any UPI Pin in UPI for transactions up to ₹ 200. This will offer superior user experience with faster real-time settlement.
- **eKYC E-Sign:** For ease of operation, USFBL has started E Sign for the eKYC, for faster and flexible process. As the process is completely paperless, it will enhance customer experience along with reduced turnaround time.
- **Video KYC:** Implementation of V-KYC process for Liability and Assets vertical.

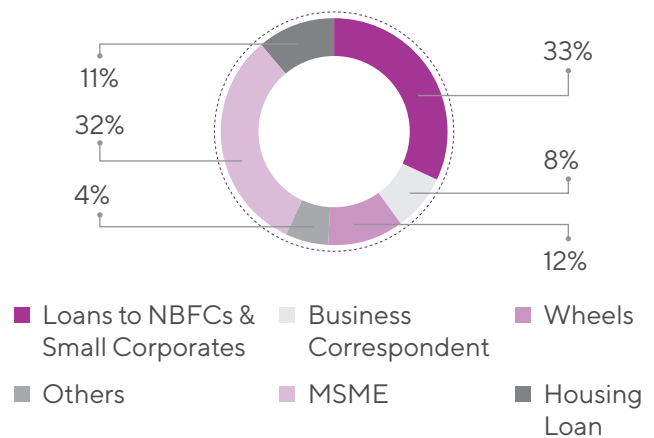
ASSETS - LENDING PRODUCTS

Bank's loan portfolio witnessed a growth of 31.29% over the last year and stood at ₹ 13,957.11 crore as on March 31, 2023. The Bank has been focussing on building retail loan books through micro-finance lending through Joint Liability Group (JLG) product, loans to MSME, housing and other retail loans. With its significant experience and track record in microfinance business, the Bank continues to build its microfinance business and franchise effectively.

Micro Finance Loan Book (in crore)**Non-Micro Finance Loan Book (in crore)**

The growth of 31.29% in Bank's loan portfolio is supported by healthy growth in Bank's microfinance lending, which grew by 15.16% during FY 2022-23 to ₹ 9,215.58 crore as on March 31, 2023 and scaling up of non-micro finance businesses, which grew by 80% during FY23, albeit on a smaller base.

The Bank has been constantly striving to offer a wide range of diverse products to its customers. We offer a range of financial products and services that address the specific requirements of our customer segments while assessing factors including income profile and the type of security available comprising secured business loans, unsecured business loans, housing loans with focus on affordable housing loans, personal loans and CV / CE loans, gold loans. Under non-micro finance lending book, the Bank also has wholesale loans lending to NBFCs as well as loans to small corporates.

Non-Micro Finance Loan Book Composition**Microfinance Lending**

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. Rural and semi-urban locations are relatively underpenetrated markets and offer good growth potential for the retail loan segment. Microfinance lending comprised 66.03% of the gross loan portfolio of the Bank as of March 31, 2023. Under the micro-finance business, the major 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 offers financial inclusion products and loans for income generating activities to underprivileged or low-income individuals or groups who have limited access to financial services. Under this segment, USFBL offers loans through the JLG model and business loans to individuals, graduated from the JLG model based on their credit worthiness and past behaviour in relation to repayment of their earlier loans. These loans help underlying borrowers to pursue 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.

Utkarsh Small Finance Bank

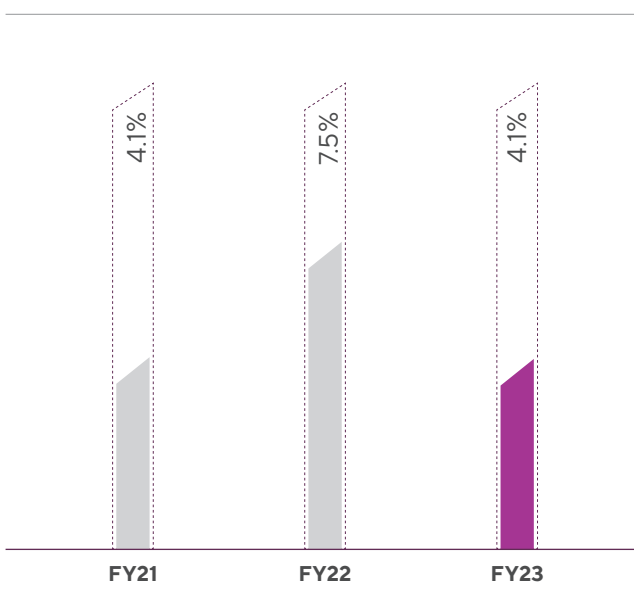
These characteristics make micro-finance business an economically viable proposition over the cycles while also bringing the much-needed social impact, therefore proving it a real double bottom line for the business.

While the USFBL's core geography of Bihar and Uttar Pradesh remain the mainstay of Bank's microfinance portfolio, the Bank has been increasing its microfinance footprints to newer states. As on March 31, 2023, the Bank's microfinance loan portfolio is spread across 12 States & UTs covering a client base of >26 lakh. The Bank's loan portfolio is spread across 159 districts and serving through 579 micro banking outlets.

The credit growth in microfinance business over last three years (FY21-FY23) was impacted by COVID disruption which impacted asset quality in microfinance business on account negative impact on income levels of microfinance borrowers. The growth in FY23 was also impacted by change in RBI norms for Microfinance lending which disrupted disbursements in first quarter of FY23. During the COVID impact period of FY21-FY22, the Bank also had cautious approach on adding new clients (first cycle loans) which impacted credit growth in FY23 as well. The Bank's microfinance loan portfolio has grown by 15.16% in FY23 to ₹ 9,215.58 crore as of March 31, 2023. As the COVID impact has receded, collection efficiency is reaching back to normalcy as well as the Bank is seeing good traction in new client acquisition (first cycle loans), going forward the Bank is expecting credit growth to improve in microfinance lending from the levels seen over last three years.

The Bank provides cashless disbursement in the micro-banking segment and disburses all the loans in the bank account of the customer. Furthermore, during FY23 the Bank has launched cash-less collection through UPI QR code through which the Bank offers cashless collection to the clients through UPI. While the cashless collections remain <10% of total collections in the JLG business of the Bank currently, the Bank is expecting increase in cashless collections going forward with further penetration of UPI, smartphones among its customer base as well as launch of UPI Lite which allows UPI transfers even without smartphone. The increase in penetration of cashless collection is likely to reduce operational risk pertaining to physical cash as well as improve the efficiency of the field staff, apart from benefit of cashless mode of payment to the underlying client. Furthermore, in a bid to improve efficiency of the business as well as seamless processes for the clients, the Bank has also launched E-KYC and E-sign facility to its microfinance clients.

Micro Finance Loans - Gross NPA %



As the COVID impact receded during FY23, the Bank witnessed improvement in asset quality micro finance loans as Gross NPAs declined from 7.5% as on March 2022 to 4.1% as on March 2023.

The Bank offers following products under microfinance lending:

Joint Liability Group (JLG) Loans

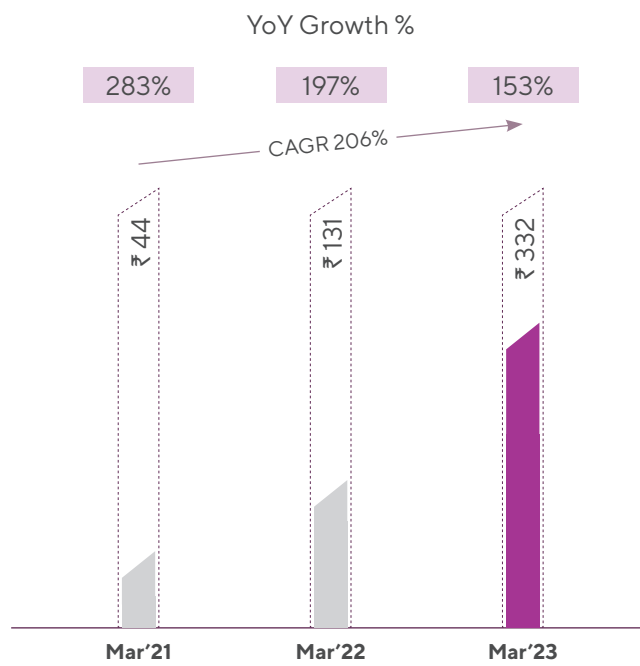
Joint Liability Group (JLG) is the loan offering of the Bank which is built on the peer-guarantee loan model which enables the individuals to take loans without any collateral or security on an individual basis. The borrowers are encouraged to promote credit discipline through mutual support within the 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 society to meet their individual requirements. 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, 2023, all of the Bank's customers in the JLG loans segment were female, with loans ranging between ₹ 6,000 and ₹ 1,00,000 for income generating activities.

Micro Banking Individual Loans (MBIL)

In order to meet the increasing funding requirement of customers who have completed multiple loan cycles and are matured borrowers, USFBL introduced individual business loans for amounts of ₹ 1,00,000 to ₹ 2,00,000 and subsequent cycle of ₹ 1,00,000 to ₹ 2,50,000. Individual loans are provided to especially those who have begun their formal credit under JLG. Bank identifies a subset from its JLG customers, who are eligible for individual loans through good credit behaviour and relatively higher size fund requirement. The loan is directly disbursed 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 ₹ 331.89 crore as of March 31, 2023, grown from ₹ 131.17 crore as on March 31, 2022. Given the Bank has significant track record in JLG lending, a large number of JLG borrowers and the significant track record of these borrowers with the Bank, the Bank expects significant growth potential in micro finance individual loans (MBIL) which is also reflected in credit growth registered by the Bank in MBIL lending in FY23. Furthermore, as the Bank provides MBIL loans only to its existing borrowers with good track record, asset quality in MBIL loan segment remain very healthy with Gross NPAs of <1% as on March 31, 2023.

MBIL Loan Book (in crore)



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.

Saving 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 cognisant of the importance to have a financially secured future leading to a significant demand for these products. The Bank offers following saving and pension products to its clients:

BSBDA Saving Accounts for Micro Finance Borrowers

As of March 31, 2023, the Bank has opened more than 14 lakh BSBDA Savings Bank Accounts. These accounts were introduced for developing the habit of savings among the microfinance borrowers and offer these borrowers suitable savings and insurance products.

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 providing security post-retirement age.

Daily Hospital Cash Benefits (DHCB)

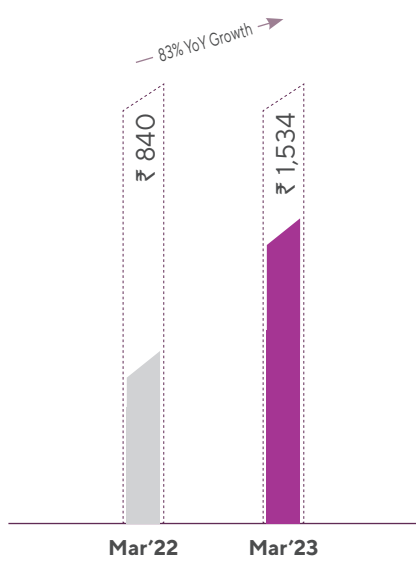
The Bank offers Hospicash (a health insurance product) to its customers. This provides health insurance cover for hospitalisation expenses for up to 30 days and also works as wage loss cover i.e. income protection for micro banking customers due to hospitalisation. It provides a fixed benefit for each 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.

Non-Microfinance Lending Book

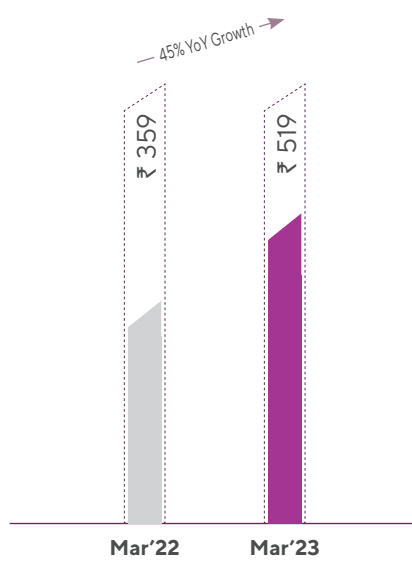
After becoming a Small Finance Bank, USFBL has been focussing on building a more diversified retail loan book and as a strategy launched multiple loan products such as secured business loans and unsecured business loans to small businesses, housing loans, CV / CE loans, gold loans, OD against FD, loans originated through BC partners and loans to NBFCs and other small corporates. The Bank's non-micro finance loan portfolio increased from ₹ 2,628.32 crore as on March 31, 2022 to ₹ 4,741.53 crore as on March 31, 2023; the share of non-micro finance loan portfolio increased from 24.72% as of March 31, 2022 to 33.97% as on March 31, 2023. The Bank is witnessing good build-up of its key products under non-microfinance business i.e. MSME loans, housing loans and CV/CE loans.

Retail Assets Lending Vertical

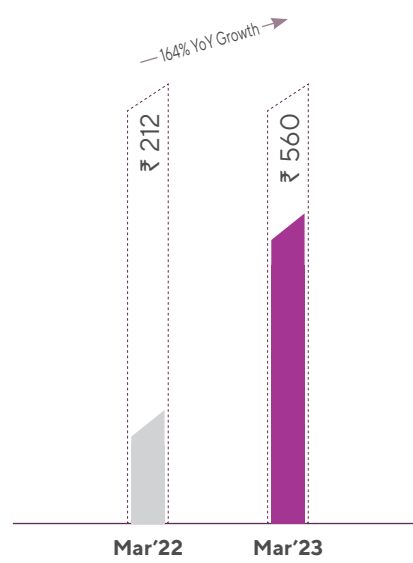
MSME (Retail Assets) Portfolio (in crore)



Housing Loans Portfolio (in crore)



CV/CE Loans Portfolio (in crore)

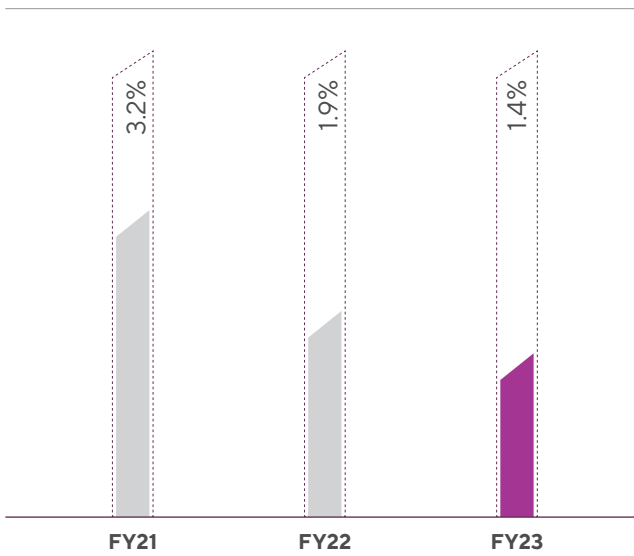


Our Retail loan products were introduced in the Fiscal 2017 and intended to facilitate the establishment, expansion and modernisation of businesses, eligible borrowers engaged in manufacturing or providing or rendering services with investment in plant and machinery and/or equipment up to a certain amount and turnover are considered as "priority sector advances" under the relevant RBI regulations.

The secured products under the retail assets include products such as Business Loans Secured, LAP, Lease Rental Discounting, Loan for Purchase of Commercial Property (LPCP), Drop Line Overdraft, and Overdraft for Micro and Small Enterprises. The unsecured loans include Personal Loans which are offered under retail assets lending to cater for the funding requirement of Individuals and unsecured business loans. Bank's retail assets loan book grew by 82.62% year-on-year to reach ₹ 1,534.09 crore in FY 2022-23 from ₹ 840.04 crore in FY 2021-22. The growth in MSME loan book has been supported by the activation of new locations and new product variants during the fiscal.

During FY23, the Bank launched Micro LAP product with an objective of catering to the small ticket LAP loans to micro and small size businesses. The micro-LAP product compliments well with Bank's strategy of offering affordable solutions to the relatively underserved segments of the Bank. As of March 31, 2023, the Bank offers MSME loans through 79 branches.

MSME (RA) Loan Portfolio (Gross NPA %)



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 92% as of March 31, 2023 compared to 81% as of March 31, 2022. 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

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.

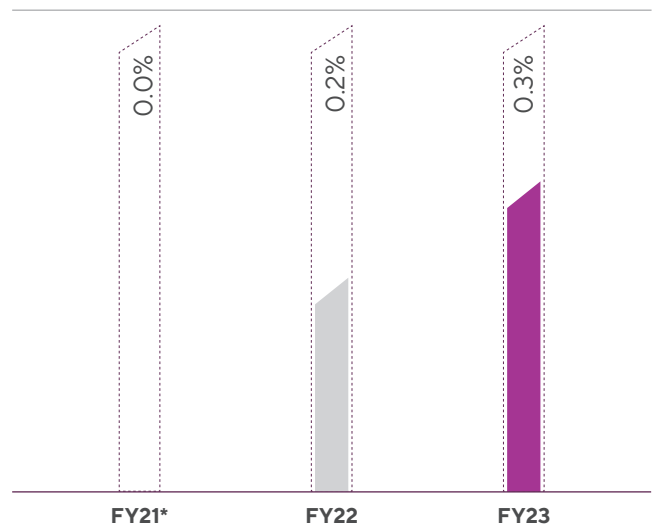
USFBL focusses on providing affordable housing loans to self-employed and salaried individuals. The housing loan offerings are targeted towards formal, informal, and semi-formal income segments and are provided for purchase of plots & construction thereon, purchase/construction of house, improvement/restoration/extension of home. The tailored products offered by us enabled us to serve the needs of the customers based on their requirements.

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 focus segment for the Bank. As of March 31, 2023, the Bank offers HL loans through 45 branches. Housing loan portfolio of USFBL witnessed a year-on-year growth of 44.54% during FY 2022-23 to ₹ 519.25 crore compared to ₹ 359.25 crore in the previous fiscal. The growth in the housing loan book of the Bank has been supported by continuous focus 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. During FY 2022-23, the Bank has beefed up its on-ground team for the CV & CE loan business and activated more branches for the product. The commercial vehicle finance customers typically include fleet operators & retail operators in goods, infrastructure & mining segment. 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, in addition to Delhi NCR, Rajasthan, West Bengal & Chandigarh. As on March 31, 2023, the Bank offers CV / CE loan product from 31 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 ₹ 212.16 crore as on March 31, 2022 to ₹ 560.36 crore as on March 31, 2023. The Bank has strengthened the product and has streamlined the processing of the loans from sourcing to disbursement by processing the loans through LOS (Loan Origination Systems) for CV / CE loans.

Wheels Portfolio - Gross NPA %



* The business was in its initial stages

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. 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. Bank offers gold loan products from 82 branch as of March 31, 2023.

Wholesale Lending

USFBL provides short-term and long-term loan facilities to SMEs 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. The loans are offered to meet their on-lending, working capital and business expansion requirements. Non-fund-based products in the form of Bank Guarantee is also offered to the customers under the Wholesale lending.

Utkarsh Small Finance Bank

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 primarily with a loan ticket size 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, 2023.

In addition to lending to NBFCs, the Wholesale lending vertical focusses on catering to small corporates for their term loans and working capital requirements. The Bank provides loans primarily with a ticket size of ₹ 1-10 crore and mostly secured against collateral of immovable property. As of March 31, 2023, the Bank is offering this product from seven locations.

The Bank's wholesale lending book increased to ₹ 1,546.81 crore as of March 31, 2023 from ₹ 926.12 crore as on March 31, 2022

Business Correspondent (BC)

USFBL started the Business Correspondent or BC Model in FY 2017-18 to foray in untapped geographies and diversify the loan book. 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, supply chain finance and unsecured business & personal loans. As of March 31, 2023, the Bank had total loan book managed by BC partners of ₹ 372.84 crore, which comprised of 2.67% of the Gross Loan Portfolio. As on March 31, 2023, the Bank has a partnership with a total of 13 BCs in the states of Madhya Pradesh, Punjab, Chhattisgarh, Haryana, Rajasthan, West Bengal, Maharashtra, Karnataka, Andhra Pradesh and Telangana for micro banking and retail assets. The Bank is focussing on strengthening and deepening its BC partnerships including fintech partnerships for non-JLG loans.

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 legacy & experience 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. Our deep understanding of the microfinance business along with our presence in relatively lower penetrated rural & semi urban locations provide us healthy growth opportunities.

Expanding deposits base with focus on retail deposits

The Bank offers a variety of demand and time deposit products and other services, through which our customers can address their savings and transactional needs. Our product suite includes a range of deposit products including savings accounts, recurring and fixed deposits which are available 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 ₹ 8,438.87 crore (61.55% of total deposits) as on March 31, 2023, compared to ₹ 6,008.64 crore as on March 31, 2022 (59.64% of total deposits).

Diversified distribution network with significant cross-selling opportunities

The Bank has an extensive physical network of 830 banking outlets across 22 states and 4 union territories, covering 253 districts in India as on March 31, 2023. Out of these 830 banking outlets, 522 are located in rural and semi-urban areas, validating USFBL's core vision of financial inclusion. The Bank has opened more than 270 branches during last two financial years, FY22-FY23. Our diversified network of Banking outlets allows us to service our existing customers and attract new customers as a result of relationships cultivated through proximity and frequent interaction by our employees. Furthermore, our franchise as well as large customer base offers significant cross-sell opportunities in terms of offering our variety of products to existing customers as well as offer suitable products from large number of locations.

Healthy growth with healthy financial and cost-efficient operational performance

Our ability to provide our products and services in a cost-effective manner is among our core strengths and our cost-to-income ratio is one of the lowest among SFB's. Our cost-efficient operations are attributable to our clearly articulated business strategy as well as branch structure, our track record and understanding of the processes, our

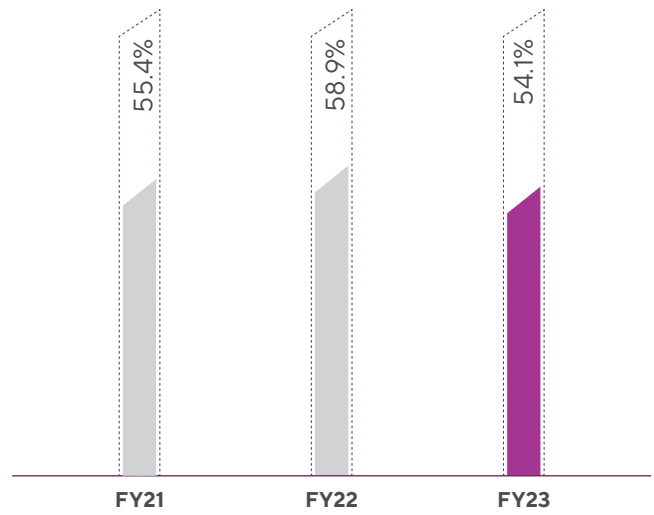
automation and digitisation of various processes including disbursements of loans in the micro-banking business. During the year under review, USFBL maintained healthy operational performance validated by a 63.76% year-on-year growth in operating profits (before provisions) to reach ₹ 838.32 crore compared to ₹ 511.93 crore in FY 2021-22.

Focus on risk management and effective operations

Risk management is at the core of our operations, and we have over the years focussed on robust and comprehensive credit assessment and risk management framework. Our framework identifies, monitors, and manages risks inherent in our operations and in particular manages credit, market, liquidity, IT, and operational risks. Our risk function has a system of measuring, monitoring, and implementing risk parameters including real-time monitoring of regulatory updates and trends in national and international markets, framing guidelines, policies, and products in accordance with industry practices, defining admissible portfolio at risk for each product, an early warning system to provide signals for sector performance and limits on extending funds to a particular industry.

Our effective credit risk management is also reflected in control of our portfolio quality indicators. As of March 31, 2023, our percentage of gross NPAs to Gross Advances was 3.23% while our percentage of net NPAs to Net Advances was 0.39%. Our Provision Coverage Ratio (PCR) was healthy at 88.29% as on March 31, 2023.

Cost to Income Ratio



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

Our Promoter, Utkarsh CoreInvest Limited (UCL) has a number of institutional investors including 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 Company Limited and Faering Capital India Evolving Fund.

Furthermore, during FY21 & FY22, 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 84.75% as on March 31, 2023.

The management team of the Bank comprises qualified and experienced professionals, having a deep exposure in the relevant sectors. 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.

Strategies

Leverage Bank's extensive franchise and presence

The Bank has 830 banking outlets spread across 253 numbers of districts and 26 states & union territories (UTs) of the country as on March 31, 2023. 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 focus on leveraging 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 society. The Bank intends to offer a bouquet of retail loan products to cater to the evolving financing needs of its customers.

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

The Bank is intended to strengthen the liability franchise of the Bank, by focussing on the CASA and retail deposit base to ensure steady growth. 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 further, 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

In order to create a robust revenue stream, the Bank is eyeing 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. The Bank is focussed increasingly on bancassurance channels to distribute various categories of third-party insurance products to existing customers. As on March 31, 2023, the Bank had seven bancassurance relationships with insurance companies to offer life insurance, general insurance, and health insurance products.

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

The optimum use of advanced, cost-effective technology has significantly driven the operations of the Bank and going forward, it is intended to strategically invest our resources in leveraging technology for efficient operations as we scale up. By furthering our digital and technology platform, our endeavour is to reduce our operating cost, increase efficiencies as well as encourage customers to migrate from an assisted model to a self-service delivery model. Thus, Bank continuously intends to continue investing in technology and revolutionising the use of the technology. It will enhance the customer experience and offer them a range of bespoke financial products in accordance with their financial requirements.

Business Technology Transformation project

Furthermore, in a bid to strengthen its technology architecture further, the Bank is undertaking Business Technology Transformation project. The objective of the project is to review existing product, operation process, existing technology stack. Post review, the revised digital process and technology stack requirements had been crystallised basis the emerging trends in banking space. This would lead to enhance the USFBL's account acquisition and banking operations to offer more efficient services to its customers. The Bank has engaged the services of one of the big four firms as consultant for assisting implementation of the Business Technology Transformation project.

Bank had already prepared a blueprint of the transformation journey. Now, the Bank is working on "Design" phase of the business processes, technology partner finalisation and technology modernisation. Under "Design" phase, Bank has set a specialised dedicated team i.e. Transformation Management Office (TMO) which includes multiple skill sets from different domains like Banking, Support functions, Project Management, Technology, etc. The product journey is being revisited to make it more customer-centric along with system scalability to cater expected growth of business volumes in coming years.

Financial inclusion and priority sector lending

The Reserve Bank of India (RBI) has mandated a higher priority sector lending requirement for SFBs at 75% vs. 40% for universal banks. Owing to the Bank's legacy of serving under-banked population of the country and promote financial inclusion, USFBL meets priority sector lending requirements comfortably while monetising surplus

PSL portfolio through sale of Priority Sector Lending Certificate (PSLCs) or sale of surplus PSL portfolio through IBPC / portfolio sell-down. As of March 31, 2023, 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 overall basis, after netting of PSLC sale / IBPC, the Bank's PSL achievement stood at 83.42% during FY 2022-23, against the regulatory minimum requirement of 75%. On account of higher proportion of PSL as compared to the requirement of the RBI, the Bank has been able to sell the surplus PSL portfolio through Priority Sector Lending Certificate (PSLCs) to earn non-interest income for the Bank. During FY23, the Bank earned PSLC income of ₹ 96.14 crore. Furthermore, we 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.

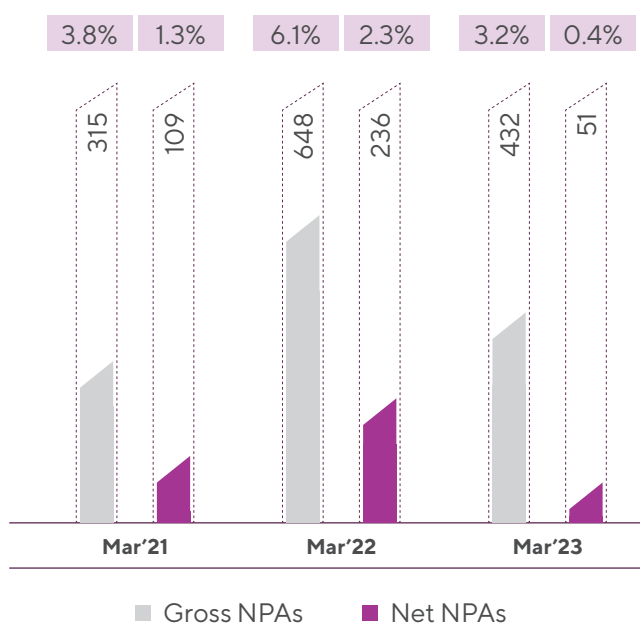
Furthermore, USFBL is comfortably placed on RBI's norms for SFBs to maintain loans with ticket size of up to ₹ 25 lakh at least 50% of the Bank's total loan portfolio. The Bank's lending to the ticket size of less than ₹ 25 lakh was at 74.9% of the loan portfolio as on March 31, 2023.

Asset quality reaching back to normalcy

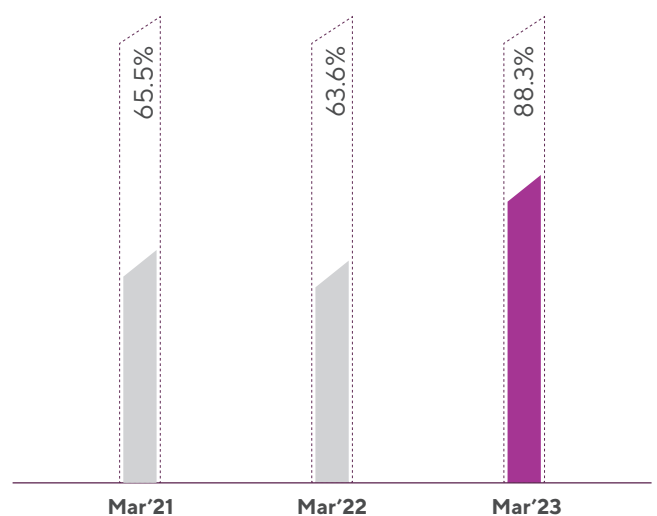
After significant stress on collection efficiency and asset quality in FY21-FY22 on account of severe economic and healthcare stress caused by COVID-19, the Bank witnessed significant improvement in asset quality during FY23. Bank's Gross NPA reduced from 6.10% during FY 2021-22 to 3.23% as on March 31, 2023. Bank's Net NPA decreased from 2.31% in FY 2021-22 to 0.39% as on March 31, 2023. Furthermore, Bank's standard restructured advances also declined to negligible level of 0.2% as on March 31, 2023. During FY23, the Bank also strengthened provision cover by creating additional floating provision for its micro finance loan book to mitigate against unknown event risk for micro finance business. As a policy, the Bank has created floating provision equal to 1% of its microfinance loan book of March 31, 2022 i.e. ₹ 80 crore during FY23. This provisioning policy of the Bank is aimed towards building adequate provision cover in normal times to absorb and mitigate against unknown event risk for micro finance business. On an overall basis, the Bank had provision coverage ratio of 88.29% as of March 31, 2023 as against 63.62% for FY 2021-22.

In addition, the Bank is carrying a contingency provision of ₹ 13 crore (over and above provision required for NPAs & restructured advances, floating provision) as a buffer against higher portfolio vulnerability of Microfinance loans.

NPAs (₹ in crore)



Provision Coverage Ratio



Financial performance

FY23 has been excellent year from financial performance perspective for the Bank. The Bank has reported highest ever annual profit of >₹ 400 crore in FY23. Bank's capital plus reserves position crosses milestone of ₹ 2,000 crore at the end of FY23 and Bank's loan portfolio and deposits registered healthy business growth.

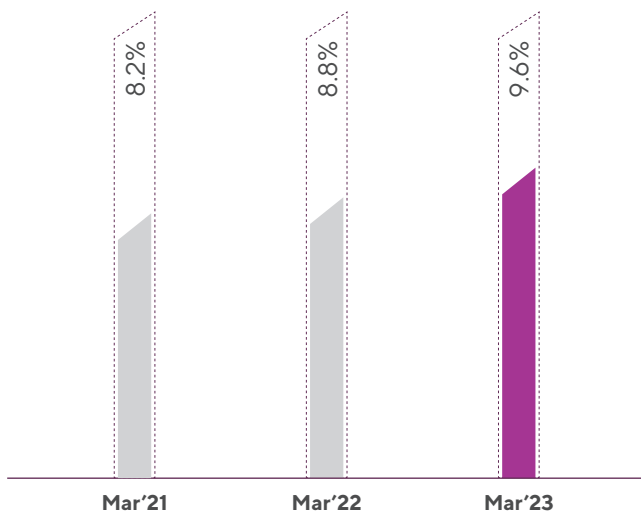
(In ₹ crores)

Income Statement (In ₹ crores)	2022-23	2021-22	Change y-o-y
Deposits	13,710.14	10,074.18	36.09%
Gross Loan Portfolio (GLP)	13,957.11	10,630.72	31.29%
Net Advances (Net)	13,068.77	10,228.15	27.77%
Investments	2,859.42	2,347.92	21.79%
Capital + Reserves	2,000.32	1,572.30	27.22%
Net interest Income	1,529.03	1,060.85	44.13%
Non-interest Income	299.31	184.83	61.93%
Total Income	2,804.29	2,033.65	37.89%
Operating Expenses	990.01	733.75	34.93%
Operating Profit	838.32	511.93	63.76%
Provisions	302.51	432.22	(30.01)%
PBT	535.81	79.71	572.18%
Tax	131.31	18.25	619.47%
PAT	404.50	61.46	558.14%
Net Interest Margin	9.57%	8.75%	
Cost to Income	54.15%	58.90%	
Return on Average Total Assets (ROAA)	2.42%	0.48%	
Return on Capital plus Reserves	22.84%	4.14%	
Gross Loan Portfolio / Capital and Reserves	6.98	6.76	

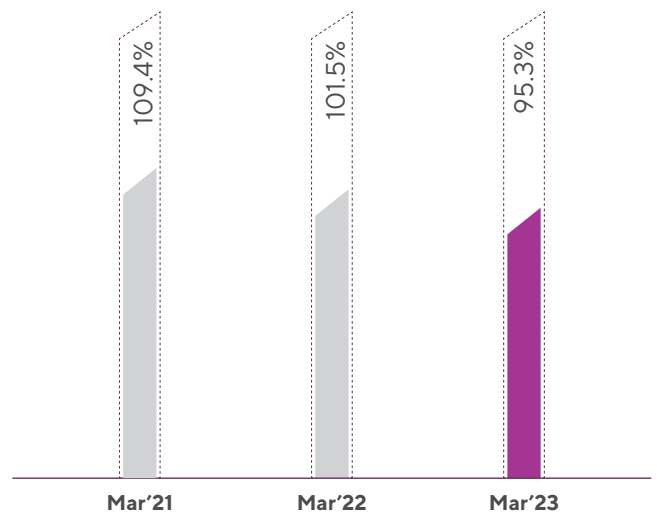
Income

- The Net interest income (NII) of the Bank grew by 44.13% from ₹ 1,060.85 crore in FY 2021-22 to ₹ 1,529.03 crore in FY 2022-23. The growth in NII in FY 2022-23 was supported by healthy growth in business and NIMs expansion during FY23. Bank's NIMs improved from 8.8% in FY22 to 9.6% in FY23.
- The Other income of the Bank witnessed a growth of 61.93% from ₹ 184.83 crore in FY 2021-22 to ₹ 299.31 crore in FY 2022-23 supported by healthy growth in processing fees, income from sale of PSLCs, higher income from cross-selling of third-party products, fee-based & transaction income and recovery from written-off accounts.
- The operating expenses of the Bank increased by 34.93% during FY 2022-23 primarily on account significant expansion in franchise (>270 new branches during FY22-FY23), increase in employee base from 12,617 as on March 2022 to 15,424 as on March 2023, as well as restoration of on-ground movement post disruption caused by COVID-19 in FY21-FY22. On the back of higher income growth vs. expenses, the cost-to-income ratio of the Bank reduced to 54.15% in FY 2022-23 as compared to 58.90% in FY 2021-22.
- The PPOP (Pre-Provisioning Operating Profit) of the Bank grew by 63.76% year-on-year to ₹ 838.32 crore in FY 2022-23 as compared to ₹ 511.93 crore in FY 2021-22. The growth in PPOP is on account NIMs expansion as well as healthy growth in other income in FY23.

Net Interest Margin



CD Ratio

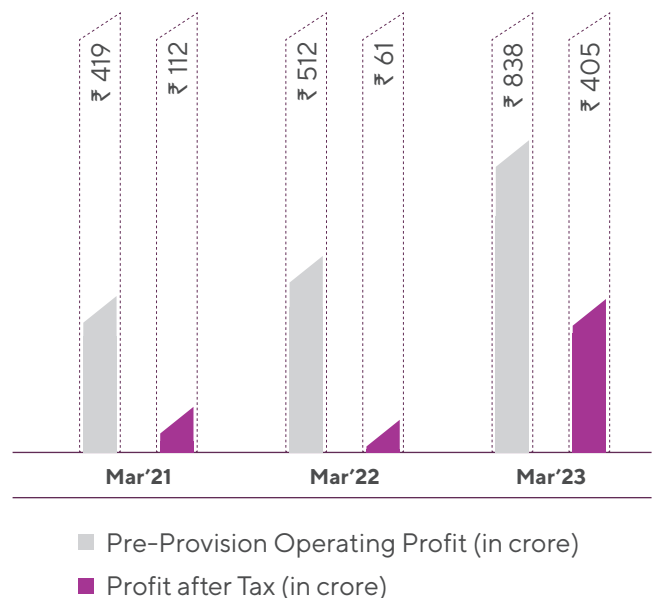


Profit after Tax

- Overall, Bank's profitability rebounded significantly in FY23 with PAT ₹ 405 crore in FY 2022-23 vs. PAT of ₹ 61.46 crore in FY 2021-22. The improvement in PAT is also on account of decline in credit cost, with improvement in asset quality, during FY23 vs. FY22. The Return on Average Assets (ROAA) was healthy at 2.42% during FY 2022-23 compared to 0.48% in FY 2021-22 and return on equity was 22.84% in FY 2022-23 compared to 4.14% in FY 2021-22.

Loan Portfolio

- The gross loan portfolio of the Bank reported a growth of 31.29% from ₹ 10,630.72 crore as of March 31, 2022 to ₹ 13,957.11 crore as of March 31, 2022. Loan book growth is mainly on account of an expanding franchise, healthy growth in microfinance business and faster growth in the non-microfinance portfolio of the Bank. Total net advances of the Bank grew to 27.77% year-on-year to reach ₹ 13,068.77 crore in FY 2022-23 from ₹ 10,228.15 crore in FY 2021-22. During FY23, the Bank has issued IBPC of ₹ 600 crore at competitive interest rate which led to decline in net advances by ₹ 600 crore vs. March 31, 2022.



Deposits

- The aggregate deposit of the Bank registered a growth of 36.09% from ₹ 10,074.18 crore as on March 31, 2022, to ₹ 13,710.14 crore as on March 31, 2023. The Bank's CASA deposits grew by 27.09% year-on-year to reach ₹ 2,863.74 crore in FY 2022-23 compared to ₹ 2,253.29 crore in FY 2021-22. Further, the retail term deposits of the Bank grew by 48.46% year-on-year to ₹ 5,575.13 crore in FY 2022-23 compared to ₹ 3,755.36 crore in FY 2021-22.

NPA

- The Bank's Gross NPAs declined from 6.10% as on March 31, 2022 to 3.23% as of March 31, 2023. The Net NPAs improved from 2.31% as of March 31, 2022 to 0.39% as of March 31, 2023. The Bank is holding provisional coverage of 88.29% as of March 31, 2023. In addition, the Bank is carrying a contingency provision of ₹ 13 crore (over and above provision required for NPAs & restructured advances).

CRAR

- The Bank's Capital to Risk weighted Asset Ratio (CRAR) stood at 20.64% as on March 31, 2023 compared to 21.59% as on March 31, 2022. Further, the Tier-I CRAR of the Bank stood at 18.25% as of March 31, 2023, compared to 18.08% as of March 31, 2022.

Particulars	2022-23	2021-22
CRAR	20.64%	21.59%
Tier-I	18.25%	18.08%
Tier-II	2.39%	3.51%

The Bank had filed Draft Red Herring Prospectus (DRHP) with SEBI on July 29, 2022 for its proposed IPO exercise. The Bank has received SEBI's consent for the IPO through its observation letter dated Oct 21, 2022 stating "The proposed issue can open for subscription within a period of 12 months from the date of issuance of this observation". The Bank is assessing capital market position and investor appetite continuously and will hit market to raise capital as and when advised by its Book Running Lead Managers (BRLMs).

Credit ratings

The Bank's certificate of deposits programme is rated, at the highest credit rating grade, [ICRA] A1+ by ICRA Limited. As on March 31, 2023, the Bank's long-term subordinated bonds were rated at A (Positive) rating by ICRA and CARE Ratings. Subsequent to March 31, 2023, the Bank's credit rating for subordinated bonds by ICRA Limited upgraded one notch to [ICRA]A+ (Stable) from [ICRA]A (Positive) in April 2023. The rating upgrade reflects improvement in asset quality and profitability profile of the Bank.

Rating Agency	Facilities	Credit rating
ICRA Limited	Certificate of Deposit	[ICRA] A1+
	Subordinated Debt Programme	[ICRA] A (Positive) as on March 31, 2023; upgraded to [ICRA]A+ (Stable) in April-2023
CARE Ratings	Long Term Tier II Bonds	CARE A (Positive)

OUTLOOK

FY23 has been an excellent year from financial performance perspective for the Bank. The Bank had reported highest ever annual profit of >₹ 400 crore in FY23. Bank's loan portfolio and deposits registered healthy business growth. While FY24 is expected to pose challenge with respect to hardened interest rate scenario and re-pricing of deposits & borrowings at elevated interest rates, the Bank expects to maintain NIMs at healthy level as increase in funding cost is expected to be passed on to the lending rates. Furthermore, as COVID impact has receded and business environment has reached normalcy, the Bank expects credit costs to somewhat moderate in FY24 from the level seen in FY23. The business growth (loan portfolio and deposits) is also estimated to reach full normalcy in FY24. Overall, FY 2023-24 is likely to be a near normal year with profitability and growth projected to remain healthy.

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. USFBL is planning to augment the liabilities franchise further by expanding franchise, deepening relationship, and targeting the top 100 districts of the country 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 applications 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. Furthermore, the Bank is in the process of undertaking Business Technology Transformation project to review existing products & technology and emerging technology in banking space to strengthen its technology architecture.

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 2022-23, the Bank's CPC supervised:

- Automation of process to enhance the productivity (Bulk Lien / Freeze / Dormancy / Mobile Deregister in single step)
- Launching of Deliverables Tracking System (DTS) for real-time tracking of deliverables
- Digitalisation of account opening
- Setting up of dedicated team for smooth onboarding & servicing of Institutional Clients
- Setting up of WhatsApp group for facilitating the priority account opening
- VKYC – Implementation of VKYC process for Liability and Assets vertical
- 24x7x365 days operation to facilitate reconciliation and settlement of NEFT, RTGS, NACH, UPI, IMPS, APY, Bill Desk, Merchant QR code services
- 365 days operation support for EMI collection through UPI QR Code & Billdesk
- Setting up micro-ATM operations and in-housing of Cash replacement service for General Banking onsite ATMs
- 100% cassette swap implementation & maintaining 98% uptime in ATMs
- Started Aadhaar Seeding process to participate in DBT facility as per NPCI guideline

Internal Ombudsman (IO)

The Internal Ombudsman Scheme is introduced with the objective of enabling and ensuring a proper and speedy resolution of complaints of Bank customers at the Bank level by an independent apex level authority within the Bank. Internal Ombudsman deals only with the complaints that have already been examined by the Bank's internal grievance redressal mechanism and have remained partly or wholly un-redressed.

Further, the Internal Ombudsman also analyses the pattern of complaints such as product/category wise, consumer groups wise, based on geographical location etc. and suggests means for taking actions to address the root cause of complaints of different nature. The Internal Ombudsman holds meetings with concerned functionaries/department of the Bank and seeks records/ documents available with the Bank that are necessary for examining the complaint. 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.

In the backdrop of above, the presence of Internal Ombudsman at the apex level of Grievance Redressal Mechanism of the Bank is helping to enhance the impartiality of the mechanism, as the grievance resolution have an independent viewpoint as a precursor to Banking Ombudsman.

Grievances closed by IO in FY 2022-23:

No. of grievance received by the Bank during 2022-23	No. of cases rejected by Bank partly/fully during 2022-23	No. of cases reviewed by IO during 2022-23	No. of grievances closed by IO during 2022-23	No. of grievances outstanding as on March 31, 2023
20,799	143	143	143	0

Disposal of grievances by Bank during FY 2022-23:

No. of grievances at the beginning of 2022-23	No. of grievances received by the Bank during 2022-23	No. of grievances disposed of by the Bank in 2022-23	No. of grievances outstanding as on March 31, 2023
142	20,799	20,703	238

Credit function

The Credit Department has different verticals such as Retail Lending, Wholesale Credit, Micro Business Individual Loans, Credit Administration (CAD) & Credit Support.

The Credit department's major objectives are as follows:

- Largely responsible for development of Credit & Risk management strategies for loans acquisition ensuring sustainable business growth & healthy portfolio for Retail lending and Wholesale lending products
- Leverage on Technological tools for various credit appraisal and financial analysis process
- Leverage on Score card based underwriting model for Retail Lending products
- Prudent monitoring framework on Portfolio behaviour & asset quality
- Adoption of a forward-looking and market responsive approach within the framework of policy guidelines for moving into profitable new areas of lending which are emerging in the market
- Fulfilling responsible lending objectives

The Credit function largely performs the following to achieve the defined objectives:

- 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 prudent credit risk management practices and high standards of due diligence to protect and improve asset quality at both transaction and portfolio levels
- Leverage on various smart technological tools like "Perfious" tool for financial & banking analysis, "SaveRisk" & "Probe" tools for analysis of Companies' financials and other critical parameters history, "Hunter & Sherlock" tools for borrowers' adverse history enabling prudent due diligence, key lending decisions and optimisation
- LOS systems for loan applications processing and leverage on Rule Engine for adherence of various product guidelines, automation of various processes, monitoring of early warning signals etc.
- Lending for the sustenance of profitability, implying the need to nurture superior credit appraisal skills through specialisation and competence building
- 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 asset quality
- Post disbursement Portfolio & covenant monitoring on wholesale lending products with periodic reviews and monitoring visits to Companies

Collection mechanism

The Bank presently has an in-house team for collections. The team comprises Head Collections and Zonal and Regional teams to monitor over 150 fleet on street (FOS) and control delinquencies. The field teams are well trained in the Bank's policies and code of conduct. 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 Bank also has an in-house legal team for the recovery of dues. There is a well laid down process and policy for the entire collections cycle: from tele-calling, customer servicing, legal notices, repossession, and auction of assets.

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 ALM (Asset and Liability Management) & LCR (Liquidity Coverage Ratio) and ensures adequate liquidity in the system to meet payment obligations and liquidity requirements arising out of asset growth through participation in money and security markets. Treasury ensures compliance with various Regulatory and Management guidelines regarding liquidity management and investment activities that inter alia include CRR and SLR.

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 focuses on optimising the yields of the investment portfolio and controlling the overall cost of funds for the Bank through an optimal mix of deposits, especially sustainable retail deposits and borrowing through refinance and IBPC.

Treasury has put in place robust Business Continuity Plans (BCP) and periodically conducts business from alternate locations as part of BCP.

RISK MANAGEMENT

In the recent times, Banking industry witnessed significant transformations due to high usage of technologies, evolving business models, changing regulatory standards, and many other external and internal factors. Risk management is the most critical element for the Bank and in the Banking industry this has become even more critical considering the Bank being custodian of public deposits. The nature of Risk has a wide array which evolves around Credit Risk, Market & Liquidity Risk, Operational Risk, IT and Cyber Security Risk and other risks. The Bank has adopted a structured approach for risk management to identify, assess, monitor, and manage risks through the effective use of processes, data, and technology. The Bank ensures that the officials having the responsibility of leading the risk management in the Bank are suitably qualified, experienced, and trained.

Risk management function in the Bank is independent of business functions and an integral part of growth strategy of the Bank and is entrusted with the responsibility of managing risks prudently. The risk management philosophy and approach are designed to protect depositors', customers' and other stakeholders' interests and protect the reputation of the Bank.

Bank has constituted a Risk Management Committee of the Board (RMCB) to supervise the entire risk management framework of the Bank. RMC meets on a periodic basis to discuss and mitigate risks. In addition, to RMCB, Bank also has various Senior Management Level Risk Committees for e.g., Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC), Asset Liability and Market Risk Committee (ALCO) and Information Security related Committee. Further, the Internal Capital Adequacy Assessment Process (ICAAP) of the Bank assesses all the significant risks associated with various businesses.

Bank has appointed a senior officer as Chief Risk Officer (CRO) of the Bank, who is responsible for managing various risk verticals i.e. Credit Risk, Market & Liquidity Risk, Operational Risk, Information Security Risk, and other Risks under the aegis of the Board approved risk management policies. The CRO interacts regularly with the RMCB Members and update the committee about various developments and issues.

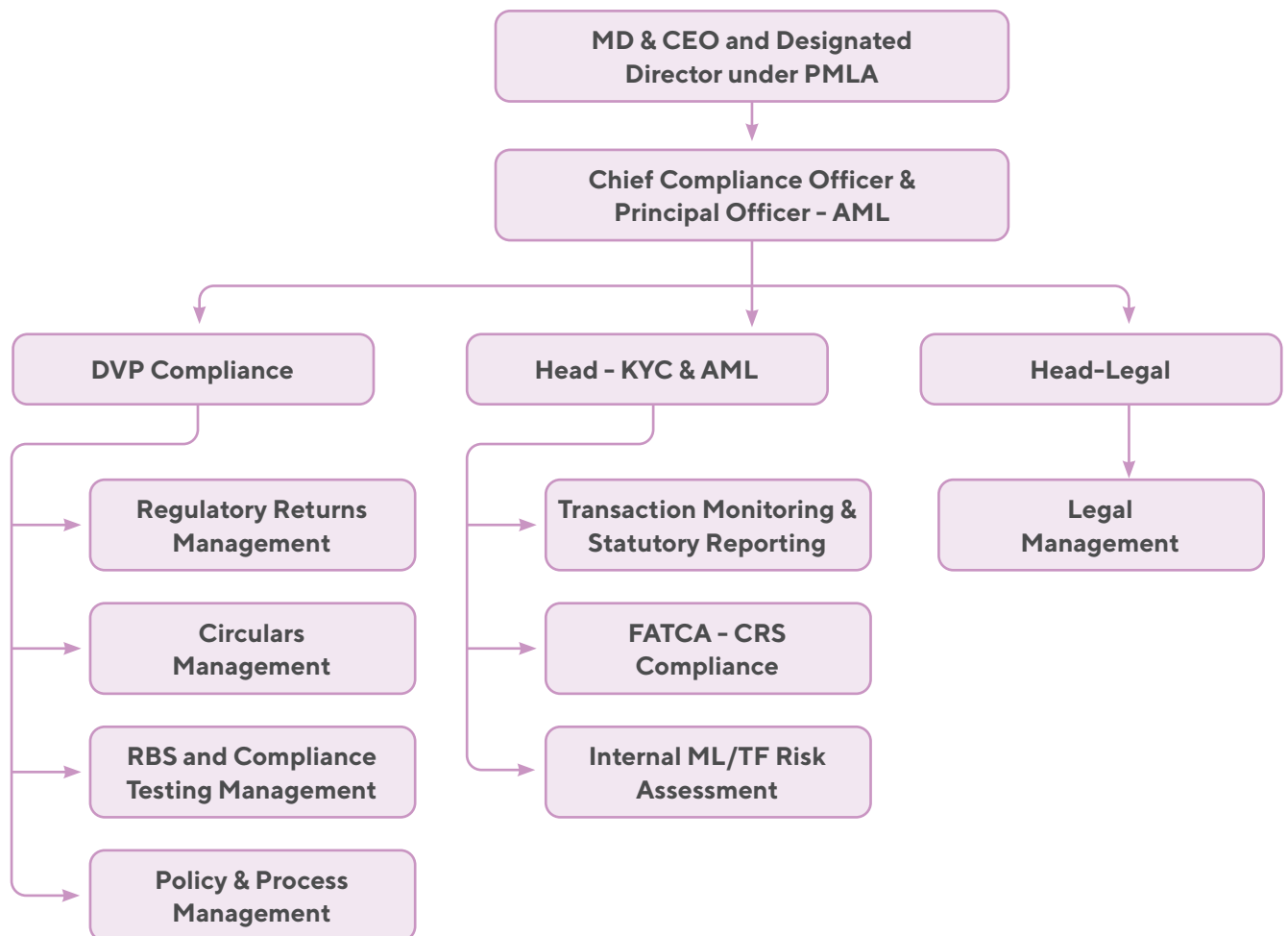
Risk	Impact	Mitigants
Credit Risk	Our Bank defines credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed-upon terms). It adversely impacts both the revenue and margins of the Bank.	<p>Credit Risk Management Committee (CRMC) oversees and reviews the credit risk and is responsible for prudential limits on large credit exposures, portfolio concentration, portfolio management, loan review mechanism, risk concentration, monitoring and evaluation, provisioning, regulatory and other issues around it. All aspects of credit risk are governed by the Credit Risk Management Policy and other Policies. The Bank has laid down various limits and caps on various aspects to control the magnitude of credit risk. Portfolio review and monitoring is carried out through Early Warning Framework, Portfolio Review, and Close monitoring of High Value Customers.</p> <p>Credit Risk Management Committee follows the following approach to assess, identify, manage and mitigate the Credit Risk in the Bank:</p> <ul style="list-style-type: none"> • Adherence to the guidelines/policies related to credit, credit risk and NPA management as issued by the Reserve Bank of India (RBI) from time to time • Establishing a governance framework to establish an effective oversight, segregation of duties, monitoring and management of Credit Risk in the Bank • Setting up and monitoring of the credit and credit risk appetite and limits and taking suitable action and reporting of breaches, if any • Setting the framework for identification and monitoring of Early warning signals and Red flag accounts • Enhance use of structured internal and external data for taking informed decisions and usage of score cards for various decisioning • Undertaking stress testing and take suitable action based on results • Monitoring of various global and domestic developments, industry analysis and issue guidelines and directions
Market Risk	Risks arising from the movement in market prices might impact the revenue generation ability of the Bank.	<p>Both the investment committee and the asset-liability management committee of the Bank are tasked with supervision of the investment and market risk. They 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 and monitors the various limits including stop losses.</p> <p>A comprehensive market and liquidity risk dashboard is circulated to Senior Management at monthly intervals. The dashboard comprises of all the relevant information related to investment portfolio, liquidity position, depositors and borrowing, enabling improved and informed decision-making by the Senior Management.</p>



Risk	Impact	Mitigants
Operational risk	Inadequate or failed internal processes, people, and systems might have an adverse impact on the profitability of the business.	<p>Operational Risk Management Committee (ORMC), responsible for the implementation of the Operational Risk framework of the Bank. All the new products and processes, as well as changes in existing products and processes are subjected to risk evaluation by the Operational Risk team. Outsourcing arrangements are examined and approved by the Bank's Outsourcing Committee after a thorough review of the Operational Risk team.</p> <p>The Bank has set up a comprehensive structure for documenting, assessing, and periodic monitoring of various risks and controls linked to various processes across all businesses.</p> <p>The Bank has a comprehensive operational risk management policy, with a framework to identify, assess and monitor risks and strengthen controls to improve customer service and minimise operational losses.</p> <p>The Bank has well established Business Continuity Plan (BCP) framework which has been put in place to ensure continuity of service to its large customer base. The effectiveness of the approved Business Continuity Plan (BCP) framework is tested for all identified critical units to ensure readiness to meet various contingency scenarios and take corrective actions wherever any issues are observed. The Bank has smoothly managed to run its operations by adapting to various continuity plans.</p>
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.	<p>To mitigate this risk, the Bank has put together a Fraud Risk Management (FRM) department 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) within FRM Department, which is tasked with reviewing the loan and liabilities applications as part of screening and sampling (S&S) activity. Under S&S activity, the submitted KYC documents are reviewed to ascertain any inconsistency or manipulation in those documents or information submitted to the bank for taking timely preventive and corrective actions. The Bank is also taking help of industry fraud data for online checks via Hunter / Sherlock system on the data shared by the common user group of Banks/NBFC, ensuring improved scrutiny of assets and liabilities applications. Further, the Bank is using the EFRM system of NPCI for monitoring the UPI transactions and Inline Fraud Risk Management (IFRM) tool for monitoring other suspicious digital payment transactions across all channels except CIB.</p>

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.	<p>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 follows the regulatory guidelines issued from time to time.</p> <p>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.</p>
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.	<p>The Asset Liability Management (ALM) Policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is in a position to meet its liquidity obligations as well as to withstand a period of liquidity stress from bank-level factors, market-wide factors, or a combination of both.</p> <p>The liquidity profile of the Bank is monitored on a static as well as on a dynamic basis by using the monitoring of key liquidity ratios and conduct of liquidity stress tests periodically. Periodical liquidity positions and liquidity stress results are reviewed by the Bank's ALCO and the Risk Management Committee of the Board.</p> <p>The Bank has set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowings, deposits, and placements, among others.</p> <p>The Bank maintains LCR/NSFR in accordance with the RBI guidelines and within the defined risk appetite of the Bank.</p>
Cyber Risk	As the Bank is interconnected within and outside to the internet having complex structure of the people, process, and technology such as the delivery channels, cloud, partners, remote workers, the Bank is prone to cyber breaches such as MiTM attacks, DDoS attacks, Ransomware, etc., resulting in financial loss, loss of data and reputational loss.	<p>The Bank has created an effective and efficient process in line with RBI directions and guidelines to enhance the cybersecurity posture of the Bank. In line with the RBI requirements, the Bank has Cybersecurity Policy, Cyber Crisis Management Plan (CCMP) and Information Security Policies in place approved by the Board. A Governance and Management process has been established, with the applicable roles and responsibilities to ensure policies are implemented, maintained, assessed, and improved periodically. Cybersecurity Incident Response Team (CSIRT) and Cyber Crisis Management Team (CCMT) are constituted as prescribed under the Cyber Crisis Management Plan (CCMP). Security Operations Centre (SOC) is active on 24x7 basis for real-time monitoring and protection of the Bank's assets.</p> <p>Bank has complied with Baseline Cybersecurity Resilience requirements of RBI. Bank has implemented defence in depth security at perimeter, network, application, data, and physical layers. Robust Cybersecurity awareness program is in place as part of overall Cybersecurity program for customers, employees, and partners. Cyber Risk Insurance coverage is in place for the Bank as a fallback against the risks of cyber incidents. Bank is ISO 27001:2013 certified.</p> <p>Bank has got the awards from IBA for better Cyber Risk Management consecutively for the past two years.</p>

Compliance Architecture



Process framework within the compliance department

The Bank's Compliance Department consists 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. 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 from the compliance department, before seeking approval of the Board of Directors. The Bank has 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). The AML cell is in the process of upgrading its systems and processes in line with the requirements of FIU IND as also to equip itself to adhere to the action points arising out of the recommendations of the Financial Action Task Force (FATF).

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, the Bank is also subjected to regulation and supervision by other authorities like UIDAI / IRDAI / SEBI / FIU IND etc. for various activities undertaken. Compliance Department acts as the interface and the SPOC, representing the Bank vis-à-vis these authorities for any 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 FIRs 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. Necessary steps have been initiated towards cultivating and building a strong compliance culture within the Bank.

AUDIT AND INTERNAL CONTROL SYSTEMS

The Bank has a dedicated Internal Audit function performing the independent and objective evaluation of the adequacy and effectiveness of internal controls, information security controls, risk management and processes on an ongoing basis to provide assurance that the policies, regulations, and internal standards defined for management of the various risk are operating effectively.

In congruence with the Reserve Bank of India's Guidelines on Risk Based Internal Audit (RBIA), the Bank has adopted a robust Internal Audit Policy and the Internal Audit Function undertakes a comprehensive Risk Based Audit of operating units. The audit policy adopted the standards of IIA (Institute of Internal Auditors) to make the function more prudent, future-ready and effective. A Risk Based Audit Plan is drawn up on the basis of risk profiling of the auditee units and an audit of operating units is undertaken at a frequency synchronised to the risk profile of each audit unit in line with the guidelines relating to Risk Based Internal Audit (RBIA) of Reserve Bank of India (RBI).

In order to strengthen Internal Audit Function, the concurrent and off-site audit have been integrated into the internal audit process to achieve incessant real-time supervision and control. The Audit department has got IT application which helps in planning, executing, reporting audits and storage of audit documents. In line with the technology adoption and digitisation of Bank, the audit team is progressing towards the increasing use of Computer Aided Audit Tools (CAAT) to add value and bring more efficiency and effectiveness to the audit process. The Internal Audit function proactively recommends improvements in Operational Process, System Controls and Service Quality time to time, wherever deemed fit.

The Head – Internal Audit functionally reports to the Audit Committee Board (ACB), ensuring the Independence, and for administrative purpose, reports to the Managing Director & CEO. The Banks' Internal Audit Department (IAD) is manned by 176 appropriately skilled, experienced and qualified professionals. The Internal Audit Department works under the guidance of Audit Committee Board (ACB) and the ACB reviews the efficacy of the Internal Audit Department, the effectiveness of controls laid down by the Bank and compliance with internal and regulatory guidelines, thus ensuring the alignment with the Best Practices on corporate governance.

VIGILANCE MECHANISM

- The role of the Vigilance & Security Dept. 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. The Vigilance Dept. also deals with information received under the whistle blower policy of bank and also undertakes general liaison with local government authorities, esp. Police Dept
- 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 cases 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 is an important driver for improving the efficiency & productivity of the organisation. This is a major differentiator for the bank as it is constantly working on enhancement of existing technology solutions and engaging with new technology / technology partners to achieve business growth.

While continuing its digitisation and automation journey, the Bank has successfully implemented “UPI Lite” payment system, the first Small Finance bank to implement this in Indian Banking domain. Cashless collection through QR Code has been added to digitisation journey further i.e., this is an addition to cash-less disbursement of Joint Liability Group Loans. To enable a secure Mobile Banking Transactions for our customers, the Bank added feature of device binding in-line with regulator guidance. The feature of e-signature added to our mission toward go-green i.e., paperless transaction. We have enhanced our business applications like CBS, LMS, LOS, etc. with added features during the year to improve efficiency of end users along with new product features. Bank already started using Robotic Process Automation (for processes where manual duplicate work shall be automated with the help of software robot) and Rule engine for policy implementation and automating underwriting.

Modern collaboration tools are now being used extensively within organisations to improve internal communication & processes. Along with Data Center (DC) & Disaster Recovery (DR) centre, the Bank has operationalised Near Data Recovery (NDR) centre to ensure quick availability of systems in case of any disaster. Data Lake platform are being integrated with CBS & other channels to centrally collate data from different applications and enable Data Analytic output.

Furthermore, in a bid to strengthen its technology architecture further, the Bank is undertaking Business Technology Transformation project. The objective of the project is to review existing product, operation process, existing technology stack. Post review, the revised digital process and technology stack requirements had been crystallised basic emerging trends in banking space. This would lead to enhancing the USFBL's account acquisition and banking operations to offer more efficient services to its customers. The Bank has engaged the services of one of the big four firms as consultant for assisting implementation of the Business Technology Transformation project.

Bank had already prepared a blueprint of the transformation journey. Now, the Bank is working on “Design” phase of the business processes, technology partner finalisation and technology modernisation. Under “Design” phase, Bank has set a specialised dedicated team i.e. Transformation Management Office (TMO) which includes multiple skill sets from different domains of the Bank. Support functions, Project Management, Technology, etc. The product journey is being revisited to make it more customer-centric along with system scalability to cater expected growth of business volumes in coming years.

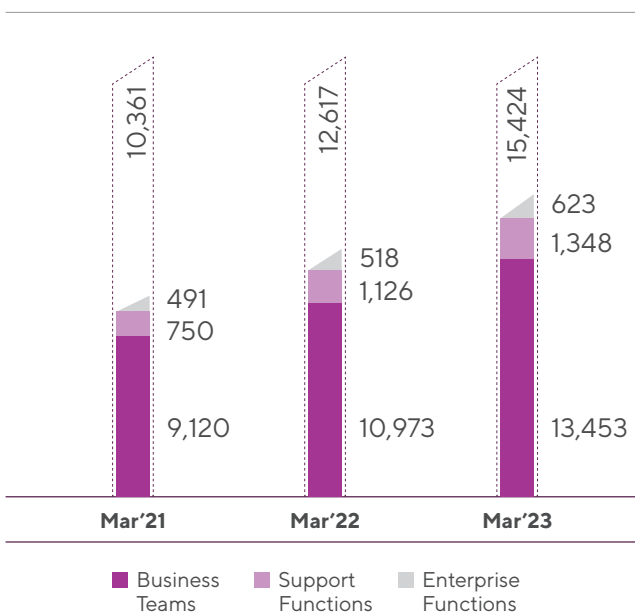
HUMAN RESOURCES AND TRAINING

Human resources is a core function of the Bank which is entrusted with the responsibility of managing the entire lifecycle of an employee while striking a positive impact. During fiscal 2022-23, the Bank added 2,807 employees of which 1,381 were female employees. The employee strength of the Bank as on March 31, 2023 was 15,424.

We fought the most unprecedented event of our lifetime - COVID Pandemic in multiple waves. As learning has no lockdown, the Bank continued its learning journey by moving its training sessions online. As the markets eased and the situation improved, the HR & Training migrated the learning initiatives to the classroom mode. The Bank is also developing an internal talent pool through training programs from various institutions, to grow and expand in new geographies and diversify its products. The Bank believes in the broad-based capability development of our employees.

The HR & Training team incorporates a healthy mix of various learning modes such as classroom programs,

USFBL's Employee Strength





external programs, certification programs and e-learning modules to facilitate the learning process across all levels. The COVID uncertainties taught us that blended strategy of learning is best suited for upskilling and reskilling of our 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 Soft Skills Training among others. Apart from this, numerous workplace training programs were implemented including Utkarsh Pragati (refresher training), Utkarsh Udaan (role-change trainings), Utkarsh Saksham (capacity building certification programs and mandatory certifications).

As part of the Talent Management initiative, the Bank conducted vision execution workshop, and identified a list of competencies basis which a 360 Degree Feedback was conducted for Senior Management. For the critical role holders of the Bank, the Management has identified and mapped employees who could be probable successors in the next few years. The Bank is developing these identified talents by taking them through various development initiatives. Various tie-ups with external institutions, industry consortium bodies and learning partners enabled us to keep up with the latest developments and building the capabilities by providing requisite knowledge and skills. During the year under review, more than 14,000 staff were educated under various programs via 578 training sessions. The Bank has also initiated CEO and CXO Mentoring Club wherein handpicked employees are selected and are being groomed by engaging them in various meaningful projects.

The Bank has also embarked on a journey of digitising its employee's life cycle management program and in the last financial year processes such as joining, onboarding, id card 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.

FINANCE & ACCOUNTS

Our finance department is mainly focussed on the preparation of financial plans, monitoring, and analysis of financial performance. The major functionality of the finance department comprises monitoring of priority sector target achievement and financial inclusion performance of our Bank and computation of MCLR for the Bank on a monthly basis, preparation of the Business Plan for the Bank and the achievement on a monthly basis, along with the analysis of the KPI's (Key Performance Indicators). 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. They are also responsible for all regulatory filings with the RBI in relation to the accounts department and both direct and indirect tax compliances. The department also manages employees and vendor payment process.

COMPANY SECRETARIAL

The Company Secretarial function ensures compliance of the Companies Act, 2013 and the rules made thereunder, Securities Exchange Board of India (listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR)] and the applicable directions of the Reserve Bank of India (RBI) from time to time in conduct of meetings of the Board, its Committees, Shareholders, and the filings relating thereof with Ministry of Corporate Affairs, SEBI (LODR), Stock Exchange and RBI and also emphasis on the principles of corporate governance for carrying out the Business in accordance with the applicable laws.

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, 2023

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 organised 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 31st March, 2023.

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 Standardised 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 (Standardised Approach)
- Market Risk (Standardised 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 March 31, 2023
(b)	Capital Requirement for Credit Risk:	
	Portfolios subject to Standardised Approach	1,515.88
	Securitisation 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)	1,515.88
(f)	Total Risk Weighted Assets	10,105.89
(g)	Total Capital Fund	2,086.05
(h)	Capital Adequacy Ratio	
	Common Equity Tier-1	18.25%
	Tier-1	18.25%
	Tier-2	2.39%
(i)	Total CRAR	20.64%

2) Risk Exposure and Assessment

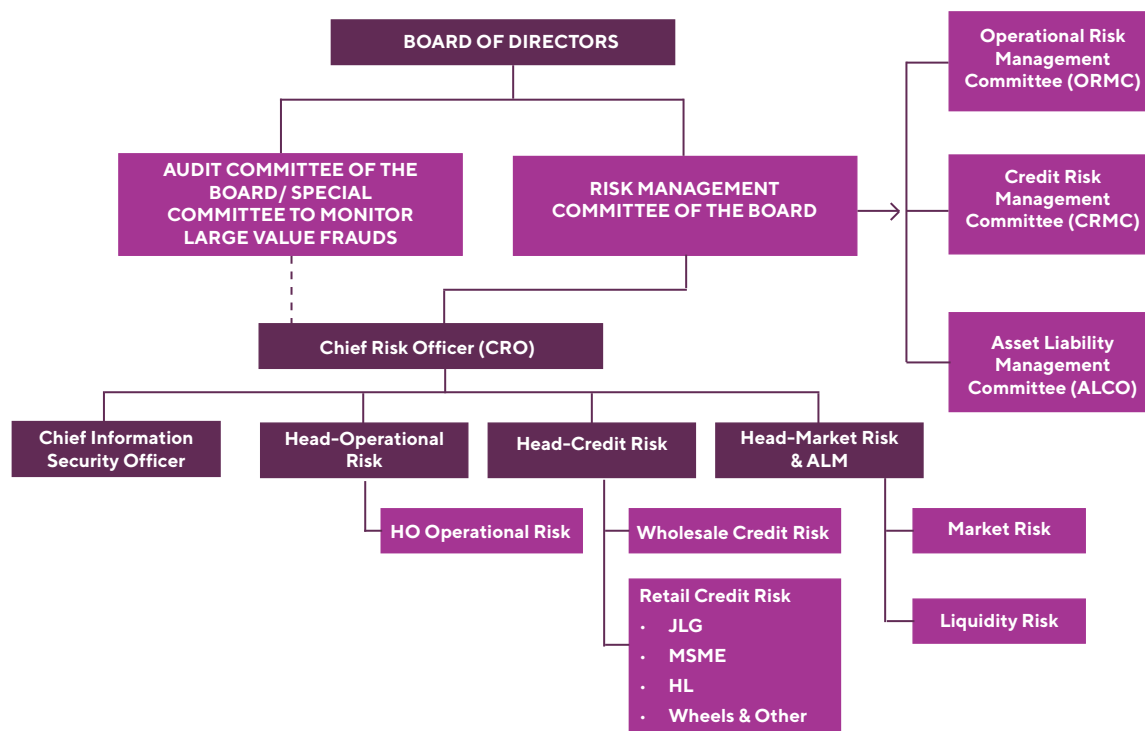
The Bank is exposed to certain broad risks, which are being monitored and mitigated on an ongoing basis. Credit Risk, Operational Risk, Information Security and Market & Liquidity Risk are the Risks that are being monitored based on Board Approved policies of the Bank. These are reviewed at annual intervals or based on certain key ad hoc 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 standardised. 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 securitisation 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 crore)

Facility Type	Credit Exposure
Fund Based	10,098.32
Non-Fund Based	7.57
Total	10,105.89

b) Total Gross Credit Risk Exposure by Geography:

(₹ in crore)

Category	Fund Based	Non-Fund Based	Total Credit Exposure
Domestic	10,098.32	7.57	10,105.89
Overseas	0.00	0.00	0.00
Total	10,098.32	7.57	10,105.89

c) Industry wise Distribution of Gross Advances:

(₹ in crore)

Industry	Fund Based	Non-Fund Based	Total Credit Exposure
Agriculture and Allied Activities	6,054.53	0.00	6,054.53
Micro and Small	486.57	0.00	486.57
Professional Services	0.01	0.00	0.01
Retail Trade	274.41	0.00	274.41
NBFCs	0.00	0.00	0.00
Banking & Finance other than NBFCs and DFIs	56.99	0.00	56.99
Other Services	864.23	0.00	864.23
Housing Loans (incl. priority sector Housing)	534.63	0.00	534.63
Consumer Durables	0.31	0.00	0.31
Vehicle/Auto Loans	137.77	0.00	137.77
Education Loans	0.11	0.00	0.11
Advances against Fixed Deposits (incl. FCNR(B), etc.)	200.79	0.00	200.79
Other Retail Loans	4,746.76	0.00	4,746.76
Total	13,357.11	0.00	13,357.11

d) Residual Contractual Maturity Breakdown of Assets:

(₹ in crore)

Time Buckets	Amount as on 31 st Mar 2023						Total
	Cash and Balances with RBI	Balance with Banks and Money at Call and Short Notice	Investments	Advances	Fixed Assets	Other Assets	
1 day	241.39	59.01	141.08	91.34	-	0.20	533.02
2 to 7 days	344.00	1,259.55	237.44	93.70	-	0.56	1,935.25
8 to 14 days	-	-	130.54	140.76	-	0.64	271.94
15 to 30 Days	36.55	-	65.76	284.55	-	98.21	485.07
31 Days to 2 months	12.78	0.01	92.77	601.15	-	2.83	709.54
Over 2 months to 3 months	14.50	-	101.76	588.88	-	61.09	766.23
Over 3 months to 6 months	72.33	-	384.85	1,728.18	-	6.42	2,191.78
Over 6 months to 1 year	85.00	0.42	452.24	3,092.43	-	27.80	3,657.89
Over 1 year to 3 years	371.47	5.07	1,178.36	4,325.80	-	104.99	5,985.69
Over 3 years to 5 years	12.02	0.25	63.96	650.17	-	14.91	741.31
Over 5 years	2.00	-	10.65	1,471.82	303.32	52.01	1,839.81
Total	1,192.06	1,324.31	2,859.42	13,068.77	303.32	369.67	19,117.54

Position of Non-Performing Assets (NPA):

(₹ in crore)

Particulars	Amount as on 31 st Mar 2023
Gross Advances*	13,357.11
Net Advances	13,068.77
Gross NPA	
Sub-standard	352.67
Doubtful 1	75.88
Doubtful 2	2.90
Doubtful 3	0.05
Loss	0.00
NPA Provision	288.34
Floating Provision	92.65
Net NPA	50.51
NPA Ratios:	
Gross NPA to Gross Advances (%)	3.23%
Net NPA to Net Advances (%)	0.39%

*Gross advances numbers are audited

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

(₹ in crore)

Particulars	Amount as on 31 st Mar 2023
Opening Balances (As on 1 st April)	648.16
Additions	521.08
Write Offs	382.78
Reductions	354.96
Closing Balances	431.50

f) Movement of Specific & General NPA Provisions:

(₹ in crore)

Particulars	Amount as on 31 st Mar 2023	
	Specific Provisions	General Provisions
Opening Balances (As on 1 st April 2022)	402.58	72.30
Add: Provisions made during the period	474.36	14.33
Less: Write offs	382.78	-
Less: Write Back of excess provision	205.82	16.30
Closing Balances	288.34	70.33

Specific Provisions represents provisions for NPAs

General Provisions represents provisions excluding NPAs

g) Position of Non-Performing Investments (NPI) as on March 31, 2023:

(₹ in crore)

Particulars	Amount as on 31 st Mar 2023
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 crore)

Particulars	Amount as on 31 st Mar 2023
Opening Balance (As on 1 st April 2022)	4.42
Add: Provisions made during the period	0.00
Less: Write offs	-
Less: Write Back of excess provision	4.42
Closing Balance	-

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

1) Qualitative Disclosure:

In line with RBI guidelines, Bank has employed standardised 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 Standardised Approach under the RBI's Basel capital regulations for its credit portfolio.

(₹ in crore)

Category	Amount as on 31 st Mar 2023
Below 100% Risk Weight	8,783.84
100% Risk Weight	1,222.89
More than 100% Risk Weight	99.16
Deducted	0.00
Closing Balance	10,105.89

Both Fund & Non-Fund Based Exposure

V. DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED 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 collateralised 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' authorisation 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 collateralised 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 authorised.

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 principle

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 crore)	
Particulars	Amount as on 31 st Mar 2023
Total exposure covered by eligible financial collateral	4,322.80
Total exposure covered by guarantees	0.05

GECL to be included under sovereign guarantee

VI. DF - 6: SECURITISATION EXPOSURES: DISCLOSURE FOR STANDARDISED APPROACH

As on March 31, 2023, the Bank does not have any Securitisation 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 Organisation

The organisational 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:

Capital Requirement*		(₹ in crore)
		Amount as on 31st Mar 2023
Risk Weighted Assets for Market Risk:		
Standardised Duration Approach		-
Interest Rate Risk		-
Equity Position Risk		-
Foreign Exchange Risk		-

*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.

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 Organisation

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 crore)

Change in interest rate	Amount as on 31 st Mar 2023
EaR @ 100 bps	31.12
EaR @ 200 bps	62.25
EaR @ 300 bps	93.37

Market Value of Equity (MVE):

	Amount as on 31 st Mar 2023
% Change in MVE when there is 100 bps change in interest rates	3.94%
% Change in MVE when there is 200 bps change in interest rates	7.88%
% Change in MVE when there is 300 bps change in interest rates	11.83%

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

As on March 31, 2023, the Bank does not have any Counterparty Credit Risk and Derivative exposure.

XI. DF - 11: COMPOSITION OF CAPITAL

(₹ in crore)

Particulars	Amount
Common Equity Tier 1 Capital: Instruments and Reserves	
1 Directly issued qualifying common share capital plus related stock surplus (share premium)	1,200.10
2 Retained earnings	569.41
3 Accumulated other comprehensive income (and other reserves)	224.83
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	1,994.34
Common Equity Tier 1 capital: regulatory adjustments	
7 Prudential valuation adjustments	-
8 Goodwill (net of related tax liability)	-
9 Intangibles including deferred revenue expenditures (net of related tax liability)	62.42
10 Deferred tax assets	87.09
11 Cash-flow hedge reserve	-
12 Shortfall of provisions to expected losses	-
13 Securitisation gain on sale	-



(₹ in crore)

Particulars		Amount
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	-
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: Unamortised 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	149.52
29	Common Equity Tier 1 Capital (CET 1)	1,844.82
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	-

(₹ in crore)

Particulars		Amount
38	Reciprocal crossholdings 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)	-
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)	1,844.82
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	172.00
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)	69.23
51	Tier 2 capital before regulatory adjustments	241.23
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal crossholdings 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)	241.23
59	Total capital (TC = T1 + T2) (row 45+row 58)	2,086.05
60	Total risk weighted assets (row 60a +row 60b +row 60c)	10,105.89
60 a	of which: total credit risk weighted assets	10,105.89
60 b	of which: total market risk weighted assets	0.00

(₹ in crore)

Particulars		Amount
60 c	of which: total operational risk weighted assets	0.00
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.25%
62	Tier 1 (as a percentage of risk weighted assets)	18.25%
62 a	Tier 2 (as a percentage of risk weighted assets)	2.39%
63	Total capital (as a percentage of risk weighted assets)	20.64%
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 standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardised 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	₹ CR
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	87.09
	Total as indicated in row 10	87.09
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) Min (D1+D1a+ D2a,60a*1.25%)	69.23
	Total of row 50	69.23

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

(₹ in crore)

Step 1 & 2		
Sr. No.	Particulars	Balance Sheet as in financial statements (As on reporting date)
A	Capital & Liabilities	
I	Paid-up Capital	895.90
	Reserves & Surplus	1,104.42
	of which:	
	Statutory Reserve	215.81
	Capital Reserve	9.02
	Revenue & Other Reserves	0.00
	Share Premium	286.15
	Investment Fluctuation Reserve	5.98
	Investment Reserve	0.00
	Additional Reserve	0.00
	General Reserve	0.00
	Balance in Profit & Loss Account	569.42
	of which: Balance in Profit & Loss Account as per last financial Year	253.72
	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

(₹ in crore)

Step 1 & 2		
Sr. No.	Particulars	Balance Sheet as in financial statements (As on reporting date)
	Other Reserves	18.04
	Minority Interest	0.00
	Share application money pending allotment	0.00
	Total Capital	2,000.32
II	Deposits	13,710.14
	of which: Deposits from Banks	3,753.50
	of which: Customer deposits	9,956.64
	of which: Other deposits (pl. specify)	-
III	Borrowings	2,349.47
	of which: From RBI	150.00
	of which: From Banks	-
	of which: From other institutions & agencies	1,954.99
	of which: Capital instruments	-
	of which: Subordinated Innovative Perpetual Debt Instruments	-
	of which: Subordinated Debt – Upper Tier II Capital	235.00
	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	1,057.61
	Of which General Provision considered for tier II	63.25
	Total	19,117.54
B	Assets	
I	Cash and balances with Reserve Bank of India	1,192.06
	Balance with Banks and money at call and short notice	1,324.31
II	Investments:	2,859.42
	of which: Government securities	2,560.36
	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.)	299.06
	Less: Provision for Depreciation on Investment	-
III	Loans and advances	13,068.76
	of which: Loans and advances to Banks	56.99
	of which: Loans and advances to customers	13,011.77
IV	Fixed assets	303.32
V	Other assets	369.67
	of which: Goodwill and intangible assets	38.14
	of which: Deferred tax assets	87.09
Vi	Goodwill on consolidation	-
Vii	Debit balance in Profit & Loss account	-
	Total Assets	19,117.54

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)	₹ 895.90 crore (as on March 31, 2023 – 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) 13.06.2018 – ₹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/- 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/- xiv) Allotment date 22.01.2022 – ₹ 1,78,440/- xv) Allotment date 31.10.2022 – ₹19,80,250/- xvi) Allotment date 17.02.2023 – ₹1,701,160/- xvii) Allotment date 09.03.2023 – 1,50,000/-
12	Perpetual or dated	Perpetual
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)

Disclosure template for main features of regulatory capital instruments		
		Equity Shares
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
1	Issuer	Utkarsh Small Finance Bank Limited	Utkarsh Small Finance Bank Limited
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	INE735W08012 INE735W08020	INE735W08038
3	Governing law(s) of the instrument	Indian Laws	Indian Laws
Regulatory treatment			
4	Transitional Basel III rules	Tier II	Tier II
5	Post-transitional Basel III rules	Eligible	NA
6	Eligible at solo/group/ group & 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
8	Amount recognised in regulatory capital (₹ in crore, as of most recent reporting date)	INE735W08012 - ₹10 crores INE735W08020 - ₹6 crores	₹156 crore
9	Par value of instrument	₹100,000/- Per NCD	₹10,00,000/- Per NCD
10	Accounting classification	Borrowings	Borrowings

Disclosure template for main features of regulatory capital instruments			
		Debt instrument	Debt instrument
11	Original date of issuance	INE735W08012 – July 09, 2018 INE735W08020 – August 30, 2018	June 26, 2020
12	Perpetual or dated	Dated	Dated
13	Original maturity date	INE735W08012 – July 09, 2025 INE735W08020 – August 30, 2025	June 26, 2027
14	Issuer call subject to prior supervisory approval	NA	Yes
15	Optional call date, contingent call dates and redemption amount	NA	June 26, 2025
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	Coupon – 10.577% p.a.	Coupon – 12.50% p.a.
19	Existence of a dividend stopper		
20	Fully discretionary, partially discretionary, or mandatory		
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-Cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory, or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	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
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, Mr. Muralidharan Rajamani and Mr. Parveen Kumar Gupta.

- 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:

- a) 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 **22nd March 2022** 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 22nd March 2022 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 organisational / 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 organisational / 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 organisation 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:**

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

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 utilises 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 cover Whole Time Directors / CEO / MD & Chief Executive Officer / Material Risk Takers – SVP & Above)

- Number of meetings held by the NRC during the FY 22-23 and remuneration paid to its members:** 04 meetings held during the FY2022-2023 and a total of ₹ 7,20,000 was paid as sitting fee to its members.
- Number of employees having received a variable remuneration award during the FY 22-23:**
Annual Bonus payment during the FY 2022-23 ₹ 14,46,82,709

A total of ₹ 40.66 Lakh has been paid to MD & CEO during April'22 to December' 22. Bifurcation is as follows:

- a. Cash bonus of ₹ 20.66 Lakh has been paid to MD & CEO (50% of total 31 Lakh for FY20-21 & 1/3 of deferred bonus amount for FY21-22) in the month of August'22.
- b. Cash bonus of ₹ 20 Lakh has been paid to MD & CEO (50% of total ₹40 Lakh for FY21-22) in the month of December'22.

Total No. of ESOPs granted to all 7 MRT's are 18,66,226 (amounting ₹ 5,33,93,987)

- c. **Number and total amount of sign-on/joining bonus awards made during the FY 22-23: No Sign-on bonus awards during the FY 22-23.**
- d. **Number and total amount of guaranteed bonuses awarded during the FY 22-23: NIL (no new joining of Whole Time Directors / Chief Executive Officer / Other Risk Takers- MD & CEO, SVP & Above)**
- e. **Details of severance pay, in addition to accrued benefits, if any:**
No severance pays, in addition to accrued benefits given.
- f. **Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms:**
 - a. **Cash bonus of 20.66 Lakh has been paid to MD & CEO (50% of total 31 Lakh for FY20-21 & 1/3 of deferred bonus amount for FY21-22) in the month of August'22.**
 - b. **Cash bonus of 20 Lakh has been paid to MD & CEO (50% of total 40 Lakh for FY21-22) in the month of December'22.**

- g. **Total amount of deferred remuneration paid out in for the FY 22-23: NIL**

Breakdown of amount of remuneration awards for the FY 21-22 to show fixed and variable, deferred and non-deferred, different forms used:

Salary including perquisites for amounting ₹ 68,272,908 to all MRTs during the FY22-23.

The annual bonus paid to MRTs during FY22-23 is ₹ 3,698,386 excluding MD & CEO.

Apart from this, A total of 40.66 Lakh has been paid to MD & CEO during April'22 to December' 22

- h. **Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments: NIL**
- i. **Total amount of reductions during the FY 22-23 due to ex- post explicit adjustments: NIL**
- j. **Total amount of reductions during the FY 22-23 due to ex- post implicit adjustments: NIL**
- k. **Number of MRTs identified – 7 (6 MRTs & 1 WTD)**
- l. **Number of cases where malus has been exercised – NIL**
- m. **Number of cases where claw back has been exercised – NIL**
- n. **Number of cases where both malus and claw back 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. 0.04 crores & 56 times

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

As on March 31, 2023, the Bank does not have any Equity Exposures.

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

(₹ in crore)

Sl. No.	Particulars	Amount as on 31 st Mar 2023
1	Total consolidated assets as per published financial statements	19,117.54
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	149.52
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)	341.60
7	Other adjustments	-
8	Leverage ratio exposure	9.55%

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 crore)

Sl. No.	Items	Amount as on 31 st Mar 2023
On-Balance sheet exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	18,968.02
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)	18,968.02
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

(₹ in crore)

Sl. No.	Items	Amount as on 31 st Mar 2023
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	341.60
18	(Adjustments for conversion to credit equivalent amounts)	0.00
19	Off-balance sheet items (sum of lines 17 and 18)	341.60
Capital and total exposures		
20	Tier 1 capital	1,844.82
21	Total exposures (sum of lines 3, 11, 16 and 19)	19,309.63
Leverage ratio		
22	Basel III leverage ratio	9.55%



Board's Report

Dear Members,

The Board of Directors of Utkarsh Small Finance Bank Limited (the Bank or USFBL) is pleased to present the 7th Annual Report and the Audited Financial Statements of the Bank with immense PRIDE* – our guiding values for the Financial Year ended, March 31, 2023.

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.

FY23 has been year where the Bank had reported highest ever annual profit of >₹ 400 crore. The Bank's capital plus reserves position crossed milestone of ₹ 2,000 crore at the end of FY23 and Bank's loan portfolio and deposits registered healthy business growth.

Highlights of major achievements of the Bank:

- Total deposits increased by 36.09% to ₹ 13,710.14 crore as on March 31, 2023, from ₹ 10,074.18 crore as on March 31, 2022
- Net Advances increased by 27.77% to ₹ 13,068.77 crore as on March 31, 2023, from ₹ 10,228.15 crore as on March 31, 2022
- Bank's operating profit increased by 64% to 838.32 crore for FY23 from ₹ 511.93 crore in FY22.
- The Bank reported highest ever annual profit of ₹ 404.50 crore during FY23.
- Bank witnessed improvement in asset quality with reduction in Gross NPA & Net NPAs to 3.23% & 0.39% respectively as of March 31, 2023 vs. 6.10% & 2.31% respectively at March 31, 2022
- Bank's provision coverage ratio was healthy at 88.29% as on March 31, 2023.
- The capital adequacy ratio of the Bank is 20.64% as on March 31, 2023.
- Bank's capital plus reserves increased to ₹ 2,000.32 crore as on March 31, 2023 from ₹ 1,572.30 crore as on March 31, 2022
- There are 830 Branches spread across 22 States and 4 Union Territories as on March 31, 2023.
- The Bank expanded its presence to four additional States/UTs i.e. Goa, Jammu & Kashmir, Meghalaya & Puducherry during this year.

As the socio-economic and market scenario were not conducive, the Bank could not proceed with the initial public offer before the close of the financial year.

FINANCIAL PERFORMANCE

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

(Amount in ₹ crore)

Particulars	FY 22-23 Audited	FY 21-22 Audited	Change in %
Deposits	13,710.14	10,074.18	36.09%
Investments	2,859.42	2,347.92	21.79%
Advances (Net)	13,068.77	10,228.15	27.77%
Net Worth*	1,844.82	1,420.76	29.85%
Net Interest Income	1,529.03	1,060.85	44.13%
Other Income	299.31	184.83	61.93%
Net Total Income	1,828.34	1,245.68	46.77%
Operating Expenses	990.01	733.75	34.93%
Provisions and Contingencies	433.82	450.47	(3.70%)
Net Profit	404.50	61.46	558.14%
Gross NPA Ratio	3.23%	6.10%	(2.87%)
Net NPA Ratio	0.39%	2.31%	(1.92%)
Capital Adequacy Ratio	20.64%	21.59%	(0.95%)
Deposits	13,710.14	10,074.18	36.09%
Business (Deposit plus Net Advance) per employee	1.74	1.61	
Business Per Branch	32.26	29.60	

Particulars	FY 22-23 Audited	FY 21-22 Audited	Change in %
Transfer to Statutory Reserve	101.13	15.37	557.97%
Transfer to Capital Reserve	-	0.23	-
Transfer to Investment Fluctuation Reserve	(1.80)	(11.13)	(83.83%)
Deduction during the year	(10.52)	10.52	(200.00%)
Dividend for the year, Including Tax Thereon	-	-	-
Number of Branches			
General Banking Branches	251	193	
Micro Banking Branches	579	493	
No. of Employees	15424	12,617	

* Net worth computed as per RBI guidelines

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 2022-23 the Bank built a diversified deposits portfolio and the aggregate deposits of the Bank at the end of the year stood at ₹ 13,710.14 crores. While the total deposits of the Bank grew by 36.09% on YoY basis, the CASA deposit witnessed a growth of 27.09% (YoY). Further the share of CASA plus Retail Term Deposit (RTD) stood at 61.55% of total deposits.



During the period the Bank strategically focussed on building a healthy and granular deposits profile. To further expand its outreach to a larger customer base, the Bank opened 58 General Banking (GB) branches during FY 2022-23 including opening of branches in four New States / UT's i.e. Puducherry, Jammu Kashmir, Meghalaya & Goa thereby increasing Bank's GB branches presence to 251 locations spread across 22 States and 04 Union Territories as on March 31, 2023. The Bank continued to set-up its GB branches primarily in metropolitan and urban locations with a potential for sizeable deposits mobilisation. 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.

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. In FY 22-23 bank has on boarded 208 NTB Institutional CASA Accounts and also done the empanelment in Maharashtra for Salary & Pension Accounts and empanelment in Chhattisgarh for Deposits.

Assets Business

As a Small Finance Bank (SFB), the Bank, which is primarily focussed on micro banking products, has diversified its product offerings 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 159 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 alongwith entire gamut of liabilities products through MB branches. In addition, the Bank provides micro banking loans through Business Correspondent (BC) partners also.

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 2022-23 JLG business through Micro Banking (MB) recorded a growth of 12.83% over the previous financial year. There were 86 new MB branches were opened in existing states.

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 including MBBL and PMSvanidhi stood at ₹ 9,215.58 crore as on March 31, 2023, with a total base of more than 26 lakh clients consisting of active loans through the branch network.

The JLG portfolio through Business Correspondents reached ₹ 251.18 crores in FY 2022-23. The Bank has Six (6) Business Correspondents who are operating in Six (6) states covering 54 districts through 92 branches.

Liabilities base under MB vertical stood at ₹ 359.81 crore as of March 2023.

The Bank has started distributing 3 new Third-Party Product 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 General Insurance & Kotak General Insurance. Later on, Bank has rolled out this product in other states also like Rajasthan/Maharashtra/Odisha.

HospiCash (with riders) is a health insurance product wherein the customer is covered for hospitalisation expenses for upto 30 days. This works as wage loss cover as well for the insurer i.e., income protection for micro banking customers due to hospitalisation. 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 hospitalised. It is specifically designed to take care of the incidental expenses in case of hospitalisation and provides fixed benefit for each day of hospitalisation irrespective of the actual medical cost. As on March 23; the Bank has sold 3,34,365 policies (Premium Collected: ₹ 6.36 crores).

- 2) Tele-Medicine wef April 22 from Jharkhand state and later on added Madhya Pradesh & Uttarakhand also. As on March 23; we have enrolled 39,400 subscription with value of ₹ 1.18 crores.

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

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

As on March-2023, the total subscriber base stood at 25,166 with the contribution of ₹ 42.66 lakh. The Bank carried out different contests of APY like – Beat the Best (9th May-30th June,22), Shine & Succeed (1st July-12th August,22), APY Citizen Choice's (1st August – 30th September, 22), Leadership Pinnacle (2nd January – 14th March, 23) & APY Big Believers (15th February-31st March, 23).

With the total customer base of Joint Liability Group lending, which is over 26 lakh + and ~10.5 lakh customers, between the age bracket of 21 to 40 years, the Bank is poised to offer the APY to all its customers with an inclination to provide social security to this customer segment.

(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 2022-23, the retail assets loan book grew by 82.62% year-on-year to ₹ 1,534.09 crore, from ₹ 840.04 crore in FY 2021-22. 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 offer bespoke loan solutions and offerings to customers.

As on March 31, 2023, the Bank offers HL done by Mortgage team through 45 branches with aggregate portfolio of ₹ 519 crore registering year-on-year growth of 45% compared to ₹ 359 crore as on March 31, 2022.

(c) Wheels

The Wheels business which was launched in Oct'2020 with 2 business i.e., Commercial Vehicles & Construction Equipment Loans is being offered in Uttar Pradesh, Delhi NCR, Rajasthan, West Bengal, Jharkhand, Uttarakhand & Chandigarh regions from 15 branch outlets. The Bank's wheels loan portfolio grew from ₹ 212.16 crore in March 31, 2022 to ₹ 560.36 crore as on March 31, 2023 with 31 operational branches.

(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 BBG wholesale lending book as on March 31, 2023 stood at ₹ 367.99 crore compared to ₹ 80 crore in March 31, 2022. The Bank also offers both fund based (WC & TL) & non-fund-based limits in the form of bank guarantee to the customers through BBG Wholesale Lending vertical.

The Bank's wholesale lending book as on March 31, 2023 stood at ₹ 1,546.81 crore (₹ 367.99 crore for Non NBFC and ₹ 1,178.82 crore for NBFC) compared to ₹ 926.12 crore (₹ 80 crore for non NBFC and ₹ 846.12 crore for NBFC) in March 31, 2022. 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 it gain significant presence in those markets of business interest. As on March 31, 2023 the Bank had total loan book aggregating to ₹ 372.84 crore compared to ₹ 224.42 crores in March 31, 2022. The portfolio comprised of JLG loans of ₹ 251.18 crore and Retail Assets loans of ₹ 83.91 crore, contributing 67.37% and 22.51% respectively of the total portfolio. This portfolio is being managed by 13 active BC partners (including 6 BC partners for JLG). The Bank is further focussing on strengthening and deepening its BC partnerships including fintech partnerships for Retail Assets loans.

A. FINANCIAL DISCLOSURES**Capital Raising and Capital Adequacy Ratio**

During the FY 22-23, the Bank issued and allotted 3,83,141 Equity Shares (of face value of ₹ 10 each) pursuant to exercise of vested ESOPs to employees (including Managing Director & CEO).

Ratings

Instruments	Ratings as on March 31, 2023	Rating Agency	Rating Description
Certificate of Deposit	[ICRA] A1+	ICRA	Securities with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such securities carry lowest credit risk.
Tier 2 NCD (Sub-debt)	[ICRA] A (Positive); Upgraded to [ICRA]A+ (Stable) in April 2023	ICRA	Securities with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such securities carry low credit risk.
Tier 2 NCD (Sub-debt)	CARE A (Positive)	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.

The Bank's certificate of deposits programme is rated, at the highest credit rating grade, [ICRA] A1+ by ICRA Limited. As on March 31, 2023, the Bank's long term subordinated bonds were rated at A (Positive) rating by ICRA and CARE Ratings. Subsequent to March 31, 2023, ICRA Limited has upgraded Bank's credit rating for subordinated bonds by one notch to [ICRA]A+ (Stable) from [ICRA]A (Positive) in April 2023.

Dividend

The Board did not recommend dividend for the financial year ended on March 31, 2023.

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, 2023:

Amount transferred to	Amount in ₹ crore
Statutory Reserve	101.13
Investment Fluctuation Reserve	(1.80)
Capital Reserve	-
Deduction due to fraud provision	(10.52)

Net Worth

As on March 31, 2023, the Bank's net worth stood at ₹ 1,844.82 crore (computed as per RBI guidelines). The net worth comprised of paid-up equity capital of ₹ 895.90 crore and free reserves of ₹ 1,098.43 crore excluding revaluation reserve, Intangible assets, and deductions of ₹ 149.52 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

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 (Act), 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, payment & settlement, compliance, account, 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, 2023, 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 (1) is a Nominee Director; and one (1) Managing Director and Chief Executive Officer.

Further, in terms of Section 152 of the Companies Act, 2013, Mr. Chandra Shekhar Thanvi, Nominee Director (Non-Executive) 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 7th 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.

There was no change in the Board of Directors during FY 22-23. However, the following changes took place in the Key Managerial Personnel during FY 22-23 as given below:

Sr. No.	Name of the Director / KMP	Designation	Date of Appointment	Date of Cessation	Reason for cessation
1.	Mr. Mukund Barsagade	Chief Financial Officer	11.06.2018	22.09.2022	Better Prospects
2.	Mr. Sarjukumar Pravin Simaria	Chief Financial Officer	31.10.2022*	-	-

* Mr. Sarju Simaria joined the Bank w.e.f. September 30, 2022. He was appointed as Chief Financial Officer by the Board of Directors at their meeting held on October 31, 2022.

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 22-23 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 and the same noted in the meetings of the Board of Directors.

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/investors>

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. The Bank is constantly pursuing its goal in upgrading technology to deliver quality service to its customers in a cost-effective manner.

Foreign Exchange Earnings / Outgo

The Bank has foreign exchange earnings of ₹ 0.68 crore during the financial year under review which includes cross border settlements. There was no foreign exchange outgo during the financial year.

Whistle Blower Policy (Vigil 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 read with rules made thereunder and RBI Guidelines and other applicable laws, the Bank has established the Vigil 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 directors/ employees who avail of this mechanism and allows direct access to the Chairperson of the Audit Committee of the Board, in appropriate or exceptional cases.

The Audit Committee of the Board (ACB) 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 Vigil Mechanism as well.

The Whistle Blower Policy is periodically communicated to the employees and the key 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/Whistle_Blower_Policy_Final.pdf wherein 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 a Vigilance Policy for effectively managing the risks arising on account of possible corruption, malpractices, and frauds.

Vigilance & Security

The 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 continuous 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 March 20, 2023, had proposed the re-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). RBI vide their letter reference no. DOS.CO.RPD.No.S494/08.60.005/2023-24 dated April 21, 2023 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 23-24 subject to the firms fulfilling the eligibility criteria as prescribed by RBI. Accordingly, the proposal for their appointment would be placed in the ensuing 7th 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)
- USFBL Employee Stock Option Plan 2020 (ESOP Plan 2020)

The Bank may grant upto 6,07,41,778 options under the ESOP Plan 2020.

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 & Recognition

- Recognised as “Paragon of Branding Excellence” and awarded for “Brand of the Year 2022” by Team Marksmen Daily and media partner India Today
- Ranked 46 under “The Next 500 Companies 2022” by Fortune India
- Recognition as one of the ‘Promising Brands 2022’ by Economic Times
- The Bank has received award from PFRDA for qualifying the contest “Beat the Best & Be the Best (9th May, 22 to 30th June, 22)” under APY
- The Bank received an award under special category from IBA for the Best ‘IT Risk Management’.
- GRIHA Award was bestowed upon the Bank for the Integrated Water Management at Utkarsh Tower
- Ranked No.2 under the Small Finance Bank category by BT-KPMG Survey

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 22-23:-

Name of Director	Designation	Ratio
Mr. Parveen Kumar Gupta	Part time Non-Executive Chairman of the Board	5.1:1
Mr. Govind Singh	Managing Director and Chief Executive Officer	102.0:1

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 22-23 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	No increment
Mr. Sarjukumar Pravin Simaria	Chief Financial Officer	No increment
Mr. Muthiah Ganapathy	Company Secretary & Compliance Officer	No increment

The percentage increase in the median remuneration of employees in the financial year was 7.21%.

- (iii) The number of permanent employees on the rolls of the Bank, as on March 31, 2023 was 15,424 (includes 13,130 male employees and 2,294 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 0% 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) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. In terms of Section 136 of Companies Act 2013, the Annual Reports are being sent to the members, excluding the information as required under Rule 5(2) as mentioned aforesaid and the same is open for inspection at the Registered Office of the Bank. A copy of this statement may be obtained by the members by writing to the Company Secretary of the Bank at secretarial.usfb@utkarsh.bank.

Remuneration Policy

Remuneration Policy for Directors

In terms of the provisions of Companies Act 2013, Listing Regulations and applicable provisions of the Banking Regulation Act, 1949, the Board on the recommendation of the Nomination & Remuneration Committee (NRC), formulated Remuneration Policy for the remuneration of Directors, 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/template_forty_pdf/NRC_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 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 emphasising that in order to enable banks to attract and retain professional Directors, it is essential that such Directors are appropriately compensated.

Pursuant to the aforesaid RBI Circular, the maximum amount that can be paid as commission was capped at ₹ 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 22-23, 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 22-23.
- 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 22-23 were on an arm's length basis and 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 22-23, 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.
- 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 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 22-23 and the date of the Boards' Report.

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/uploads/template_forty_pdf/CODE_OF_CONDUCT_FOR_THE_BOARD_OF_DIRECTOR_S_AND_SENIOR_MANAGEMENT_PERSONNEL.pdf.

Corporate Social Responsibility (CSR)

In accordance with Section 135 of the Act, the Board of Directors on the recommendation of CSR Committee had approved the CSR Policy which provided for the activities to be carried out.

The CSR Policy is available on the Company's website https://www.utkarsh.bank/uploads/template_forty_pdf/Corporate_Social_Responsibility_Policy.pdf.

In line with the statutory requirements under the Companies Act, 2013 and its CSR Policy, the Company had undertaken projects in the areas of financial literacy, health initiatives, skill and entrepreneurship development programmes and other philanthropic initiatives (supporting orphanages and care centres for the elderly).

During the year under review, the Company spent / contributed ₹ 3.24 crore towards aforesaid CSR projects.

The required disclosure as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules 2014 is attached as Annexure B to this Report.

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 has been prepared in accordance with the Prevention of Money Laundering Act, 2002 (PMLA) and RBI / Indian Banks' Association (IBA) guidelines, amended from time to time. 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. The Bank's KYC/AML Policy is duly reviewed by the Board on annual basis taking into account the various amendments to guidelines / regulations.

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 deals with all complaints relating to sexual harassment and has laid down the processes and guidelines pertaining to sexual harassment related complaints. 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.

https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Prevention_of_Sexual_Harassment_Policy.pdf

For FY 22-23, total of 13 cases were reported under POSH. Out of 13 cases, 11 cases have been resolved and 2 cases are under investigation.



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.

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

Technology

Information Technology is an important driver for improving the efficiency & productivity of the organisation. This is a major differentiator for the bank and constantly working on enhancement of existing technology solutions and engaging with new technology / technology partners to achieve business growth.

While continuing, digitisation and automation journey, Bank has successfully implemented "UPI Lite" payment system. The Bank is the first Small Finance bank to implement this in Indian Banking domain. Cash-less collection through QR Code has been added to digitisation journey further i.e., this is an addition to cash-less disbursement of Joint Liability Group Loans. To make secured Mobile Banking Transactions of our customer, the Bank added feature of device binding in-line with regulator guidance. The feature of e-signature added to our mission toward go-green i.e., paperless transaction. We have enhanced our business applications like CBS, LMS, LOS, etc. with added features during the year to improve efficiency of end users along with new product features. Bank already started using Robotic Process Automation (RPA) for processes where manual duplicate work shall be automated with the help of software robot.

The feature of Microsoft Team / office 365 is being used extensively within organisations to improve internal communication & processes. Along with Data Center (DC) & Disaster Recovery (DR) centre, the bank has operationalize Near Data Recovery (NDR) centre to ensure quick availability of systems in case of any disaster. Data Lake platform are being integrated with CBS & other channels to centrally collate data from different applications and enable Data Analytic output.

Bank has engaged with external consultant and conducted entire Business Technology Transformation study to review existing product & technology and emerging technology in banking space. Bank had already prepared a blueprint of the transformation journey. Now, the bank is working on "Design" phase of the business processes and technology modernisation.

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 FY 22-23.

The Secretarial Auditor's Report for the FY 22-23 does not contain any qualification, reservation, or adverse remark. Report of the Secretarial Auditor for the FY 22-23 in Form MR-3 is annexed to this report as Annexure C.

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

FY23 has been excellent year from financial performance perspective for the Bank. The Bank had reported highest ever annual profit of >₹400 crore in FY23. Bank's loan portfolio and deposits registered healthy business growth. 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 the Bank is currently operating.

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, 2023, 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, 2023, and of the profit of the Bank for the year ended March 31, 2023;
- 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, 2023 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 clients, dealers, and other business associates for their contribution to the 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: April 28, 2023

Sd/-
Parveen Kumar Gupta
Director
DIN - 02895343

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



Corporate Governance Report

INTRODUCTION

The Bank continuously strives to adopt and adhere to the best governance practice, transparency, accountability with a strong focus and 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.

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 practice. The Bank understands and respects its fiduciary role and responsibility towards its shareholders and other stakeholders and strives hard 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 maximisation 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 (Board) of the Bank.

The Board represents an optimum mix of professionalism, knowledge and experience as categorised 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 and Non-Independent Director
7.	Mr. Nagesh Dinkar Pinge	Independent Director
8.	Mr. Govind Singh	Managing Director and Chief Executive Officer

During the FY 2022-23, there was no change in the composition of the Board of Directors. and 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) The Profile of Board of Directors is provided for, 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 2022-23, the Board met 12 (Twelve) 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	Monday, April 25, 2022
2	Monday, May 30, 2022
3	Friday, June 17, 2022
4	Friday, July 15, 2022
5	Thursday, July 28, 2022
6	Friday, August 12, 2022
7	Saturday, September 17, 2022
8	Monday, October 31, 2022
9	Friday, November 11, 2022
10	Tuesday, December 13, 2022
11	Monday, February 13, 2023
12	Monday – Tuesday, March 20-21, 2023

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 are 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 Financial Year 2022- 2023 and at the last Annual General Meeting held on July 30, 2022, together with the number of other Directorships, and Committee Memberships/Chairmanships as on March 31, 2023, are as follows:

Sr. No.	Name of Director	Board meeting attendance during the year	Attendance at last AGM held on July 30, 2022	No. of other directorships in other companies as on 31.03.2023\$	No. of Chairmanship in other companies as on 31.03.2023\$	No. of Committee Memberships and Chairmanship in USFBL as on 31.03.2023		No. of Committee Memberships and Chairmanship in other Companies as on 31.03.2023@		Inter-se relations hip between Directors	No. of Shares held by Directors
						As member	As Chairperson	As member	As Chairperson		
1	Mr. Parveen Kumar Gupta	12	Present	4	Nil	7	3	4	1	Nil	-
2	Mr. Ajay Kumar Kapur	12	Present	2	-	5	1	1	0	Nil	-
3	Mr. Chandra Shekhar Thanvi	08	-	-	-	3	-	-	-	Nil	-
4	Mr. Kajal Ghose	12	Present	1	-	6	3	0	-	Nil	-
5	Ms. Kalpana Prakash Pandey	12	-	-	-	6	1	-	-	Nil	-
6	Mr. Muralidharan Rajamani	11	-	-	-	7	2	-	-	Nil	-
7	Mr. Nagesh Dinkar Pinge	12	Present	8	-	7	1	8	6	Nil	-
8	Mr. Govind Singh	12	Present	-	-	8	2	-	-	Nil	1,87,961#

Notes:

#1 share held as Nominee on behalf of Utkarsh CoreInvest Limited and 1,87,960 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 Familiarisation 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 familiarisation programme for the Independent Directors so as to familiarise 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 familiarise 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 law, payment & settlement, sales and marketing, corporate governance, finance, 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 the 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 concerned Stock Exchanges from time to time viz., quarterly results, quarterly updates, minutes of meetings and 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 their meetings in terms of Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. 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.

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 March 20, 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 conduit 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, qualified etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board for taking steps in the matter
- 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 finalisation 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 utilisation 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.

The powers of the Audit Committee shall include the following:









































- a. To investigate any activity within its terms of reference;
- b. To seek information from any employee;
- c. To obtain outside legal or other professional advice; and
- d. To secure attendance of outsiders with relevant expertise, if it considers necessary

b) Composition, names of members and Chairperson

In compliance with applicable regulatory requirements, the Audit Committee of the Bank comprises of as mentioned below:

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

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

Sr. No.	Name	Designation	April 25, 2022	May 26, 2022	July 15, 2022	Aug 12, 2022	Sept 16, 2022	Oct, 31, 2022	Dec 08, 2022	Feb, 3, 2023	Feb 13, 2023	Mar 20, 2023
1.	Mr. Nagesh Dinkar Pinge	Chairperson										
2.	Mr. Kajal Ghose	Member										
3.	Ms. Kalpana Prakash Pandey	Member										
4.	Mr. Ajay Kumar Kapur	Member										



: 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 our Board for approval of the appointment of Managing Director & Chief Executive Officer 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 & Chief Executive Officer, other Whole Time Directors and senior managers one level below our Board;
- 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.
- 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 organisation 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 and key responsibility areas.
 - 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.
- xiii. 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.
- xiv. 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.
- xv. Formulating of criteria for evaluation of the performance of the Independent Directors and our Board.
- xvi. Devising a policy on Board diversity.
- xvii. 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.
- xviii. 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.
- xix. Performing such functions as are required to be performed by the Committee under the SEBI SBEB Regulations.
- xx. 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.
- xxi. 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. 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:
 - xxiv. Use the services of an external agencies, if required;
 - xxv. Consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - xxvi. Consider the time commitments of the candidates.
- xxvii. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with criteria laid down, recommend to Board their appointment and removal and to specify the manner for effective evaluation of performance of the Board, its committees and individual Directors.

b) Recent Composition, names of Members and Chairperson

In compliance with the applicable regulatory requirements, the Nomination and Remuneration Committee comprises as mentioned below:

Sr. No.	Name of Director	Category
1.	Mr. Kajal Ghose (Chairman)	Non- executive, Independent Director
2.	Mr. Parveen Kumar Gupta	
3.	Mr. Muralidharan Rajamani	Non- executive, Non-Independent Director

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

Sr. No.	Name	Designation	May 23, 2022	Sept 16, 2022	Jan 14, 2023	Mar 20, 2023
1.	Mr. Kajal Ghose	Chairperson				
2.	Mr. Parveen Kumar Gupta	Member				
3.	Mr. Muralidharan Rajamani	Member				

: Present

LOA: Leave of Absence

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.
- Provides valuable inputs, suggestions for the overall benefit of the organisation.
- 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 2022-23**1.1. IT Strategy Committee as on March 2023:**



































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

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. Abhijeet Bhattacharjee	Chief Information Officer	Member

#Mr. Govind Singh, Managing Director and Chief Executive Officer is a permanent invitee to the committee meetings

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	May 24, 2022	Aug 30, 2022	Nov 25, 2022	Dec 15, 2022	Jan 21, 2023	Jan 31, 2023	Feb 24, 2023
1.	Mr. Kajal Ghose	Chairperson							
2.	Ms. Kalpana Pandey	Member							
3.	Mr. Nagesh Dinkar Pinge	Member							
4.	Mr. Muralidharan Rajamani	Member						LOA	
5.	Mr. Abhijeet Bhattacharjee	Member							

 : Present

LOA: Leave of Absence

1.2. Terms of Reference of IT Strategy Committee:

- Approving IT strategy and policies.
- Ensuring that management has an effective strategic planning process in place;
- Ensuring that the business strategy is aligned with the IT strategy;
- Ensuring that the IT organisational structure serves business requirements and direction;
- Oversight over implementation of processes and practices that ensures IT delivers value to businesses;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining Bank's growth;
- Assess exposure to IT risks and its controls and evaluating effectiveness of management's monitoring of IT risks;
- Assessing management's performance in implementing IT strategies;
- Assessing if IT architecture has been designed to derive maximum business value;
- Reviewing IT performance measurement and contribution to businesses;
- To approve capital and revenue expenditure in respect of IT procurements;
- To ensure that IT resources and infrastructure is available to meet required strategic business objectives and that a process is in place to record the resources available/ potentially available to the bank;
- To monitor performance of IT function towards ensuring delivery on time and within budget, with appropriate functionality and with intended benefits.
- Review of Information System audit and Cyber Security audit reports & Inspection reports
- 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, 2023)

In compliance with the regulatory requirement, the constitution of Risk Management Committee is comprises of the following Board Members:

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	MD & CEO	Member

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

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

Sr. No.	Name of Director	Designation	May 19, 22	Sep 14, 22	Nov 25, 22	Feb 20, 23
1.	Mr. Ajay Kumar Kapur	Chairperson				
2.	Ms. Kalpana Pandey	Member				
3.	Mr. Muralidharan Rajamani	Member				
4.	Mr. Govind Singh	Member				
5.	Mr. Parveen Kumar Gupta	Member				



: Present

LOA: Leave of Absence

2.2. Terms of Reference of Risk Management Committee:

- To perform the role of Risk Management in pursuance of the Risk Management Guidelines issued periodically by RBI and Board;
- To oversee and advise to the Board on:
 - Defining risk appetite, tolerance thereof and review the same, as appropriate;
 - The systems of risk management framework, internal control and compliance to identify, measure, aggregate, control and report key risks;
 - The maintenance and development of a supportive culture, in relation to the management of risk, appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organisation of their actions and decisions.
- To advise the Board on all high-level risk matters;
- To require regular risk management reports from management which enable the Committee to assess the risks involved in the Bank's business and how they are controlled and monitored by management; and give clear focus to current and forward-looking aspects of risk exposure;
- To review the effectiveness of the Bank's internal control and risk management framework, in relation to its core strategic objectives, and to seek such assurance as may be appropriate;
- To review the asset liability management (ALM) of the Bank on a regular basis;
- To provide to the Board with such additional assurance as it may require regarding the quality of risk information submitted to it;
- To decide the policy and strategy for integrated risk management containing various risk exposures of the Bank including the credit, market, liquidity, operational risks including IT risks, Cyber risks and reputation risks.
- 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 (March 31, 2023)

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











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

Note:

* Mr. Govind Singh ceased to be member of Committee on June 17, 2022.

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	May 23, 22	Dec 8, 22	Mar 9, 23
1.	Mr. Muralidharan Rajamani	Chairperson			
2.	Ms. Kalpana Prakash Pandey	Member			
3.	* Mr. Govind Singh	Member			
4.	Mr. Ajay Kumar Kapur	Member			

: Present **LOA**: Leave of Absence

Note:

* Mr. Govind Singh ceased to be Member of Committee on June 17, 2022.

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, 2023)

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

S. No.	Name	Category	Designation
1.	Mr. Govind Singh	MD & CEO	Chairperson
2.	Mr. Chandra Shekhar Thanvi	Nominee Director	Member
3.	Mr. Kajal Ghose	Independent Director	Member
4.	Mr. Nagesh Dinkar Pinge	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	Apr 25, 2022	Aug 24, 2022	Dec 16, 2022	Mar 14, 2023
1.	Mr. Govind Singh	Chairperson				
2.	Mr. Nagesh Dinkar Pinge	Member				
3.	Mr. Kajal Ghose	Member				
4.	Mr. Chandra Shekhar Thanvi	Member		LOA		LOA
5.	Mr. Parveen Kumar Gupta	Member				

: Present **LOA:** Leave of Absence

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

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


5.1. Customer Service Committee (as on March 31, 2023)

In compliance with the regulatory requirements, 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	MD & 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	May 23, 22	Sep 14, 22	1 Dec 14, 22	Mar 14, 23
1.	Ms. Kalpana Prakash Pandey	Chairperson				
2.	Mr. Muralidharan Rajamani	Member				
3.	Mr. Chandra Shekhar Thanvi	Member	LOA	LOA	LOA	
4.	Mr. Govind Singh	Member				
5.	Mr. Parveen Kumar Gupta	Member				

: Present **LOA:** Leave of Absence

5.2. Terms of Reference of Customer Service Committee:

- Overseeing functioning of the Bank's Customer Service Standing Committee setup for customer service;
- To review level of customer service in the Bank including customer complaints and the nature of their resolutions;
- Provide guidance in improving customer service;
- Review any award passed by the Banking Ombudsman in response to any customer complaint filed with the Ombudsman;
- The Committee may address formulation of a Comprehensive Deposit;
- Policy, incorporating issues such as the treatment of death of a depositor for operations of his account, product approval process, the annual survey of depositor satisfaction and the triennial audit of such services;
- The Committee may also examine any other issues having a bearing on the quality of customer service rendered;
- To ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank;



















6.1. Capital Structuring & Fund Raise Committee (as on March 31, 2023)

The composition of Capital Structuring & Fund Raise Committee consists of the following Board Members:

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	Apr 13, 22	Jun 04, 22	Jul 15, 22	Jul 29, 22	Nov 14, 22	Dec 23, 22
1.	Mr. Parveen Kumar Gupta	Chairman						
2.	Mr. Nagesh Dinkar Pinge	Member						
3.	Mr. Govind Singh	Member						

: Present **LOA**: Leave of Absence

Terms of Reference of Capital Structuring & Fund Raise Committee

- 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.
- To finalise, 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, finalisation, 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 authorise 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 authorise one or more officers of our Bank to execute all documents/deeds as may be necessary in this regard.
- ix. To authorise 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 authorise one or more officers of our Bank to sign all or any of the aforesaid documents.
- xiii. To authorise 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 authorise 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, finalise, 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 finalising 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 authorise 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 fulfill 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:
 - 1 Be a forum to consult and report in relation to the capital structure and ongoing financing strategy;
 - 2 Review and recommend to our Board in relation to setting strategy for capital structuring management, equity fund raise and debt financing;
 - 3 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;
 - 4 Advise our Board of 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;
 - 5 Appointment of advisors as required for advice and / or execution of our Bank's capital structuring and fund raise strategy;
 - 6 Review and recommend to our board regarding terms of debt financing proposals/offers.

7.1. Credit Approval Committee (as on March 31 2023)

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

S. No.	Name	Category	Designation
1.	Mr. Parveen Kumar Gupta	Independent Director	Chairman
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	Apr 23, 22	Apr 29, 22	May 16, 22	May 29, 22	July 26, 2022	Sep 22, 2022	Sep 29, 2022	Dec 18, 2022	Dec 20, 2022	Jan 10, 2023	Feb 23, 2023	Feb 24, 2023	Mar 14, 2023	Mar 19, 2023	Mar 26, 2023
1.	Mr. Parveen Kumar Gupta	Chairman								LOA				LOA			
2.	Mr. Ajay Kapur	Member															
5.	Mr. Kajal Ghose	Member															

: Present **LOA**: Leave of Absence

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, 2023)

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 Pingre	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:

S. No.	Name of Director	Designation	May 19, 2022
1.	Mr. Kajal Ghose	Chairman	
2.	Mr. Nagesh Dinkar Pingre	Member	
3.	Mr. Govind Singh	Member	



: Present **LOA:** Leave of Absence

8.2. Terms of Reference of Special Committee for Corporate Office Building Project:

- To receive, shortlist, reject proposals from Land-Owners for the proposed purchase of land by the Bank;
- To meet and negotiate with the land-owners regarding proposed acquisition of land;
- To finalise the terms of land purchase including but not limited to cost of acquisition, manner of payment, etc.;
- To authorise official(s) of the Bank to do certain acts, deeds and things in relation to purchase of land by the Bank;
- To deal with all matters related to award of contracts, obtaining requisite.
- Approvals and monitoring progress of the Corporate Office Building project




9.1. Review Committee for Identification of Wilful Defaulters (as on March 31, 2023)

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	MD & CEO	Chairman
2.	Mr. Nagesh Dinkar Pingre	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:

S. No.	Name of Director	Designation	Mar 14, 2023
1.	Mr. Govind Singh	Chairman	
2.	Mr. Nagesh Dinkar Pingre	Member	
3.	Mr. Chandra Shekhar Thanvi, SIDBI Nominee Director	Member	



: Present **LOA:** Leave of Absence

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, 2023)

In compliance with the regulatory requirements, the composition of Stakeholders' Relationship Committee is comprises of the following Board Members

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

S. No.	Name of Director	Designation	Category	Mar 9, 23
1.	Mr. Muralidharan Rajamani	Chairman	Non-Executive Director	
2.	Ms. Kalpana Prakash Pandey	Member	Non- executive, Independent Director	
3.	Mr. Ajay Kumar Kapur	Member	Non- executive, Independent Director	
4.	Mr. Govind Singh	Member	MD & CEO	

: Present **LOA:** Leave of Absence

- During Financial Year 2022-23, 1 (one) meeting of Stakeholders' Relationship Committee was held on March 9, 2023, which was attended by all the members of the Committee.
- No complaints received from the Stakeholders of the Bank during the financial year 2022 -23.

10.3 Terms of Reference of Stakeholders' Relationship Committee

- Resolving the grievances of the security holders of the listed entity, including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc.
- Allotment of securities, approval and rejection of transmission of shares, debentures or any other securities.
- Issue of duplicate certificates and new certificates on split/consolidation/renewal etc.
- Overseeing requests for dematerialisation and rematerialisation of securities.
- Spreading awareness amongst security holders for protection of their rights and interest(s).
- Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures, or any other securities.
- Review of measures taken for effective exercise of voting rights by shareholders.
- 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.
- 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.
- Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time.
- Carrying out other functions as provided for in the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other roles and responsibilities as assigned by the Board of Directors related with security holders of the Bank, from time to time








11.1 COMMITTEE OF DIRECTORS FOR NEW INITIATIVES (as of March 31, 2023)

Composition of Committee of Directors for New Initiatives is as given below:

S. No.	Name	Category	Designation
1.	Mr. Parveen Kumar Gupta	Part Time Non-Executive Chairman and Independent Director	Chairman
2.	Mr. Muralidharan Rajamani	Non-Executive Director	Member
3.	Mr. Nagesh Dinkar Pingre	Independent Director	Member
4.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee will meet quarterly.

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

S. No.	Name of Director	Designation	Category	Oct 10, 22	Mar 20, 23
1.	Mr. Parveen Kumar Gupta	Chairman	Non-Executive Director		
2.	Mr. Muralidharan Rajamani	Member	Non- executive, Independent Director		
3.	Mr. Nagesh Dinkar Pingre	Member			
4.	Mr. Govind Singh	Member	Managing Director & CEO		

 : Present **LOA:** Leave of Absence

11.3 Terms of Reference of Committee of Directors for New Initiatives

- Evaluate the New initiatives proposed by the bank as to its relevance to the strategic direction
- Examine or bring up ideas and new initiatives that need examination that will help the Bank Break new ground, protect the existing proprietary strength or respond to the dynamics in the market.
- Guide the bank in evaluating alternatives, suggest options to explore and help choose the right fit
- This will span new technologies, fintech and other partnerships, alliances, products, joint ventures, investments and opportunities for acquisitions and mergers
- The Committee will guide the Bank in deciding on the timing, scale, milestones to track. The Committee will also review the milestones and progress periodically and decide the point in time when the initiative can be moved to Business-As-Usual mode. This will help retaining the focus on the Committee on the new initiatives.

Post Committee Meeting:

Approvals of the Committee will then be taken to the Board and other relevant Committees when the financial approvals are taken up. The financial estimates and approvals of the New Initiatives will then be examined by the relevant Executive forum or the relevant Committee of the Board as the case may be.

This Committee being strategic in nature shall stay focussed on the strategic relevance and appropriateness for the Bank.

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 Bank has paid remuneration to Executive Director for the year ended March 31, 2023 as per following manner:

(in ₹)

Particulars	Mr. Govind Singh
	Managing Director and CEO
Fixed Pay (including perquisites)	₹ 21,309,783.00
Variable Pay	₹ 4,066,666.67
Total Remuneration	₹ 25,376,449.67

ii) Remuneration of Non- Executive Director:

S. No.	Name of Director	Sitting Fees (in ₹)	Commission/ Monthly Honorarium (in ₹)
1.	Mr. Parveen Kumar Gupta	34,20,000	12,00,000
2.	Mr. Ajay Kumar Kapur	33,80,000	-
3.	Mr. Chandra Shekhar Thanvi	-	-
4.	Mr. Kajal Ghose	38,60,000	-
5.	Ms. Kalpana Prakash Pandey	31,40,000	-
6.	Mr. Muralidharan Rajamani	25,40,000	-
7.	Mr. Nagesh Dinkar Pingre	32,60,000	-

Note:

- None of the Independent Directors of the Bank holds shares of the Bank.
- 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
2021-2022	Utkarsh Tower, NH – 31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi 221105, Uttar Pradesh, India*	Saturday, July 30, 2022, at 01:00 P.M.	Nil
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.

*AGM held over Video Conferencing initiated from the then Registered Office of the Bank.

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 shares/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.

15 GENERAL SHAREHOLDERS INFORMATION

Sr. No.	Particulars	Details
a.	Annual General Meeting, Date and Time	7th Annual General Meeting Monday, June 12, 2023, at 1:00 P.M. 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: 959644
d.	ISIN	ISIN (Debt): INE735W08020, 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	Refer To Board Report
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 includes, monetary transactions or relationships between the Bank and its Directors, the management or relatives is disclosed in the i Note to accounts forming part of financial statements of this report for the year ended March 31, 2023.

The Policy on Related Party Transaction is hosted on the website of the Bank at:

https://www.utkarsh.bank/uploads/template_forty_pdf/Related_Party_Transaction.pdf

**b) Details of Non- Compliances and Penalties during last 3 years**

Regulatory Body	Particulars of Non- Compliance	F.Y. 2022-2023	F.Y. 2021-2022	F.Y. 2020-2021
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	<p>The Bank received show cause notice from SEBI w.r.t. downselling of NCDs to more than 200 investors as issued by Bank to Karvy Capital Limited prior to its listing on BSE.</p> <p>The Bank received show cause notice from SEBI w.r.t. inadvertent reporting lapses under SEBI (LODR) Regulations, 2015.</p> <p>Additionally, our Bank also received a show cause notice dated May 4, 2022 ("May Letter") from the RBI expressing their displeasure on the non-compliance of the RBI circular on "Automation of Income Recognition, Asset Classification and Provisioning processes in banks" dated September 14, 2020 and RBI letter dated September 16, 2021 advising our Bank to carry out an audit of its systems and processes relating to automation of income recognition, asset classification and provisioning process through the statutory central auditor and submitting a certificate on the status of compliance by our Bank. Our Bank responded to the RBI vide its letters dated May 23, 2022 and June 3, 2022 providing an updated status of the major gaps in compliance with the provisions of the RBI circular listed in the May Letter and ensured full compliance to the RBI circular and the September 16, 2021 letter at the earliest. Further, our Bank submitted an audit certificate to the RBI, on status of compliance with the RBI circular by our Bank, from the previous statutory auditors vide its email dated June 21, 2022. Subsequently, the officials from RBI also conducted an on-site inspection in August 2022, to verify compliance with this circular.</p>			

c) Whistle Blower Policy

The details on Whistle Blower Policy and Vigil 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 ₹ 1.62 crore (includes remuneration and certification fees) were paid by the Bank for Financial Year 2022-23 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 Financial Year 2022-23, 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 Financial Year 2022-23, 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 FY2022-23 or hedging commodity activities for FY2021-22 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, 2023.

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 maximising 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 minimisation 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 2022-23 to the extent is applicable.

Annual Report on Corporate Social Responsibility activities for FY 2022-23

1. 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, and natural resources, and improve sanitation and hygiene. All the projects or programs activities shall be as per areas or subjects as specified in Schedule VII under Section 135 of the Companies Act, 2013.

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

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. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.

The Web-link is <https://www.utkarsh.bank/investors>

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 Financial Year 2022-23

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 ₹)
		NA	

6. Average net profit of the company as per section 135(5).

₹ 1,60,52,15,384.67

7. a) Two percent of average net profit of the company as per section 135(5)

₹ 3,21,04,307.69 (The Board has approved CSR budget of ₹ 3,22,00,000.00)

b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.

₹ 2,75,422 (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).

₹ 3,24,75,422 (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
3,24,78,123	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.w		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						CSR Registration number.
1	Interest earned on SB account						2,75,422				
2	Financial Literacy, Digital Financial Literacy, women empowerment,	Schedule VII (ii) & (iii)	Yes	Bihar; Uttar Pradesh; Madhya Pradesh; Jharkhand and Uttarakhand	Bihar (Patna, Kaimur Rohtas & Darbhanga); UP (Deoria, Varanasi, Sonbhadra, Mirzapur, Chandauli, Gorakhpur); MP (Satna); Jharkhand (Koderma, Barahi & Giridih), Ranchi	12 months	47,92,634	55,14,568	NA	N	Utkarsh Welfare Foundation CSRO000000763
3	Health Program (Health Awareness, Polyclinic Camps & Special Health Camps)	Schedule VII (i) & (xii)		Bihar, Jharkhand, Madhya Pradesh, Uttar Pradesh and Uttarakhand	Bihar (Bhojpur, Rohtas & kaimur); Jharkhand (Koderma & Hazaribagh); MP (Satna Jabalpur, Katni & Rewa); UP (Varanasi, Mirzapur, Gorakhpur, Maharajganj & Kushinagar); UK (Roorkee)	12 months	83,23,783	90,33,619	NA	N	Utkarsh Welfare Foundation CSRO000000763
4	Artisan Producer Company	Schedule VII (ii) & (x)		Uttar Pradesh	UP (Varanasi)	12 Months	8,07,140	10,13,398	NA	N	Utkarsh Welfare Foundation CSRO000000763

(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.w		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	CSR Registration number.
				State	District						Name	
5	Village Development Program	Schedule VII (i) & (x)		Uttar Pradesh	UP (Varanasi)	12 Months	58,88,443	57,00,532	NA	N	Utkarsh Welfare Foundation	CSR000000763
6	E-clinic	Schedule VII (i) & (xii)		Uttar Pradesh and Uttarakhnad	UP (Varanasi); UK (Haridwar & Udham Singh Nagar)	12 months	31,69,189	24,42,136	NA	N	Utkarsh Welfare Foundation	CSR000000763
7	Uttarakhand Initiative Program	Schedule VII (i) & (xii)		Uttarakhand, Bihar (Bhojpur & Patna)	UK (Sult)	12 months	53,98,450	39,18,090	NA	N	Utkarsh Welfare Foundation	CSR000000763
8	Enterprise Development Program	Schedule VII (i) & (xii)		Uttar Pradesh	UP (Varanasi)	12 months	31,02,050	28,65,558	NA	N	Utkarsh Welfare Foundation	CSR000000763
9	MUSP	Schedule VII (i) & (xii)		Bihar, Madhya Pradesh, Uttar Pradesh	Bihar (Bhojpur, Rohtas & kaimur); MP (Satna Jabalpur, Katni & Rewa); UP (Varanasi, Mirzapur, Gorakhpur)	12 months	7,27,613	11,10,115	NA	N	Utkarsh Welfare Foundation	CSR000000763
10	Other Program, HR Training & Capacity Building Program, Overhead Expenses, Fixed Assets (HRMS & Tally)	Schedule VII (i) & (xii)		Bihar, Madhya Pradesh, Uttar Pradesh	Bihar (Bhojpur, Rohtas & kaimur); MP (Satna Jabalpur, Katni & Rewa); UP (Varanasi, Mirzapur, Gorakhpur)	12 months		8,80,105	NA	N	Utkarsh Welfare Foundation	CSR000000763
	TOTAL						3,24,84,724	3,24,78,123	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.
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 ₹ 3,24,78,123

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:(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.	2022-23	-	3,24,78,123	NA	NA	NA	-
2.	2021-22	15,52,600	3,70,00,000	NA	NA	NA	15,52,600
3.	2020-21	35,40,048	2,16,51,518	NA	NA	NA	35,40,048-

(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
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).

– Not Applicable

For Utkarsh Small Finance Bank Limited

Muralidharan Rajamani

Chairman of Corporate Social Responsibility Committee
DIN – 01690363

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, 2023

[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, 2023**. 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 authorised 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, 2023**, 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, 2023** 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. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 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 (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;**
- f. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 – **Not applicable as the Equity shares of the Bank were not listed on any stock exchange;**
- g. 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;**
- h. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 – **Not applicable as there was no reportable event during the financial year under review;**
- i. SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 – **To the extent applicable to the listed debt securities of the Bank;**
- 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) 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. There were no changes in the composition of the Board of Directors that took place during the period under review.
- 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 review of compliance mechanism established by the Bank, we are of the opinion that the Bank has systems and processes that commensurate with the size and operations of the Bank, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

We further report that during the financial year ended March 31, 2023 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 filed**

- Settlement application in response to the notice issued by SEBI's dated November 03, 2022 under Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 151 of SEBI Act, 1992 (Notice) for settlement of 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.

- Settlement application w.r.t. settlement of inadvertent lapses of disclosure obligations under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 filed on November 25, 2022.

- For compounding of violation of Section 33(1) and 42 of the Companies Act, 2013 read with Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rules 2014, pursuant to the directions of SEBI, the Bank has filed:

- Compounding application with Registrar of Companies (RoC – Uttar Pradesh, Kanpur) on May 30, 2022. ROC vide their letter dated 10th November, 2022 stated that "the subjected application does not fall under adjudication u/s 454 of the Companies Act, 2013 read with the Companies (Adjudication of Penalties) Rules, 2014 and Companies (Adjudication of Penalties) Amendment Rules, 2019 for the violations mentioned therein". Accordingly, the adjudication application stands disposed off with no action on the part of ROC, UP
- Compounding application with Regional Director (RD-Delhi) and National Company Law Tribunal (NCLT) on May 31, 2022 and June 02, 2022 respectively. Action is yet to be initiated on this matter.

- Pursuant to the approval of the Shareholders at the Extra-Ordinary General meeting held on July 19, 2022, the Bank has filed a fresh Draft Red Herring Prospectus for the purpose of making Initial Public Offer (IPO) of its equity shares aggregating up to ₹ 500 crore by way of fresh issue. The Bank received SEBI's nod to launch of IPO on October 21, 2022 and the approval is valid for 1 year.
- The Bank has pursuant to the Utkarsh Small Finance Bank Limited Employee Stock Option Plan 2020 – Scheme – 1 issued and allotted 3,83,141 equity shares to the employees.

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

S. N. Viswanathan

Partner ACS: 61955 | COP: 24335

UDIN: A061955E000211005

April 28, 2023 | Thane

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 March 31, 2023, 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. 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.
8. 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

S. N. Viswanathan
Partner ACS: 61955 | COP: 24335
UDIN: A061955E000211005

April 28, 2023 | Thane

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Financial Statements



Independent Auditors' 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, 2023, Profit and Loss Account, the Cash Flow Statement for the year then ended, and 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 and the Companies Act, 2013 (the Act) in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act (Accounting Standards) as applicable to bank and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, its profit and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility 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 the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

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 period. 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.

Sl. No.	Key Audit Matter	Auditor's Response
1	<p>Identification of Non-Performing Advances and Provisioning for Advances</p> <p>(Refer Schedule 9 read with Note 18.4 to the financial statements)</p> <p>Advances constitute a significant portion of the Bank's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances (NPA) to the gross advances of the Bank. The Bank has net advances amounting to ₹ 13,06,877 Lakh as at 31 March, 2023.</p> <p>Advances constitute a significant portion of the Bank's assets, and the quality of these advances is measured in terms of ratio of Non-Performing Advances (NPA) to the gross advances of the Bank. The Bank has gross advances amounting to ₹ 13,35,711 Lakh (Previous Year ₹ 10,63,072 Lakh) and the gross NPA ratio of Bank is 3.23 % (Previous Year 6.10%) as at March 31, 2023.</p>	<p>Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular, our procedures include :</p> <ul style="list-style-type: none"> We have evaluated and understood the Bank's internal control system in adhering to the Relevant RBI guidelines; We have analysed and understood key IT systems/ applications used and tested the design and implementation as well as operational effectiveness of relevant controls in relation to income recognition, asset classification, viz., standard, sub-standard, doubtful and loss with reference to relevant RBI guidelines and provisioning pertaining to advances;

Sl. No.	Key Audit Matter	Auditor's Response
	<p>The Reserve Bank of India's (RBI) guidelines on income recognition, asset classification and provisioning ('IRAC norms') and other RBI guidelines (herein after referred as "Relevant RBI guidelines) prescribes the norms for identification and classification of NPAs and the minimum provision required for such assets.</p> <p>The Bank is also required to apply its judgement to determine the identification and provisioning for NPAs by applying quantitative as well as qualitative factors.</p> <p>Since the identification of NPAs and provisioning for advances is significant to the overall audit, we have ascertained this as a key audit matter.</p>	<ul style="list-style-type: none"> We test checked advances to examine the validity of the recorded amounts, underlying loan documentation and statement of accounts, indicators of impairment, impairment provision for NPAs, and compliance with IRAC norms and other RBI Guidelines. We had performed the walkthrough of the NPA automation process in the current financial year and tested the core functionality for selected sample and tested the identification of NPA and computation of provisions. With respect to contingency and floating provision held as at March 31, 2023 towards unforeseen risk and stress emanating from certain portfolio of advances, we have tested key inputs, assumptions and methodology used by the management in estimating the provision amount (including utilization thereof).
2	<p>Key Information technology (IT) systems used in financial reporting process:</p> <p>As a Scheduled Commercial Bank that operates on core banking solution (CBS) and other loan applications across its branches, the reliability and security of IT systems plays a key role in the business operations. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner.</p> <p>The IT infrastructure is critical for smooth functioning of the Bank's business operations as well as for timely and accurate financial accounting and reporting.</p> <p>Due to the pervasive nature and complexity of the IT environment we have identified and tested access controls, segregating of duties and change management of relevant Information technology applications, databases and operating systems (IT) used in financial reporting process as a key audit matter.</p>	<p>We involved our IT specialists to obtain an understanding of the Bank's IT related control environment. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems that are relevant for our audit. For the key IT systems used to prepare accounting and financial information, our areas of audit focus included access security (including controls over privileged access), program change controls, database management and network operations. In particular, our procedures include :</p> <p>We tested the design, implementation and operating effectiveness of the Bank's General IT controls over the key IT systems that are critical to financial reporting. This included evaluation of Bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit;</p> <p>We also tested key automated and manual business cycle controls and logic for system generated reports relevant to the audit; including testing of compensating controls or performed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.</p>

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

- The Bank's Board of Directors is responsible for the preparation of the other information. The other information comprises the Chairman's Statement, the Directors Report including annexures to the Directors report included in the Annual Report but does not include the financial statements and our auditors report thereon and the Basel II Disclosures under New Capital Adequacy Framework (Basel II Disclosures).
- Our opinion on the financial statements does not cover the other information and Basel II Disclosures and 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards and other accounting principles generally accepted in India and the circulars, guidelines and the directions issued by the Reserve Bank of India, from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting 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 statement 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 the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITY 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 these 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 financial 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.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

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

OTHER MATTER

The comparative financial information of the Bank for the previous reporting periods included in the Financial Statements have been audited by the predecessor auditor. The report of the predecessor auditor dated April 25, 2022, on this comparative financial information expressed an un-modified opinion.

Our Opinion on the Financial Statements is not modified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- As required by Section 143(3) of the Act and Section 30(3) of the Banking Regulation Act, 1949, based on our Audit, we report that:
 - 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 found them to be satisfactory.
 - In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the bank.
 - As explained in the paragraph 2 below, the financial accounting system of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches.
 - 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.
 - The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act as applicable to the Banks.

- g) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls with reference to financial statements.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the entity being a banking company, section 197 of the Act related to the managerial remuneration 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 as at the year-end in its financial statements - Refer Schedule 12 to the financial statements;
 - ii. The Bank did not have any long-term contracts including derivative contracts as at the year-end for which there were any material foreseeable losses.
 - iii. There were no amounts which were 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 it's knowledge and belief, as disclosed in the note 18.28 to the financial statements 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 person(s) or entity(ies), including foreign entities (Intermediaries), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, 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.
 - (b) The Management has represented, that, to the best of it's knowledge and belief, as disclosed in the note 18.28 to the financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities (Funding Parties), with the understanding, whether recorded in writing or otherwise, that the Bank shall, 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.
 - (c) Based on the audit procedures performed that have been 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 or paid any dividend during the year and has not proposed final dividend for the year.
 - vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Bank w.e.f. April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.



2. We report that during the course of our audit we have visited and performed select relevant procedures at 43 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the Core Banking System, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at Head Office based on the records and data required for the purpose of Audit being made available to us.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

G. K. Subramaniam
Partner
Membership No. 109839
UDIN: 23109839BGXPXI7832

Place: Mumbai
Date: April 28, 2023

For **Kirtane & Pandit LLP**
Chartered Accountants
(Firm Registration No. 105215W/W100057)

Sandeep Welling
Partner
Membership No. 044576
UDIN: 23044576BGXPSD7569

Place: Mumbai
Date: April 28, 2023

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(h) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

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, 2023 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 over financial reporting 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 issued by the Institute of Chartered Accountants of India. 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 Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Bank based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 over financial reporting 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 over financial reporting 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 control 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 system over financial reporting.

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 CONTROL WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial control 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting 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, to the best of our information and according to the explanations given to us the Bank has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the criteria for internal financial control over financial reporting 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 issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

G. K. Subramaniam
Partner
Membership No. 109839
UDIN: 23109839BGXPXI7832

Place: Mumbai
Date: April 28, 2023

For **Kirtane & Pandit LLP**
Chartered Accountants
(Firm Registration No.105215W/W100057)

Sandeep Welling
Partner
Membership No. 044576
UDIN: 23044576BGXPSD7569

Place: Mumbai
Date: April 28, 2023

Balance Sheet

as at March 31, 2023

(₹ in '000s)

	Schedule	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	8,959,047	8,955,215
Reserves and Surplus	2	11,044,159	6,767,753
Deposits	3	137,101,400	100,741,826
Borrowings	4	23,494,753	25,719,349
Other Liabilities and Provisions	5	10,576,056	8,453,555
Total		191,175,415	150,637,698
ASSETS			
Cash and balances with Reserve Bank of India	6	11,920,566	17,978,972
Balances with banks and money at call and short notice	7	13,243,064	737,519
Investments	8	28,594,222	23,479,238
Advances	9	130,687,655	102,281,473
Fixed Assets	10	3,033,239	2,865,335
Other Assets	11	3,696,669	3,295,161
Total		191,175,415	150,637,698
Contingent Liabilities	12	3,416,049	564,192
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 **M/s Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No. 117365W

G.K. Subramaniam
Partner
Membership No. 109839

for **M/s Kirtane & Pandit LLP**
Chartered Accountants
ICAI Firm Registration No. 105215W/W100057

Sandeep D Welling
Partner
Membership No. 044576

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

Parveen Kumar Gupta
Chairman
DIN : 02895343

Nagesh Pinge
Director
DIN: 00062900

Govind Singh
Managing Director & CEO
DIN: 02470880

Sarju Simaria
Chief Financial Officer
FCA : 046998

Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 28 April 2023

Place : Mumbai
Date : 28 April 2023

Profit and Loss Account

for the year ended March 31, 2023

(₹ in '000s)

	Schedule	For the year ended March 31, 2023	For the year ended March 31, 2022
I INCOME			
Interest Earned	13	25,049,798	18,488,126
Other Income	14	2,993,062	1,848,334
Total		28,042,860	20,336,460
II EXPENDITURE			
Interest Expended	15	9,759,489	7,879,625
Operating Expenses	16	9,900,136	7,337,495
Provisions and Contingencies	18.14.5	4,338,216	4,504,724
Total		23,997,841	19,721,844
III PROFIT			
Net Profit for the year		4,045,019	614,616
Balance in Profit and Loss account brought forward from previous year		2,537,240	2,072,483
Total		6,582,259	2,687,099
IV APPROPRIATIONS			
Transfer to Statutory Reserve		1,011,254	153,654
Transfer to Investment Fluctuation Reserve		17,986	111,273
Transfer to Capital Reserve		-	2,322
Other adjustments	18.4.8 d	105,156	105,156
Balance carried over to Balance Sheet		5,694,147	2,537,240
Total		6,582,259	2,687,099
V EARNINGS PER EQUITY SHARE	18.15		
Basic EPS (₹)		4.52	0.70
Diluted EPS (₹)		4.51	0.70
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 **M/s Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No. 117365W

G.K. Subramaniam
Partner
Membership No. 109839

for **M/s Kirtane & Pandit LLP**
Chartered Accountants
ICAI Firm Registration No. 105215W/W100057

Sandeep D Welling
Partner
Membership No. 044576

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

Parveen Kumar Gupta
Chairman
DIN : 02895343

Nagesh Pingre
Director
DIN: 00062900

Govind Singh
Managing Director & CEO
DIN: 02470880

Sarju Simaria
Chief Financial Officer
FCA : 046998

Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 28 April 2023

Place : Mumbai
Date : 28 April 2023

Cash Flow Statement

for the year ended March 31, 2023

(₹ in '000s)

Particulars		For the year ended March 31, 2023	For the year ended March 31, 2022
I	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit before taxes	5,358,142	797,128
	ADJUSTMENTS FOR:-		
	Depreciation on fixed assets	586,550	408,840
	Depreciation on investments, net	(44,217)	(149,409)
	Amortization of premium on Held to Maturity Investment	207,016	174,921
	Profit on sale & Redemption of HTM portfolio	-	(4,137)
	Unrealised loss on external commercial borrowings	-	(6,039)
	Write-off of non performing advances	3,827,814	2,193,834
	Provision for standard advances and other contingencies (including floating provision)	288,919	(17,115)
	Provision for non performing advances (net of reversal)	(1,128,850)	2,024,254
	Loss on sale of fixed assets (Net)	-	(625)
	Other provisions and write off	170,531	171,957
		9,265,905	5,593,609
	ADJUSTMENTS FOR:-		
	Decrease in investments	899,293	5,563,628
	(Increase) in advances	(31,091,648)	(24,344,484)
	Increase in deposits	36,359,575	25,666,144
	(Increase) in other assets	(1,043,856)	(389,259)
	Increase in other liabilities and provisions	1,907,832	1,745,693
	Payment of Direct Taxes	(707,104)	(543,769)
	Net cash flow generated from operating activities (A)	15,589,997	13,291,562
II	Cash flow from/(used in) investing activities		
	Addition to Premises		
	Purchase of fixed assets including capital work in progress	(758,470)	(1,466,733)
	Proceeds from sale of fixed assets	4,017	4,895
	Purchase of held to maturity (HTM) securities (net of sales)	(6,177,077)	(5,924,886)
	Net cash flow (used in) investing activities (B)	(6,931,530)	(7,386,724)
III	Cash flow from/(used in) Financing Activities		
	Proceeds from issue of share capital (net of share issue expenses)	13,268	1,466,357
	Net (repayments) from borrowings	(2,224,596)	(352,864)
	Net cash flow (used in) / generated from financing activities (C)	(2,211,328)	1,113,493
IV	Net increase in cash and cash equivalents (A) + (B) + (C)	6,447,139	7,018,331

Cash Flow Statement

for the year ended March 31, 2023

(₹ in '000s)

Particulars		For the year ended March 31, 2023	For the year ended March 31, 2022
V	Cash and cash equivalents at the beginning of the year	18,716,491	11,698,160
VI	Cash and cash equivalents at the end of the year	25,163,630	18,716,491
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)	11,920,566	17,978,972
(ii)	Balance with banks and money at call and short notice (Refer Schedule 7)	13,243,064	737,519
	Cash and cash equivalents at the end of the year	25,163,630	18,716,491

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 **M/s Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No. 117365W

for **M/s Kirtane & Pandit LLP**
Chartered Accountants
ICAI Firm Registration No. 105215W/W100057

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

G.K. Subramaniam
Partner
Membership No. 109839

Sandeep D Welling
Partner
Membership No. 044576

Parveen Kumar Gupta
Chairman
DIN : 02895343

Nagesh Pinge
Director
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Govind Singh
Managing Director & CEO
DIN: 02470880

Sarju Simaria
Chief Financial Officer
FCA : 046998

Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 28 April 2023

Place : Mumbai
Date : 28 April 2023

Schedules forming part of the Balance Sheet

for the year ended March 31, 2023

SCHEDULE 1 - CAPITAL

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
Authorised Capital		
1,300,000,000 Equity shares of ₹10/- each (31 March 2022: 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 2022: 200,000,000 Preference shares of ₹10/- each)	2,000,000	2,000,000
Issued, subscribed and fully paid-up capital		
895,904,663 Equity shares of ₹10/- each (31 March 2022: 895,521,522 Equity shares of ₹10/- each)	8,959,047	8,955,215
TOTAL	8,959,047	8,955,215

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
1. Statutory Reserve		
Opening balance	1,146,856	993,202
Addition during the year	1,011,254	153,654
Deduction during the year	-	-
Total	2,158,110	1,146,856
2. Capital Reserve		
Opening balance	90,207	87,885
Addition during the year	-	2,322
Deduction during the year	-	-
Total	90,207	90,207
3. Share Premium		
Opening balance	2,852,026	1,857,545
Addition during the year	9,436	1,028,373
Deduction during the year	-	33,892
Total	2,861,462	2,852,026
4. Investment Fluctuation Reserve		
Opening balance	77,799	189,072
Addition during the year	(17,986)	(111,273)
Deduction during the year	-	-
Total	59,813	77,799
5. ESOP Reserve		
Opening balance	63,624	-
Addition during the year	121,931	63,873
Deduction during the year	5,133	249
Total	180,422	63,624
6. Balance in Profit and Loss Account	5,694,145	2,537,241
TOTAL (1+2+3+4+5+6)	11,044,159	6,767,753

SCHEDULE 3 - DEPOSITS

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
A. 1. Demand Deposits		
i) From banks	874,882	380,008
ii) From others	2,965,155	3,244,782
Total	3,840,037	3,624,790
2. Savings Bank Deposits	24,797,322	18,908,056
3. Term Deposits		
i) From banks	36,660,154	28,229,159
ii) From others	71,803,887	49,979,821
Total	108,464,041	78,208,980
TOTAL (1 to 3)	137,101,400	100,741,826
B. i. Deposits of branches in India	137,101,400	100,741,826
ii. Deposits of branches outside India	-	-
TOTAL	137,101,400	100,741,826

SCHEDULE 4 - BORROWINGS

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
1. Borrowings in India		
i) Reserve Bank of India	1,500,000	2,370,000
ii) Other banks	-	-
iii) Other institutions and agencies		
a) Government of India	-	-
b) Financial institutions	19,549,900	19,383,100
iv) Borrowing in the form of bonds and debentures (excluding subordinated debt)	-	-
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**	94,853	116,249
Total borrowings in India	23,494,753	24,219,349
2. Borrowings outside India #		
i) Capital instruments		
a) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	-	1,500,000
ii) Debentures	-	-
iii) Other borrowings	-	-
Total borrowings outside India	-	1,500,000
TOTAL (1 + 2)	23,494,753	25,719,349
Secured borrowings included in 1 and 2 above	1,500,000	2,370,000

Refinance borrowings of ₹1,954.99 crore (31 March 2022: ₹1,938.31 crore)

Borrowing from outside India include subordinated debt of NIL (₹1,500,000 thousands in year ended 31 March 2022) in the nature of Non Convertible Debenture

* Represents unsecured bonds and debentures

** Represents payable under lease obligation

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
1. Bills payable	1,472,278	436,448
2. Inter office adjustments (net)	-	-
3. Interest accrued	4,081,135	3,822,477
4. Others (including provisions)	5,022,643	4,194,630
TOTAL (1 to 4)	10,576,056	8,453,555

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
1. Cash in hand	1,473,305	832,692
2. Balances with Reserve Bank of India		
i) In current account	5,507,261	4,506,280
ii) In other accounts	4,940,000	12,640,000
TOTAL (1 + 2)	11,920,566	17,978,972

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

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
1. In India		
i) Balances with banks		
a) In current accounts	610,552	702,881
b) In other deposit accounts	36,996	34,638
ii) Money at call and short notice		
a) With banks	500,000	
b) With other institutions	12,095,516	-
Total (i+ii)	13,243,064	737,519
2. Outside India		
In current accounts	-	-
In other deposits accounts	-	-
Money at call and short notice	-	-
Total	-	-
TOTAL (1 + 2)	13,243,064	737,519

SCHEDULE 8 – INVESTMENTS

(₹ in '000s)

		As at 31 March 2023	As at 31 March 2022
1.	Investments in India (net of provisions)		
	i) Government securities *	25,603,571	20,485,732
	ii) Other approved securities	-	-
	iii) Shares	-	-
	iv) Debentures and bonds	-	-
	v) Subsidiaries / joint ventures	-	-
	vi) Others (certificate of deposits and mutual funds)	2,990,651	2,993,506
	Total	28,594,222	23,479,238
2.	Investments Outside India (net of provisions)		
	i) Government securities	-	-
	ii) Subsidiaries / joint ventures	-	-
	iii) Others (equity shares and bonds)	-	-
	Total	-	-
	TOTAL (1 + 2)	28,594,222	23,479,238
3.	Investments		
	i) Gross value of investments		
	a) In India	28,594,222	23,523,455
	b) Outside India	-	-
		28,594,222	23,523,455
	ii) Provision for depreciation		
	a) In India	-	44,217
	b) Outside India	-	-
		-	44,217
	iii) Net value of investments		
	a) In India	28,594,222	23,479,238
	b) Outside India	-	-
		28,594,222	23,479,238

* Include securities of ₹115.08 crore (31 March 2022: ₹152.87 crore) pledged for clearing facilities and margin requirement

SCHEDULE 9 – ADVANCES (NET OF PROVISIONS)

(₹ in '000s)

		As at 31 March 2023	As at 31 March 2022
A.	i) Bills purchased and discounted	-	-
	ii) Cash credits, overdrafts and loans repayable on demand	4,112,670	1,123,303
	iii) Term loans **	126,574,985	101,158,170
	Total	130,687,655	102,281,473
B.	i) Secured by tangible assets (includes advances against fixed deposits and book debts)	43,227,990	29,150,587
	ii) Covered by Bank/Government guarantees	553	981
	iii) Unsecured	87,459,112	73,129,905
	Total	130,687,655	102,281,473

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
C.1 Advances in India		
i) Priority sector	101,522,583	84,393,070
ii) Public sector	-	-
iii) Banks	569,897	75,000 *
iv) Others	28,595,175	17,813,403
Total	130,687,655	102,281,473
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)	130,687,655	102,281,473

* Amount of Nil as on 31 March 2023 (31 March 2022: ₹7.50 crores) comes under priority sector advance

** Net of loans outstanding under Inter bank participation certificate ₹600 crores (Previous Year: ₹ Nil)

SCHEDULE 10 – FIXED ASSETS

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
1. Premises		
i) At cost at 31st March of the preceding year	1,122,502	121,202
ii) Additions during the year	-	1,001,300
iii) Deductions during the year	-	-
iv) Accumulated depreciation to date	17,465	777
Total	1,105,037	1,121,725
2. Other Fixed Assets (including furniture and fixtures)		
i) At cost at 31st March of the preceding year	2,768,303	1,776,730
ii) Additions during the year	728,850	1,005,102
iii) Deductions during the year	61,270	13,529
iv) Accumulated depreciation to date	1,602,843	1,126,052
Total	1,833,040	1,642,251
3. Leased Assets		
i) At cost at 31st March of the preceding year	242,199	238,058
ii) Additions during the year	20,499	10,091
iii) Deductions during the year	-	5,950
iv) Accumulated depreciation to date	185,853	150,035
Total	76,845	92,164
4. Capital Work in Progress	18,317	9,195
TOTAL (1 to 4)	3,033,239	2,865,335

SCHEDULE 11 – OTHER ASSETS

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
1. Inter-office adjustment (net)	-	-
2. Interest accrued	1,251,642	931,848
3. Tax Paid in advance/tax deducted at source (net of provision)	-	-
4. Stationery and stamps	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-
6. Deferred Tax Asset (net)	870,948	926,627
7. Others	1,574,079	1,436,686
TOTAL (1 to 7)	3,696,669	3,295,161

SCHEDULE 12 – CONTINGENT LIABILITIES

(₹ in '000s)

	As at 31 March 2023	As at 31 March 2022
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	255,111	173,300
ii) Outside India	-	-
6. Acceptances, endorsements and other obligations	-	-
7. Other items for which the bank is contingently liable *	3,160,938	390,892
TOTAL (1 to 7)	3,416,049	564,192

* Includes capital commitment of ₹30.66 crores (31 March 2022: ₹37.81 crores) and commitment towards irrevocable Undrawn Fund Based Credit facilities of ₹278.25 crores

SCHEDULE 13 – INTEREST EARNED

(₹ in '000s)

	For the year ended 31 March 2023	For the year ended 31 March 2022
1. Interest / discount on advances / bills	22,781,210	16,461,263
2. Income on investments	1,505,355	1,549,252
3. Interest on balance with Reserve Bank of India and Other inter bank funds	762,903	477,248
4. Others	330	363
TOTAL (1 to 4)	25,049,798	18,488,126

SCHEDULE 14 – OTHER INCOME

(₹ in '000s)

	For the year ended 31 March 2023	For the year ended 31 March 2022
1. Commission, exchange and brokerage	852,996	568,626
2. Profit/(Loss) on sale/redemption of Investments (net)	(14,887)	(133,341)
3. Profit/(Loss) on revaluation of investments	15,390	104,986
4. Profit/(Loss) on sale of land, building and other assets (net)	441	625
5. Profit/(Loss) on exchange transactions (net)	-	-
6. Income earned by way of dividends from Subsidiaries / Associates and /or Joint Venture abroad / in India	-	-
7. Miscellaneous Income	2,139,122	1,307,438
TOTAL (1 to 7)	2,993,062	1,848,334

SCHEDULE 15 – INTEREST EXPENDED

(₹ in '000s)

	For the year ended 31 March 2023	For the year ended 31 March 2022
1. Interest on deposits	7,843,630	5,756,674
2. Interest on Reserve Bank of India / Inter-bank borrowings	106,373	66,645
3. Others	1,809,486	2,056,306
TOTAL (1 to 3)	9,759,489	7,879,625

SCHEDULE 16 – OPERATING EXPENSES

(₹ in '000s)

	For the year ended 31 March 2023	For the year ended 31 March 2022
1. Payments to and provisions for employees	5,700,569	4,298,255
2. Rent, taxes and lighting	580,767	463,504
3. Printing and stationery	125,075	109,924
4. Advertisement and publicity	141,666	50,387
5. Depreciation on Bank's property	586,550	408,840
6. Director's fees allowances and expenses	28,823	23,591
7. Auditors' fees and expenses	19,549	16,435
8. Law charges	180,306	125,557
9. Postage, telegrams, telephones, etc.	235,452	198,142
10. Repairs and maintenance	197,080	126,915
11. Insurance	116,364	78,393
12. Other expenditure*	1,987,935	1,437,552
TOTAL (1 to 12)	9,900,136	7,337,495

* 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 CoreInvest 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 and the Accounting Standards specified under section 133 of the Companies Act, 2013 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 to the extent applicable and practices prevailing in the Banking industry in India and other accounting principles generally accepted 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 Micro Finance (JLG) Loans recoveries would be appropriated towards instalment(s) outstanding and on partial collection appropriation will be in the sequence of first Interest component of oldest EMI followed by Principal component of oldest EMI, and so on both for standard and NPA accounts;
- d) Relationship Management Based products, recoveries is appropriated towards Outstanding;
- e) 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;
- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan;
- g) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due;
- h) 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;
- i) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront;
- j) 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;
- k) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.
- l) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis;
- m) Dividend is accounted on an accrual basis when the right to receive the dividend is established;
- n) Income from distribution of third party products is recognised on the basis of business booked;
- o) Recoveries in respect of purchase of Direct Assignment pools are to be appropriated as per appropriation methodology followed by the originators; and
- p) All other fees are accounted for as and when they become due and when service is rendered.

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.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. In accordance with the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution framework for COVID-19 related stress, the Bank in accordance with its Board approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

b) Inter Bank Participation Certificates

The Bank enters into Inter Bank Participation Certificate with Risk Sharing as issuing Bank and the aggregate amount of participation are reduced from the aggregate loan outstanding.



c) **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 as per relevant RBI guidelines and fully provided for immediately without considering the value of security.

d) **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 will be 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 and 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 value 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 Derivatives

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 recognised upfront and is treated as 'Miscellaneous Income'.

SCHEDULE 18

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)

	As at 31 March 2023	As at 31 March 2022
i) Common Equity Tier 1 (CET) capital	1,844.82	1,420.76
ii) Additional Tier 1 capital	-	-
iii) Tier 1 capital (i + ii)	1,844.82	1,420.76
iv) Tier 2 capital	241.23	275.70
v) Total capital (Tier 1+Tier 2)	2,086.05	1,696.46
vi) Total Risk Weighted Assets (RWAs)	10,105.89	7,857.05
vii) Common Equity Tier 1 (CET) capital ratio (%)	18.25%	18.08%
viii) Tier I capital ratio (%)	18.25%	18.08%
ix) Tier II capital ratio (%)	2.39%	3.51%
x) Capital to Risk Weighted Assets Ratio (CRAR) (%)	20.64%	21.59%
xi) Leverage Ratio	9.55%	9.49%
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 *	0.81	150.02
xiv) Amount of additional Tier I capital raised	-	-
xv) Amount of Tier II capital raised (Refer 18.1.2) below	-	-

* includes share premium ₹0.43 crores (31 March 2022: ₹102.84 crores against the fresh issue of equity shares)

**Notes:**

1. 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.
2. 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.
3. 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 2023 and 31 March 2022.

18.1.3 Capital Infusion

During the year ended 31 March 2023, the Bank has issued 213,025 and 170,116 equity shares to employees and MD & CEO respectively under ESOP scheme having face value of ₹10 each at a premium of ₹17.00 and ₹4.01 respectively for cash aggregating to ₹8,135,000. Accordingly, share capital increased by ₹38,31,410 and share premium increased by ₹43,03,590.

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.

(₹ in crore except share data)

Particulars	For the year ended		For the year ended	
	31-Mar-23		31-Mar-22	
	Number of shares	Amount	Number of shares	Amount
Outstanding as at the beginning of the year	895,521,522	895.52	848,333,869	848.33
Shares issued during the year	383,141	0.38	47,187,653	47.19
Outstanding at the end of the year	895,904,663	895.90	895,521,522	895.52

18.1.4 Draw down from Reserves

The Bank has made draw down during the year ended 31 March 2023 of ₹1.80 crore from Investment Fluctuation Reserve due to reduction in AFS and HFT investment portfolio (31 March 2022: ₹14.19 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 2023											
	1 day	2 to 7 days	8 to 14 days	15 to 30 Days	31 Days to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposit	68.75	578.40	351.43	269.74	405.42	466.61	2,227.07	2,535.82	6,553.74	198.39	54.77	13,710.14
Loans & Advances*	91.33	93.70	140.76	284.55	601.15	588.88	1,728.18	3,092.43	4,325.80	650.17	1,471.82	13,068.77
Investments	141.92	237.15	130.54	65.76	92.77	101.76	384.70	452.25	1,177.96	63.96	10.65	2,859.42
Borrowings **	0.02	0.08	16.72	0.20	44.05	43.38	316.69	453.40	1,234.91	224.40	15.63	2,349.48
Foreign currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

(₹ in crore)

	As at 31 March 2022											
	1 day	2 to 7 days	8 to 14 days	15 to 30 Days	31 Days to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	63.35	412.34	120.61	799.01	502.38	405.41	1,605.22	2,253.24	3,805.65	48.76	58.21	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	686.83	10,228.15
Investments	37.71	83.12	166.84	162.56	147.97	80.69	263.55	492.84	864.17	12.71	35.76	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	195.46	2,571.93
Foreign currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

* amounts disclosed are net off provision for non-performing assets

** includes foreign currency liabilities Nil (31 March 2022: Nil)

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.

Quantitative Disclosures

Following is the quantitative disclosures relating to LCR for the year ended 31 March 2023, wherein the amounts are average of daily positions during the quarter:

		Quarter ended 31 March 2023						Quarter ended 31 December 2022			Quarter ended 30 September 2022			Quarter ended 30 June 2022			(₹ in crore)
		Total		Total Weighted Value (average)	Total		Total Weighted Value (average)	Total		Total Weighted Value (average)	Total		Total Weighted Value (average)	Total		Total Weighted Value (average)	
		Unweighted Value (average)			Unweighted Value (average)			Unweighted Value (average)			Unweighted Value (average)			Unweighted Value (average)			
High Quality Liquid Assets																	
1	Total High Quality Liquid Assets (HQLA)			3,156.83			2,805.81					2,736.77				3,089.35	
Cash Outflows																	
2	Retail deposits and deposits from small business customers, of which:	5,882.23		585.00	5,238.35	521.20	4,759.41	473.57		4,451.37		442.94					
(i)	Stable Deposits	64.41	322		52.80	2.64	47.45	2.37		43.88		2.19					
(ii)	Less Stable Deposits	5,817.82	581.78		5,185.55	518.56	4,711.95	471.20		4,407.49		440.75					
3	Unsecured wholesale funding, of which:	3,244.44	2,198.73		2,608.54	1,593.64	2,752.50	1,751.39		2,795.22		1,770.63					
(i)	Operational deposits (all counterparties)	666.54	66.19		589.93	58.70	568.59	56.64		491.24		48.94					
(ii)	Non-operational deposits (all counterparties)	742.25	296.90		806.13	322.45	815.26	326.11		970.49		388.20					
(iii)	Unsecured debt	1,835.65	1,835.65		1,212.49	1,212.49	1,368.65	1,368.65		1,333.50		1,333.50					
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	-	-		-	-	-	-		-		-					
6	Other contractual funding obligations	55.65	55.65		78.03	78.03	79.80	79.80		27.77		27.77					
7	Other contingent funding obligations	1,039.73	51.48		740.19	36.50	621.91	30.67		596.35		29.45					
8	TOTAL CASH OUTFLOWS		2,890.86			2,229.36		2,335.43				2,270.79					
Cash Inflow																	
9	Secured lending (e.g. reverse repos)	-	-		-	-	-	-		-		-					
10	Inflows from fully performing exposures	1,935.15	1,460.92		1,845.92	1,396.70	1,440.67	1,052.67		958.24		607.34					
11	Other cash inflows	12.06	6.03		11.09	5.55	10.76	5.38		11.99		5.99					
12	TOTAL CASH INFLOWS	1,947.22	1,466.95		1,857.01	1,402.24	1,451.44	1,058.05		970.23		613.33					
13	TOTAL HQLA		3,156.83			2,805.81		2,736.77				3,089.35					
14	Total Net Cash Outflows (8-12)		1,423.91			827.12		1,277.38				1,657.45					
	Liquidity Coverage Ratio (%)		221.70%			339.23%		214.25%				186.39%					



Quantitative Disclosures

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:

(₹ in crore)

	Quarter ended 31 March 2022			Quarter ended 31 December 2021			Quarter ended 30 September 2021			Quarter ended 30 June 2021		
	Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets												
1 Total High Quality Liquid Assets (HQLA)		2,726.60			3,427.91			3,674.25				3,857.51
Cash Outflows												
2 Retail deposits and deposits from small business customers, of which:	4,205.22	418.49	3,932.26		391.01		3,674.80	362.19		3,508.07		345.31
(i) Stable Deposits	40.76	2.04	44.27		2.21		105.85	5.29		110.00		5.50
(ii) Less Stable Deposits	4,164.47	416.45	3,887.99		388.80		3,568.95	356.90		3,398.07		339.81
3 Unsecured wholesale funding, of which:	2,311.47	1,534.92	1,859.07		1,215.79		1,962.21	1,384.87		2,125.36		1,433.36
(i) Operational deposits (all counterparties)	-	-	-		-		-	-		-		-
(ii) Non-operational deposits (all counterparties)	1,076.85	300.29	885.22		241.94		778.27	200.93		965.00		273.00
(iii) Unsecured debt	1,234.63	1,234.63	973.85		973.85		1,183.94	1,183.94		1,160.36		1,160.36
4 Secured wholesale funding	-	-	-		-		-	-		-		-
5 Additional requirements, of which	-	26.19	-		26.92		-	26.80		-		24.61
(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	523.85	26.19	538.32		26.92		536.08	26.80		492.28		24.61
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	#	14.16		0.42		21.30	#		-		-
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		2726.60			3427.91			3674.25				3857.51
14 Total Net Cash Outflows (8-12)		1572.64			1555.74			2068.62				2007.53
Liquidity Coverage Ratio (%)		173.38%			220.34%			177.62%				192.15%

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.

18.2.3 Net Stable Funding Ratio (NSFR)

Qualitative disclosure around NSFR

In the backdrop of the global financial crisis that started in 2007, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. In this regard, comes into picture – “Basel III: International framework for liquidity risk measurement, standards and monitoring” which presented two minimum standards, viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for funding liquidity.

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. “Available stable funding” (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon of one year. The amount of stable funding required (Required stable funding) (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

Minimum Requirement: $ASF(Available\ Stable\ Funding)/RSF(Required\ Stable\ Funding) \geq 100$. The Bank is required to maintain the NSFR on an ongoing basis on a standalone basis. The minimum NSFR requirement set out in the RBI guideline effective October 1, 2021 is 100%.

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.

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.

In the backdrop of the global financial crisis that started in 2007, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking

Quantitative Disclosures

Following is the quantitative disclosures relating to NSFR for the year ended 31 March 2023, wherein the amounts are average of daily positions during the year:

(₹ in crore)

NSFR Disclosure					
ASF Item	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital: (2+3)	2,000.40	-	-	-	2,000.40
2 Regulatory capital	2,000.40	-	-	-	2,000.40
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers: (5+6)	-	-	4,458.33	-	4,157.58
5 Stable deposits	-	-	2,901.70	-	2,756.62
6 Less: stable deposits	-	-	1,556.63	-	1,400.96
7 Wholesale funding: (8+9)	-	-	5,702.43	-	2,851.21
8 Operational deposits	-	-	4,830.22	-	2,415.11
9 Other wholesale funding	-	-	872.21	-	436.10
10 Other liabilities: (11+12)	-	-	1,052.00	5,896.47	5,896.47
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	-	-	1,052.00	5,896.47	5,896.47
13 Total ASF (1+4+7+10)	2,000.40	-	11,212.76	5,896.47	14,905.66

(₹ in crore)

NSFR Disclosure						
		Unweighted value by residual maturity			Weighted value	
		No maturity	< 6 months	6 months to < 1yr		≥ 1yr
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)	1,192.06	-	1,813.54	-	90.68
15	Deposits held at other financial institutions for operational purposes	-	-	64.74	-	32.37
16	Performing loans and securities: (17+18+19+21+23)	-	487.39	11,812.06	11.38	7,942.38
17	Performing loans to financial institutions secured by Level 1 HQLA	-	487.39	-	-	73.11
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	306.35	-	153.18
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	-	-	11,505.71	11.39	7,716.09
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
23	Securities that are not in default and do not qualify as HQLA, including exchange traded equities	-	-	-	-	-
24	Other assets: (sum of rows 25 to 29)	-	-	-	860.12	860.12
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR derivative assets	-	-	-	-	-
28	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	-	-	-	860.12	860.12
30	Off-balance sheet items	-	-	1,183.05	-	58.64
31	Total RSF	1,192.06	487.39	14,873.39	871.51	8,984.19
32	Net Stable Funding Ratio (%)					165.91%

18.3 Investments

18.3.1 Composition of Investments

Composition of Investments as at 31 March 2023

	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Investments in India				Investments outside India				Total Investments
							Government securities (including local authorities)	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	2,560.36									2,560.36					2,560.36
Less: Provision for non-performing investments (NPI)										-					-
Net	2,560.36	-	-	-	-	-				2,560.36					2,560.36
Available for Sale															
Gross	-					299.06				299.06					299.06
Less: Provision for depreciation and NPI										-					-
Net	-	-	-	-	-	299.06				299.06					299.06
Held for Trading															
Gross										-					-
Less: Provision for depreciation and NPI										-					-
Net										-					-
Total Investments	2,560.36	-	-	-	-	299.06				2,859.42					2,859.42
Less: Provision for non-performing investments	-	-	-	-	-	-				-					-
Less: Provision for depreciation and NPI										-					-
Net	2,560.36	-	-	-	-	299.06				2,859.42					2,859.42

(₹ in crore)

Composition of Investments as at 31 March 2022

(₹ in crore)

	Investments in India						Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	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
Less: Provision for non-performing investments (NPI)	-										-
Net	1,963.35										1,963.35
Available for Sale											
Gross	89.52					299.47					388.99
Less: Provision for depreciation and NPI	4.42					-					4.42
Net	85.10					299.47					384.57
Held for Trading											
Gross											-
Less: Provision for depreciation and NPI											-
Net											-
Total Investments	2,052.87					299.47					2,352.34
Less: Provision for non-performing investments	-					-					-
Less: Provision for depreciation and NPI	4.42					-					4.42
Net	2,048.45					299.47					2,347.92



18.3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
i) Movement of provisions held towards depreciation on investments		
a) Opening balance	4.42	19.36
b) Add: Provisions made during the year	-	4.42
c) Less: Write off/write back of excess provisions during the year	4.42	19.36
d) Closing balance	-	4.42
ii) Movement of Investment Fluctuation Reserve		
a) Opening balance	7.78	18.91
b) Add: Amount transferred during the year	-	3.06
c) Less: drawdown during the year	1.80	14.19
d) Closing balance	5.98	7.78
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 2023, 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 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.

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 2023	As at 31 March 2022
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 2023 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	24.60	-	-	-	-
3	Banks	274.46	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	299.06	-	-	-	-

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	0.00	-	-	-	-
	Total	299.47	-	-	-	-

18.3.6 Repo/Reverse Repo/MSF Transactions for the year ended 31 March 2023 (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 2023
A	Securities sold under repo/MSF				
i.	Government securities	144.53	228.36	220.72	144.53
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-
B	Securities purchased under reverse repo				
i.	Government securities	-	1,364.95	237.15	-
ii.	Corporate debt securities	-	-	-	-
iii.	Any other securities	-	-	-	-

Repo/Reverse Repo/MSF Transactions during 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	-	-	-	-

- (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 2023					
		Standard Advances	Non-performing Advances				Total
			Sub-standard	Doubtful	Loss	Total Non-performing Advances	
(i)	Gross Standard Advances and NPAs						
	Opening balance	9,982.56	615.80	32.36	-	648.16	10,630.72
	Add: Additions during the year					521.09	
	Less: Reductions during the year *					737.74	
	Closing balance #	12,925.61	352.67	78.83	-	431.50	13,357.11
	* Reductions in Gross NPAs due to						
	(i) Up – gradations					260.11	
	(ii) Recoveries (excluding recoveries made from up-graded accounts)					94.85	
	(iii) Technical/ Prudential Write-offs					369.59	
	(iv) Write-offs / Waiver other than those under (iii) above					13.19	
(ii)	Provisions (excluding Floating Provisions)						
	Opening balance of provisions held	48.92	370.30	32.28	-	402.58	451.50
	Add: Fresh provisions made during the year					474.36	
	Less: Excess provision reversed/ Write-off loans **					588.60	
	Closing balance of provisions held	63.25	210.63	77.71	-	288.34	351.59
(iii)	Net NPAs						
	Opening balance		245.50	0.08	-	235.80 ***	
	Add: Fresh additions during the year					(36.15) ****	
	Less: Reductions during the year					149.14	
	Closing balance		142.04	1.12	-	50.51 *****	
(iv)	Floating Provision						
	Opening balance						9.78
	Add: Additional provision made during the year						82.87
	Less: Amount drawdown during the year						-
	Closing balance of floating provision						92.65
(v)	Technical write-offs and the recoveries made thereon						
	(a) Opening balance Technical/ Prudential written-off accounts						430.46
	(b) Add: Technical/ Prudential write-offs during the year						369.59
	(c) Less: Recoveries made from previously technical/ prudential written-off accounts during the year *****						35.52
	(d) Closing balance						764.53

Particulars	As at 31 March 2022					
	Standard Advances	Non-performing Advances			Total Non-performing Advances	Total
		Sub-standard	Doubtful	Loss		
(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					656.43	
Less: Reductions during the year *					323.55	
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 / Waiver other than those under (iii) above					2.60	
(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

** Write back includes excess provision ₹207.03 crores and Reversal on account of write off ₹369.59 crores (31 March 2022: Write back includes excess provision ₹49.16 crores and Reversal on account of write off ₹219.38 crores)

*** net off floating provisions amounting to ₹9.78 crores (31 March 2022: ₹7.67 crores)

**** net off floating provisions amounting to ₹82.87 crores (31 March 2022: ₹2.11 crores)

***** net off floating provisions amounting to ₹92.65 crores (31 March 2022: ₹9.78 crores)

***** Netted of with moratorium interest capitalised during the year ended 31 March 2023 ₹18.58 crores for contracts already written off as on 31 March 2022.

The movement of NPA and provision for NPA (excluding write off) does not include accounts classified as NPA and were upgraded during the year ended 31 March 2022.

The closing NPA Provision of 31 March 2022 includes provision against fraud cases amounting to ₹2.69 crores.

During the year ended March 31, 2022, with effect from January 2022, the Bank revised its Non-Performing Asset (NPA) provisioning policy in relation to secured portfolio which is in line with RBI guidelines. The Impact of such change resulted in provisioning of ₹(3.05) crores for the year ended 31 March 2023 (₹3.12 crores for the quarter ended 31 March 2022).

Closing balance is net of IBPC of ₹600 crores as on 31 March 2023 (31 March 2022: Nil)

Ratios (in %)	As at 31 March 2023	As at 31 March 2022
Gross NPA to Gross Advances	3.23%	6.10%
Net NPA to Net Advances	0.39%	2.31%
Provision coverage ratio including floating provision	88.29%	63.62%

18.4.2 Sector Wise Advances and Gross NPAs:

(₹ in crore)

Sl. No.	Sector	As at 31 March 2023		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector#
A	Priority Sector*			
1	Agriculture and allied activities	6,054.53	257.57	2.46%
2	Advances to industries sector eligible as priority sector lending	486.57	1.95	0.02%
	Vehicle, Vehicle parts and Transport Equipments	131.52	0.36	0.00%
	Other Industries	337.09	1.60	0.02%
3	Services	1,195.64	3.57	0.03%
	Trade	274.41	0.61	0.01%
	Other Services	864.24	2.97	0.03%
4	Personal loans	2,733.13	128.60	1.26%
	Housing	204.52	10.05	0.13%
	Others	2,528.61	118.56	1.13%
	Sub-total (A)	10,469.87	391.69	3.74%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	0.00%
2	Industry	-	-	0.00%
3	Services	-	-	0.00%
4	Personal loans	2,887.24	39.81	1.38%
	Housing	330.11	17.00	0.59%
	Loans against Properties	391.87	4.59	0.16%
	Advances against Fixed Deposits	200.79	-	0.00%
	Others	1,811.61	17.85	0.62%
	Sub-total (B)	2,887.24	39.81	1.38%
	Total (A+B)	13,357.11	431.50	3.23%

(₹ 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%

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.

* 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

[#] expressed as a percentage of outstanding total advances.

18.4.3 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

18.4.4 Particulars of Restructured Accounts:

During the year ended 31 March 2023 and 31 March 2022, 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. DOR.ACC.REC.No.74/21.04.018/2022-23 dated 11 October 2022, has directed that banks shall make suitable disclosures, wherever (a) the additional provisioning requirement assessed by RBI exceeds 5 percent of the reported profit before provisions and contingencies for the reference period, or (b) the additional Gross NPA identified by RBI exceeds 5 percent of the published incremental Gross NPA for the reference period, or both. Based on the annual inspection conducted for the year ended 31 March 2023 with respect to the Bank's position as at 31 March 2022 there are no reportable matters under (a) and (b) of the above-mentioned circular.

18.4.6 Transfer of loans exposures**(a) Details on loans not in default**

- (i) During the year ended 31 March 2023, the Bank has not acquired loans not in default.
- (ii) 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
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

- (iii) There is no transfer of loan not in default during the year ended 31 March 2023 and 31 March 2022.

(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 2023 and 31 March 2022.

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 2023 and 31 March 2022.

18.4.8 Details of provisioning pertaining to fraud accounts

(₹ in crore)

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Number of frauds reported	80	*87
Amount involved in frauds	1.85	32.58
Amount of provision made for such frauds (net of recoveries)	1.23	31.43
Amount of Unamortised provision debited from 'other reserves' as at the end of the year	-	10.52

- The Bank has recovered the amount of ₹0.28 crore (31 March 2022 - ₹1.15 crore) against amount involved in frauds/robbery cases from accused staff as well as from insurance partner.
- There are two cases in which involved amount is ₹0.34 crore (considered in involved amount) but have no loss to the Bank accordingly no provision is made against this amount.
- * Total 115 cases have been considered as 1 fraud for reporting purpose in line with FMR reports.

During the year ended 31 March 2023, as per forensic audit report additional 19 cases have been added and 13 cases removed from the initial 115 cases identified. Now the total fraud amount against 121 Surat cases is ₹30.73 crores against which the Bank has provided in full. As on 31 March 2023, out of the total 121 cases, 47 cases having exposure of ₹10.91 crore are classified as standard.

- During the earlier year ended 31 March 2022, in accordance with the relevant RBI Circular dated April 18, 2016, the Bank had created provision of ₹10.52 crores by debiting Balance in Profit and Loss Account under 'Reserves and Surplus'. The said amount is reversed as per the requirement of the aforementioned RBI circular from the Reserves and Surplus to the Profit and Loss Account in the current year ended 31 March 2023.

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 2022	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 2023
Personal Loans	20.93	2.09	-	4.73	14.11
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	34.07	3.70	0.00	14.23	16.14
Total	55.00	5.79	0.00	18.96	30.25

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

Amount paid by the borrower during the half year is net of additions in the borrower amount due to fresh disbursements made.

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 crores except number of months)

Half year / year ended	No. of accounts restructured	Amount Outstanding- Restructured facility	Amount Outstanding - Other facilities of the customer
31-Mar-23	2	0.11	0.00
30-Sep-22	3	0.20	0.01
31-Mar-22	6	0.41	0.02

18.5 Exposure

18.5.1 Exposure to Real Estate Sector

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
1) Direct exposure		
(a) Residential Mortgages -	2,145.73	1,093.99
of which housing loans eligible for inclusion in priority sector advance	207.47	178.91
(b) Commercial Real Estate	56.44	16.71
(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)	106.57	90.31
Total Exposure to Real Estate Sector	2,308.74	1,201.01

Out of the total loans given against the mortgage of any real estate, only those loans have been classified as an exposure to commercial real estate, the prospects for repayment in respect of which depend primarily on the cash flows generated by such mortgaged asset.

18.5.2 Exposure to Capital Market:

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
(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;	-	-

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
(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 2023 is ₹Nil (31 March 2022: ₹Nil).

18.5.4 Unsecured Advances

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
i) Total unsecured advances of the bank	8,735.07	7,978.63
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 ₹1,178.91 crores (31 March 2022: ₹888.49 crores)

18.5.6 Factoring exposures

The Bank does not have factoring exposure as on 31 March 2023 and 31 March 2022.

18.5.7 Intra-Group exposures

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
i) Total amount of intra-group exposures	-	-
ii) Total amount of top-20 intra-group exposures	-	-
iii) Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	-	-
iv) 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 Bank has three borrowers having Unhedged Foreign Currency Exposure of ₹34.19 crores as at 31 March 2023 (31 March 2022 - Nil). The Bank made ₹0.03 crores provision in respect of one of the borrowers during the year ended 31 March 2023. The Bank held no incremental capital on advance to borrowers with Unhedged Foreign Currency Exposure (31 March 2022: Nil).

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 2023 and 31 March 2022.

18.6 Concentration of Deposits, Advances, Exposures and NPAs**18.6.1 Concentration of Deposits**

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Total Deposits of twenty largest depositors	2,884.07	2,895.27
Percentage of deposits of twenty largest depositors to total deposits of the Bank	21.04%	28.74%

18.6.2 Concentration of Advances

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Total Advances to twenty largest borrowers*	654.89	578.32
Percentage of advances to twenty largest borrowers to total advances	4.90%	5.44%

* excluding advances against Bank's own term deposits

18.6.3 Concentration of Exposures

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Total Exposure to twenty largest borrowers / customers	756.46	760.39
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	5.54%	6.96%

Credit Exposure excludes the exposures which are 100% cash backed

Exposures comprise of credit exposure (funded and non-funded credit limits) and investment exposure excluding other exposure of security placed with CCIL on account of limit for TREPS transaction of ₹ 1,187.04 crores (Previous year: ₹Nil).

18.6.4 Concentration of NPA's

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Total Exposure to the top twenty NPA accounts	9.78	6.81
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	2.27%	1.05%

18.7 Derivatives :

18.7.1 Forward Rate Agreement/ Interest Rate Swap/ Cross currency swap :

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
i) The notional principal of swap agreements *	-	-
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	-
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	-	-

* Pertains to cross currency swap

18.7.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
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 2023 and 31 March 2022. 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.

(₹ in crore)

Sr. No.	Particular	For the year ended 31 March 2023			
		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 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	-	-	-

* 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 2023 and 31 March 2022.

18.8. Disclosures relating to Securitization

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
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	-	-
* 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 needs 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 2023	As at 31 March 2022
Opening balance of amounts transferred to DEA Fund	-	-
Add: Amounts transferred to DEA Fund during the nine months	-	-
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 2023	As at 31 March 2022
	Complaints received by the bank from its customers		
1	Number of complaints pending at beginning of the year	142	239
2	Number of complaints received during the year *	20,799	18,469
3	Number of complaints disposed during the year *	20,703	18,566
3.1	Of which, number of complaints rejected by the bank	134	79
4	Number of complaints pending at the end of the year	238	142
	Maintainable complaints received by the bank from Office of Ombudsman		
5	Number of maintainable complaints received by the bank from Office of Ombudsman	114**	47
5.1	Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	57	46
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	55	1
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

** Out of 114 BO complaints, 01 complaint from West zone is in open status at financial year end and 01 complaint's decision is not given by RBI from North 2 zone.

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 2023					
Ground - 1 (Account opening/difficulty in operation of accounts)	25	7,140	43%	7	-
Ground - 2 (Internet/Mobile/Electronic Banking)	27	4,828	-2%	46	-
Ground - 3 (ATM/Debit Cards)	52	4,087	7%	149	5
Ground - 4 (Loans and advances)	14	1,082	-16%	2	-
Ground - 5 (Mis-selling/Para-banking)	-	327	-22%	-	-
Others	24	3,335	10%	34	-
Total	142	20,799	13%	238	5
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	-

Note :- above disclosure is compiled by management and relied upon by auditors

18.12 Penalties imposed by the Reserve Bank of India

No penalty was imposed by RBI on the Bank during the year ended 31 March 2023.

For the year ended 31 March 2022, 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.

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 March 2023, The NRC comprises of two Independent Directors viz Mr. Kajal Ghose and Mr. Parveen Kumar Gupta, one non-independent Director viz Mr. Muralidharan Rajamani.

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.



- ii) 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 (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

The Human Resources Policy of the Bank, approved by the Board of the Bank on 09 January 2017 and the same has been reviewed by the Board of Directors in its meeting in 22 March 2022 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further the Board had recommended RBI the revised remuneration of MD & CEO which has been approved by Reserve Bank of India vide its letter dated on 14 December 2022. 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 2023 were 15,424 (31 March 2022: 12,617)

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 –

- For MD & CEO – The variable remuneration of the MD and CEO is approved by the Reserve Bank of India which includes deferral arrangement for the cash and non cash part of the variable pay which is implemented by the bank as per the advice of the RBI.
- 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 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 guidelines.

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 and the Bank 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 2023 and 31 March 2022 the quantitative disclosure covers MD & CEO and Material Risk takers.

(₹ in crore, except numbers)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
1(i)	Number of meetings held by the Nomination and Remuneration Committee during the financial year.	4	6
1(ii)	Remuneration paid to its members during the financial year (sitting fees)	0.07	0.08
2(i)	Number of employees having received a variable remuneration award during the financial year.	6	7
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)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	<p>The total remuneration of ₹2.53 crore to MD & CEO approved for FY2020-21 has remain unchanged as advised vide letter from RBI date 12 January'2022 and 28 July'2022, however, the fixed and variable pay of MD & CEO have been bifurcated as follows:</p> <ol style="list-style-type: none"> (1) Fixed Pay including perquisite for FY2020-2021 is approved ₹1.91 crore p.a. (2) 0.62 crore (comprising cash ₹0.31 crore and non-cash ₹0.31 crore) to be paid as Variable pay for the performance period of FY2020-2021. <ul style="list-style-type: none"> - Out of cash component of ₹0.31 crores, ₹0.21 crore is paid in the month of Sep'22. rest amount of ₹0.10 crore would be paid in deferred manner in next applicable years. - Non-cash component of ₹0.31 crores deferred in the form of ESOPs are as below- In FY 22-23 - ₹0.21 crores In FY 23-24 - ₹0.10 crores <p>Further, RBI vide its letter dated December 14, 2022 approved the grant of ₹1.00 crore of variable pay to MD & CEO for FY21-22 in the following manner:</p> <ol style="list-style-type: none"> i. Grant of ₹1.00 crore (cash ₹0.40 crore and non-cash ₹0.60 crore) as variable pay for the performance year FY2021-22. ii. The variable pay is to be deferred to non-cash component of variable pay over next 3 years in equal instalments of 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, <ul style="list-style-type: none"> -Out of cash component of ₹0.40 crores, ₹0.20 crore is paid in the month of Dec'22. rest amount of ₹0.20 crore would be paid in deferred manner in next 3 applicable years. <p>In FY 2022-23, ESOPs offered to material risk takers have deferral clauses as per existing USFBL - ESOP scheme and the deferred cost of ESOPs are as below-</p> <p>In FY 22-23 - ₹0.84 crores In FY 23-24 - ₹0.84 crores In FY 24-25 - ₹0.84 crores In FY 25-26 - ₹0.84 crores</p>	<p>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</p> <p>ESOPs offered to material risk takers have deferral clauses as per existing USFBL - ESOP scheme and the deferred cost of ESOPs are as below-</p> <p>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</p>

(₹ in crore, except numbers)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
3(ii)	Total amount of deferred remuneration paid out in the year.	-	-
4	Breakdown of amount of remuneration awards for the year *	-	-
	Fixed	Fixed : 6.83	Fixed : 6.88
	Variable	Variable: 0.92	Variable: 0.6
	Deferred	Deferred: 0.30	Deferred: Nil
	Non-deferred	Non-deferred: 7.75	Non-deferred: 7.48
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**	6 MRTs & 1 WTD	7 MRTs & 1 WTD
7(i)	Number of cases where malus has been exercised.	-	-
7(ii)	Number of cases where clawback has been exercised.	-	-
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.	0.4 crores & 56 times	0.03 crores & 51 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 20-21.

The bonus paid during the year pertains to previous financial years.

Variable pay amounting to ₹0.62 crores has been approved by RBI for MD & CEO for FY 2020-21. Cash component of ₹0.21 crores of the same has been paid to MD & CEO during current year, rest ₹0.10 crore would be paid next year. Non-cash component of ₹0.31 crores is deferred in the form of USFBL - ESOPs as per RBI approval.

Variable pay amounting to ₹1.00 crore has been approved by RBI for MD & CEO for FY 2021-22. Cash component of ₹0.22 crores of the same has been paid to MD & CEO in the month of December'22, rest ₹0.20 crore would be paid next 3 years in deferred manner. Non-cash component of ₹0.60 crores is deferred in the form of USFBL - ESOPs as per RBI approval.

18.14.1 Business Ratios:

(in crores except percentages and ratio)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
(i)	Interest income as a % to Working funds ¹	15.18%	14.43%
(ii)	Non-Interest income as a % to Working funds ¹	1.80%	1.44%
(iii)	Cost of deposits ⁶	6.86%	7.01%
(iv)	Net interest margin ⁷	9.74%	8.80%
(v)	Operating profit ² as a % to Working funds ¹	5.07%	3.97%

(in crores except percentages and ratio)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
(vi)	Return on Assets ⁴ (Working funds ¹)	2.45%	0.48%
(vii)	Business ³ (Deposit plus Net Advance) per employee ⁵	1.67	1.55
(viii)	Profit per employee ⁵ *	0.03	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" is the total of net advances and deposits (net of 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 ₹286,887 [31 March 2022: ₹54,483]

18.14.2 Disclosure of Fees / Remuneration Received in respect of Bancassurance Business

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
i)	Fee / Remuneration from Life Insurance Business	21.51	14.88
ii)	Fee / Remuneration from General Insurance Business	0.93	0.07

18.14.3 Disclosure of Fees / Remuneration Received in respect of Marketing and distribution

The Bank has received ₹Nil towards marketing & distribution during the year ended 31 March 2023. (31 March 2022: ₹0.36 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 2023	As at 31 March 2022
General category	-	-
Micro enterprises	1,500.00	-
Agriculture	-	-
Small/marginal farmers	7,235.00	9,255.00
Total	8,735.00	9,255.00

Following are the details of PSLC purchased by the Bank.

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
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)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
i)	Provisions for NPI	-	-
ii)	Provision towards NPA	(112.89)	202.43
iii)	Provision made towards Income tax	125.74	52.94
iv)	Other Provisions and Contingencies	420.96	195.10
a	Technical write off	369.59	219.38
b	Provision for standard assets	14.33	10.57
c	Provision on restructured assets	(16.30)	(29.27)
d	Floating provision	82.87	2.11
e	Provisions made towards deferred Tax (Net)	5.57	(34.69)
f	Provision against fraud *	1.74	9.17
g	Contingency provision **	(52.00)	65.00
h	Provision on COVID-19	-	(50.13)
i	Provision on SMA due to COVID-19	-	-
j	Others	15.17	2.96
	Total provisions	433.82	450.47

* Reduction because of movement to NPA of ₹ 8.41 crore and reversal of fraud cases as per forensic audit of ₹ 2.41 crore

** The Bank was carrying an additional contingency provision of ₹65 crores as at 31 March 2022 which has been utilised to the extent of ₹52 crores in the current year and consequently the provision as at 31 March 2023 is ₹13 crores.

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 implementing system solutions (IndAS 109 and 116) and hiring skilled resources to implement Ind-AS accounting.

18.14.7 Payment of DICGC Insurance Premium (including GST)

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
i)	Payment of DICGC Insurance Premium	11.52	8.24
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 2023 and 31 March 2022.

18.14.9 Details of item under Other expenditure head exceeds one per cent of the total income

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
i	Banking software charges	50.47	44.77

18.14.10 Details of item under Miscellaneous income head exceeds one per cent of the total income

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2023	As at 31 March 2022
i	Income from sale of Priority sector lending certificate	96.14	66.91
ii	Recovery in written off account	58.46	29.66

18.14.11 Details of item of Others under Other Assets head exceeds one per cent of the total Asset

There are no item of Others under Other Assets head exceeds one per cent of the total asset during the year ended 31 March 2023 and 31 March 2022.

18.14.12 Details of item of Others including provisions under Other Liabilities and Provisions head exceeds one per cent of the total Assets

There are no item of Others including provisions under Other Liabilities and Provisions head exceeds one per cent of the total Assets during the year ended 31 March 2023 and 31 March 2022.

18.15 Earnings Per Share (EPS)

(₹ in crore, except per share data)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Basic		
Weighted average number of equity shares - Basic	895,624,973	878,110,556
Net profit after tax available for equity shareholders (₹)	404.50	61.46
Basic earnings per share	4.52	0.70
Diluted		
Weighted average number of equity shares - Basic	895,624,973	878,110,556
Add: Weighted average number of potential equity shares on account of employee stock options	2,175,340	2,097,153
Weighted average number of equity shares - Diluted	897,800,314	880,207,709
Net profit after tax available for equity shareholders (₹)	404.50	61.46
Diluted earnings per share	4.51	0.70
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 2023, the Holding Company granted Nil options to the Bank's employees (31 March 2022 : Nil 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 2023	For the year ended 31 March 2022
Number of equity shares:		
Outstanding at the beginning of the year	3,558,360	4,910,739
Granted during the year	-	-
Granted during the year with grant effective date pertaining to FY 2019-20	-	-
Lapsed/Cancel during the year	611,782	633,617
Exercised during the year	87,544	717,462
Previous year adjustments	-	-1,300
Outstanding at the end of year	2,859,034	3,558,360
Exercisable at the end of year	1,850,571	1,291,488

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 2023	For the year ended 31 March 2022
Profit/(loss) after tax		
- As reported	404.50	61.46
- Proforma	402.26	56.84
(Loss)/Earnings per share		
Basic		
Weighted average number of shares	895,624,973	878,110,556
EPS as reported (₹)	4.52	0.70
Proforma EPS (₹)	4.49	0.65

The following assumptions are used for calculation of fair value of grants issued.

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
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 18,082,976 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 2023		For the year ended 31 March 2022	
	Number of Options	Exercise Price	Number of Options	Exercise Price
28 December 2020 *	71,377	14.01	71,377	14.01
01 August 2021	15,611,500	27.00	15,611,500	27.00
01 October 2021	15,000	30.00	15,000	30.00
18 October 2021 to 01 January 2022	80,000	31.80	80,000	31.80
12 January 2022 **	221,270	14.01	456,817	14.01
01 April 2022 to 16 July 2022	125,000	31.80	-	-
01 August 2022	16,771,750	27.00	-	-
17 September 2022 ***	626,226	31.80	-	-
30 September 2022	200,000	31.80	-	-
13 October 2022	120,000	27.00	-	-
01 January 2023 to 31 March 2023	240,000	31.80	-	-

Shares vested to the employees have an exercise period of two years.

*The Bank received approval from RBI on 31 August 2021 for remuneration of MD & CEO for FY 2019-20 wherein non cash component of variable pay of ₹0.10 crore was approved and was paid by way of grant of 71,377 options out of banks shares with effect from 28 December 2020 being the date of approval of Banks ESOP 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, the Bank has granted 4,56,817 ESOPs to MD & CEO at ₹14.01 per share w.e.f 12 January 2022 with vesting over next three years in equal proportion i.e. 33.33% each year. However, Bank has received another letter from RBI on 28 July 2022 wherein non cash component has been revised. It is also advised to adjust the excess grant of non-cash component in the next tranche itself. Accordingly, the Bank has revised the options granted to MD & CEO w.e.f 12 January 2022 to 221,270 options with vesting over next two year with the proportion of 69% and 31%.

***The bank received approval for remuneration to MD & CEO for financial year 2021-22 from RBI on 14 December, 2022 including non cash variable pay of ₹0.60 crore and advised to defer it over next 3 years in 3 equal instalments. Accordingly, Bank has granted 6,26,226 ESOPs to MD & CEO at ₹31.80 per share w.e.f 17 September 2022 being the date of Board approval for remuneration to MD & CEO 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 to employees	Grant to MD & CEO	
		Grant dated January 12, 2022	Other Grants
On completion of 1 year	25%	69.00%	33.33%
On completion of 2 years	25%	31.00%	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:

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Number of equity shares:		
Outstanding at the beginning of the year	14,322,600	-
Granted during the year	18,082,976	16,163,317
Granted during the year with grant effective date pertaining to FY 2019-20	-	71,377
Lapsed/Cancel during the year	2,401,125	1,894,250
Exercised during the year	383,141	17,844
Previous year adjustments	235,546	
Outstanding at the end of year	29,385,764	14,322,600
Exercisable at the end of year	2,871,225	-

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 2023	For the year ended 31 March 2022
Dividend yield	0.00%	0.00%
Expected volatility	46.3% to 49.3%	49.8% to 48.8%
Risk free interest rate	6.43% to 7.04%	4.48% to 5.80%
Expected life in years	2 to 5	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)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Provident Fund (refer note below)	33.54	25.18
ESI	4.29	3.36

Note: The above amount is netted off with amount of ₹Nil received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended 31 March 2023 (31 March 2022 : ₹0.47 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 Lakh 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 2023	As at 31 March 2022
Opening defined benefit obligation	19.48	15.66
Current service cost	5.40	4.75
Past service costs	-	-
Interest cost	1.12	0.78
Actuarial losses/ (gains)	(0.53)	(0.43)
Benefits paid	(2.31)	(1.28)
Closing defined benefit obligation	23.16	19.48

Change in the plan assets

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Opening fair value of plan asset	18.84	14.58
Expected return on plan assets	1.31	0.94
Employers Contributions	4.23	4.68
Benefit paid	(2.35)	(1.28)
Actuarial gains / (losses) on plan assets	0.03	(0.08)
Closing fair value of plan assets	22.06	18.84

Net liability / (asset) recognized in the balance sheet

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Present value of funded obligation	23.16	19.48
Fair value of plan assets	22.06	18.84
Deficit/ (Surplus)	1.10	0.64
Net liability / (asset) recognized in the balance sheet	1.10	0.64

Net cost recognised in the profit and loss account

(₹ in crore)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Current service cost	5.40	4.75
Past service costs	-	-
Interest cost	1.12	0.78
Expected return on plan assets	(1.31)	(0.94)
Net actuarial losses / (gains)	(0.56)	(0.35)
Total cost of defined benefit plans included in Schedule 16	4.65	4.24
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 2023	As at 31 March 2022
Opening net liability	0.64	1.08
Expenses as recognised in profit & Loss account	4.65	4.24
Employers contribution	(4.23)	(4.68)
Net liability / (asset) recognised in balance sheet	1.06	0.64

Experience adjustment and details of obligations and assets

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019
Present value of funded obligation	23.16	19.47	15.66	11.28	7.34
Fair value of plan assets	22.06	18.84	14.58	10.81	5.92
Deficit / (Surplus)	1.10	0.63	1.08	0.47	1.42
On Plan Liabilities (gains) / losses	(0.53)	(0.43)	0.85	0.75	0.35
On Plan Assets (losses) / gains	0.03	(0.08)	(0.43)	(0.14)	(0.20)

A breakup of Investments under plan assets of gratuity fund is as follows:

Category of assets	As at 31 March 2023	As at 31 March 2022
Funds with LIC(through gratuity trust)	100%	100%

Key Actuarial Assumptions

Particulars	As at 31 March 2023	As at 31 March 2022
Discount rate	7.25%	5.75%
Expected rate of return on plan asset	7.25%	6.84%
Salary escalation	8.50%	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 (A) 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 which are not covered under wholesale, retail or treasury activity.

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)

Business Segments Particulars	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	As on 31 March 2023	As on 31 March 2022	As on 31 March 2023	As on 31 March 2022	As on 31 March 2023	As on 31 March 2022	As on 31 March 2023	As on 31 March 2022	As on 31 March 2023	As on 31 March 2022
Revenue	232.77	203.10	146.08	78.56	2,425.44	1,751.98	-	-	2,804.29	2,033.65
Result	21.01	32.70	(28.63)	(58.41)	543.43	105.43	-	-	535.81	79.71
Unallocated expenses									-	-
Operating Profit/(Loss)									535.81	79.71
Income Tax expense (including deferred tax)									131.31	18.25
Extraordinary profit / (loss)									-	-
Net Profit									404.50	61.46
Other Informations:										
Segment Assets	5,425.84	4,258.60	1,593.26	926.96	11,667.28	9,427.90	-	-	18,686.38	14,613.46
Unallocated Assets									431.16	450.31
Total Assets									19,117.54	15,063.77
Segment Liabilities	2,371.21	2,595.95	5,984.69	4,791.05	8,734.69	6,067.67	-	-	17,090.59	13,454.67
Unallocated Liabilities									2,026.95	1,609.10
Total Liabilities									19,117.54	15,063.77

The following table sets forth the business segment results:

(₹ in crore)

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations			Total	
Particulars	As on 31 March 2022	As on 31 March 2021	As on 31 March 2022	As on 31 March 2021	As on 31 March 2022	As on 31 March 2021	As on 31 March 2022	As on 31 March 2021	As on 31 March 2022	As on 31 March 2021	As on 31 March 2021
Revenue	203.10	213.38	78.56	51.90	1,751.98	1,459.86	-	-	2,033.65	1,725.14	
Result	32.70	27.08	(58.41)	(43.84)	105.43	168.19	-	-	79.71	151.44	
Unallocated expenses											
Operating Profit/(Loss)									79.71	151.44	
Income Tax expense (including deferred tax)									18.25	39.62	
Extraordinary profit / (loss)									-	-	
Net Profit									61.46	111.82	
Other Informations:											
Segment Assets	4,258.60	3,533.89	926.96	503.74	9,427.90	7,798.90	-	-	14,613.46	11,836.54	
Unallocated Assets									450.31	301.38	
Total Assets									15,063.77	12,137.91	
Segment Liabilities	2,595.95	2,628.30	4,791.05	3,634.22	6,067.67	4,491.45	-	-	13,454.67	10,753.98	
Unallocated Liabilities									1,609.10	1,383.94	
Total Liabilities									15,063.77	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.
- The RBI vide its circular dated April 7, 2022 on establishment of Digital Banking Units (DBUs), has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. Indian Banks' Association (IBA) has formed DBU Working Group which include representatives of banks and RBI. The reporting of Digital Banking as a separate sub-segment of Retail Banking Segment will be implemented by the Bank based on the decision of the DBU Working Group. The Bank has not formed any DBU as at 31 March 2023 and is in the process of setting up DBUs in the future and hence the same has not been disclosed as a segment.

18.18 (A) Geographic Segments

(₹ in crore)

Particulars	Domestic		International		Total	
	As on 31 March 2023	As on 31 March 2022	As on 31 March 2023	As on 31 March 2022	As on 31 March 2023	As on 31 March 2022
(a) Revenue	2,804.29	2,033.65	-	-	2,804.29	2,033.65
(b) Assets	19,117.54	15,063.77	-	-	19,117.54	15,063.77

(₹ in crore)

Particulars	Domestic		International		Total	
	As on 31 March 2022	As on 31 March 2021	As on 31 March 2022	As on 31 March 2021	As on 31 March 2022	As on 31 March 2021
(a) Revenue	2,033.65	1,725.14	-	-	2,033.65	1,725.14
(b) Assets	15,063.77	12,137.91	-	-	15,063.77	12,137.91

18.19 Related Party Transactions

The Bank's related parties for the year ended 31 March 2023 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Related Company

Utkarsh Welfare Foundation

Consequent to the disinvestment by Utkarsh CoreInvest Limited (UCL) on 26 February 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 (upto 22 September 2022)

Mr. Sarjukumar Pravin Simaria - Chief Financial Officer (w.e.f 31 October 2022)

Mr. Muthiah Ganapathy - Company Secretary

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)
	Parvati Devi (Mother)	Ankur Singh (Son)	Renu Singh (Sister in Law)
		Achin Singh (Son)	
Mr. Sarjukumar Pravin Simaria	Father-Pravin V. Simaria	Karuna S. Simaria (Spouse)	Bharat P. Simaria- Brother
	Mother-Nirmala P. Simaria	Malav S. Simaria (Son)	
		Bhakti S. Simaria (Daughter)	
Mr. Muthiah Ganapathy	Both deceased	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 2023. .

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: Sarjukumar Pravin Simaria (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	KMP Relative - Nirjala Simaria	Total
Deposits Outstanding as on 31 March 2023	42.38	1.20	0.08	0.47	-	0.08	-	0.09	-	0.22	0.01	0.03	0.17	0.28	0.11	0.02	45.14
Amount deposited during the year (excluding CASA deposit)	45.31	-	-	-	-	-	-	-	-	-	-	-	0.06	0.41	0.09	0.02	45.89
Amount withdrawn during the year (excluding CASA deposit)	40.70	-	-	-	-	-	-	-	-	-	-	-	0.04	0.37	0.09	-	41.20
Maximum deposit outstanding during the year	41.99	3.40	1.55	1.05	0.19	0.18	-	0.10	-	0.28	0.17	0.41	0.18	0.28	0.10	0.02	49.89
Interest paid	2.92	0.13	0.01	0.04	*0.00	*0.00	-	*0.00	-	0.01	*0.00	0.01	0.02	0.03	0.02	*0.00	3.19
Remuneration	-	-	-	**2.62	0.69	0.72	-	0.46	-	-	-	-	-	-	-	-	4.49
Consultancy Charges	-	-	-	-	-	-	-	-	-	-	-	-	0.17	-	-	-	0.17
Equity shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution towards Gratuity Trust	-	-	3.89	-	-	-	-	-	-	-	-	-	-	-	-	-	3.89
Withdrawal from Gratuity Trust	-	-	2.66	-	-	-	-	-	-	-	-	-	-	-	-	-	2.66
Contribution towards CSR & CER	-	3.22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.22
ESOP cost cross charged (Refer Schedule 17.1)	(0.46)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.46)
Service charge for collections	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01
Rent for office space	0.09	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.09
ESOP granted	-	-	-	0.60	-	0.25	-	-	-	-	-	-	-	-	-	-	0.85
Transactions (collection and payment) carried out on behalf of Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Payable/(Recoverable)	0.14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.14

* Amount less than ₹50,000 is shown as Nil

** Includes arrears salary of FY 2021-22 of ₹ 0.62 crore post revised approval of RBI vide letter dated 28 July 2022 for remuneration of MD & CEO for FY 2020-21 and Bonus ₹0.20 crore post approval of RBI vide letter dated 14 December 2022 for remuneration of MD & CEO for FY 2021-2022.

Except EL encashment and Bonus paid post exiting the bank, all other detail are upto 22 September 2022 only being the last date of working in Bank as CFO

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 2022.

(₹ in crore)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Nutan Rane (CS)	KMP: 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	-	0.28	*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 withdrawn 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	*0.00	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	0.03	*0.00	0.01	0.01	*0.00	*0.00	2.79
Remuneration to KMP	-	-	-	**2.02	1.13	0.27	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:

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 18.16 on ESOP grant to MD & CEO

18.20 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹58.08 crores (31 March 2022 : ₹46.35 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 2023	As at 31 March 2022
Due within one year	62.22	42.65
Due later than one year and not later than five years	213.31	193.25
Due later than five years	80.47	95.50
Total	356.00	331.40

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 2023 are as follows:

(₹ in crore)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	5.93	1.21	4.72
Due later than one year and not later than five years	5.73	1.78	3.96
Due later than five years	0.93	0.12	0.81
Total	12.59	3.10	9.49

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

18.21 Current Tax and Deferred Tax

a. Current Tax

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Provision for Income tax	125.74	52.94
Provision for Deferred tax	5.57	(34.69)
MAT credit entitlement	-	-
Total	131.31	18.25

b. Deferred Tax

Major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
Deferred tax assets:		
Provision for assets	49.04	63.47
Unamortised processing fees on advances	28.21	21.88
Finance lease	2.39	2.93
Provision against Lease Equalisation	4.90	3.70
Provision on Casual Leave	1.17	0.99
Others	0.78	0.28
	86.49	93.26
Deferred tax liabilities:		
Depreciation on fixed assets	(0.91)	0.13
Gain on mark to mark on external commercial borrowings	-	-
Unamortised processing fee on borrowings	0.30	0.46
	(0.61)	0.59
Net deferred tax assets / (liability)	87.09	92.66

18.22 Disclosure Under The Micro, Small And Medium Enterprises Development Act, 2006

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
a. Principal amount due to suppliers under MSMED Act, 2006	0.43	6.53
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	98.85	51.96
d. Interest paid to suppliers under MSMED Act (Section 16)	-	-
e. Interest due and payable towards suppliers under MSMED Act for payments already made	1.58	0.23
f. Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (including interest mentioned in (e) above)	1.58	0.23

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.
- Commitment towards irrevocable Undrawn Fund Based Credit facilities

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 2023 and 31 March 2022. Further, there are no outstanding comfort letters as at 31 March 2023 and 31 March 2022.

18.24 The board of directors in their meeting dated 30 May 2022 decided to contribute towards corporate social responsibility up to ₹3.22 crore as required to be spent by Section 135 of the Companies Act, 2013.

(₹ in crore)

Particulars	As at 31 March 2023	As at 31 March 2022
a) Gross amount required to be spent by the Company during the year	3.22	3.70
b) Amount spent during the year on purposes other than construction/acquisition of any asset		
Paid in cash	3.22	3.70
Yet to be paid	-	-
Total of amount spent	3.22	3.70

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 2023	As at 31 March 2022
At cost at 31 March of preceding year	23.07	19.57
Additions during the year	15.07	15.80
Deductions during the year	-	-
Accumulated depreciation to date	13.86	12.30
Net block	24.28	23.07

18.26 In the year ended 31 March 2023, the impact of disruptions resulting from COVID-19 has eased substantially, however the Bank continues to monitor the developments/ ongoing impact resulting from COVID-19 Pandemic and any action to contain its spread or mitigate its impact.

As at 31 March 2023, Bank carries additional floating provision of ₹80 crores (₹60 crores as at 31 December 2022) and additional contingency provision of ₹13 crores (₹65 crores as at 31 December 2022). Further, the Bank was carrying an additional contingency provision of ₹65 crores as at 31 March 2022 which has been utilised to the extent of ₹52 crores in the current year and consequently the provision as at 31 March 2023 is ₹13 crores.

18.27 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.

18.28 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.



18.29 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 **M/s Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No. 117365W

G.K. Subramaniam
Partner
Membership No. 109839

for **M/s Kirtane & Pandit LLP**
Chartered Accountants
ICAI Firm Registration No. 105215W/W100057

Sandeep D Welling
Partner
Membership No. 044576

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

Parveen Kumar Gupta
Chairman
DIN : 02895343

Nagesh Pinge
Director
DIN: 00062900

Govind Singh
Managing Director & CEO
DIN: 02470880

Sarju Simaria
Chief Financial Officer
FCA : 046998

Muthiah Ganapathy
Company Secretary
FCS 5674

Place : Mumbai
Date : 28 April 2023

Place : Mumbai
Date : 28 April 2023

Chief Executive Officer (CEO) & Chief Financial Officer (CFO) Certificate

We, Govind Singh, Managing Director & Chief Executive Officer and Sarjukumar Pravin Simaria, 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 that 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/-

Sarju Simaria

Chief Financial Officer

Date: Mumbai

Place: April 28, 2023



Reinforcing our Brand Recall

At Utkarsh, marketing and branding plays a pivotal role in building a brand image that is synonymous with trust and excellence.

Marketing & Branding plays an important role in any organisation. The activities are not just limited to promoting Brand Utkarsh but also in building an image of trust and inclusivity. To create a brand equity that helps to target different segments via different platforms and mediums.

Utkarsh Small Finance Bank started its Branding and Marketing activities in the beginning of January 2017. That year was devoted to building and creating the basic framework for Marketing and Branding Activities for the forthcoming years. The major strategies were focussed on establishing a unique brand identity and creating awareness through various activities, both online and offline.

FY 2022-23 was unique in terms of Marketing and Branding initiatives. They focussed on brand building through different mediums and creating visibility for products and services through online and offline mediums. While ATL was used in a limited manner, BTL activities were conducted at many locations for brand visibility, customer engagement and lead generation.

We undertook a multipronged approach to create awareness about our Bank among different target groups. These included branding initiatives in Delhi metro station, Vande Bharat / Tejas trains, Mumbai local trains, LED cans & canter activation, buses, hoardings, co-branding initiatives, branch inauguration activities and involvement in community

events with regular participation and sponsorships. We have also organised "Utkarsh Marathon", a flagship event of Utkarsh, that witnessed huge participation from all parts of the country and boosted our brand image.

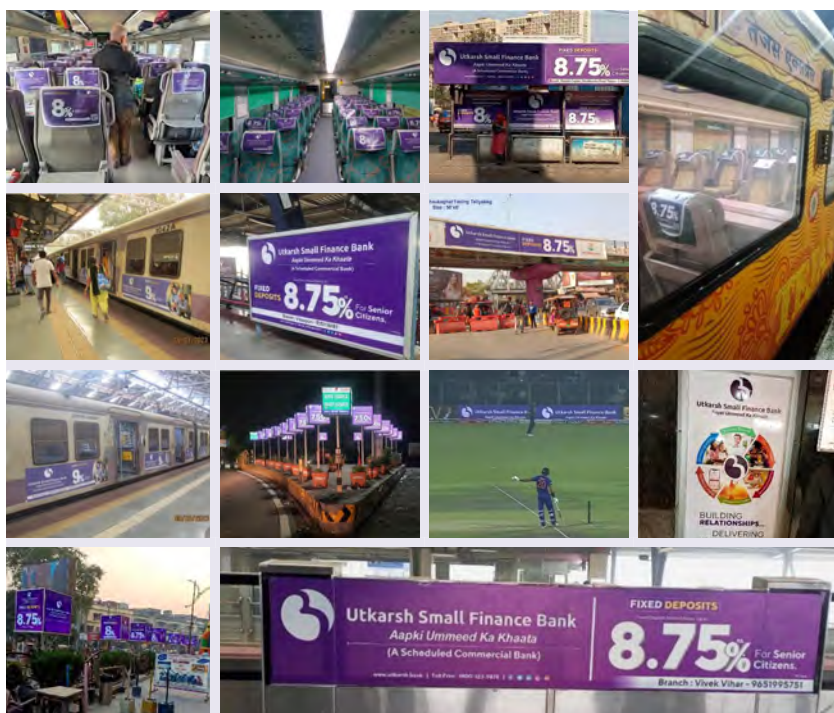
While we actively participated in offline initiatives, digital space received its equal share of building the Bank's equity and communication about products and services.

Thoughtful and impactful campaigns have been executed for building the brand, creating awareness, engagement, and lead generation.

Major Highlights

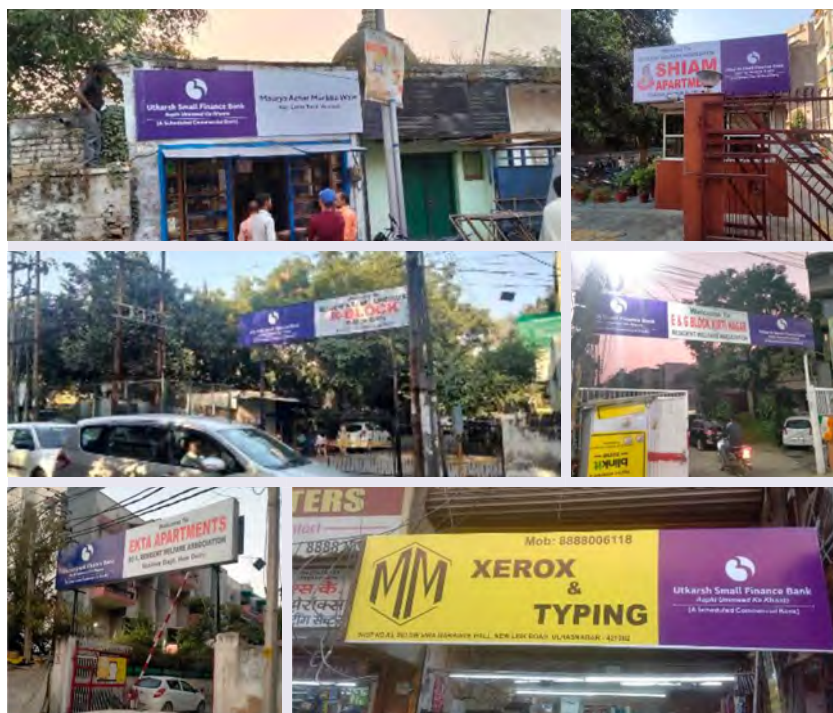
VISIBILITY CAMPAIGNS

To create maximum visibility, branding at metro stations, and in trains such as Vande Bharat, Tejas and Mumbai locals were implemented. Additionally, branding on LED vans, hoardings, co-branding and other visibility activities at major touchpoints were initiated. Visibility was created through Digital Platforms, on which advertisements about our brand and products were displayed at relevant sites to capture maximum reach.



CO-BRANDING

To increase brand visibility, co-branding activities were implemented on a large scale for GB/MB branches. Lit/non-lit boards were installed in nearby branch catchment areas and other prominent places to enhance brand visibility. Co-branding was extended to schools, apartments, govt. institutions, police stations to enhance visibility and build relationships.



INAUGURAL ACTIVITIES

Inaugural activities were done for all newly-launched branches. Pre-and-post hype was created for all new branches and healthy leads were generated from the inaugural activities.



LEAD GENERATION CAMPAIGNS

The Marketing and Brand Communications team is cognisant of the need to create awareness within the neighbourhood of our banking outlets. In line with this, we had consciously designed activities that supported in the lead generation programme both digitally and physically for our business teams to support them in their customer acquisition activities.



EVENTS / ACTIVITIES / SPONSORSHIPS

Sponsorships are an integral part of any branding initiatives and we, at Utkarsh Small Finance Bank sponsored events such as, sports, cultural events, specific industry events, college fests, exhibitions amongst others to support and create awareness of brand through relevant platforms.



ENGAGEMENT CAMPAIGNS

We had undertaken Digital Campaigns during festivals and days that celebrated relationships and genders to engage with our followers and customers in social media platforms.



ATL ACTIVITIES

The FY 2022-23 witnessed significant branding initiatives. One of the important highlight was the advertisements that were rolled out in stadiums during international cricket matches.



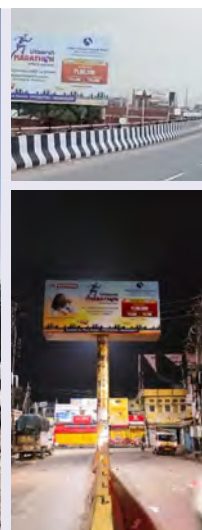
INNOVATIVE BRANDING ACTIVITIES

Some innovative branding activities were initiated at Varanasi and Patna stations. These activities were well received by general public and created the requisite attention and visibility.



UTKARSH MARATHON

Utkarsh Marathon was organised in Varanasi with a 360° promotion. The event was well received and was a huge success that had pan-India participation. This gave a boost to the brand awareness and visibility of Utkarsh across all segments.



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

Mr. Govind Singh

Managing Director & CEO

Mr. Sarju Simaria

Chief Financial Officer

Mr. Muthiah Ganapathy

Company Secretary

JOINT STATUTORY AUDITORS

Deloitte Haskins & Sells

Chartered Accountants
19th Floor, Shapath - V, S. G. Highway
Ahmedabad - 380 015, Gujarat, India.

Kirtane & Pandit LLP

Chartered Accountants
H-16, Saraswat Colony, Sitladevi Temple Road
Mahim West, Mumbai - 400 016
Maharashtra, India.

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 - 221105.

CIN: U65992UP2016PLC082804

Website: www.utkarsh.bank

E-mail: shareholders@utkarsh.bank



Registered & Corporate Office

Utkarsh Tower, NH - 31 (Airport Road), Sehmalpur, Kazi Sarai,
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