

B S R & Associates LLP

Chartered Accountants

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Independent Auditor's Report

To the Members of Utkarsh Small Finance Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Utkarsh Small Finance Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2017, the Profit and Loss Account, the Cash Flow Statement for the period then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing ('the Standards') specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



Utkarsh Small Finance Bank Limited
Independent Auditor's Report (continued)

Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the relevant requirements of the Act, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2017, its profit and its cash flows for the period then ended.

Emphasis of Matter

We draw your attention to Schedule 18.1 of the accompanying financial statements. The Reserve Bank of India ("RBI") issued the small finance bank license to Utkarsh Small Finance Bank Limited pursuant to which the Utkarsh Micro Finance Limited ('the Holding Company') transferred its micro lending business to the Bank through a Business Transfer Agreement (BTA). In accordance with the BTA, all the assets and liabilities (except certain specified assets and liabilities) as at 21 January 2017 of the Holding Company were transferred at book value on a 'slump sale basis' for cash consideration. 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. The Bank has been incorporated on 30 April 2016 and commenced its operations as a Bank effective 23 January 2017. This being the first financial period from incorporation of the Bank to the end of the financial year, no comparative figures have been provided by the Bank in these financial statements. Our report is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act read with the Rule 7 of the Companies (Accounts) Rules, 2014.

As required by sub section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- (c) during the course of our audit, we have visited two branches. The audit of bank is carried out centrally as all the necessary records and data required for the purposes of our audit are available at corporate office.



Utkarsh Small Finance Bank Limited
Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements (continued)

Further, as required by Section 143 (3) of the Act, we further report that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) 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;
- (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by the RBI;
- (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) the Bank does not have any pending litigations which would impact its financial position as at 31 March 2017;- Refer Schedule 18.45
 - (ii) the Bank has made provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;
 - (iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank; and
 - (iv) as referred in the Schedule 18.39 to the financial statements, the disclosure required on holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2017 as envisaged in notification GSR 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs, is not applicable to the Bank.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm's Registration No: 116231W/W-100024

Sriram Mahalingam

Partner

Membership No: 049642

Place: Mumbai

Date: 29 May 2017

Utkarsh Small Finance Bank Limited

Annexure A to the Independent Auditor's Report of even date on the Financial Statements of Utkarsh Small Finance Bank Limited

Report on the Internal Financial Controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of Utkarsh Small Finance Bank Limited ('the Bank') as at 31 March 2017 in conjunction with our audit of the financial statements of the Bank for the period ended on that date. Attention is drawn to the fact the Bank has commenced its operation from 23 January 2017. Refer Schedule 18.1.

Management's Responsibility for Internal Financial Controls

The Bank's Board of Directors 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 ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, 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 over Financial Reporting

A bank's internal financial control over financial reporting 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 over financial reporting 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 authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.



Utkarsh Small Finance Bank Limited

Annexure A to the Independent Auditor's Report of even date on the Financial Statements of Utkarsh Small Finance Bank Limited (continued)

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, 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 ICAI.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm's Registration No: 116231W/W-100024



Sriram Mahalingam

Partner

Membership No: 049642

Place: Mumbai

Date: 29 May 2017

Utkarsh Small Finance Bank Limited
Balance Sheet as at 31 March 2017

(Rs. in '000s)

	Schedule	As at 31 March 2017
CAPITAL and LIABILITIES		
Capital	1	30,00,500
Reserves and Surplus	2	48,348
Deposits	3	1,87,223
Borrowings	4	2,28,88,283
Other Liabilities and Provisions	5	6,28,935
	Total	2,67,53,289
ASSETS		
Cash and balances with Reserve Bank of India	6	4,23,844
Balances with banks and money at call and short notice	7	14,96,115
Investments	8	72,92,293
Advances	9	1,59,39,087
Fixed Assets	10	2,16,158
Other Assets	11	13,85,792
	Total	2,67,53,289
Contingent Liabilities	12	4,10,126
Bills for Collection		-
Significant accounting policies	17	
Notes to the financial statements	18	

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

As per our Report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

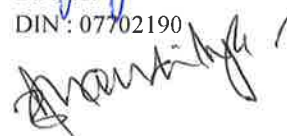


Sriram Mahalingam
Partner
Membership No.049642

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


Govind Singh
Managing Director & CEO
DIN : 02470880


Abhisheka Kumar
Chief Financial Officer


Kajal Ghose
Director
DIN : 07702190


Anang Kumar Shandilya
Company Secretary

Place : Mumbai
Date: 29-May-2017

Place: Mumbai
Date: 29-May-2017



Utkarsh Small Finance Bank Limited
Profit and Loss Account for the period ended 31 March 2017

(Rs. in '000s)

		Schedule	For the period ended 31 Mar 2017
I	INCOME		
	Interest Earned	13	8,68,894
	Other Income	14	33,153
		Total	9,02,047
II	EXPENDITURE		
	Interest Expended	15	4,42,929
	Operating Expenses	16	3,48,935
	Provisions and Contingencies		61,835
		Total	8,53,699
III	PROFIT/LOSS		
	Net Profit /(Loss) for the year		48,348
	Balance in Profit and Loss account brought forward		-
		TOTAL	48,348
IV	APPROPRIATIONS		
	Transfer to Statutory Reserve		12,087
	Balance carried over to Balance Sheet		36,261
		TOTAL	48,348
V	EARNINGS PER EQUITY SHARE	18.5.5	
	EPS Basic (₹)		0.51
	EPS Diluted (₹)		0.27
	Face Value per share (₹)		10
	Significant accounting policies	17	
	Notes to the financial statements	18	

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

As per our Report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

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



Sriram Mahalingam
Partner
Membership No.049642


Govind Singh
Managing Director & CEO
DIN : 02470880

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DIN : 07702190


Abhisheka Kumar
Chief Financial Officer



Anang Kumar Shandilya
Company Secretary

Place : Mumbai
Date: 29-May-2017

Place: Mumbai
Date: 29-May-2017



Utkarsh Small Finance Bank Limited
Cash Flow Statement for the period ended 31 March 2017

(Rs. in '000s)

S.No		For the period ended 31 March 2017
I	Cash flow from/(used in) operating activities	
	Profit before taxes	65,230
	Adjustments for:-	
	Depreciation and amortisation	14,139
	Net depreciation on investments	5,015
	General provision for standard advances	39,938
	Employees stock options expense	2,635
	(i)	1,26,957
	Adjustments for:-	
	Decrease in investments	5,38,936
	Decrease in advances	28,845
	Increase in deposits	1,87,223
	Increase in other assets	(6,20,745)
	Decrease in other liabilities and provisions	(91,577)
	(ii)	42,682
	Payment of direct taxes	(16,882)
	(iii)	(16,882)
	Net cash flow from operating activities (i)+(ii)+(iii)	(A) 152,157
II	Cash flow from/(used in) investing activities	
	Purchase of fixed assets	(1,00,790)
	Addition to Capital Work in Progress	(21,353)
	Payment made pursuant to BTA (Refer Schedule 18.43)	(6,85,063)
	Purchase of held to maturity securities, net	(38,98,454)
	Net cash flow used in investing activities	(B) (47,05,660)
III	Cash Flow from Financing Activities	
	Proceeds from issue of share capital	30,00,500
	Proceeds from issue of Compulsorily Convertible Debentures	38,70,000
	Repayments of long-term borrowings, net	(17,25,835)
	Repayments of short-term borrowings	(238)
	Net cash flow from financing activities	(C) 51,44,427
	Cash & Cash equivalent acquired pursuant to BTA (Refer Schedule 18.43)	(D) 13,28,435
IV	Net increase in cash and cash equivalents (A) + (B) + (C) + (D)	19,19,959
V	Cash and cash equivalents at beginning of the year	-
VI	Cash and cash equivalents at end of the year	19,19,959
	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)	4,23,844
(ii)	Balances with Banks in Current Accounts (Refer Schedule 7)	14,96,115
(iii)	Money at Call and Short Notice (Refer Schedule 7)	-
	Cash and cash equivalents at the end of the year	19,19,959

As per our Report of even date attached
for B S R & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024



Sriram Mahalingam
Partner
Membership No.049642

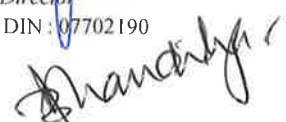
for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804


Govind Singh
Managing Director & CEO
DIN : 02470880


Kajal Ghose
Director
DIN : 07702190



Abhisheka Kumar
Chief Financial Officer


Anang Kumar Shandilya
Company Secretary

Place : Mumbai
Date : 29-May-2017

Place: Mumbai
Date : 29-May-2017



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2017

Schedule 1 - Capital

(₹ in '000s)

	As at 31 March 2017
Authorised Capital	
330,000,000 equity Shares of ₹10/- each	3,300,000
Issued, subscribed and fully paid-up capital	
300,050,000 equity Shares of ₹10/- each	3,000,500
TOTAL	3,000,500

Schedule 2 - Reserves and Surplus

(₹ in '000s)

	As at 31 March 2017
1. Statutory Reserve	
Opening balance	-
Addition during the year	12,087
Deduction during the year	-
Total	12,087
2. Balance in Profit and Loss Account	36,261
TOTAL (1+2)	48,348

Schedule 3 - Deposits

(₹ in '000s)

	As at 31 March 2017
A. 1. Demand Deposits	
i) From banks	-
ii) From others	865
Total	865
2. Savings Bank Deposits	5,566
3. Term Deposits	
i) From banks	100,000
ii) From others	80,792
Total	180,792
TOTAL (1 to 3)	187,223
B. i. Deposits of branches in India	187,223
ii. Deposits of branches outside India	-
TOTAL	187,223



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2017

Schedule 4 - Borrowings

(₹ in '000s)

	As at 31 March 2017
1. Borrowings in India	
i) Reserve Bank of India	-
ii) Other banks	8,017,648
iii) Other institutions and agencies *	9,286,892
2. Borrowings outside India #	5,583,743
TOTAL (1 + 2)	22,888,283
Secured borrowings included in 1 and 2 above	10,643,012

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

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

Schedule 5 – Other Liabilities and Provisions

(₹ in '000s)

	As at 31 March 2017
1. Bills payable	-
2. Inter office adjustments (Net)	-
3. Interest accrued	208,078
4. Provision against standard assets	39,938
5. Others (including provisions)	380,919
TOTAL (1 to 5)	628,935

Schedule 6 – Cash and balances with Reserve Bank of India

(₹ in '000s)

	As at 31 March 2017
1. Cash in hand	10,205
2. Balances with Reserve Bank of India	
i) In current account	413,639
ii) In other accounts	-
TOTAL (1 + 2)	423,844



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2017

Schedule 7 – Balance with banks and money at call and short notice

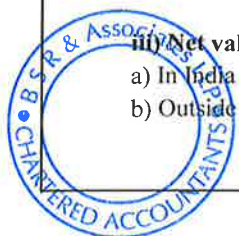
(₹ in '000s)

	As at 31 March 2017
1. In India	
i) Balances with banks	
a) In current accounts	558,770
b) In other deposit accounts	937,345
ii) Money at call and short notice	
a) With banks	-
b) With other institutions	-
Total (i+ii)	1,496,115
2. Outside India	
In current accounts	-
In other deposits accounts	-
Money at call and short notice	-
Total	-
TOTAL (1 + 2)	1,496,115

Schedule 8 – Investments

(₹ in '000s)

	As at 31 March 2017
1. Investments in India (net of provisions)	
i) Government securities	7,292,041
ii) Other approved securities	-
iii) Shares	-
iv) Debentures and bonds	-
v) Subsidiaries / joint ventures	-
vi) Others (mutual funds)	252
Total	7,292,293
2. Investments Outside India (net of provisions)	
i) Government securities	-
ii) Subsidiaries / joint ventures	-
iii) Others (equity shares and bonds)	-
Total	-
TOTAL (1 + 2)	7,292,293
3. Investments	
i) Gross value of investments	
a) In India	7,297,308
b) Outside India	-
	7,297,308
ii) Provision for depreciation	
a) In India	5,015
b) Outside India	-
	5,015
iii) Net value of investments	
a) In India	7,292,293
b) Outside India	-
	7,292,293



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2017

Schedule 9 – Advances (net of provisions)

(₹ in '000s)

	As at 31 March 2017
A.	
i) Bills purchased and discounted	-
ii) Cash credits, overdrafts and loans repayable on demand	-
iii) Term loans	15,939,087
Total	15,939,087
B.	
i) Secured by tangible assets (includes advances against fixed deposits and book debts)	124,089
ii) Covered by Bank/Government guarantees	-
iii) Unsecured	15,814,998
Total	15,939,087
C.1 Advances in India	
i) Priority sector	15,938,437
ii) Public sector	-
iii) Banks	-
iv) Others	650
Total	15,939,087
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)	15,939,087

Schedule 10 – Fixed Assets

(₹ in '000s)

	As at 31 March 2017
1. Premises	
i) At cost at 31st March of the preceding year	-
ii) Additions during the year	-
iii) Deductions during the year	-
iv) Accumulated depreciation to date	-
Total	-
2. Other Fixed Assets (including furniture and fixtures)	
i) At cost at 31st March of the preceding year	-
ii) Additions during the year ¹	227,466
iii) Deductions during the year	-
iv) Accumulated depreciation to date ^{2,3}	71,432
Total	156,034
3. Capital Work in Progress	60,124
TOTAL (1+2+3)	216,158

1. Includes assets taken over from the Holding Company (Refer Schedule 18.43)

2. Includes accumulated depreciation on assets taken over from Holding Company (Refer Schedule 18.43)

3. Includes depreciation charge amounting to ₹ 14,139.37 thousands for the period ended 31 March 2017



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2017

Schedule 11 – Other Assets

(₹ in '000s)

	As at 31 March 2017
1. Inter-office adjustment (net)	-
2. Interest accrued	397,684
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. Others*	988,108
TOTAL (1 to 6)	1,385,792

* includes deferred tax assets of ₹ 22,718.32 thousands (Refer Schedule 18.5.6)

Schedule 12 – Contingent Liabilities

(₹ in '000s)

	As at 31 March 2017
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*	317,200
5. Guarantees given on behalf of constituents	
i) In India	-
ii) Outside India	-
6. Acceptances, endorsements and other obligations	-
7. Other items for which the bank is contingently liable	
a) Income tax & other matters (under appeal)	-
b) Others	92,926
TOTAL (1 to 7)	410,126

* Represents notional principal amount with respect to cross currency interest rate swaps



Schedule 13 – Interest Earned

(₹ in '000s)

	For the period ended 31 March 2017
1. Interest / discount on advances / bills	719,669
2. Income on investments	109,246
3. Interest on balance with Reserve Bank of India and Other inter bank funds	39,424
4. Others	555
TOTAL (1 to 4)	868,894

Schedule 14 – Other Income

(₹ in '000s)

	For the period ended 31 March 2017
1. Commission, exchange and brokerage	27,736
2. Profit/(Loss) on sale of Investments (net)	699
3. Profit/(Loss) on sale of revaluation of investments	-
4. Profit/(Loss) on sale of land, building and other assets (net)	-
5. Profit/(Loss) on exchange transactions (net)	-
6. Income earned by way of dividends from Subsidiaries / Associates and /or Joint Venture abroad / in India	-
7. Miscellaneous Income	4,718
TOTAL (1 to 7)	33,153

Schedule 15 – Interest Expended

(₹ in '000s)

	For the period ended 31 March 2017
1. Interest on deposits	1,484
2. Interest on Reserve Bank of India / Inter-bank borrowings	168,801
3. Others	272,644
TOTAL (1 to 3)	442,929

Schedule 16 – Operating Expenses

(₹ in '000s)

	For the period ended 31 March 2017
1. Payments to and provisions for employees	207,431
2. Rent, taxes and lighting	21,150
3. Printing and stationery	9,591
4. Advertisement and publicity	5,566
5. Depreciation on Bank's property	14,139
6. Director's fees allowances and expenses	1,486
7. Auditors' fees and expenses	2,889
8. Law charges	19,507
9. Postage, telegrams, telephones, etc.	6,149
10. Repairs and maintenance	5,837
11. Insurance	479
12. Other expenditure	54,711
TOTAL (1 to 12)	348,935



Schedule 17 – Significant accounting policies

Background:

Utkarsh Small Finance Bank Limited (“Company” or “the Bank”), incorporated on 30 April 2016 in India, is a small finance bank engaged in providing banking and financial services and governed by the Banking Regulation Act, 1949. Pursuant to the small finance banking license received from Reserve Bank of India on 25 November 2016, the Bank has commenced its banking operations from 23 January 2017. The Company is a wholly owned subsidiary of Utkarsh Micro Finance Limited.

Basis of preparation:

The accompanying financial statements have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated, and comply with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (“Indian GAAP”), the circulars and guidelines issued by Reserve Bank of India (“RBI”) from time to time, the accounting standards notified under section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable, and practices generally prevalent in the banking industry in India. This being the year of incorporation of the Bank, these financial statements have been prepared for the period beginning from 30 April 2016 to 31 March 2017.

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 estimate 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.

Significant accounting policies

17.1 Advances

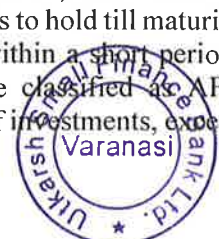
Advances are stated net of specific provisions made in respect of non-performing advances (‘NPA’). Advances are classified as Performing and NPA based on the relevant RBI guidelines. Provisions in respect of non-performing and restructured advances are made based on management’s assessment of the degree 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 in this regard. Provision made against standard assets is included in ‘Other Liabilities and Provisions’. Loss assets and the unsecured portion of doubtful assets are provided/written-off as per the extant RBI guidelines.

17.2 Investments

Classification and valuation of Bank’s Investments is carried out in accordance with RBI and Fixed Income Money Market and Derivatives Association (‘FIMMDA’) guidelines issued 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, which the Bank intends to hold till maturity are classified as HTM investments. Investments that are held principally for resale within a short period, including short sale, are classified as HFT investments. All other investments are classified as AFS investments. The Bank follows trade date method of accounting for purchase and sale of investments, except



Schedule 17 – Significant accounting policies (continued)

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 HTM are carried at amortised cost. Any premium over the face value of fixed rate and floating rate securities acquired is amortised over the remaining period to maturity on a constant yield basis and straight line basis respectively. Where in the opinion of the management, a diminution, other than temporary in the value of investments classified under HTM has taken place, suitable 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 accreted for the holding period.

Quoted investments are valued at closing quoted price available on the recognised stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Primary Dealers Association of India ("PDAI") jointly with FIMMDA 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 in consultation with PDAI are used.

Quoted Mutual Fund units are valued as per closing Stock Exchange quotes and un-quoted Mutual Fund units are valued at last available re-purchase price or Net Asset Value where re-purchase price is not available.

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

c) Disposal of investments:

Profit / Loss on sale of investments under the aforesaid three categories is recognised 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/book value 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.



Schedule 17 – Significant accounting policies (continued)

e) Repurchase transactions

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

17.3 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.

17.4 Fixed Assets and Depreciation

Tangible assets

Fixed Assets are accounted for at cost less accumulated depreciation, amortization and accumulated impairment losses. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

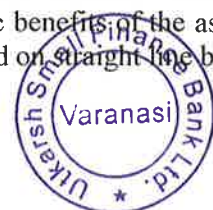
Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. Depreciation on assets sold during the year is charged to the Profit and Loss account up to the date of sale. Assets costing less than Rs.5,000 are fully depreciated in the year 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.

Improvements and installations of capital nature on the leasehold property are depreciated over the primary lease term.

Intangible assets

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised 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 amortised on straight line basis. Computer software are amortised on straight line basis over their estimated useful life of three years.



Schedule 17 – Significant accounting policies (continued)

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is 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.

17.5 Retirement and other employee benefits

The Bank's contribution towards Provident fund, being a defined contribution scheme, is accounted for on an accrual basis and recognized in the Profit and Loss account. Liability for Gratuity, being defined benefit retirement schemes, are determined based on an actuarial valuation as at the Balance Sheet date as per the Projected Unit Credit Method as computed by an independent actuary.

The Bank provides for leave encashment liability of its employees who are eligible for encashment of accumulated leave, which is a long-term benefit scheme, based on actuarial valuation of the leave encashment liability at the balance sheet date, carried out by an independent actuary.

Actuarial gains/losses arising during the year are recognized in Profit and Loss Account.

17.6 Employee Stock Option Scheme

The Bank follows the intrinsic value method for computing the compensation cost for all options granted which will be amortized over the vesting period. 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').

17.7 Revenue Recognition

- a) Interest income is recognised in the Profit and Loss account on accrual basis, except in the case of interest on NPA as per the Income Recognition and Asset Classification norms of RBI.
- b) Recoveries in respect of past due loan accounts classified as sub-standard are appropriated towards overdue principal and thereafter towards interest and charges.
- c) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- d) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- e) Loan processing fees collected from the borrowers is recognised over the tenure of the loan.
- f) All other fees are accounted for as and when they become due.

17.8 Lease transactions

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.



Schedule 17 – Significant accounting policies (continued)

17.9 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 Indian 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.

17.10 Provisions and contingencies

The Bank creates 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.

17.11 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the period. Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period, except where the results are anti-dilutive.

17.12 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.



Schedule 18

Notes to accounts forming part of financial statements for the period ended 31 March 2017

18.1 The Reserve Bank of India ("RBI") issued license no. MUM: 125 on 25 November 2015 to the Company to carry on business as a Small Finance Bank with attached terms and conditions. Pursuant to condition attached in the approval for small finance bank, Utkarsh Micro Finance Limited ('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. 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. The Company has been incorporated on 30 April 2016 and commenced its operations as a Bank effective 23 January 2017. This being the first financial period from incorporation of the Company to the end of the financial year, no comparative figures have been provided by the Bank in these financial results.

18.2 Capital

During the period ended 31 March 2017, the Bank issued equity shares of 300,050,000 through private placement of Rs.10 each allotted at face value.

18.3 Investments

During the period ended 31 March 2017 there has been no sale/transfer to/from HTM categories.

18.4 Employee Stock Option Plan ("ESOP")

The Holding Company has formulated an Employees Stock Option Scheme to be administered through a Trust. The scheme provides that subject to continued employment with the Bank, the employees are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period.

The Holding Company formed Utkarsh ESOP Welfare Trust to issue ESOPs to employees of the Holding Company as per Employee Stock Option Scheme. Total 1,200,000 equity shares has 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. The Holding Company has given interest and collateral free loan to the trust, to provide financial assistance to purchase its equity shares under such schemes. The Holding Company has allotted 343,507 equity shares of Rs.10 each and 856,493 equity shares of Rs.10 each in the years ended 31 March 2011 and 31 March 2013 respectively. The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the compensation committee. The Trust in turn allots the shares to employees on exercise of their right against cash.

The options vested shall be exercised within a period of 24 months from the date of vesting. The plan shall be 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 shall vest on graded basis as follows:

On completion of 1 year	25%
On completion of 2 years	25%
On completion of 3 years	25%
On completion of 4 years	25%



The Guidance Note on “Accounting for Employee Share Based Payments” issued by the ICAI establishes financial and reporting principles for employees share based payment plans. The Guidance Note applies to employee share based payment plans, the grant date in respect of which falls on or after 1 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 period ended 31 March 2017
Number of equity shares:	
Outstanding at the beginning of the period (transferred pursuant to BTA)*	496,830
Granted during the period	269,838
Forfeited during the period	32,125
Exercised during the period	97,959
Outstanding at the end of period	636,584
Exercisable at the end of period	445,625

* Refer Schedule 18.43

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.

Impact of Fair Value Method on Net Profit and EPS

Had the compensation cost for the Bank’s stock option plans outstanding been determined based on the fair value by using Black Scholes model, the Bank’s net profit and earnings 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 2017
Profit after tax	
- As reported	4.83
- Proforma	4.97
Earnings per share	
Basic	
- Number of shares	94,677,232
- EPS as reported (₹)	0.51
- Proforma EPS (₹)	0.53



18.5 Disclosures as per Accounting Standards

18.5.1 Disclosures under AS - 15 on employee benefits

Defined Contribution Plans:

Employer's contribution recognized and charged off for the period to defined contribution plans are as under:

(₹ in crore)	
Particulars	For the period ended 31 March 2017
Provident Fund	1.44

Defined Benefit Plans:

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 2017
Opening defined benefit obligation at 30 th April	Nil
Transferred pursuant to BTA*	2.31
Current Service cost	0.16
Interest cost	0.03
Actuarial losses/ (gains)	0.12
Benefits paid	(0.02)
Closing defined benefit obligation at 31 st March	2.60

* Refer Schedule 18.43

Change in the plan assets

(₹ in crore)	
Particulars	As at 31 March 2017
Opening fair value of plan assets at 30 th April	Nil
Transferred pursuant to BTA*	2.57
Expected return on plan assets	0.04
Employers Contributions	0.08
Benefit paid	(0.02)
Actuarial gains / (losses) on plan assets	0.02
Closing fair value of plan assets at 31 st March	2.69

* Refer Schedule 18.43



Net liability / (asset) recognised in the balance sheet

(₹ in crore)

Particulars	As at 31 March 2017
Present value of funded obligation	2.60
Fair value of plan assets	2.69
Deficit / (Surplus)	(0.09)
Net Liability / (Asset)	(0.09)

Net cost recognized in the profit and loss account

(₹ in crore)

Particulars	For the period ended 31 March 2017
Current Service cost	0.16
Interest cost	0.03
Expected return on plan assets	(0.04)
Net actuarial losses / (gains) recognised during the period	0.10
Total cost of defined benefit plans included in Schedule 16 Payments to and provisions for employees	0.25

Reconciliation of opening and closing net liability / (asset) recognised in balance sheet

(₹ in crore)

Particulars	As at 31 March 2017
Opening net liability as at 30 th April	-
Transferred pursuant to BTA*	(0.26)
Expenses as recognised in profit & Loss account	0.25
Employers contribution	-
Contribution paid to fund	(0.08)
Net liability / (asset) recognised in balance sheet	(0.09)

* Refer Schedule 18.43

Experience Adjustment

(₹ in crore)

Particulars	As at 31 March 2017
Present value of funded obligation at 31 st March	2.60
Fair value of plan assets at 31 st March	2.69
Deficit / (Surplus)	(0.09)
On Plan Liabilities (gains) / losses	0.12
On Plan Assets (losses) / gains	0.02



A breakup of Investments under Plan Assets of Gratuity fund is as follows:

Category of Assets	(%)
Funds with LIC	100%

Key Actuarial Assumptions

Particulars	Assumptions
Discount rate	6.70%
Expected rate of return on Plan Asset	7.71%
Salary Escalation	8.00%
Attrition rate	2% to 25.00%

18.5.2 Segment Reporting: Information about business segments

In terms of AS-17 (Segment Reporting) issued by ICAI and RBI circular Ref. DBOD.No. BP.BC.81/21.04.018/2006-07 dated April 18, 2007 read with DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015 and amendments thereto, the following business segments have been disclosed:

- **Corporate/Wholesale Banking:** Includes lending, deposits and other banking services provided to corporate customers of the Bank.
- **Retail Banking:** Includes lending, deposits and other banking services provided to retail customers of the Bank through branch network or other approved delivery channels.
- **Treasury:** includes investments, all financial markets activities undertaken on behalf of the Bank's customers, proprietary trading, bullion business, maintenance of reserve requirements and resource mobilization from other Banks and financial Institutions.
- **Other Banking Operations:** Includes para banking activities like Bancassurance, Credit Cards etc.

The following table sets forth the business segment results:

Particulars	For the period ended 31 March 2017				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	-	74.74	14.94	-	89.68
Unallocated Revenue					0.52
Less: Inter Segment Revenue					-
Total Revenue					90.20
Segment Results	-	5.90	14.44	-	20.34
Unallocated expenses					(15.49)
Operating Profit					6.52
Income Tax expense (including deferred tax)					1.69
Net Profit					4.83
Segment Assets		1,664.05	785.58		2,449.63
Unallocated Assets					225.69



Particulars	For the period ended 31 March 2017				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Total Assets					2,675.32
Segment Liabilities	-	1,974.88	387.00	-	2,361.88
Unallocated Liabilities					8.57
Total Liabilities					2,370.45
Capital expenditure	-	-	-	-	-
Depreciation	-	-	-	-	-

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, Depreciation, Capital expenditure, realized gains/losses on their sale, income tax expense, deferred income tax assets/liabilities, advance tax and cash in hand.

18.5.3 Related Party Transactions

As per AS 18 "Related Party Disclosures", the Bank's related parties for the period ended 31 March 2017 are disclosed below:

1. Holding Company

Utkarsh Micro Finance Limited

2. Key Management Personnel ('KMP')

Mr. Govind Singh - Managing Director and CEO*

Mr. Abhisheka Kumar – Chief Financial Officer (effective from 01 Oct 2016)

Mr. Anang Kumar Shandilya – Company Secretary (effective from 01 Oct 2016)

*Appointed as Director on 30 April 2016 and later on appointed as Managing Director and CEO on 16 Jan 2017 pursuant to RBI approval.

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the period ended 31 March 2017.

(₹ in crore)

Sl. no.	Name of the related party	Nature of transaction	Transaction
			For the year ended 31 March 2017
1	Mr. Govind Singh	Remuneration	0.53
		Deposits accepted	0.62
2	Mr. Abhisheka Kumar	Remuneration	0.19
		Deposits accepted	0.30
3	Mr. Anang Shandilya	Remuneration	0.07



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the period ended 31 March 2017

Sl. no.	Name of the related party	Nature of transaction	Transaction
			For the year ended 31 March 2017
4	Utkarsh Micro Finance Limited	Deposits accepted	31.60
		Interest paid	0.01
		Equity shares issued	300.00
		Compulsorily Convertible Debentures issued	387.00
		Purchase consideration pursuant to BTA, net (refer Schedule 18.43)	68.51
		Transactions (collection and payment) carried out on behalf Bank, net	18.37

Payable/ (receivable) as at balance sheet date:

(₹ in crore)		
Sl No	Name of related party	As at 31 March 2017
1	Utkarsh Micro Finance Limited	7.74
2	Utkarsh Micro Finance Limited	(54.86)
2	Govind Singh	0.12
3	Abhisheka Kumar	0.10

18.5.4 Operational Leases

Lease payments made under cancellable operating lease amounting to Rs. 2.11 crore disclosed as rent under Schedule 16 and the same have been recognized as an expense in the Profit and Loss Account. There are no subleases. Also, requirement of minimum lease payments does not arise as the Bank do not have any non-cancellable operating leases.

18.5.5 Earnings Per Share (EPS)

(₹ in crore, except per share data)	
Particulars	For the period ended 31 March 2017
Basic	
Weighted average number of equity shares	94,677,232
Net profit after tax available for equity share holders (₹)	4.83
Basic earnings per share	0.51
Diluted	
Weighted average number of equity shares (including dilutive potential equity shares)	176,195,089
Net Profit after tax available for equity share holders (₹)	4.84
Diluted Earnings Per Share	0.27
Face Value per share	10.00

The dilutive impact is due to Compulsorily Convertible Debentures granted to the Holding Company by the Bank.



18.5.6 Deferred Tax

Major components of Deferred Tax Assets and Deferred Tax Liabilities as on 31 March 2017 are as under:-
(₹ in crore)

Particulars	As at 31 March 2017
Deferred tax assets:	
Provision for Assets	1.38
Others	4.19
Deferred tax liabilities:	
Depreciation on Fixed Assets	0.04
Others	3.26
Net Deferred tax assets / (Liability)	2.27

18.6 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments, if any. The above is based on the information available with the Bank which has been relied upon by the auditors.

18.7 Disclosure of customer complaints for the period ended 31 March 2017

	Customer Complaints	As at 31 March 2017
a)	No. of complaints pending at the beginning of the period	-
b)	Transferred pursuant to BTA*	106
c)	No. of complaints received during the period	1124
d)	No. of complaints redressed during the period	985
e)	No. of complaints pending at the end of the period	245

* Refer Schedule 18.43

18.8 Capital Adequacy

18.8.1 Capital Adequacy Ratio as per operating guidelines issued by RBI for Small Finance Banks and amended thereafter, as at 31 March 2017 is given below:

(₹ in crore, except percentages)

	Particulars	As at 31 March 2017
i)	Common Equity Tier 1 (CET) capital ratio (%)	17.15%
ii)	Tier I capital ratio (%)	17.15%
iii)	Tier II capital ratio (%)	8.72%
iv)	Total capital ratio (CRAR) (%)	25.87%
v)	Amount of Equity capital raised	300.05
vi)	Amount of Additional Tier I capital raised	-
vii)	Amount of Tier II capital raised	150.00



Notes:

- The Bank has followed Basel II standardized approach for credit risk, as mentioned below, in accordance with the operating guidelines for small finance banks as issued by RBI on 6 October 2016. In the absence of defined prudential framework for market risk and operational risk, the Company has followed Basel II approach.
- The Bank has followed Basel II Capital Regulations dated July 1, 2015 and amended thereafter for the purpose of Capital Adequacy Ratio.
- The Bank has not considered the Subordinated debt from SIDBI which is in the nature of term loan as eligible Tier II capital.
- Since it is a first year of operations, for the purpose of computing capital charge for operational risk under the Basic Indicator Approach, Gross Income for the period is extrapolated to 12 month period, in the absence of last three years of average gross income.

18.8.2 Tier II Capital

During the financial period, the Bank has acquired Basel II compliant debt capital instruments, details of which are as follows:

(Amount in ₹ in crore)

Particulars	Nature of Security	Date of Issue	Coupon Rate %	Tenure	Amount
Redeemable Unsecured Non - Convertible	Debenture	12-Jan-2017	12%	Five Years and 6 Months	150.00

18.9 Investments:**18.9.1 Movement of Investments:**

(₹ in crore)

	Particulars	As at 31 March 2017
(1)	Value of Investments	
	(i) Gross Value of Investments	
	(a) In India	729.73
	(b) Outside India	-
	(ii) Provisions for Depreciation	0.50
	(a) In India	0.50
	(b) Outside India	-
	(iii) Net Value of Investments	729.23
	(a) In India	729.23
	(b) Outside India	-
(2)	Movement of provisions held towards depreciation of investments (including provision for NPIs)	
	(i) Opening balance	-
	(ii) Add: Provisions made during the period	0.50
	(iii) Less: Write-off / write back of excess / provisions (including provision for NPIs) during the period	-
	(iv) Closing balance	0.50



18.9.2 Repo / Reverse Repo Transactions:

During the period, the Bank has undertaken neither any Repo / Reverse Repo transactions nor Repo / Reverse Repo transactions under the Liquidity Adjustment Facility (LAF) / Marginal Standing Facility (MSF) with RBI.

18.9.3 Issuer Composition of Non-SLR investments (investments not qualifying for the purpose of Statutory Liquidity Ratio (SLR) prescribed by RBI):

Issuer composition as at 31 March 2017 of non-SLR investments

(₹ in crore)

No	Particulars	Amount	Private Placement	Below Investment Grade	Unrated Securities	Unlisted Securities
1	PSU	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	0.03	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	0.03	-	-	-	-

18.9.4 There are no non performing non-SLR investments as at 31 March 2017.

18.9.5 Security Receipts (SR)

Details of the book value of investments held as Security Receipts received by sale of NPA to Securitization / Reconstruction Company as at 31 March 2017 are as follows-

(₹ in crore)

Particulars	Backed by NPAs sold by the Bank as underlying	Backed by NPAs sold by other banks/ FIs/ NBFCs as underlying	Total
Book value of investments in security receipts	Nil	Nil	Nil

As the Bank do not hold any security receipts, the other disclosures are not provided



18.10 Forward Rate Agreement / Interest Rate Swaps / cross currency swap/ Exchange Traded Interest Rate Derivatives:**18.10.1** Notional and concentration of FRAs and IRS

(₹ in crore)

Particulars	As at 31 March 2017
i) The notional principal of swap agreements	*31.72
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	0.70
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	0.40

* Pertains to Cross currency interest rate swap

18.10.2 The nature and terms of Cross Currency Interest Rate Swaps (CCIRS) – FCY as on 31 March 2017 are set out below –

Nature	Nos.	Notional Principal (₹ in crore)	Benchmark	Terms
USD	1	31.72	USD LIBOR	Fixed payable v/s floating payable

18.10.3 The nature and terms of Interest Rate Swaps (IRS) – INR as on 31 March 2017 are set out below –

Nature	Nos.	Notional Principal (₹ in crore)	Benchmark	Terms
Nil	-	-	-	-

18.10.4 Exchange Traded Interest Rate Derivatives and exchange traded currency derivative

(₹ in crore)

S.No.	Particulars	As at 31 March 2017
1	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives undertaken during the period :	Nil
2	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding as on 31 March 2017.	Nil
3	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding and not “highly effective” as on 31 March 2017	Nil
4	Mark-to-Market value of exchange traded interest rate derivatives and currency derivatives outstanding and not “highly effective” as on 31 March 2017.	Nil



18.10.5 Risk Exposure in Derivatives:

The Bank has not engaged in any derivatives contracts during the period. However, Bank acquired a CCIRS contract pursuant to BTA from Holding Company. The disclosure to the extent applicable is given below.

18.10.6 Quantitative disclosure on risk exposure in derivatives as at 31 March 2017

(₹ in crore)

S. No.	Particular	For the period ended 31 March 2017			
		Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	Nil	Nil	31.72*	Nil
	b) For trading	Nil	Nil	Nil	Nil
(ii)	Marked to Market Positions				
	a) Asset (+)	Nil	Nil	Nil	Nil
	b) Liability (-)	Nil	Nil	0.40	Nil
(iii)	Credit Exposure	Nil	Nil	Nil	Nil
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	Nil	Nil	Nil	Nil
	b) on trading derivatives	Nil	Nil	Nil	Nil
	Maximum and Minimum of 100*PV01 observed during the period				
	a) on hedging	Nil	Nil	Nil	Nil
		Nil	Nil	Nil	Nil
	b) on trading	Nil	Nil	Nil	Nil
		Nil	Nil	Nil	Nil

* Pertains to cross currency interest rate swap

18.11 Restructured / Rescheduled / Renegotiated Investments

During the year there are no such investments.



18.12 Asset Quality

18.12.1 Movement of NPA and NPA Provision

(₹ in crore)

	Particulars	As at 31 March 2017
(i)	Net NPAs to Net Advances (%)	-
(ii)	Provisioning Coverage Ratio (PCR) (%)	-
(iii)	Movement of Gross NPAs	-
	(a) Opening balance	-
	(b) Additions during the period	-
	(c) Reductions during the period	-
	(i) Up – gradations	-
	(ii) Recoveries (excluding recoveries made from up-graded accounts)	-
	(iii) Write – offs	-
	(d) Closing balance	-
(iv)	Movement of Net NPAs	-
	(a) Opening balance	-
	(b) Additions during the period	-
	(c) Reductions during the period	-
	(d) Closing balance	-
(v)	Movement of provisions for NPAs	-
	(excluding provisions on standard assets)	-
	(a) Opening balance	-
	(b) Provisions made during the period	-
	(c) Write-off / write back of excess provisions during the period	-
	(d) Closing balance	-

Technical Write-off:

(₹ in crore)

Particulars	As at 31 March 2017
Opening balance of Technical / Prudential written-off accounts as at 30 April 2016	Nil
Add : Technical / Prudential write-offs during the period	Nil
Sub-total (A)	Nil
Less : Recoveries made from previously technical / prudential written-off accounts during the period (B)	Nil
Closing balance as at March 31 (A-B)	Nil



18.12.2 Particulars of Restructured Accounts:

Details of loan assets subjected to restructuring during the period are given below:
Restructured Advances as at 31 March 2017

(₹ in crore)

Type of restructuring		Under CDR					Under SME					Others					Total
Asset Classification		S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Details																	
Restructure daccounts as on 1 April of the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fresh Restructuring during the period	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in outstanding of Restructured cases	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard during the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provision at the period end and need not be shown as restructured advances at the beginning of the next FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Down gradations	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Type of restructuring		Under CDR					Under SME					Others					Total
Asset Classification		S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Details																	
of restructured accounts during the FY	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts as on 31 March (Closing)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A- No. of borrowers, B- Amt. outstanding, C- Provision thereon

18.12.3 Strategic Debt Restructuring

18.12.3.1 Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

(₹ in crore)						
No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-



18.12.3.2 Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

No. of accounts where banks have decided to effect change in ownership	(₹ in crore)							
	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

18.12.3.3 The Bank has not acquired any equity shares under Strategic Debt Restructuring scheme during the period. The Bank has not done any restructuring of loans during the period and there are no cases where scheme for sustainable structuring of stressed assets (S4A) is implemented.

18.12.4 Details of financial assets sold to Securitization / Reconstruction Company for Asset Reconstruction: (₹ in crore)

	Particulars	As at 31 March 2017
(i)	No. of accounts	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	-
(iii)	Aggregate consideration	-
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	-
(v)	Aggregate loss over net book value	-

18.12.5 Details of non-performing financial assets purchased / sold:

18.12.5.1 Non-performing financial assets purchased:

(₹ in crore)

Particulars	As at 31 March 2017
1 (a) No. of accounts purchased during the period	-
(b) Aggregate Outstanding	-
2 (a) Of these, number of accounts restructured during the period	-
(b) Aggregate Outstanding	-



18.12.5.2 Non-performing financial assets sold:

(₹ in crore)

Particulars	As at 31 March 2017
No. of accounts sold during the period	-
Aggregate Outstanding	-
Consideration Received	-

18.13 The Bank has not done any securitisations during the period ended 31 March 2017.

18.14 Business Ratios:

	Particulars	As at 31 March 2017
(i)	Interest income as % to Working funds ¹	17.09%
(ii)	Non-Interest income as % to Working funds	0.65%
(iii)	Operating profit ² as % to Working funds	2.07%
(iv)	Return on Assets (Working funds)	0.95%
(v)	Business ³ (Deposit plus Advance) per employee ⁴ (₹ in crore)	0.44
(vi)	Profit per employee ⁴ (₹ in crore)*	0.00

1. Working funds represents the monthly average of total assets during the period.

2. Operating profit is net profit for the year before provisions and contingencies.

3. "Business" is the total of net advances and deposits (net of inter-bank deposits).

4. Productivity ratios are based on average employee number.

* Profit per employee is Rs.13,158/-

18.15 Maturity Pattern

Maturity pattern of certain items of assets and liabilities is given below:

(₹ in crore)

Particulars	As at 31 March 2017					
	Loans & Advances (INR)	Investments (INR)	Deposits (INR)	Borrowings (INR)	Foreign currency Assets	Foreign currency Liabilities
1 day	0.01	-	-	-	-	-
2 to 7 days	85.73	0.03	0.64	6.13	-	-
8 to 14 days	26.88	45.31	-	3.45	-	-
15 to 30 Days	54.12	29.89	-	31.53	-	-
31 Days to 2 months	121.94	-	-	40.87	-	-
Over 2 months to 3 months	115.57	49.38	-	65.26	-	-
Over 3 months to 6 months	320.87	213.87	-	183.75	-	-
Over 6 months to 1 year	497.78	66.06	17.62	332.44	-	-
Over 1 year to 3 years	368.30	-	0.46	677.48	-	15.86
Over 3 years to 5 years	1.93	73.68	-	244.20	-	15.86
Over 5 years	0.78	251.00	-	672.00	-	-
Total	1,593.91	729.22	18.72	2,257.11	-	31.72



18.16 Lending to Sensitive Sector

18.16.1 Exposure to Real Estate Sector:

(₹ in crore)

	Particulars	As at 31 March 2017
1)	Direct exposure	
(a)	Residential Mortgages -	6.01
	Out of which Individual housing loans eligible for inclusion in priority sector advances	5.94
(b)	Commercial Real Estate	Nil
(c)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures	
i.	Residential Mortgages	Nil
ii.	Commercial Real Estate	Nil
2)	Indirect Exposure	
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil
	Total Exposure to Real Estate Sector	6.01

18.16.2 Exposure to Capital Market:

(₹ in crore)

	Particulars	As at 31 March 2017
(i)	Direct investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	Nil
(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	Nil
(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	Nil
(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	Nil
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil



	Particulars	As at 31 March 2017
(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	Nil
(vii)	Bridge loans to companies against expected equity flows/issues	Nil
(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;	Nil
(ix)	Financing to stockbrokers for margin trading	Nil
(x)	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	Nil
	Total Exposure to Capital Market	Nil

18.16.3 Risk Category wise Country Exposure:

The Bank's exposures are concentrated in India, hence country risk exposure as at March 31, 2017 is Rs. 1,593.91 crores.

18.17 Details of Single / Group Borrower limit exceeded by the Bank

During the current period, the Bank has complied with the applicable RBI guidelines with regard to exposure to a single borrower and a group of the borrower.

18.18 Amount of Provisions made for Income-tax during the period:

	Particulars	(₹ in crore) For the period ended 31 March 2017
i)	Provision for Income tax	3.96
ii)	Provision for Deferred tax	(2.27)

18.19 Unsecured Advances against Intangible Collaterals:

Particulars	(₹ in crore) As at 31 March 2017
Total Advances against intangible securities such as charge over the rights, licenses, authority etc.	-
Estimated Value of intangible collateral such as charge over the rights, licenses, authority etc.	-

18.20 Penalties imposed by RBI

During the current period ended 31 March 2017, no penalty was imposed by RBI on the Bank.



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

(₹ in crore)

	Particulars	For the period ended 31 March 2017
i)	Fee / Remuneration from Life Insurance Business	-
ii)	Fee / Remuneration from General Insurance Business	-

18.22 Break up of Provisions and Contingencies debited to Profit & Loss Account

(₹ in crore)

	Particulars	For the period ended 31 March 2017
i)	Provisions towards Standard Advances	3.99
ii)	Provision for depreciation on investments	0.50
iii)	Provisions towards Income tax	3.96
iv)	Provision towards deferred tax (net)	(2.27)
	Total	6.18

18.23 Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the period ended 31 March 2017.

18.24 Floating Provisions

During the period the Bank has not made any floating provisions.

18.25 Investor Education and Protection Fund

There are no amounts which are due to be transferred to the Investor Education and Protection Fund during the period ended 31 March 2017.

18.26 Concentration of Deposits, Advances, Exposures and NPAs**18.26.1 Concentration of Deposits**

(₹ in crore)

Particulars	As at 31 March 2017
Total Deposits of twenty largest depositors	18.71
Percentage of Deposits of twenty largest depositors to Total Deposits	99.95%

18.26.2 Concentration of Advances

(₹ in crore)

Particulars	As at 31 March 2017
Total Advances to twenty largest borrowers	1.57
Percentage of Advances to twenty largest borrowers to Total Advances	0.10%



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the period ended 31 March 2017

18.26.3 Concentration of Exposures

(₹ in crore)

Particulars	As at 31 March 2017
Total Exposure to twenty largest borrowers / customers	1.59
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	0.10%

18.26.4 Concentration of NPA's

(₹ in crore)

Particulars	As at 31 March 2017
Total Exposure to top four NPA Accounts (Gross)	Nil

18.27 Sector Wise Advances:

(₹ in crore)				
Sl. No.	Sector	As at 31 March 2017		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector			
1	Agriculture and allied activities	860.74	-	-
2	Advances to industries sector eligible as priority sector lending	522.09	-	-
3	Services	211.01	-	-
4	Personal loans	-	-	-
	Sub-total (A)	1,593.84	-	-
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	-
2	Industry	-	-	-
3	Services	0.07	-	-
4	Personal loans	-	-	-
	Sub-total (B)	-	-	-
	Total (A+B)	1,593.91	-	-

18.28 Details of Priority Sector Lending Certificates (PSLC)

The Bank has not bought or sold any priority sector lending certificates during the period.



18.29 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	As at 31 March 2017
Total Assets	Nil
Total NPAs	Nil
Total Revenue	Nil

18.30 Off- Balance Sheet SPVs sponsored

There are no off balance sheet SPVs sponsored by the Bank, which needs to consolidated as per accounting norms.

18.31 Disclosures relating to Securitization

(Amount ₹ in crore / No.)

Particulars	Number / Amount in Rupees
	As at 31 March 2017
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation / bilateral transactions	2
2. Total amount of securitised assets as per books of the SPVs/assignees sponsored by the Company#	27.47
3. Total amount of exposures retained by the Company 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#	6.98
* Others	-
4. Amount of exposures to securitisation transactions other than MRR	-
a) Off-balance sheet exposures	-
i) Exposure to own securitizations	-
* First loss	-
* loss	-
ii) Exposure to third party securitizations	-
* First loss	-
* Others	-
b) On-balance sheet exposures	-
i) Exposure to own securitizations	-
* First loss	-
* Others	-
ii) Exposure to third party securitizations	-
* First loss	-
* Others	-



the above information has been prepared based on the confirmations received from SPVs
The above securitized portfolio originated by the Holding Company has been acquired by Bank pursuant to BTA.

18.32 Disclosure on Remuneration

Qualitative Disclosure

A. Information relating to the bodies that oversee remuneration

a) Name, composition and mandate of the main body overseeing remuneration

The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. As on March 31, 2017, the NRC comprise of three members who are Independent Directors.

Following are the functions of Nomination and Remuneration Committee:

- Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon.
- Evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.
- Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
- Advise criteria for evaluation of Independent Directors and the Board and carry out evaluation of every directors' performance.
- Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
- Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
- Review and recommend to the Board for approval the appointment of Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the Company (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 Company including the Managing Director & CEO, other whole time Directors and senior managers one level below the Board.
- Review and recommend to the Board for approval the total increase in manpower cost budget of the Company as a whole, at an aggregate level, for the next year.
- Recommend to the Board the compensation payable to the Chairman of the Company.
- Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Company, as well as any fundamental changes in organization structure which could have wide ranging or high risk implications.
- Review and recommend to the Board for approval the talent management and succession policy and process in the Company for ensuring business continuity, especially at the level of MD & CEO, the other Whole Time Directors, senior managers one level below the Board and other key roles and their progression to the Board.
- Review and recommend to the Board for approval:
 - the creation of new positions one level below MD & CEO
 - appointments, promotions and exits of senior managers one level below the MD & CEO



- Set the goals, objectives and performance benchmarks for the Company and for MD & CEO, the other Whole Time Directors for the financial year and over the medium to long term.
- Review the performance of the MD & CEO and other Whole Time Directors at the end of each year.
- Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, Reserve Company of India or by any other regulatory or statutory body.

b) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process

The Bank did not take advice from an external consultant on any area of remuneration during the year ended March 31, 2017.

c) Scope of the Bank's remuneration policy (eg. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

The Human Resources Policy of the Bank, approved by the Board on 09 January 2017, pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further the NRC has approved the remuneration structure of Managing Director and CEO.

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 at March 31, 2017 was 3,850.

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 Board and the NRC, 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. Also, 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 firm's remuneration policy during the past year, and if so, an overview of any changes that were made: The Board/NRC has been appraised of the Bank's remuneration practices and will review periodically.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their performance and is not linked to any business outcomes.



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

Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance of the Bank and senior management, shall consider adherence to the policies and accordingly make its recommendations to the Board.

Overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure: The evaluation process shall incorporate both qualitative and quantitative aspects including asset quality, provisioning, increase in stable funding sources, refinement/improvement of the risk management framework, effective management of stakeholder relationships and mentoring key members of the top and senior management.

Discussion of the ways in which these measures affect remuneration: In order to ensure alignment of remuneration with prudent practices, the NRC takes into account adherence to the risk framework in addition to business performance.

Discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration: Not applicable

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

Overview of main performance metrics for the Bank, top level business lines and individuals: The main performance metrics include profitability, business growth, asset quality, compliance, and customer service.

Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance: The assessment of employees shall be based on their performance with respect to their result areas and shall include the metrics mentioned above.

Discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the Bank's criteria for determining 'weak' performance metrics: In case such an event should occur, the Board/NRC shall review and provide overall guidance on the corrective measures to be taken.

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

Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance: The Bank do not have any component of variable portion which can be deferred.

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: Not Applicable.



F. Description of the different forms of variable remuneration that the Bank utilizes and the rationale for using these different forms.

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 and monthly incentives.

Quantitative Disclosure-

(The quantitative disclosure covers MD & CEO and employees in the grade of Vice President and above
(₹ in crore, except numbers)

Sr. No.	Particulars	For the period ended 31 March 2017
1(i)	Number of meetings held by the Remuneration Committee during the financial period.	2
1(ii)	Remuneration paid to its members during the financial period (sitting fees)	0.10
2(i)	Number of employees having received a variable remuneration award during the financial period.	11
2(ii)	Number and total amount of sign-on awards made during the financial period.	Nil
2(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil
2(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil
3(ii)	Total amount of deferred remuneration paid out in the period.	Nil
4	Breakdown of amount of remuneration awards for the period: 2017 Fixed Variable Deferred Non-deferred	Fixed CTC : 1.46 Variable :0.50
5(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil
5(ii)	Total amount of reductions during the period due to ex- post explicit adjustments.	Nil
5(iii)	Total amount of reductions during the period due to ex- post implicit adjustments	Nil



18.33 Contingent Liabilities

Description of nature of contingent liabilities is set out below:

i) **Liability on account of cross currency interest rate swaps:**

Cross Currency interest rate swaps are commitments to exchange cash flows by the way of interest/principal in one currency against another, based on pre-determined rates and commitments to exchange fixed and floating interest rate cash flows. The amount recorded as contingent liability with respect to these contracts represents the underlying notional amounts of these contracts.

ii) **The Bank is contingently liable to certain SPV with respect to securitization of loans and advances to the extent of cash collateral deposits and credit enhancements.**

Refer Schedule 12 for amounts relating to contingent liabilities.

18.34 Bank has not issued any letters of comfort during the period.

18.35 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.



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the period ended 31 March 2017

Quantitative Disclosures

(₹ in crore)

		As at 31 March 2017	
		Total Unweighted Value (average)*	Total Weighted Value (average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		397.15
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	1.04	0.09
(i)	Stable Deposits	0.24	0.01
(ii)	Less Stable Deposits	0.80	0.08
3	Unsecured wholesale funding, of which:	24.53	8.61
(i)	Operational deposits (all counterparties)	17.69	1.77
(ii)	Non-operational deposits (all counterparties)	0.00	0.00
(iii)	Unsecured debt	6.84	6.84
4	Secured wholesale funding		44.81
5	Additional requirements, of which	0.00	0.00
(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	0.31	0.02
7	Other contingent funding obligations	-	-
8	TOTAL CASH OUTFLOWS		53.53
Cash Inflows			
9	Secured lending (e.g. reverse repos)	-	-
10	Inflows from fully performing exposures	166.74	83.37
11	Other cash inflows	0.00	0.00
12	TOTAL CASH INFLOWS	166.74	83.37
13	TOTAL HQLA		397.15
14	Total Net Cash Outflows		13.38
15	Liquidity Coverage Ratio (%)		2967.91%

*The weighted value and unweighted value are based on the balances as at 31 March 2017.

Reasons for high Liquidity Coverage Ratio

1. Excess liquidity arising from investment into level 1 securities - Central and State Government securities.
2. Lower cash outflow arising due to positive mismatch in the ALM i.e, the average tenor for the advances is 21 months and the average tenor with respect to borrowings from banks, NBFCs, financial Institutions and other agencies is 33 months. (Refer note no. 18.15 with respect to ALM)



18.36 Intra-Group Exposures

(₹ in crore)

Particulars	As at 31 March 2017
Total amount of intra-group exposures	Nil
Total amount of top-20 intra-group exposures	Nil
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	Nil

18.37 Details of provisioning pertaining to fraud accounts

The following table sets forth for the period ended 31 March 2017, the details of provisioning pertaining to fraud accounts.

(₹ in crore)

Particulars	As at 31 March 2017
Number of frauds reported	7
Amount involved in frauds*	0.00
Provision made	0.00
Unamortised provision debited from 'other reserves'	0.00

*Rs.35,114/-

The Bank has recovered the amount involved in frauds.

18.38 Transfers to Depositor Education and Awareness Fund (DEAF)

Below mentioned are the details of funds transferred to Depositor Education and Awareness Fund during the period ended 31 March 2017.

(₹ in crore)

	For the period ended 31 March 2017
Opening balance of amounts transferred to DEAF	-
Add: Amounts transferred to DEAF during the period	-
Less: Amounts reimbursed by DEAF towards claims	-
Closing balance of amounts transferred to DEAF	-

18.39 The disclosure required on holdings as well as dealings in Specified Bank Notes (SBN) during the period from November 8, 2016 to December 30, 2016 as envisaged in notification GSR 308(E) dated March 30, 2017 issued by the Ministry of Corporate Affairs (MCA), is not applicable to the Bank.

18.40 Credit Default Swap

The Bank has not entered into Credit Default Swap during the period.

18.41 Unhedged Foreign Currency Exposure (UFCE) of Bank's Customer

The borrowers of the Bank does not have any Unhedged Foreign Currency Exposure as at 31 March 2017. The above Information is as certified by the Management and relied upon by the auditors.



Utkarsh Small Finance Bank Limited**Schedules forming part of the financial statements for the period ended 31 March 2017**

18.42 The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of accounts.

18.43 Business transfer

The Holding Company executed a Business Transfer Agreement (BTA) with the Bank to transfer its micro finance operation effective 21 January 2017 as to comply with one of the condition attached to the Small Finance Bank License provided by RBI. Pursuant to BTA, all the assets and liabilities (except certain statutory assets, vehicle and statutory liabilities) of the Holding Company transferred to the Bank at book value and net consideration of Rs. 68.51 crores was satisfied in cash by SFB. The summary of assets and liabilities acquired is as follows:

(₹ in crore)	
Particulars	Amount
Assets	
Fixed Asset (net block)	6.94
Capital work in progress	3.88
Investments	394.28
Cash and bank balances	132.84
Loan portfolio	1,596.79
Other loans and advances	50.36
Other assets	26.16
Total asset taken over	2,211.25
Liabilities	
Secured loans	2,074.44
Other liabilities	68.30
Total liabilities taken over	2,142.74
Net assets taken over	68.51

Pursuant to BTA, all the employees of the Holding Company (except certain employees) transferred to SFB on the same employment terms and rights granted under employee stock option scheme of the Holding Company are continued in SFB.

18.44 This being the year of incorporation of the Bank, it is not required to spend the prescribed amount as required by Section 135 of the Companies Act, 2013.

18.45 The Bank does not have any pending litigations as at 31 March 2017.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the period ended 31 March 2017

18.46 This being the year of incorporation of the Bank, the financial statements have been prepared for the first time and accordingly no comparative information has been furnished.

for B S R & Associates LLP

Chartered Accountants

ICAI Firm Registration No. 116231W/W-100024 CIN: U65992UP2016PLC082804



Sriram Mahalingam

Partner

Membership No: 049642

for and on behalf of Board of Directors

Utkarsh Small Finance Bank Limited



Govind Singh

Managing Director and CEO

DIN: 02470880



Kajal Ghose

Director

DIN: 07702190



Abhisheka Kumar

Chief Financial Officer



Anang Kumar Shandilya

Company Secretary

Place: Mumbai

Date: 29 May 2017

Place: Mumbai

Date: 29 May 2017

