

Key Audit Matters

Information Technology (IT) Controls Framework

The Bank has a complex IT architecture to support its day-to-day business operations. The volume of transactions processed and recorded is huge. Moreover, a transaction may be required to be recorded across multiple applications depending upon the process and each application has different rules and a different set of user access and authority matrix. These applications are interlinked using different technologies so that data transfer happens in real time or at a particular time of the day, in batches or at a transaction level and in an automated manner or manually. The Core Banking Solution (CBS) itself has many interfaces. All these data streams directly affect the financial accounting and reporting process of the Bank.

The Bank has a process for identifying the applications where these controls are embedded. It also has a process to ensure that systems, processes and controls remain relevant. The Bank's IT control framework includes automated, semi-automated and manual controls designed to address identified risks. IT controls are stated in, Entity Level Controls (ELC), IT General Controls (ITGC) and IT Application Controls (ITAC).

We have identified IT Controls Framework as a Key Audit Matter as the Bank's business is highly dependent on information technology, the IT environment is complex and the design and operating effectiveness of IT controls have a direct impact on a financial reporting process. Review of these controls allows us to provide assurance on the integrity and completeness of data processed through various IT applications which are used for the preparation of financial reports.

How our audit addressed the key audit matter

IT audit specialists are an integral part of our engagement team. Our approach of testing IT General Controls (ITGC) and IT Application Controls (ITAC) is risk based and business centric.

As a part of our IT controls testing, we have tested ITGC as well as ITAC. The focus of testing of ITGCs was based on the parameters such as Completeness, Validity, Identification/Authentication and Authorization, Accuracy, Integrity and Accountability. On the other hand, focus of testing automated controls from applications was whether the controls prevent or detect unauthorized transactions and support financial objectives including completeness, accuracy, authorization and validity of transactions.

We gathered a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people process and technology.

In ITGC testing, we reviewed control areas such as User Management, Change Management, Systems Security, Incident Management, Physical & Environmental Security, Backup and Restoration, Business Continuity and Disaster Recovery, Service Level Agreement.

For ITAC, we carried out on sample basis, compliance tests of system functionality in order to assess the accuracy of system calculations. We also carried out procedures such as validations and limit checks on data entered into applications, approvals, process dependencies and restriction on time period in which transactions may be recorded.

We tested the control environment using various techniques such as inquiry, review of documents/record/reports, observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our tests.

Wherever deviations were noted either the same were explained to our satisfaction or we tested compensating controls and performed alternate procedures, where necessary, to draw comfort.



Classification and Provisioning for Advances (Refer accounting policies under note 17.4 (B) of Schedule 17 and Schedule 9 and note 18.4.1, 18.4.2, 18.23, 18.25, 18.47 and 18.49 of schedule 18 to the financial statements)

The Bank's portfolio of loans and advances primarily (84.35%) consists of exposure to Micro finance lending. Balance of such loans and advances at March 31, 2021 (Net of Provisions) was Rs. 8,216.86 crores

In accordance with the Reserve Bank of India (the "RBI"), Income Recognition, Asset Classification and Provisioning Norms (IRAC norms), guidelines on COVID-19 related Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020 (together 'Regulatory Package'), Circulars on Resolution Framework for COVID-19 related stress and restructuring of advances dated August 06, 2020 (together 'Resolution Framework') and other circulars, notifications and directives issued by the RBI (from time to time), the Bank classifies its advances to performing and non-performing categories which consists of Standard and Sub-standard, Doubtful and Loss (non-performing) and also recognizes appropriate provisions

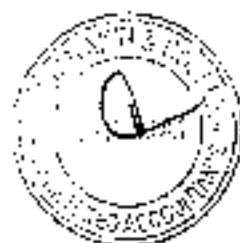
The Bank, as per its governance framework, recognizes provisions towards performing and non-performing advances basis Management's assessment of borrower's credit profile subject to and guided by minimum provisioning levels prescribed under the RBI guidelines

Classification of advances to performing and non-performing categories requires consideration of the quantitative and qualitative factors including the potential impact COVID-19 across a wide range of borrowers, products, industries and geographies and there is a high degree of complexity and judgement involved in estimating recoverability of advances and estimation of provisions thereon.

We have identified classification and provisioning of advances as key audit matter in the view of significant judgement and estimates involved in the process as well as requirement to comply with the norms laid down by the RBI guidelines.

Our audit procedures included, but were not limited to the following:

1. Tested on sample basis effectiveness of Bank's control over new lending, annual review/renewal of credits and controls over the monitoring of credit quality followed by collection and recoveries.
2. Evaluated the existences and operative effectiveness of controls over classification of loans under standard, sub-standard, doubtful and loss categories with reference to their days-past-due (DPD) status (including consideration of the Regulatory Package and Resolution framework) and provisioning of advances.
3. Carried out inquiries of management to ascertain whether observations raised by the RBI during their annual inspections have been complied with
4. Reviewed Bank's policy including SOPs with respect to implementation of Regulatory package and Resolution framework (guidelines) and tested sample to ascertain effectiveness of implementation of these guidelines by the Bank.
5. Observed if higher provisioning in case of some advances covered under Resolution Framework and non performing advances are as per the Board approved and other internal policies of the Bank.
6. Re-performed, for a sample of retail and wholesale portfolios, the calculation of provisions to determine the accuracy of the same.
7. Tested on sample basis the level of provisions held against different loan products based on the delinquency profile and assumptions made in respect of expected recoveries, primarily from collateral held.
8. With respect to provisions held as at March 31, 2021 against potential impact of COVID-19 pandemic, we broadly reviewed the



	underlying assumptions and estimates used by the management in arriving at the provision amount. However, since the full impact of COVID-19 is still dependent on future developments, which are highly uncertain, we primarily relied on those assumptions and estimates. These assumptions and estimates are a subject matter of periodic review by the Bank. Disclosure We assessed the appropriateness and adequacy of disclosures against the relevant RBI requirements relating to NPAs including the additional disclosures required to be made in accordance with the Regulatory Package and Resolution Framework.
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Other Information

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' Report and Management Discussion and Analysis and other elements forming part of the Annual Report but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this report.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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



HANDEHANTI S. CO. LLP

Chartered Accountants

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

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

Report on Other Legal and Regulatory Requirements

(1) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act read with relevant rules issued thereunder.

(2) As required under Section 143(3) of the Act and Section 30(3) of the Banking Regulation Act, 1949, we report that:

- a. We have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- b. In our opinion, transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
- c. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches, we have visited 6 branches for the purpose of our audit.

- d. 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;
- e. In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act read with relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- f. On the basis of the written representations received from the directors as on March 31, 2021, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of section 164(2) of the Act;
- g. With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure";



ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2(h) under 'Report on Other Legal and Regulatory Requirements' section in our Independent Auditor's Report of even date to the members of Utkarsh Small Finance Bank Limited on the financial statements for the year ended March 31, 2021]

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

We have audited the internal financial controls with reference to financial statements of Utkarsh Small Finance Bank Limited ("the Bank") as of March 31, 2021 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

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

Meaning of Internal Financial Controls with reference to Financial Statements

A Bank's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of



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

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

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

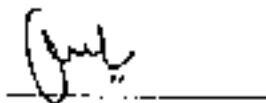
Opinion

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal controls stated in the Guidance Note issued by the ICAI

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523WW100048



Purushottam Nyati

Partner

Membership No. 118970

UDIN: 21118970AAAADB1587



Place: Mumbai

Date: April 25, 2021

Utkarsh Small Finance Bank Limited
Balance Sheet as at 31 March 2021

(₹ in '000s)

	Schedule	As at 31 March 2021	As at 31 March 2020
CAPITAL and LIABILITIES			
Capital	1	84,83,339	75,92,722
Reserves and Surplus	2	52,00,187	26,02,269
Deposits	3	7,50,75,681	5,23,52,125
Borrowings	4	2,60,78,252	2,67,50,368
Other Liabilities and Provisions	5	65,41,664	47,45,677
Total		12,13,79,123	9,40,43,161
ASSETS			
Cash and balances with Reserve Bank of India	6	27,49,383	19,16,581
Balances with banks and money at call and short notice	7	89,48,777	1,42,23,945
Investments	8	2,31,39,356	1,19,22,882
Advances	9	8,21,68,575	6,28,15,960
Fixed Assets	10	18,11,712	13,14,181
Other Assets	11	25,61,320	18,48,612
Total		12,13,79,123	9,40,43,161
Contingent Liabilities	12	6,20,727	1,99,445
Bills for Collection		-	-
Significant accounting policies	17		
Notes to the financial statements	18		

Schedules referred to above form an integral part of the Financial statements. The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached
for Haribhakti & Co. LLP
Chartered Accountants
ICAI Fina Registration No. 103523W/W100948


Purushottam Nyati
Partner
Membership No. 118970



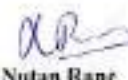
for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U63992UP2016PLC082804


Kajal Ghose
Director
DIN : 07702190


P. H. Ravikumar
Director
DIN : 00280010


Govind Singh
Managing Director & CEO
DIN : 02470880


Mukund Barsagade
Chief Financial Officer
FCA 048560


Nutan Rane
Company Secretary
ACS 20260



Place : Mumbai
Date : 25 April 2021

Place : Mumbai / *Gurugram
Date : 25 April 2021

Utkarsh Small Finance Bank Limited
Profit and Loss Account for the year ended 31 March 2021

(₹ in '000s)

	Schedule	For the year ended 31 March 2021	For the year ended 31 March 2020
I INCOME			
Interest Earned	13	1,58,09,873	1,30,76,867
Other Income	14	14,41,501	9,85,553
Total		1,72,51,374	1,40,62,420
II EXPENDITURE			
Interest Expended	15	74,17,407	57,94,626
Operating Expenses	16	54,50,372	47,64,841
Provisions and Contingencies	18.22	32,65,244	16,35,526
Total		1,61,33,223	1,21,94,993
III PROFIT			
Net Profit for the year		11,18,151	18,67,427
Balance in Profit and Loss account brought forward from previous year		14,54,825	97,085
Total		25,72,976	19,64,512
IV APPROPRIATIONS			
Transfer to Statutory Reserve		2,79,538	4,66,857
Transfer to Investment Fluctuation Reserve		1,36,658	39,242
Transfer to Capital Reserve		84,297	3,588
Balance carried over to Balance Sheet		20,72,483	14,54,825
Total		25,72,976	19,64,512
V EARNINGS PER EQUITY SHARE	18.9		
Basic EPS (₹)		1.46	2.49
Diluted EPS (₹)		1.46	2.49
Face Value per share (₹)		10	10
Significant accounting policies	17		
Notes to the financial statements	18		

Schedules referred to above form an integral part of the Financial statements. The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached
for Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No. 103523WZM00047

Parashottam Nyati
Partner
Membership No. 118970



for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992RJ2016PLC082804

Kajal Ghose
Director
DIN: 07702190

P. H. Ravikumar
Director
DIN: 00280010

Govind Singh
Managing Director & CEO
DIN: 02470880

Makind Barsagade
Chief Financial Officer
FCA 048560

Nutan Rane
Company Secretary
ACS 20260



Place: Mumbai
Date: 25 April 2021

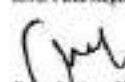
Place: Mumbai / *Gurugram
Date: 25 April 2021

(Rs. in 100s)

S.No	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
I	Cash flow from operating activities		
	Profit before taxes	15,14,266	29,04,130
	Adjustments for:-		
	Depreciation on fixed assets	2,93,770	3,34,078
	Depreciation on investments, net	1,93,011	616
	Amortization of premium on held to maturity investments	1,05,638	74,604
	Profit on sale & Redemption of HTM portfolio	(1,50,264)	(6,886)
	Unrealised loss on external commercial borrowings	(18,475)	9,121
	Write-off of non performing advances	3,32,368	5,59,577
	Provision for standard advances and other contingencies	6,01,561	7,70,617
	Provision for non performing advances (net of reversal)	(7,14,530)	(3,00,837)
	Loss on sale of fixed assets (Net)	211	190
	Other provisions and write off	24,080	38,657
	(i)	46,32,788	38,72,817
	Adjustments for:-		
	(Increase) in investments	(68,32,882)	(6,04,574)
	(Increase) in advances	(7,14,19,513)	(1,63,95,048)
	Increase in deposits	2,27,22,536	1,44,28,257
	Decrease/(increase) in other assets	4,30,787	(8,29,920)
	Increase in other liabilities and provisions	5,93,643	15,59,034
	(ii)	(45,04,409)	(18,20,254)
	Payment of direct taxes	(9,63,608)	(8,90,497)
	(iii)		
	Net cash flow (used in) / generated from operating activities (A)	(8,34,639)	11,52,095
II	Cash flow from/used in investing activities		
	Addition to Premises		-
	Purchase of fixed assets including capital work in progress	(7,92,485)	(4,55,907)
	Proceeds from sale of fixed assets	173	340
	Purchase of held to maturity securities	(43,30,968)	(27,65,661)
	Net cash flow (used in) investing activities (B)	(51,23,480)	(32,21,428)
III	Cash flow from/used in Financing Activities		
	Proceeds from issue of share capital (net of share issue expenses)	11,70,384	6,00,000
	Net Proceeds / (repayments) from borrowings	(6,52,641)	1,24,43,364
	Net cash flow generated from financing activities (C)	17,16,743	1,30,43,364
IV	Net (decrease)/increase in cash and cash equivalents (A) + (B) + (C)	(44,42,296)	1,06,74,305
V	Cash and cash equivalents at the beginning of the period	1,61,40,536	51,66,321
VI	Cash and cash equivalents at the end of the period	1,16,98,160	1,61,40,536
	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)	27,49,363	39,16,881
(ii)	Balances with Banks in Current Accounts (Refer Schedule 7)	6,48,777	1,73,945
(iii)	Money at Call and Short Notice (Refer Schedule 7)	83,00,060	1,40,50,000
	Cash and cash equivalents at the end of the year	1,16,98,160	1,61,40,536

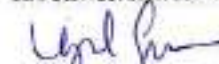
The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 - Cash Flow Statements specified under Section 132 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

As per our report of even date attached
for Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No. 103523W/000000


Pankaj Kumar Niyal
Partner
Membership No. 118970

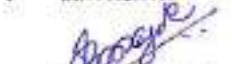


for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65990UP2616PLC087804


Kajal Choudhary
Director
DIN : 07702190


P. H. Ravikumar
Director
DIN : 90280010


Gavind Singh
Managing Director & CEO
DIN : 02470880


Mahesh Barnagade
Chief Financial Officer
FCA 048560


Nutan Rane
Company Secretary
ACS 20280



Place : Mumbai
Date : 25 April 2021

Place : Mumbai / *Gurgaon
Date : 25 April 2021

Uttam Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2021

Schedule 1 - Capital

	As at 31 March 2021	As at 31 March 2020
Authorized Capital		
1,00,00,000 Equity shares of ₹ 10/- each	1,00,00,000	1,00,00,000
(31 March 2020: 1,00,00,000 Equity shares of ₹ 10/- each)		
100,00,000 Preference shares of ₹ 10/- each	20,00,000	-
(31 March 2020: Nil)		
Issued, subscribed and fully paid-up capital		
848,333,885 Equity shares of ₹ 10/- each	84,83,339	75,92,722
(31 March 2020: 799,272,222 Equity shares of ₹ 10/- each)		
TOTAL	84,83,339	75,92,722

Schedule 2 - Reserves and Surplus

	As at 31 March 2021	As at 31 March 2020
I. Statutory Reserve		
Opening balance	7,12,664	1,46,817
Addition during the year	2,79,534	1,46,817
Deduction during the year	-	-
Total	9,92,201	1,46,817
2. Investment Fluctuation Reserve		
Opening balance	52,414	13,571
Addition during the year	1,36,658	29,242
Deduction during the year	-	-
Total	1,89,072	52,813
3. Share Premium		
Opening balance	3,71,778	-
Addition during the year	15,13,049	5,73,778
Deduction during the year	10,281	-
Total	18,57,549	6,31,778
4. Capital Reserve #		
Opening balance	3,388	-
Addition during the year	8,1,747	1,388
Deduction during the year	-	-
Total	85,135	1,388
5. Balance in Profit and Loss Account	20,72,483	14,54,821
TOTAL (1+2+3+4+5)	22,98,187	26,87,209

Amount transferred to capital reserve represents gain on sale of HTM investments

Schedule 3 - Deposits

	As at 31 March 2021	As at 31 March 2020
A. 1. Demand Deposits		
o From banks	60,164	78,254
o From others	19,37,561	11,13,325
Total	19,97,725	11,91,579
2. Savings Bank Deposits	1,16,72,199	58,75,821
B. 3. Term Deposits		
o From banks	1,22,61,621	1,83,99,204
o From others	1,95,44,136	2,68,95,277
Total	4,18,05,757	4,52,94,481
TOTAL (1 to 3)	7,50,75,681	6,23,61,881
II. 4. Deposits of branches in India	7,50,75,681	6,23,61,881
5. Deposits of branches outside India	-	-
TOTAL	7,50,75,681	6,23,61,881



Schedule 4 – Borrowings

	As at 31 March 2021	As at 31 March 2020
1. Borrowings in India		
(i) Reserve Bank of India	8,70,000	9,80,000
(ii) Other banks	1,00,000	10,80,000
(iii) Other institutions and agencies *		
a) Government of India	-	-
b) Financial institutions	2,10,10,000	2,25,15,000
(iv) Capital instruments		
a) Borrowing in the form of bonds and debentures (subordinated debt included in Tier 2 capital)	21,50,000	4,90,000
b) Other borrowings**	1,40,000	1,40,000
Total borrowings in India	3,42,80,000	3,50,65,000
2. Borrowings outside India #		
(i) Capital instruments		
a) Unsecured nonconvertible debentures/bonds (subordinated debt included in Tier 2 capital)	15,00,000	15,00,000
b) Debentures	-	-
c) Other borrowings	91,388	1,84,322
Total borrowings outside India	15,91,388	16,84,322
TOTAL (1 + 2)	3,58,71,388	3,67,49,322
Secured borrowings included in 1 and 2 above	9,81,388	11,13,000

* Borrowing from other institutions and agencies include subordinated debt of NIL (31 March 2020: "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 Debentures.

** Represents payable under lease obligation.

Schedule 5 – Other Liabilities and Provisions

	As at 31 March 2021	As at 31 March 2020
1. Bills payable	2,87,486	85,592
2. Inter office adjustments (net)	-	-
3. Interest accrued	28,81,990	23,29,727
4. Provision against doubtful assets	2,82,039	4,00,671
5. Others (including provision)	28,88,807	20,19,087
TOTAL (1 to 5)	39,41,662	47,85,677

Schedule 6 – Cash and balances with Reserve Bank of India

	As at 31 March 2021	As at 31 March 2020
1. Cash in hand	6,27,425	6,12,741
2. Balances with Reserve Bank of India		
(i) In current accounts	21,21,838	15,81,848
(ii) In other accounts	-	-
TOTAL (1 + 2)	27,49,263	21,94,589



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2021 (continued)

Schedule 1 - Balance with banks and money at call and short notice

	As at 31 March 2021	As at 31 March 2020
1. In India		
(i) Balances with banks		
a) In current accounts	6,39,594	1,38,122
b) In other deposits accounts	28,373	12,823
(ii) Money at call and short notice		
a) With banks	53,80,000	1,40,30,000
b) With other institutions	-	-
Total (1-ii)	60,48,777	1,42,33,945
2. Outside India		
In current accounts	-	-
In other deposits accounts	-	-
Money at call and short notice	-	-
Total	-	-
TOTAL (1 + 2)	60,48,777	1,42,33,945

Schedule 2 - Investments

	As at 31 March 2021	As at 31 March 2020
1. Investments in India (net of provisions)		
(i) Government securities *	2,14,87,347	3,19,23,882
(ii) Other approved securities	-	-
(iii) Shares	-	-
(iv) Debentures and bonds	11,68,299	-
(v) Subordinated / joint ventures	-	-
(vi) Others (portfolio of deposits and mutual funds)	4,81,710	-
Total	2,31,39,356	3,19,23,882
2. Investments Outside India (net of provisions)		
(i) Government securities	-	-
(ii) Subordinated / joint ventures	-	-
(iii) Others (portfolio of deposits and bonds)	-	-
Total	-	-
TOTAL (1 + 2)	2,31,39,356	3,19,23,882
A. Investments		
(i) Gross value of investments		
a) In India	2,33,32,982	3,19,24,098
b) Outside India	-	-
	2,33,32,982	3,19,24,098
(ii) Provision for depreciation		
a) In India	1,91,626	616
b) Outside India	-	-
	1,91,626	616
(iii) Net value of investments		
a) In India	2,31,39,356	3,19,23,882
b) Outside India	-	-
	2,31,39,356	3,19,23,882

* Include securities of ₹17.86 crore (31 March 2020: ₹10.41 crore) pledged for clearing facilities and margin requirements



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2021 (continued)

Schedule 9 – Advances (net of provisions)

	As at 31 March 2021	As at 31 March 2020
A. i) Bills purchased and discounted ii) Cash credits, overdrafts and loans repayable on demand iii) Term loans	- 6,08,220 8,15,00,255	- 1,91,395 8,20,14,657
Total	8,21,08,575	8,20,14,660
B. i) Secured by tangible assets (includes advances against fixed deposits and bank deposits) ii) Covered by Bank/Government guarantees iii) Unsecured	1,13,33,939 1,312 718,11,124	52,36,497 - 5,35,74,555
Total	8,21,08,575	8,20,14,660
C.1 Advances in India i) Priority sector* ii) Public sector iii) Banks iv) Others	7,03,92,070 - - 1,17,76,505	5,22,89,462 - 24,072 54,07,426
Total	8,21,08,575	6,28,15,960
C.2 Advances Outside India i) Due from banks ii) Due from others a) Bills purchased and discounted b) Syndicated loans c) Others	- - - - -	- - - - -
Total	-	-
TOTAL (C.1 + C.2)	8,21,08,575	6,28,15,960

Schedule 10 – Fixed Assets

	As at 31 March 2021	As at 31 March 2020
1. Premises i) As at 31st March of the preceding year ii) Additions during the year iii) Deductions during the year iv) Accumulated depreciation to date	1,21,202 - - -	1,21,202 - - -
Total	1,21,202	1,21,202
2. Other Fixed Assets (including furniture and fixtures) i) As at 31st March of the preceding year ii) Additions during the year iii) Deductions during the year iv) Accumulated depreciation to date	12,27,171 4,10,601 1,047 7,64,102	9,17,914 4,54,734 44,336 5,92,565
Total	13,48,373	13,74,905
3. Leased Assets i) As at 31st March of the preceding year ii) Additions during the year iii) Deductions during the year iv) Accumulated depreciation to date	2,25,994 11,074 - 1,19,022	2,08,977 18,000 - 85,863
Total	2,37,068	2,26,980
4. Capital Work in Progress	5,54,855	2,18,952
TOTAL (1 + 2 + 3 + 4)	18,41,712	16,41,139



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2021 (continued)

Schedule 11 – Other Assets

	(₹ in '000s)	
	As at 31 March 2021	As at 31 March 2020
1. Inter-office adjustment (net)	-	-
2. Interest accrued	7,42,578	8,18,614
3. Tax Paid in advance/tax deducted at source (net of provision)	2,25,682	98,266
4. Stationery and stamps	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-
6. Deferred Tax Asset (net)	5,70,799	3,75,142
7. Other	9,12,951	4,50,276
TOTAL (1 to 7)	25,81,909	18,12,612

Schedule 12 – Contingent Liabilities

	(₹ in '000s)	
	As at 31 March 2021	As at 31 March 2020
1. Claims against the bank not acknowledged as debts	-	-
2. Liability for partly paid investment	-	-
3. Liability on account of outstanding forward exchange contracts	-	-
4. Liability on account of outstanding derivative contracts	-	-
5. Guarantees given on behalf of constituents	-	-
i) In India	2,11,698	-
ii) Outside India	-	-
6. Acceptances, endorsements and other obligations	-	-
7. Other items for which the bank is contingently liable	4,60,673	1,99,448
TOTAL (1 to 7)	6,38,733	1,99,448



Utkarsh Small Finance Bank Limited

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2021

Schedule 12 – Interest Earned

	(Rs. in '000s)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Interest / discount on advances / bills	1,38,57,427	1,19,22,724
2. Income on investments	1,48,919	9,17,380
3. Interest on balance with Reserve Bank of India and Other inter bank funds	4,85,184	2,65,516
4. Others	228	1,111
TOTAL (1 to 4)	1,88,09,858	1,30,16,531

Schedule 14 – Other Income

	(Rs. in '000s)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Commission, exchange and brokerage	3,95,250	2,84,491
2. Profit/(Loss) on sale/redemption of investments (net)	1,31,826	7,500
3. Miscellaneous Income	9,23,645	6,93,562
TOTAL (1 to 3)	14,48,521	9,85,553

Schedule 15 – Interest Expended

	(Rs. in '000s)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Interest on deposits	47,95,155	41,16,774
2. Interest on Reserve Bank of India / Inter-bank borrowings	64,174	58,163
3. Others	25,57,778	13,99,687
TOTAL (1 to 3)	73,17,107	55,74,624

Schedule 16 – Operating Expenses

	(Rs. in '000s)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Salaries in and provisions for employees	32,62,041	26,21,609
2. Rent, taxes and lighting	5,54,994	3,49,112
3. Printing and stationery	91,725	1,09,185
4. Advertisement and publicity	17,782	25,443
5. Depreciation on Bank's property	2,85,770	2,14,078
6. Director's fees, allowances and expenses	12,721	9,774
7. Auditors' fees and expenses	13,403	12,264
8. Law charges	1,00,497	1,45,370
9. Postage, telephone, telephones, etc.	1,11,293	89,247
10. Repairs and maintenance	92,881	1,22,854
11. Insurance	13,664	18,311
12. Other expenditure*	68,41,378	9,06,411
TOTAL (1 to 12)	94,90,812	47,64,841

* Includes professional charges, service charges for core banking software and ATMs, travelling and other expenses



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

Schedule 17 – Significant accounting policies

17.1 Background

Utkarsh Small Finance Bank Limited ("Company" or "the Bank"), incorporated on April 30, 2016 in India, is a Small Finance Bank ("SFB") engaged in providing banking and financial services and governed by the Banking Regulation Act, 1949. The Bank had commenced its banking operations from January 23, 2017. Scheduled Bank status was accorded by Reserve Bank of India vide notification no. DBR.NBD. (SFB-UMFL). No.2689/16.13.216/2017-2018 dated October 04, 2017 and was published in the Gazette of India on November 07, 2017. The Bank is a wholly owned subsidiary of Utkarsh Core Invest Limited ("the Holding Company").

The Reserve Bank of India ("RBI") issued license no. MUM: 125 on November 25, 2015 to the Company to carry on business as SFB with certain terms and conditions. Pursuant to the condition attached in the approval for small finance bank, the Holding Company entered into a business transfer agreement ("BTA") and transferred its micro finance business to the Bank. Pursuant to the BTA all the assets and liabilities (except certain specified assets and liabilities) as at January 21, 2017 of the Holding Company were transferred to the Bank at book value based on slump sale basis for cash consideration of ₹68.51 crores. Pursuant to BTA, all the employees of the Holding Company (except certain employees) were transferred to SFB on the same employment terms and rights granted under employee stock option scheme of the Holding Company are continued in SFB. Resultant, non-convertible debentures listed on the stock exchange were also transferred in the name of the Bank and a transfer was effected by the exchange effective May 03, 2017.

17.2 Basis of preparation

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

17.3 Use of estimates

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



17.4 Significant accounting policies

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

A Revenue Recognition

- a) Interest income on loan portfolio is recognised in the Profit and Loss account on accrual basis, however interest on delayed payment of principal for Micro Finance (JLG) customers will be recognized on collection basis except for the moratorium period (i.e. March 2020 to August 2020) and on Restructuring where uncollected interest income has been capitalised & income is recognised based on accrual till the date of moratorium and restructuring as applicable, taking into account the amount outstanding and rate applicable except in the case of interest on Non- Performing Advances (NPA) where it will be recognized upon realization as per the prudential norms of RBI.
- b) Recoveries in respect of all past due loan accounts including classified as NPA are to be appropriated towards charges, interest, overdue and thereafter towards principal except for micro finance (JLG) loans where such recoveries would be appropriated towards instalment(s) outstanding.
- c) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront.
- d) Recoveries in respect of debts written off are recognized in the year in which such amounts are recovered and the same are disclosed under "Other Income"
- e) Profit / premium arising at the time of securitization / assignment of loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is recognized immediately. Income from interest strip (excess interest spread) is recognized in the profit and loss account net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognized on realization basis over the life of the underlying loan portfolio.
- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan.
- g) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.
- h) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due.
- i) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- j) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- k) All other fees are accounted for as and when they become due.

B Advances

a) Accounting and Classification

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

b) Provisioning

Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification & Provisioning prescribed from time to time.

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

c) Floating Provision

The Bank recognises floating provision as per the Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision is utilised, with the approval of Board and RBI, in case of contingencies which do not arise in the normal course of business and are exceptional and non-recurring in nature and for making specific provision for impaired loans as per the requirement of extant RBI guidelines or any regulatory guidance / instructions. Floating provisions are netted off for NNPA Ratio & Provision is included in 'Other Liabilities and Provisions'.



C Investments

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

a) Classification

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

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

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

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

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

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

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

b) Valuation

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

Investments classified as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines.

The securities are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

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

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

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

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



c) Disposal of investments

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

d) Transfer between categories

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

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

e) Repurchase and Reverse repurchase transactions

Repurchase ('Repo') and reverse repurchase ('Reverse Repo') transactions including liquidity adjustment facility (with RBI) are accounted for as borrowing and lending transactions respectively. Accordingly, securities given as collateral under an agreement to repurchase them continue to be held under the investment account of the Bank and the Bank would continue to accrue the coupon/discount on the security during the repo period. The Bank continues to value the securities sold under repo as per the investment classification of the security. Borrowing cost on repo transactions is accounted for as interest expense and income on reverse repo transactions are accounted for as interest income.

f) Broken period interest, brokerage etc.

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

g) Investment Fluctuation Reserve.

Out of net profits earned during the year, transfer is made to Investment Fluctuation Reserve, for an amount not less than the lower of the (a) net profit on sale of investments during the year (b) net profit for the year less mandatory appropriations, till the balance in such Investment Fluctuation Reserve reaches a level of at least 2% of the aggregate HFT and AFS portfolio. Draw down, if any, from the Investment Fluctuation Reserve shall be in accordance with the applicable RBI guidelines.

D Fixed assets and depreciation / amortisation

Tangible assets

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

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

Capital work in progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

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



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

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



Intangible assets

Intangible assets that are acquired by the Bank are measured initially at cost. The cost of an intangible asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss. Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets are amortized in the Profit and Loss account over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible assets are amortized on straight line basis. Computer software are amortized on straight line basis over their estimated useful life of three years. For assets purchased/ sold during the year, amortisation is being provided on pro rata basis by the Bank.

Impairment of Assets

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

E Foreign Currency transactions

Transactions denominated in foreign currency are recorded at exchange rates prevailing on the date of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss account. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction.

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

F Derivative

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

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

Derivative contracts designated as hedges are not marked to market unless their underlying transaction is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Profit and Loss account in the relevant period.

The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Profit and Loss account. Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the balance sheet date.

G Employee benefits

a. Defined Contribution Plan –

The Bank makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Bank's contribution is recognised as an expense in Profit and loss account during the period in which the employee renders the related service.



b. Defined Benefit Plan and Compensated absences-

The Bank provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by Life Insurance Corporation of India through gratuity trust (Group Gratuity scheme) and the contributions made by the Bank to the scheme is recognised in the Profit and loss account. The liability recognised in the Balance Sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The calculation of the Bank's obligation under the plan is performed annually by qualified independent actuary using projected unit credit method. Actuarial gains and losses arising during the year is immediately recognised in the Profit & Loss account. Compensated absence, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method at the balance sheet date, carried out by an independent actuary. Compensated absence is covered under a scheme administered by Life Insurance Corporation of India. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period and are not deferred.

H Share Issue Expenses

Share issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

I Employee Stock Option Scheme

The holding company of the Bank has formulated Employees Stock Option Scheme. The scheme provides that subject to continued employment with the Bank, employees of the Bank are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period. The compensation cost for all options granted to employees by the Holding company is computed based on valuation of shares of Holding company as per intrinsic value method and is amortised over the period of vesting. Measurement and disclosure of the Employee Share-based Payment Schemes are done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India ('ICAI').

J Lease transactions

A lease is classified at the inception date as finance lease or an operating lease. Assets taken on lease where the Bank acquires substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance lease is capitalised at the commencement of the lease at an amount equal to lower of its fair value and present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of lease liability so as to achieve constant rate of interest on the remaining balance of the liability. The rental obligations, net of finance charges, are reflected as borrowings. Finance charges are recognised as finance costs in the profit and loss account. Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as and when the payments are made over the lease terms.



K Taxation

Income tax comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the net change in the deferred tax asset or liability for the period (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Provision for current income-tax is recognized in accordance with the provisions of the Income Tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

The current tax, deferred tax charge or credit and the corresponding deferred tax liability or asset is recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty (supported by convincing evidence of future taxable income) of realization of such assets.

Deferred tax assets are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realized.

Minimum Alternate Tax (MAT) credit is recognised as an asset to the extent there is convincing evidence that the Bank will pay normal income tax during specified period, i.e., the period for which MAT credit is allowed to be carried forward as per prevailing provisions of the Income Tax Act 1961. In accordance with the recommendation contained in the guidance note issued by ICAI, MAT credit is to be recognised as an asset in the year in which it becomes eligible for set off against normal income tax. The Bank reviews MAT credit entitlements at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that the Bank will pay normal income tax during the specified period.

L Provisions and contingencies

The Bank recognises a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

M Earnings per share (EPS)

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

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



N Cash and cash equivalents

Cash and Cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

O Cash Flow Statements

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Bank are segregated.

P Segment reporting

The disclosures relating to segment reporting is done in accordance with AS 17 "Segment Reporting" and as per guidelines issued by the RBI.

Q Priority Sector Lending Certificates

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated 07 April 2016 trades in Priority Sector portfolio by selling or buying Priority Sector Lending Certificates (PSLCs). There is no transfer of risk on loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received for the sale of PSLCs is treated as 'Miscellaneous Income'.

R Impairment of Assets

The Bank assess at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the profit and loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

S Corporate Social Responsibility

Expenditure towards corporate social responsibility in accordance with Companies Act, 2013 is recognised in the profit and loss account.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

Schedule 18

18.1 Capital

Capital Adequacy Ratio as per operating guidelines issued by RBI for Small Finance Banks and amended thereafter is given below:

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
i)	Common Equity Tier I (CET) capital ratio (%)	19.98%	19.41%
ii)	Tier I capital ratio (%)	19.98%	19.41%
iii)	Tier II capital ratio (%)	1.90%	2.78%
iv)	Total capital ratio (CRAR) (%)	21.88%	22.19%
v)	Percentage of the shareholding of the Government of India in public sector banks	-	-
vi)	Amount of equity capital raised *	240.47	60.00
vii)	Amount of additional Tier I capital raised	-	-
viii)	Amount of Tier II capital raised (Refer 18.1.2)	-	-

* includes share premium of ₹151.40 crores (31 March 2020: ₹37.78 crores against the rights issue)

Notes

1. The Bank has followed Basel II Capital Regulations dated 01 July 2015 and amended thereafter for the purpose of Capital Adequacy Ratio in accordance with the operating guidelines for small finance banks as issued by RBI on 08 October 2016.
2. The Bank has followed Master Circular No. DBR No.BP/BC.4/21.06.001/2015-16 on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) issued by RBI dated 01 July 2015 for the purpose of computing Capital Adequacy Ratio as at 31 March 2021.
3. As per RBI, letter DBR.NBD, No. 4502/16.13.218/2017-18 dated 08 November 2017, it is clarified that no separate capital charge is being prescribed for market risk and operational risk for the time being.

18.1.2 Tier II Capital

The Bank has not acquired Basel II compliant debt capital instruments during the year ended 31 March 2021 (31 March 2020: Nil).

(₹ in crore)

Particulars	Nature of Security	Date of Issue	Coupon Rate %	Tenure	Amount
Nil					
Total					-

Note: On June 20, 2020, the Bank issued "12.50% Non Convertible Debentures (NCDs)" to IDFC First Bank Limited aggregating ₹195 crores. Necessary RBI reporting was done on 29 June 2020. Department of Regulation, RBI Central Office, vide its letter dated 13 January 2021 has advised us that the offer document of the NCDs not being in compliance with relevant RBI instructions, these instruments do not qualify for inclusion in Tier II capital. The Bank, basis the legal opinion obtained in the matter and having reviewed the relevant documentation, is of the view that the said issue of NCDs is in compliance with RBI guidelines. The Bank, vide its letter dated 10 March 2021 has made a detailed submission alongwith supporting documents, to RBI requesting it to consider the NCDs as eligible Tier II capital instrument. While the Bank is awaiting RBI response to its submission, in line with the RBI letter dated 13 January 2021, the Bank has not considered the NCDs as being eligible for Tier II capital. The capital of the Bank and derived ratios as on 31 March 2021 have been stated without considering these NCDs in the Tier II capital of the Bank. We note to review this position basis updated directions / instructions from RBI in response to our submission in the matter.

18.1.3 Capital Infusion

During the year ended, the Bank has issued 89,061,647 equity shares having face value of ₹10 each at a premium of ₹17 each for cash aggregating to ₹2,404,664,469 on 08 March 2021.

During the previous year ended, the Bank has issued 22,222,222 equity shares having face value of ₹10 each at a premium of ₹17 each for cash through rights issue to Utkarsh CoreInvest Limited (Holding Company) aggregating to ₹999,999,994 on 18 September 2019.

(₹ in crore except share data)

Particulars	For the year ended		For the year ended	
	31-Mar-21		31-Mar-20	
	Number of shares	Amount	Number of shares	Amount
Outstanding as at the beginning of the year	75,92,72,222	759.27	73,70,50,000	737.05
Shares issued during the year	8,90,61,647	89.06	2,22,22,222	22.22
Outstanding at the end of the period	84,83,33,869	848.33	75,92,72,222	759.27



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.2 Investments

During the year ended 31 March 2021 and previous year ended 31 March 2020, there has been no sale from and transfer to/ from, the HTM category in excess of 5% of the book value of the investments held in the HTM category at the beginning of the year.

In accordance with the RBI guidelines, sales from, and transfers to / from, HTM category exclude the following from the 5% cap:

- One-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the Board of Directors;
- Sales to the RBI under pre-announced open market operation auctions;
- Repurchase of Government securities by Government of India from banks;
- Additional shifting of securities explicitly permitted by the RBI from time to time; and
- Direct sales from HTM for bringing down SLR holdings in the HTM category

18.2.1 Movement of Investments

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
1	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	2,333.30	1,192.43
	(b) Outside India		
	(ii) Provisions for Depreciation		
	(a) In India	19.36	0.06
	(b) Outside India		-
	(iii) Net Value of Investments		
	(a) In India	2,313.94	1,192.37
	(b) Outside India		-
2	Movement of provisions held towards depreciation of investments		
	(i) Opening balance	0.06	-
	(ii) Add: Provisions made during the year	19.36	0.06
	(iii) Less: Write-off / write back of excess / provisions during the year	0.06	-
	(iv) Closing balance	19.36	0.06

Repo/Reverse Repo/MSF Transactions for the year ended 31 March 2021 (In Face Value Terms)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2021
	Securities sold under repo/MSF				
i.	Government securities	83.64	708.6	429.56	83.64
ii.	Corporate debt securities	-	-	-	-
	Securities purchased under reverse repo				
i.	Government securities	6.81	1,450.44	910.07	830.00
ii.	Corporate debt securities	-	-	-	-

Repo/Reverse Repo/MSF Transactions during the year ended 31 March 2020 (In Face Value Terms)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2020
	Securities sold under repo/MSF				
i.	Government securities	1.00	200.25	44.94	92.27
ii.	Corporate debt securities	-	-	-	-
	Securities purchased under reverse repo				
i.	Government securities	9.50	1,412.34	221.37	1,273.43
ii.	Corporate debt securities	-	-	-	-

(i) In respect of triparty repo and triparty reverse repo transactions, amount of funds borrowed or lent have been disclosed in the tables.

(ii) The days on which there were Nil outstanding have been ignored while arriving at the amount of minimum outstanding during the year.

(iii) Actual number of days of transactions have been considered in computation of daily average outstanding during the year.

Collateralized Borrowing and Lending Obligation (CBLO) / Tri-party Repo Transactions (TREPS)

CBLO is a discounted money market instrument, established by CCIL and approved by RBI, which involves secured borrowings and lending transactions. CBLO was operational till November 05, 2018, post which Tri Party REPO / Reverse REPO, substituted CBLO. Securities received as collateral from CCIL, under TREPS lending are eligible for SLR maintenance.

At March 31, 2021, the Bank had outstanding borrowings as Nil (previous year: Nil) and outstanding lending as Nil (previous year: Nil) under TREPS.



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

Issuer composition as at 31 March 2021 of non-SLR investments

(₹ in crore)

Sl. No.	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	40.71	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	124.49	23.59	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	165.20	23.59	-	-	-

Issuer composition as at 31 March 2020 of non-SLR investments

(₹ in crore)

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

18.2.3 There are no non-performing non-SLR investments as at 31 March 2021 and 31 March 2020.



18.3 Forward Rate Agreement / Interest Rate Swaps / Cross Currency Swap/ Exchange Traded Interest Rate Derivatives:

18.3.1 Notional and concentration of FRAs, IRS, CCS

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(i) The notional principal of swap agreements*	7.93	15.86
(ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	1.21	3.05
(iii) Collateral required by the Bank upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps	-	-
(v) The fair value of the swap book	1.05	2.58

* Pertains to cross currency swap

18.3.2 The nature and terms of Cross Currency Swaps (CCS) – FCY as on 31 March 2021 are set out below

Nature	Nos.	Notional Principal (₹ in crore)	Benchmark	Terms
USD	1	7.93	USD LIBOR	Floating receivable vs Fixed payable

The nature and terms of Cross Currency Swaps (CCS) – FCY as on 31 March 2020 are set out below

Nature	Nos.	Notional Principal (₹ in crore)	Benchmark	Terms
USD	1	15.86	USD LIBOR	Floating receivable vs Fixed payable

18.3.3 The nature and terms of Interest Rate Swaps (IRS) – INR as on 31 March 2021 are set out below

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

The nature and terms of Interest Rate Swaps (IRS) – INR as on 31 March 2020 are set out below

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



18.3.4 Exchange Traded Interest Rate Derivatives and exchange traded currency derivative

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2021	As at 31 March 2020
1	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives undertaken during the year	-	-
2	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding as on year ended	-	-
3	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding and not "highly effective" as on year ended	-	-
4	Mark-to-Market value of exchange traded interest rate derivatives and currency derivatives outstanding and not "highly effective" as on year ended	-	-

18.3.5 Risk Exposure in Derivatives:

The Bank has not engaged in any derivatives contracts during the year ended 31 March 2021 and year ended 31 March 2020. However, Bank acquired a CCS contract pursuant to Business Transfer Agreement from Holding Company in the year ended 31 March 2017. The disclosure to the extent applicable is given below.

Qualitative disclosure on risk exposure in derivatives as at 31 March 2021

The Bank's treasury function is responsible for Bank's access to financial markets. Further, treasury function monitors and manages various risks relating to treasury operations of the Bank including currency risk, market risk and liquidity risk. In course of managing these risks, the Bank may use various market instruments as permissible for the Bank based on RBI guidelines and internal approvals. Further, compliance with various policies and exposure limits is reviewed by the internal auditors as required. The Bank does not enter into any trade in financial instruments including derivative financial instruments for speculative purposes. The existing exposure is fully hedged exposure towards external commercial borrowings borrowed prior to conversion into Small Finance Bank and are grandfathered on conversion and there are no derivatives entered into during the financial year as per operating guidelines of Small Finance Bank issued by RBI.



Quantitative disclosure on risk exposure in derivatives

(₹ in crore)

S. No.	Particular	For the year ended 31 March 2021			
		Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	7.93*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	-	-	1.05	-
	b) Liability (-)	-	-	-	-
(iii)	Credit Exposure	-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	-	-	-
	b) on trading	Nil	-	-	-

* Pertains to cross currency swap

(₹ in crore)

S. No.	Particular	For the year ended 31 March 2020			
		Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	15.86*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	-	-	2.58	-
	b) Liability (-)	-	-	-	-
(iii)	Credit Exposure	-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	-	-	-
	b) on trading	Nil	-	-	-

* Pertains to cross currency swap



Utkarsh Small Finance Bank Limited
Schedule forming part of the financial statements for the year ended 31 March 2021

Strategic Debt Restructuring

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

No. of accounts where NDR has been invoked	Amount outstanding as at 31 March 2021		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-

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

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March 2021		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 promoter's equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

The bank has not acquired any equity shares under Strategic Debt Restructuring scheme during the year. The bank has not done any restructuring of loans during the year ended 31 March 2021 and previous year ended 31 March 2020 and there are no cases where scheme for sustainable restructuring of stressed assets (SARs) is implemented.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.4 Asset Quality

18.4.1 Movement of NPA and NPA Provision

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	Net NPAs to Net Advances (%)	1.33%	0.18%
(ii)	Provisioning Coverage Ratio (PCR) (%)	65.49%	75.16%
(iii)	Movement of Gross NPAs		
	(a) Opening balance	44.65	65.57
	(b) Additions during the year	309.58	41.19
	(c) Reductions during the year		
	(i) Up – gradations	2.98	4.87
	(ii) Recoveries (excluding recoveries made from up-graded accounts)	0.64	1.28
	(iii) Write – offs	35.33	55.96
	(d) Closing balance	315.28	44.65
(iv)	Movement of Net NPAs		
	(a) Opening balance	11.09	5.69
	(b) Additions during the year	99.21	12.84
	(c) Reductions during the year	1.49	7.44
	(d) Closing balance	108.81	11.09
(v)	Movement of provisions for NPAs		
	(excluding provisions on standard assets)		
	(a) Opening balance	33.56	59.88
	(b) Provisions made during the year *	210.37	28.35
	(c) Write-off / (write back) of excess provisions during the year **	37.46	54.67
	(d) Closing balance ***	206.47	33.56

* includes floating provisions amounting to ₹1.46 crores (31 March 2020: ₹3.76 crores)

** Write back includes excess provision ₹2.13 crores and Reversal on account of write off ₹35.33 crores (31 March 2020 Write back includes excess provision ₹3.84 crores and Reversal on account of write off ₹55.96 crores)

*** includes floating provisions amounting to ₹7.67 crores (31 March 2020: ₹6.21 crores)

The movement of NPA and provision for NPA does not include accounts classified as NPA and was upgraded during the year.

During the year, the Bank has made change in accounting estimate with respect to provision towards NPA portfolio. As a result, provisions and contingencies for the year ended 31 March, 2021 are higher by ₹46.66 crores followed by corresponding reduction to the profit before tax.

Provisions on Standard Assets:

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Provisions on Standard Assets	38.35	31.07

Technical Write-off:

(₹ in crore)

Sr. No.	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	Opening balance of Technical / Prudential written-off accounts	209.55	161.33
(ii)	Add : Technical / Prudential write-offs during the year	35.33	55.96
(iii)	Sub-total (A)	244.88	217.29
(iv)	Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	4.34	7.74
(v)	Closing balance (A-B)	240.54	209.55



Utkarsh Small Finance Bank Limited

Schedule forming part of the financial statements for the year ended 31 March 2021

18.4.2 Particulars of Restructured Accounts:

The bank has restructured accounts during the year ended 31 March 2021. (31 March 2020 - NIL)

(If in crore except number of accounts)

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between inception of the plan and implementation	(E) Increase in provision on account of the implementation of the resolution plan #
Personal Loans	60,289.00	471.83	-	-	34.21
Corporate loans*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	58,186.00	112.60	-	-	34.21
Total**	60,289.00	471.83	-	-	34.21

Over for restructuring of the loans made to customers based on asset classification as per Honourable Supreme Court ruling prevailing then.

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

** As on March 31, 2021 Out of above, restructured loans amounting to ₹28.39 crore, has been provided or classified as NPA and accordingly restructuring provision as on 31 March 2021 is amounting to ₹52.63 crore

Provision has been made over and above the extent RBI guidelines



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.4.3 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction:

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	Number of accounts	-	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
(iii)	Aggregate consideration	-	-
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v)	Aggregate loss over net book value	-	-

18.4.4 Non-performing financial assets purchased:

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	(a) No. of accounts	-	-
	(b) Aggregate Outstanding	-	-
(ii)	(a) Of these, number of accounts restructured during the year	-	-
	(b) Aggregate Outstanding	-	-

18.4.5 Non-performing financial assets sold:

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	No. of accounts sold during the year	-	-
(ii)	Aggregate Outstanding	-	-
(iii)	Consideration Received	-	-

18.4.6 Following are the details of securitization done by the Bank:

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	Total number of loans securitized	-	-
(ii)	Total book value of loans securitized	-	-
(iii)	Total book value of loans securitized including loans placed as collateral	-	-
(iv)	Net consideration received for loans securitized	-	-
(v)	Excess interest spread recognised in the profit and loss account	-	-

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
	Credit enhancements provided and outstanding:		
(i)	Interest subordination	-	-
(ii)	Principal subordination	-	-
(iii)	Cash collateral	-	-
	Total	-	-



18.5 Business Ratios:

(in crores)

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	Interest income as % to Working funds ¹	14.64%	17.30%
(ii)	Non-Interest income as % to Working funds ¹	1.34%	1.30%
(iii)	Operating profit ² as % to Working funds ¹	4.06%	4.63%
(iv)	Return on Assets ³ (Working funds ¹)	1.04%	2.47%
(v)	Business ⁴ (Deposit plus Net Advance) per employee ⁵	1.47	1.26
(vi)	Profit per employee ^{5*}	0.01	0.02

Notes

1. Working funds represents the monthly average of total assets as reported to Reserve Bank of India in Form X under Section 17 of the Banking Regulation Act, 1949.

2. Operating profit is net profit/ (loss) for the year before provisions and contingencies.

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

4. Return on Assets is net profit/ (loss) after tax divided by working funds

5. Productivity ratios are based on average employee number

*Profit per employee is ₹122,175 [31 March 2020: ₹244,223]

18.6 Asset Liability Maturity Pattern

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

(₹ in crore)

	Particulars	As at 31 March 2021					
		Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR) **	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	140.34	735.32	31.01	0.01	-	-
(ii)	2 to 7 days	77.78	35.12	266.92	0.06	-	-
(iii)	8 to 14 days	91.71	87.46	364.88	300.07	-	-
(iv)	15 to 30 Days	254.70	25.25	191.84	0.16	-	-
(v)	31 Days to 2 months	422.81	84.45	237.08	20.31	-	-
(vi)	Over 2 months to 3 months	437.18	49.84	361.93	16.98	-	-
(vii)	Over 3 months to 6 months	1,257.23	221.56	1,190.89	303.18	-	4.57
(viii)	Over 6 months to 1 year	2,171.31	294.63	1,313.33	245.79	-	4.57
(ix)	Over 1 year to 3 years	2,965.40	705.61	3,449.05	1,353.99	-	-
(x)	Over 3 years to 5 years	283.48	42.80	53.67	271.73	-	-
(xi)	Over 5 years	114.92	31.90	46.97	193.54	-	-
	Total	8,216.86	2,313.94	7,307.57	2,607.82	-	9.14



18.6 Asset Liability Maturity Pattern

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

(₹ in crore)

	Particulars	As at 31 March 2020					
		Loans & Advances (INR)* (refer Note 2)	Investments (INR)	Deposits (INR)	Borrowings (INR)**	Foreign currency Assets	Foreign currency Liabilities
(i)	1 day	8.57	23.06	30.64	0.01	-	-
(ii)	2 to 7 days	0.39	27.98	205.73	0.05	-	-
(iii)	8 to 14 days	-	34.29	252.14	0.06	-	-
(iv)	15 to 30 days	14.29	36.05	265.42	0.13	-	-
(v)	31 Days to 2 months	16.43	43.64	210.72	110.25	-	-
(vi)	Over 2 months to 3 months	391.49	23.07	169.42	0.25	-	-
(vii)	Over 3 months to 6 months	854.02	146.40	827.29	249.40	-	4.73
(viii)	Over 6 months to 1 year	2,018.93	235.38	1,352.42	297.81	-	4.73
(ix)	Over 1 year to 3 years	2,845.82	528.93	1,885.72	1,364.48	-	9.46
(x)	Over 3 years to 5 years	80.97	87.67	32.84	611.92	-	-
(xi)	Over 5 years	30.67	5.92	2.87	40.69	-	-
	Total	6,281.60	1,192.39	5,235.21	2,675.05	-	18.92

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

** includes foreign currency liabilities ₹ 14 crore (31 March 2020: ₹ 18.92 crore)

Note:

1. In view of the COVID-19 pandemic, the Reserve Bank of India on 27 March 2020, announced measures to support the economy and the financial system. The measures permit banks to offer upto three-month moratorium on all term loans outstanding as on 01 March 2020, interest deferment on working capital facilities. As a prudent measure, in view of the potential relief to borrowers, for ALM purposes, the contractual inflows on borrower accounts with respect to loans given to JLG, Housing and MSME have been suitably adjusted for the moratorium for FY 2019-20.

2. For the purpose of disclosing the maturity pattern, loans and advances that have been subject to risk participation vide Inter-Bank Participation Certificates ("IBPCs") has been classified in the maturity bucket corresponding to the contractual maturities of such underlying loans and advances gross of any risk participation. The IBPC amount has been classified in the respective maturities of the corresponding underlying loans.

3. Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

18.7 Exposure

18.7.1 Exposure to Real Estate Sector

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
1)	Direct exposure		
(a)	Residential Mortgages -	601.22	201.65
	Out of which individual housing loans eligible for inclusion in priority sector advances	119.28	50.17
(b)	Commercial Real Estate	-	-
(c)	Investments in Mortgage Backed Securities (MBS) and other securitized expo		
i.	Residential Mortgages	-	-
ii.	Commercial Real Estate	-	-
2)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	86.89	29.45
	Total Exposure to Real Estate Sector	688.11	231.10



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.7.2 Exposure to Capital Market:

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	Direct investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-	-
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
(vii)	Bridge loans to companies against expected equity flows/issues	-	-
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	Financing to stockbrokers for margin trading	-	-
(x)	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
	Total Exposure to Capital Market	-	-

18.7.3 Risk Category wise Country Exposure:

The Bank's exposures are concentrated in India, hence country risk exposure as at 31 March 2021 is Nil (31 March 2020: Nil).

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

The Bank has complied with the limits prescribed under extant RBI guidelines with regards to exposure to a single borrower and group of the borrower during the year ended 31 March 2021 and previous year ended 31 March 2020.



Utkarsh Small Finance Bank Limited**Schedules forming part of the financial statements for the year ended 31 March 2021****18.8 Penalties imposed by RBI**

No penalty was imposed by RBI on the Bank during the year ended 31 March 2021 and previous year ended 31 March 2020.

18.9 Earnings Per Share (EPS) –

(₹ in crore, except per share data)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Basic		
Weighted average number of equity shares	76,51,28,330	74,89,50,425
Net profit after tax available for equity shareholders (₹)	111.82	186.74
Basic earnings per share	1.46	2.49
Diluted		
Weighted average number of equity shares	76,51,28,330	74,89,50,425
Net profit after tax available for equity shareholders (₹)	111.82	186.74
Diluted earnings per share	1.46	2.49
Face value per share	10	10

18.10 Employee Stock Option Plan ("ESOP") -

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

The Holding Company formed Utkarsh ESOP Welfare Trust to issue ESOPs to employees of the Bank as per Employee Stock Option Scheme. Total 12,00,000 equity shares have been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 59,89,594 equity shares has been reserved by the Holding Company for the purpose of ESOP scheme.

During the year, the Holding Company granted 21,59,575 options to the Bank's employees of which 5,00,000 options have grant effective date of F.Y.19-20 (for the year ended 31 March 2020 : 18,14,225 options).

The options vested can be exercised within a period of 24 months from the date of vesting. The plan is administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Holding Company in accordance with the authority delegated to the Compensation Committee in this regard from time to time.

These options are vested on graded basis as follows:

Vesting details	General grant	Special grant
On completion of 1 year	25%	10%
On completion of 2 years	25%	20%
On completion of 3 years	25%	45%
On completion of 4 years	25%	25%

The Guidance Note on "Accounting for Employee Share Based Payments" issued by the ICAI establishes financial and reporting principles for employees share based payment plans. The Guidance Note applies to employee share based payment plans, the grant date in respect of which falls on or after 01 April 2005. The Guidance Note also applies to transfers of shares or stock options of the parent of the enterprise, or shares or stock options of another enterprise in the same group as the enterprise, to the employees of the enterprise. The compensation costs of stock options granted to employees of the Bank are accounted using intrinsic value method.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

Stock option activity under ESOP Plan in respect of employees of the Bank is as below:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Number of equity shares:		
Outstanding at the beginning of the year	38,56,398	25,54,036
Granted during the year	16,59,575	18,14,225
Granted during the year with Grant effective date pertaining to FY 19-20	5,00,000	-
Lapsed/Cancel during the year	6,85,829	2,06,874
Exercised during the year	2,07,558	3,04,989
Previous year adjustments	-2,11,847	-
Outstanding at the end of year	49,10,739	38,56,398
Exercisable at the end of year	11,18,318	5,26,482

The compensation cost is calculated based on the intrinsic value method as per SEBI guidelines, wherein the excess of fair value of underlying equity shares as on the date of the grant over the exercise price of the options given to employees of the Bank under the ESOP scheme, is recognised as compensation cost and amortised over the vesting period. The Holding Company cross charges the compensation cost to the Bank to the extent it pertains to the employees of the Bank.

Impact of Fair Value Method on Net Profit/(Loss) and EPS

Had the compensation cost for the Bank's stock option plans outstanding been determined based on the fair value by using Black Scholes model, the Bank's net profit/loss and earnings/loss per share would have been as per the proforma amounts indicated below:

(₹ in crore, except per share data)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit/(loss) after tax		
- As reported	111.82	186.74
- Proforma	106.93	187.99
(Loss)/Earnings per share		
Basic		
Weighted average number of shares	76,51,28,330	74,89,50,425
EPS as reported (₹)	1.46	2.49
Proforma EPS (₹)	1.40	2.51

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Dividend yield	0.00%	0.00%
Expected volatility	47.00%	19.60%
Risk free interest rate	5.55%	7.03%
Expected life in years	5	5

During the FY2019-20, the Bank introduced Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 to offer, grant and issue in one or more tranches, the Stock Options to Mr. Govind Singh, MD & CEO. As per Section 35B of the Banking Regulation Act, 1949, the Bank mandatory requires RBI approval before granting ESOPs. RBI approval is awaited and hence no accounting adjustment has been made in the financial statements.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.11 Disclosures under AS -15 on employee benefits:-

Defined Contribution Plans:

Employer's contribution recognized and charged off for the year with respect to defined contribution plans are as under

(₹ in crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Provident Fund (refer note below)	19.17	15.83
ESI	2.65	2.32

Note: The above amount is netted off with amount of ₹1.32 crores received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended 31 March 2021 (31 March 2020 : ₹1.50 crores).

Defined Benefit Plans:

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days' salary (last drawn salary) for each completed year of service subject to limit of ₹20 lacs as per the Payment of Gratuity Act, 1972 as amended from time to time. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following table sets out the status of the defined benefit gratuity plan as required under Accounting Standard 13.

Change in the present value of the defined benefit obligation

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Opening defined benefit obligation	11.28	7.34
Current service cost	4.24	3.46
Past service costs	-	-
Interest cost	0.61	0.56
Actuarial losses/ (gains)	(0.11)	0.25
Benefits paid	(0.36)	(0.33)
Closing defined benefit obligation	15.66	11.28

Change in the plan assets

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Opening fair value of plan assets	10.81	5.92
Expected return on plan assets	0.80	0.45
Employers Contributions	3.76	4.91
Benefit paid	(0.36)	(0.33)
Actuarial gains / (losses) on plan assets	(0.43)	(0.14)
Closing fair value of plan assets	14.58	10.81

Net liability / (asset) recognized in the balance sheet

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Present value of funded obligation	15.66	11.28
Fair value of plan assets	14.58	10.81
Deficit/ (Surplus)	1.08	0.47
Net liability / (asset) recognized in the balance sheet	1.08	0.47



Net cost recognised in the profit and loss account

(₹ in crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current service cost	4.24	3.46
Past service costs	-	-
Interest cost	0.61	0.56
Expected return on plan assets	(0.80)	(0.45)
Net actuarial losses / (gains)	0.32	0.40
Total cost of defined benefit plans included in Schedule 16 Payments to and provisions for employees	4.37	3.97

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

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Opening net liability	0.47	1.42
Expenses as recognised in profit & Loss account	4.37	3.97
Employers contribution	(3.76)	(4.92)
Net liability / (asset) recognised in balance sheet	1.08	0.47

Experience adjustment and details of obligations and assets

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Present value of funded obligation	15.66	11.28	7.34	4.22
Fair value of plan assets	14.58	10.81	5.92	5.74
Deficit / (Surplus)	1.08	0.47	1.42	(1.52)
On Plan Liabilities (gains) / losses	0.85	0.75	0.35	0.29
On Plan Assets (losses) / gains	(0.43)	(0.14)	(0.20)	(0.14)

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

Category of assets	As at 31 March 2021	As at 31 March 2020
Funds with LIC (through gratuity trust)	100%	100%

Key Actuarial Assumptions

Particulars	As at 31 March 2021	As at 31 March 2020
Discount rate	4.95%	5.40%
Expected rate of return on plan asset	6.45%	7.40%
Salary escalation	7%	7% for the first two years and 9% thereafter
Attrition rate	13.10% to 31.90%	13.10% to 31.90%

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

Expected rate of return: The overall expected rate of return on assets is determined based on the average long term rate of return expected on investment of the fund during the estimated term of the obligations.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.12 Segment Reporting: Information about business segments:

In terms of AS-17 (Segment Reporting) issued by ICAI and RBI circular Ref: DBOD No. BP/BC 81/21-04/018/2006-07 dated 18 April 2007 read with DBOD BP/BC No.23/21-04/018/2015-16 dated 01 July 2015 and amendments thereto, the following business segments have been disclosed:

Corporate/ Wholesale Banking: Includes lending, deposits and other banking services provided to corporate customers of the Bank.

Retail Banking: Includes lending, deposits and other banking services provided to retail customers of the Bank through branch network.

Treasury: includes dealings in SLR and Non SLR investments, maintenance of reserve requirements and resource mobilization from other Banks and financial institutions.

Other Banking Operations: Till March 2020, it includes other activities like sale of PSL certificates, pass banking activities like Bancassurance, etc. Post March 2020 the same has been grouped under Retail Banking.

Geographical segments: The business operations of the Bank are concentrated in India hence the Bank is considered to operate in domestic segment only.

The following table sets forth the business segment results:

(₹ in crore)

Particulars	For the year ended 31 March 2021				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	51.90	1,159.86	213.38	-	1,725.14
Unallocated Revenue	-	-	-	-	-
Less: Inter Segment Revenue	-	-	-	-	-
Total Revenue	51.90	1,159.86	213.38	-	1,725.14
Segment Results	-43.84	168.20	27.08	-	151.44
Unallocated expenses	-	-	-	-	-
Operating Profit/(Loss)	-43.84	168.20	27.08	-	151.44
Income Tax expense (including deferred tax)	-	-	-	-	20.62
Net Profit	-43.84	168.20	27.08	-	111.82
Segment Assets	503.74	2,708.90	1,533.89	-	11,836.34
Unallocated Assets	-	-	-	-	201.28
Total Assets	-	-	-	-	12,037.61
Segment Liabilities	2,634.22	4,491.45	2,478.30	-	10,753.98
Unallocated Liabilities	-	-	-	-	15.86
Capital & Reserves	-	-	-	-	1,268.35
Total Liabilities	-	-	-	-	12,037.61
Capital expenditure	-	-	-	-	45.17
Depreciation	-	-	-	-	29.38

(₹ in crore)

Particulars	For the year ended 31 March 2020				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	37.40	1,293.40	116.09	17.35	1,406.24
Unallocated Revenue	-	-	-	-	-
Less: Inter Segment Revenue	-	-	-	-	-
Total Revenue	37.40	1,293.40	116.09	17.35	1,406.24
Segment Results	(105.18)	295.33	43.44	17.35	250.43
Unallocated expenses	-	-	-	-	0.02
Operating Profit/(Loss)	(105.18)	295.33	43.44	17.35	250.41
Income Tax expense (including deferred tax)	-	-	-	-	63.67
Net Profit	(105.18)	295.33	43.44	17.35	185.74
Segment Assets	110.08	6,066.14	2,834.94	-	9,211.16
Unallocated Assets	-	-	-	-	193.16
Total Assets	-	-	-	-	9,404.32
Segment Liabilities	3,214.18	2,460.99	2,691.26	-	8,366.43
Unallocated Liabilities	-	-	-	-	18.40
Capital & Reserves	-	-	-	-	1,019.49
Total Liabilities	-	-	-	-	9,404.32
Capital expenditure	-	-	-	-	48.37
Depreciation	-	-	-	-	25.41

Notes:

- The business of the Bank does not extend outside India and it does not have any assets outside India or earnings emanating from outside India. Accordingly, the Bank has reported operations in the domestic segment only.
- Income, expenses, assets and liabilities have been either specifically identified to individual segment or allocated to segments on a reasonable basis or are classified as unallocated.
- Unallocated items include Fixed Assets, Capital expenditure, realized gains/losses on their sale, income tax expense, deferred income tax assets/liabilities and advance tax.
- In computing the above information, certain estimates and assumptions have been made by the management and have been relied upon by the auditors.
- The above information is provided in per MIS for internal reporting purpose and relied upon by the auditors.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.13 Related Party Transactions

The Bank's related parties for the year ended 31 March 2021 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Fellow Subsidiary

Utkarsh Welfare Foundation

3. Key Management Personnel ('KMP')

Mr. Govind Singh- Managing Director and CEO

Mr. Mukund Barsagade- Chief Financial Officer

Mrs. Nutan Rane- Company Secretary

4. Enterprise where KMP exercise significant influence

RAAG Family Private Trust

5. Post-employment benefit plan

Utkarsh Small Finance Bank Employees' Gratuity Trust



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2021

The following represents the significant transactions between the bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 2021

(if in case)

Item / Related Party	Utkarsh Careinvest Ltd. (Holding Company)	Utkarsh Welfare Foundation (Former Subsidiary)	Utkarsh Small Finance Bank: Employees' Gratuity Trust	KMP: Gaurav Singh (MD & CEO)	KMP: Mohanil Baragade (CTO)	KMP: Nalin Rane (CSO)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 31 March 2020	21.34	1.83	0.09	1.23	0.23	0.00*	0.00*	24.74
Amount deposited during the year excluding CASA deposits	19.52	-	-	0.00*	-	-	-	19.52
Amount repaid during the year excluding CASA deposits	11.40	-	-	0.00*	-	-	-	12.40
Maximum deposit outstanding during the year	21.61	2.10	1.85	1.47	0.28	0.03	0.00*	27.64
Interest paid	2.11	0.07	0.00*	0.04	0.01	0.00*	0.00*	2.23
Commission to KMP	-	-	-	2.28**	1.05	0.13	-	3.76
Equity shares issued	-	-	-	-	-	-	-	-
Contribution towards CSR & CER	-	1.10	-	-	-	-	-	1.10
RODP cost cost charged (Refer Schedule IT.15)	1.48	-	-	-	-	-	-	1.48
Service charges for collections	0.01	-	-	-	-	-	-	0.01
Rent for office space	0.08	-	-	-	-	-	-	0.08
FDOP granted	-	-	-	-	0.11	-	-	0.11
Transactions (collection and payment) carried out on behalf of Bank	0.88	-	-	-	-	-	-	0.88
Amount Receivable (Due receivable)	0.62	-	-	-	-	-	-	0.62

* Amounts to less than £50,000 is shown as Nil

** Includes non-IGRP by annual bonus for FY 2019-20 of \$0.25 or and poker tournament for FY 2020-21 of \$0.25 or



Utkarsh Small Finance Bank Limited
Schedule forming part of the financial statements for the year ended 31 March 2021

The following represents the significant transactions between the Bank and each related party including wholly or partly owned KMP during the year ended 31 March 2021.

(₹ in crore)

Trans / Related Party	Utkarsh Creditco. Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Gervid Singh (MD & CEO)	KMP: Mahesh Bharagada (CFO)	KMP: Natan Rane (CS)	KMP: Vineet Prabhu Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 31 March 2020	12.71	0.11	0.06	0.02	0.06	0.00*	-	0.00*	15.92
Amount deposited during the period (including CASA deposits)	208.99	-	-	0.00*	-	-	-	-	108.99
Amount repaid during the period (including CASA deposits)	202.12	-	-	0.00*	-	-	-	-	102.12
Maximum deposit outstanding during the year	74.00	0.38	2.34	0.15	0.17	0.04	-	0.00*	78.08
Interest paid	1.65	0.05	0.05	0.00*	0.01	0.00*	-	0.00*	3.72
Service charge collected	-	-	-	-	-	-	-	0.00*	-
Reimbursement to KMP	-	-	-	2.16	0.01	0.14	0.12	-	3.35
Equity shares issued**	10.00	-	-	-	-	-	-	-	10.00
Contribution towards CSR	-	0.09	-	-	-	-	-	-	0.09
ESOP cost were charged (Refer Schedule 17.1)	1.74	-	-	-	-	-	-	-	1.74
Service charge for collection	0.02	-	-	-	-	-	-	-	0.02
Rent for office space	0.08	-	-	-	-	-	-	-	0.08
ESOP granted	-	-	-	-	0.33	-	-	-	0.33
Transactions (collection and payments) earned net on behalf of Bank	1.13	-	-	-	-	-	-	-	1.13
Amount Payable/Receivable	0.28	-	-	-	-	-	-	-	0.28

* Amount is less than ₹10,000 or above as Nil

** during the year 2019 (31 March 2019: 2,21,11,221) upon conversion of CCD (zero cost) equity) equity shares of ₹10 each on 18 September 2019.

Note:

1. As the provisions for gratuity and leave benefits are made for the Bank as a whole, the amounts pertaining to the Key Management Personnel are not specifically identified and included above.

2. Refer note 18.09 on ESOP given to MD & CEO



18.14 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹15.50 crore (31 March 2020 : ₹34.91 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 sublease agreement with Utkarsh Coreinvest Limited ("The Holding Company").

Minimum lease payments (MLP) outstanding in respect of leased assets are as follows: (₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Due within one year	37.44	33.27
Due later than one year and not later than five years	155.23	140.53
Due later than five years	55.90	71.46
Total	248.57	245.26

Finance Lease

The Bank has acquired certain IT hardware assets and ATM machines under finance lease. Lease term of such assets is 7 years. Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2021 are as follows:

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	3.10	1.56	1.74
Due later than one year and not later than five years	12.74	2.32	10.42
Due later than five years	0.60	0.08	0.51
Total	16.44	3.94	12.67

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2020 are as follows: (₹ in crore)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	4.09	1.70	2.90
Due later than one year and not later than five years	16.15	3.20	12.95
Due later than five years	0.27	0.08	0.09
Total	20.51	4.98	15.94

18.15 Deferred Tax

Major components of deferred tax assets and deferred tax liabilities are as under: (₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Deferred tax assets:		
Provision for assets	17.45	22.31
Unrecognized processing fee on advances	14.92	11.92
Finance lease	3.36	4.18
Provision against Lease Equipments	2.58	1.81
Provision on Casual Lease	0.82	0.72
Others	0.10	-
	39.23	41.94
Deferred tax liabilities:		
Depreciation on fixed assets	0.66	1.35
Gain on mark to mark on external commercial borrowings	-	0.04
Unrecognized processing fee on borrowings	0.73	0.75
	1.39	2.14
Net deferred tax assets / (liability)	37.84	39.80

18.16 Small and Micro Industries

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
a. Principal amount due to suppliers under MSMED Act, 2006	-	-
b. Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	-	-
c. Payments made to suppliers (other than interest) beyond the appointed day during the year	5.02	-
d. Interest paid to suppliers under MSMED Act (Section 18)	-	-
e. Interest due and payable towards suppliers under MSMED Act for payments already made	0.02	-
f. Interest received and remaining unpaid at the end of the year to suppliers under MSMED Act (including interest mentioned in (c) above)	0.02	-



Uttarakhand Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2021

18.17.1 Disclosure of customer complaints:

Sr. No	Complaints received by the bank from its customers	As at 31 March 2021	As at 31 March 2020
1	Number of complaints pending at beginning of the year	51	289
2	Number of complaints received during the year	35,170	37,632
3	Number of complaints disposed during the year	24,964	27,861
3.1	Of which, number of complaints rejected by the bank	64	13
4	Number of complaints pending at the end of the year	257	51
Maintainable complaints received by the bank from OBOs			
5	Number of maintainable complaints received by the bank from OBOs	58	32
5.1	Of 5, number of complaints resolved in favour of the bank by BOs	52	31
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by BOs	3	1
5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme.



Utkarsh Small Finance Bank Limited

Schedule forming part of the financial statements for the year ended 31 March 2021

16.11.1 Top five products of complaints received by the bank from customers

Category of complaints, i.e. complaints relating to	Number of complaints pending at the beginning of the year	Number of complaints received during the year	No. of complaints resolved in the year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
As at 01 March 2021					
Category - 1 (Internet/Banking/Online Banking)	20	1817	1847	13	0
Category - 2 (ATM/Debit Cards)	71	2792	3144	43	1
Category - 3 (Loans and advances)	0	1375	1375	0	0
Category - 4 (Account opening/ATM/Debit in operation of)	0	490	490	0	0
Category - 5 (Staff behaviour)	0	301	301	0	0
Others	22	1839	1861	13	0
Total	113	1817	1817	13	1
As at 01 March 2020					
Category - 1 (Internet/Banking/Online Banking)	14	1137	1141	13	0
Category - 2 (ATM/Debit Cards)	4	1071	1071	13	0
Category - 3 (Loans and advances)	17	1741	1741	0	0
Category - 4 (Staff behaviour)	11	512	512	0	0
Category - 5 (Mis-selling/Para-banking)	11	500	500	0	0
Others	101	1450	1551	24	0
Total	158	2510	2515	40	0

Note - Where analysis is compiled by management and relied upon by auditors



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.18 Security Receipts (SR)

Details of the book value of investments held as security receipts received by sale of NPA to Securitization/Reconstruction Company as at 31 March 2021 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
a)	Book value of investments in security receipts	-	-	-

Details of the book value of investments held as security receipts received by sale of NPA to Securitization/Reconstruction Company as at 31 March 2020 are as follows-

(₹ in crore)

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

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

18.19 Restructured / Rescheduled / Renegotiated Investments

There are no such investments during the year ended 31 March 2021 and previous year ended 31 March 2020.

18.20 Amount of provisions made for income tax during the year:

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
i)	Provision for Income tax	60.08	84.59
ii)	Provision for Deferred tax	(20.46)	(22.45)
iii)	MAT credit entitlement	-	1.53
	Total	39.62	63.67

18.21 Unsecured Advances against Intangible Collaterals:

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
i)	Total Advances against intangible securities such as charge over the rights, licenses, authority etc.	-	-
ii)	Estimated Value of intangible collateral such as charge over the rights, licenses, authority etc.	-	-



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

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

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
i)	Fee / Remuneration from Life Insurance Business	7.96	5.91
ii)	Fee / Remuneration from General Insurance Business	0.01	0.02

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

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
i)	Provisions towards Standard Advances	7.28	18.82
ii)	Provisions towards Non Standard Advances	171.45	(30.08)
iii)	Provisions towards Restructured Advances	52.65	-
iv)	Floating provision	1.46	3.76
v)	Provision on COVID 19	0.17	49.96
vi)	Provision on SMA due to COVID 19	(1.40)	1.40
vii)	(reversal) / provision for depreciation on investments	19.30	0.06
viii)	Provisions towards Income tax	60.08	84.59
ix)	Provision / (credit) towards deferred tax (net)	(20.46)	(22.45)
x)	MAT credit entitlement	-	1.53
xi)	Others	0.75	-
	Total provisions	291.28	167.59
xii)	Technical write off	35.24	55.06
xiii)	Provision for fixed assets	-	-
xiv)	Provision of other assets >180 days outstanding	-	-
	Total	326.52	163.59

18.24 Drawdowns from Reserves

The Bank has undertaken drawdown from Investment Fluctuation Reserve to make it in-line with notification on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks – Spreading of MTM losses and creation of Investment Fluctuation Reserve (IFR) issued by RBI.

As on 31 March 2021 (₹ in crore)

HFT & AFS portfolio as on 31 March 2021	945.36
Reserve created during FY 2019-20	5.24
Add- created in half year ended 30 September 2020	14.17
IFR draw down during the end of the period *	(0.50)
Investment Fluctuation Reserve on AFS portfolio as on 31 March 2021.	18.91

* as per RBI circular drawdown is allowed at year end

As on 31 March 2020 (₹ in crore)

HFT & AFS portfolio as on March 31, 2020 (HFT is Nil)	262.06
Reserve created during FY 2018-19	1.31
Add- created in half year ended 30 September 2019	5.94
IFR draw down during the end of the year	-
AFS portfolio reduced from ₹262.8 crores (30 September 2019) to ₹262.0 crores as on 31 March 2020 and therefore draw down on ₹100.7 crores @ 2%	(2.91)
Investment Fluctuation Reserve on AFS portfolio as on 31 March 2020.	5.24



18.25 Floating Provisions

(₹ in crore)

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	Opening balance in the floating provisions account	6.21	2.45
(ii)	The quantum of floating provisions made in the accounting year	1.46	3.76
(iii)	Amount of draw down made during the accounting year	-	-
(iv)	Closing balance in the floating provision account	7.67	6.21

18.26 Investor Education and Protection Fund

There are no amounts which are due to be transferred to the Investor Education and Protection Fund during the year ended 31 March 2021 and previous year ended 31 March 2020.

18.27 Concentration of Deposits, Advances, Exposures and NPAs**18.27.1 Concentration of Deposits**

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Total Deposits of twenty largest depositors	2,026.28	1,898.11
Percentage of deposits of twenty largest depositors to total	26.99%	36.36%

18.27.2 Concentration of Advances

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Total Advances to twenty largest borrowers*	426.83	257.66
Percentage of advances to twenty largest borrowers to total advances	5.07%	4.08%

* excluding advances against Bank's own term deposits

18.27.3 Concentration of Exposures

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Total Exposure to twenty largest borrowers / customers	527.34	257.66
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank to borrowers / customers	6.15%	4.06%

Credit Exposure excludes the exposures which are 100% cash backed

18.27.4 Concentration of NPA's

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Total Exposure to top four NPA Accounts (Gross)	1.12	0.55



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.28 Sector Wise Advances:

(₹ in crore)

Sl. No.	Sector	As at 31 March 2021		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	4,873.07	202.44	2.79%
2	Advances to industries sector eligible as priority sector lending	180.94	5.62	0.08%
	All engineering	35.29	1.06	0.01%
	Food processing	39.98	2.16	0.03%
	Wood and wood products	48.79	1.04	0.01%
3	Services	2,023.25	84.74	1.17%
	Trade	948.47	29.93	0.41%
	Other services	244.58	21.87	0.30%
4	Personal loans	172.49	10.62	0.15%
	Housing	112.04	1.34	0.02%
	Sub-total (A)	7,249.78	303.42	4.19%
B	Non Priority Sector			
1	Agriculture and allied activities	1.39	0.01	0.00%
2	Industry	4.07	0.07	0.01%
	All Engineering	0.44	0.00	0.00%
	Food processing	0.92	0.02	0.00%
3	Services	1,047.73	8.20	0.70%
	Non-banking financial companies	490.80	0.00	0.00%
4	Personal loans	112.72	3.59	0.31%
	Housing	112.25	0.59	0.05%
	Sub-total (B)	1,165.91	11.87	1.01%
	Total (A+B)	8,415.66	315.29	3.75%



(₹ in crore)

Sl. No.	Sector	As at 31 March 2020		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	3,452.06	21.11	0.37%
2	Advances to industries sector eligible as priority sector lending	177.85	1.35	0.02%
	All engineering	45.45	0.32	0.01%
	Food processing	48.93	0.10	0.01%
	Wood and wood products	39.96	0.33	0.01%
3	Services	2,080.65	17.53	0.30%
	Trade	878.20	9.90	0.17%
4	Personal loans	50.48	0.14	0.00%
	Housing	44.78	0.12	0.00%
	Sub-total (A)	5,761.94	40.13	0.69%
B	Non Priority Sector			
1	Agriculture and allied activities	0.02	0.02	0.00%
2	Industry	0.50	0.10	0.02%
	Beverages (Excluding Tea & Coffee) and Tobacco	0.27	-	0.00%
	Food processing	0.06	0.02	0.00%
	Wood and wood products	0.13	0.05	0.01%
3	Services	499.43	3.75	0.68%
	Non-banking financial companies	309.51	-	0.00%
4	Personal loans	47.94	0.65	0.12%
	Housing	40.71	0.36	0.07%
	Sub-total (B)	547.91	4.52	0.82%
	Total (A+B)	6,308.95	44.65	0.71%

* This includes underlying advances of Priority Sector Lending Certificates sold and does not include underlying advances of Priority Sector Lending Certificates purchased during the year. Refer Schedule 18.29

The Bank has compiled the data for the purpose of this disclosure from its internal MIS / reports and has been furnished by the management, which has been relied upon by the auditors.

For loans disbursed prior to 1 July 2020, the existing circular before the below mentioned revised circular was considered for classification of loan under Priority Sector Lending.

The Bank has classified loan under Priority Sector Lending (PSL) across various categories based on Master Directions FIDD.CO Plan BC 5.04 09.01/2020-21 dated 04 September 2020 with effect from 01 July 2020.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.29 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
General category	-	-
Micro enterprises	-	-
Agriculture	-	-
Small/marginal farmers	4,100.00	2,700.00
Total	4,100.00	2,700.00

Following are the details of PSLC purchased by the Bank.

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
General category	-	-
Micro enterprises	-	-
Agriculture	-	-
Small/marginal farmers	-	-
Total	-	-

18.30 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

18.31 Off-Balance Sheet SPVs sponsored

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

18.32 Disclosures relating to Securitization

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation / bilateral transactions	-	-
2. Total amount of securitised assets as per books of the SPVs/assignees sponsored by the Company	-	-
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	-	-
* Others	-	-
4. Amount of exposures in 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	-	-



18.33 Disclosure on Remuneration

Qualitative Disclosure

A. Information relating to the bodies that oversee remuneration

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

The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. As on 31 March 2021, The NRC comprises of two Independent Directors viz Mr. Kajal Ghose and Mr. P. H. Ravikumar and one Nominee Director viz Ms. Anita Ramchandran.

Role and functions of the Committee related to Nomination

A. Appointment criteria and qualifications

i) To identify and approve appointment of persons who are qualified to become directors in the bank and who may be appointed as KMPs or SMPs in the bank, who possess integrity, independence, adequate knowledge, skill, qualification, experience in the field of higher specialisation commensurate with the proposed role and responsibility as Director, KMP or SMP and shall have the ability to manage the responsibility assigned to him/her.

ii) To ensure that the Bank appoints or continues the employment of any person as Managing Director / Whole-time Director subject to the conditions laid down under Part I of Schedule V of the Companies Act, 2013 and in line with extant RBI guidelines and relevant provisions of the Banking Regulation Act 1949.

iii) To ensure that the Bank shall appoint or continue the service of any person as Independent Director subject to the provisions of Section 149 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and Banking Regulation Act 1949.

iv) Appointment for any Senior Management Personnel (Executives one level below the MD & CEO) shall be approved by the Committee, subject to the candidate having been interviewed by at least two (2) members of the Committee. Basis the recommendation of the panel members, the Committee may approve the appointment. Appointment of any executive whose fixed salary exceeds 20.7 crores p.a. will need to be approved by the NRC.

B. Following are the functions of Nomination and Remuneration Committee:

1. Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon.
2. Evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.
3. To evaluate the performance of the members of the Board and provide necessary report to the Board.
4. Advise criteria for evaluation of Independent Directors and the Board & its Committees and carry out evaluation of every director's performance.
5. To formulate the criteria for determining qualifications, positive attributes and independence of a director.
6. To recommend to the Board a policy, relating to the remuneration for directors, Key Managerial Personnel, Senior Management Personnel and other employees.
7. To formulate criteria for payment to Key Managerial Personnel and Senior Management Personnel performance based incentives / rewards based on Bank's performance.
8. Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
9. Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
10. Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
11. Review and recommend to the Board for approval the appointment of Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the Bank (including remuneration policy for directors and key managerial personnel) the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank including the Managing Director & CEO, other Whole-time Directors and senior managers one level below the Board.
12. Review and recommend to the Board for approval the total increase in manpower cost budget of the Bank as a whole, at an aggregate level, for the next year.
13. Recommend to the Board the compensation payable to the Non-Executive Chairman of the Bank.
14. Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any material changes in the organization structure which could have wide ranging implications.
15. Review and recommend to the Board for approval of various other HR related policies including the Talent Management Policy and Succession Policy in the Bank for ensuring business continuity, especially at the level of Board, MD & CEO, other Whole Time Directors, Senior Management Personnel (one level below the MD & CEO and other key roles).



16. Review and recommend to the Board for approval

1. the creation of new positions one level below MD & CEO, wherever required
2. appointments, promotions and exits of senior managers one level below the MD & CEO

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

The Bank has engaged M-S. Avon Hewitt Limited for a project on Compensation Benchmarking, Increment Grid and Grade titling. The Project is under way and final report is yet to be submitted by the consultant. The Bank has made payment of ₹3 Lacs (excluding GST) during the year ended 31 March 2021 as a partial payment towards this project.

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

The Human Resources Policy of the Bank, approved by the Board of the Bank on 09 January 2017 and the same has been reviewed by the Board of Directors in its meeting in March 2021 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further the NRC has approved the revised remuneration structure of Managing Director and CEO subject to approval of Reserve Bank of India. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. The policy is applicable to MD & CEO, WTD and employees in Risk and Compliance department.

d) Type of employees covered and number of such employees

All the employees of the Bank are covered. The total number of employees of the Bank as at 31 March 2021 were 10,361 (31 March 2020: 8,831)

B. Information relating to the design and structure of remuneration processes.

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Nomination and Remuneration Committee ("NRC") and the Board, followed remuneration practices intended to drive mentorship and performance based on a prudent risk management framework.

Effective governance of compensation: The NRC has oversight over compensation to senior management personnel and also provides overall guidance to the compensation paid to other employees.

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has predominantly a fixed remuneration structure with no guaranteed bonuses. Further, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their performance. The Bank seeks to align remuneration with financial and non-financial performance indicators.

During the year ended 31 March 2021, guaranteed bonus was approved for one employee after taking due approval from competent authorities.

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 NRC and the board reviewed the compensation policy of the bank in its meetings on 20th March and 23rd March respectively and no changes were made in the same.

Discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee: The remuneration of employees in control functions such as Risk and Compliance depends solely on their individual and overall functional performance and is not linked to any business outcomes. The same is also reflected in their KRA's. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk and Compliance.



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

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

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

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

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

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

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

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

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

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

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

Discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance:

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

- For MD & CEO & Senior Management Team – As per the RBI guideline on Material Risk Takers, MD & CEO & SMT who have been classified as MRT's suitable deferral is being done. For FY 19-20, as a part of the MD & CEO – Annual Bonus, deferral was proposed as part of the overall proposal submitted to the Reserve Bank of India which is under their consideration.
- All ESOP's which are granted across all levels in the organization have deferral arrangement in them.
- Monthly / Quarterly Variable Pay – Based on the nature of the scheme, deferral arrangements are made in the same which differ from channel to channel.

The fraction of deferral to be considered is dependent upon –

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



Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.

The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. This policy deals with the deferred payment of variable pay and claw back rule. In the year ended 31 March 2021, an amount of ₹0.31 crores was paid to MD & CEO as a part of variable pay for the FY 18-19.

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

The Bank has variable pay that is paid based on the performance that is applicable to all levels. The ESOP options of the Holding Company are currently given to eligible employees in Manager and above grade subject to performance. Employees in sales function do have incentives based on monthly business performance.

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance.

The variable remuneration is offered in the form of annual performance bonus. The same is determined on the basis of comprehensive performance appraisal system wherein the performance of each employee is evaluated on the basis of defined Goal Sheet and KRA at the beginning of year and achievement against them.

Quantitative Disclosure:

As at March 21 the quantitative disclosure covers MD & CEO and Material Risk takers (as on 31 March 20 it covers MD & CEO and employees in the grade of Vice President and above).

(₹ in crore, except numbers)

Sr. No.	Particulars	As at 31 March 2021	As at 31 March 2020
1(i)	Number of meetings held by the Remuneration Committee during the financial year	10	7
1(ii)	Remuneration paid to its members during the financial year (in ₹)	0.11	0.00
2(i)	Number of employees having received a variable remuneration award during the financial year	5	16
2(ii)	Number and total amount of sign-on awards made during the financial year	-	-
2(iii)	Details of guaranteed bonus, if any, paid as joining / sign-on bonus	-	0.19
2(iv)	Details of severance pay, in addition to accrued benefits, if any	-	-
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	For MD & CEO Annual Cash Bonus of 0.43 crores for FY 19-20 has been split into the following: In FY 19-20 - 0.23 In FY 20-21 - 0.06 In FY 21-22 - 0.07 In FY 22-23 - 0.07 The same is subject to RBI approval. Apart from the above, ESOPs have also been proposed for MD & CEO as per USFBL - ESOP scheme. These are also subject to RBI approval. Again from that the UCL ESOPs offered to VP and above employees have deferral clauses as per the existing UCL - ESOP scheme.	
3(ii)	Total amount of deferred remuneration paid out in the year	-	-
4	Breakdown of amount of remuneration awards for the year *	-	-
	Fixed	Fixed: ₹ 12	Fixed CTC: ₹ 12
	Variable	Variable: 0.76	Variable: ₹ 1.32
	Deferred	Deferred: Nil	Deferred: Nil
	Non-deferred	Non-deferred: ₹ 88	Non-deferred: ₹ 2.28
5(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments	-	-
5(ii)	Total amount of reductions during the year due to ex post explicit adjustments	-	-
5(iii)	Total amount of reductions during the year due to ex post implicit adjustments	-	-
6	Number of MRTs identified**	8 MRTs & 1 WTD	NA



T(i)	Number of cases where status has been exercised	-	-
T(ii)	Number of cases where drawback has been exercised	-	-
T(iii)	Number of cases where both status and drawback have been exercised	-	-
E	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	0.01 crore @ 55 times	0.01 crore @ 45 times

*Remuneration excludes the cost accounted under Employee Stock Option Plan of the Holding Company and Gratuity & Leave encashment related costs which is accounted at entity level based on actuarial valuation. However till FY 19-20, CTC includes Gratuity expense which is calculated as a percentage of Gross salary

** As per RBI Circular No 27/29-67/001/2019-20 dtd November 4, 2019 effective from FY 20-21

Accrual of bonus have not been considered since employee level bifurcation is not available at the time of provision for bonus. The bonus paid during the year pertains to previous financial years.



18.34 Contingent liabilities

i. Description of nature of contingent liabilities is set out below:

- a. There is a capital commitment towards open purchase orders.
- b. Pending litigation against the Bank.
- c. Demands against tax assessments.

Refer Schedule 12 for amounts relating to contingent liabilities

18.35 Bank has not issued any letters of comfort during the year ended 31 March 2021 and previous year ended 31 March 2020. Further, there are no outstanding comfort letters as at 31 March 2021 and 31 March 2020.

18.36 Liquidity Coverage Ratio (LCR)

Qualitative disclosure around LCR

Liquidity Coverage Ratio (LCR) is a global minimum standard for Bank's liquidity. The ratio aims to ensure that a bank has an adequate stock of unencumbered High - Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar days of severe liquidity stress scenario.

The LCR is a ratio of High Quality Liquid Unencumbered Assets (HQLA) to total estimated net outflows over a stressed period of 30 calendar days.

The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivative-related exposures, partially offset by inflows from assets maturing within 30 days.

The Board of Directors has the overall responsibility for management of liquidity risk. The Board at overall level decides the liquidity risk tolerance/limits and accordingly decides the strategy, policies and procedures of the Bank for managing liquidity risk.

The Board has constituted Risk Management Committee (RMC), which reports to the Board, and consisting of Chief Executive Officer (CEO)/Chairman and certain other Board members. The Committee is responsible for evaluating the overall risks faced by the Bank including liquidity risk. The potential interaction of liquidity risk with other risks is included in the risks addressed by the Risk Management Committee.

At the executive level, Asset Liability Management Committee (ALCO) ensures adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Bank in line with Bank's risk management objectives and risk tolerance. A dedicated desk within Treasury function of the Bank is responsible for the day-to-day / intra-day liquidity management.

ALCO of the Bank channelises 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

Schedule forming part of the financial statements for the year ended 31 March 2021

Quantitative Disclosures

Following is the quantitative disclosures relating to LCR for the year ended 31 March 2021, wherein the amounts are average of daily positions during the quarter

(₹ in crore)

	Three months ended 31 March 2021		Three months ended 31 December 2020		Three months ended 30 September 2020		Three months ended 30 June 2020	
	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		1,067.22		1,205.44		1,001.52		1,574.50
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which	3,240.73	318.28	2,781.47	278.84	2,428.16	281.93	2,027.68	199.61
(i) Stable Deposits	116.15	5.81	76.04	3.36	55.69	3.78	62.14	3.16
(ii) Less Stable Deposits	3,124.58	312.47	2,705.43	275.48	2,372.47	278.15	1,965.54	196.45
3 Unsecured wholesale funding, of which	1,851.76	1,291.60	1,288.55	935.62	1,348.67	855.16	1,165.63	711.71
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	755.49	188.73	609.13	151.20	578.09	82.52	551.56	87.54
(iii) Unsecured debt	1,096.27	1,096.27	779.42	784.42	770.58	772.64	614.07	614.07
4 Secured wholesale funding	-	-	-	-	-	-	-	-
5 Additional requirements, of which	328.34	16.82	301.14	15.16	276.29	12.81	242.31	12.12
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	228.34	16.82	301.14	15.16	276.29	12.81	242.31	12.12
6 Other contractual funding obligations	559.55	559.55	472.71	472.71	552.57	552.57	129.37	129.37
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 TOTAL CASH OUTFLOWS		2,188.42		1,696.33		1,481.84		1,052.81
Cash Inflow								
9 Secured lending (e.g. reverse repo)	-	-	-	-	-	-	-	-
10 Inflows from sale/purchasing exposures	481.82	240.51	459.50	239.75	164.11	82.06	-	-
11 Other cash inflows	158.34	128.14	219.85	219.85	217.83	217.87	71.69	71.69
12 TOTAL CASH INFLOWS	640.16	368.65	679.35	459.60	381.94	299.93	71.69	71.69
13 TOTAL HQLA		1,067.22		1,205.44		1,001.52		1,574.50
14 Total Net Cash Outflows (8-12)		1,819.77		1,246.73		1,181.91		981.12
15 25% of Total Cash outflows (8*25)		347.19		424.08		330.71		293.28
16 Total Net Cash Outflows (Higher of 14 or 15)		1,819.87		1,246.73		1,182.92		981.12
Liquidity Coverage Ratio (13/16)		58.56%		257.11%		261.34%		262.41%



Following is the quantitative disclosure relating to LCR for the year ended 31 March 2020, wherein the amounts are average of daily positions during the quarter

(€ in crore)

	Three months ended 31 March 2020		Three months ended 31 December 2019		Three months ended 30 September 2019		Three months ended 30 June 2019	
	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount
High Quality Liquid Assets								
1) Total High Quality Liquid Assets (HQLA)		1,333.86		1,286.35		1,214.61		967.85
Cash Outflows								
2) Total deposits and deposits from small business customers, of which:	1781.38	175.02	1544.06	138.17	1383.73	114.83	1016.75	90.82
(i) Stable Deposits	62.54	1.12	374.04	16.23	270.86	12.54	217.06	10.83
(ii) Less Stable Deposits	1718.84	173.90	1169.47	121.94	1012.87	102.29	799.69	79.97
3) Unsecured wholesale funding, of which:	1244.22	901.41	1166.91	670.72	1106.69	597.81	936.24	532.99
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	881.42	238.51	705.43	168.87	701.69	194.78	628.24	186.99
(iii) Unsecured debt	662.80	662.90	461.48	461.45	405.03	403.03	308.00	346.00
4) Secured wholesale funding	-	-	-	-	-	16.09	-	12.10
5) Additional requirements, of which:	302.58	10.12	207.04	10.16	196.72	9.54	158.44	7.92
6) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
7) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
8a) Credit and liquidity facilities	265.58	10.12	207.04	10.16	196.72	9.54	158.44	7.92
8) Other contractual funding obligations	28.50	28.50	14.50	14.50	9.83	9.83	80.00	57.56
9) Other contingent funding obligations	-	-	-	-	-	-	-	-
8) TOTAL CASH OUTFLOWS		1117.06		701.25		752.10		701.39
Cash Inflow								
10) Secured lending (e.g. reverse repo)	-	-	-	-	-	-	-	-
11) Inflows from fully performing exposures	863.85	221.92	425.39	212.64	388.46	194.23	360.19	180.10
12) Other cash inflows	172.42	177.43	386.65	286.63	287.69	287.69	560.19	560.19
12) TOTAL CASH INFLOWS	641.76	409.35	711.94	499.27	776.15	581.92	920.38	740.29
13) TOTAL HQLA		1333.86		1286.35		1214.61		967.85
14) Total Net Cash Outflows (8-12)		707.71		291.06		170.18		21.10
15) 75% of Total Cash outflows (8*0.75)		707.71		291.06		188.03		175.25
16) Total Net Cash Outflows (Higher of 14 or 15)		707.71		291.06		188.03		175.25
Liquidity Coverage Ratio (%)		170.48%		477.47%		685.99%		551.96%

Note:

1. Average for all the quarters is simple average of daily observations for the quarter

2. Classification of inflows and outflows for determining the net out factor is based on the same estimates and assumptions as used by the Bank for computing the return submitted to the RBI, which has been relied upon by the auditors



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.37 Intra-Group exposures

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Total amount of intra-group exposures	-	-
Total amount of top-10 intra-group exposures	-	-
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	-	-

18.38 Details of provisioning pertaining to fraud accounts

The following table sets forth for the year ended 31 March 2021, the details of provisioning pertaining to fraud accounts:

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Number of frauds reported	10	47
Amount involved in frauds	0.24	0.85
Provision made	0.19	0.59
Unamortised provision debited from 'other reserves'	-	-

The Bank has recovered the amount of ₹0.05 crore (31 March 2020 - ₹0.26 crore) against amount involved in frauds/robbery cases from accused staff as well as from insurance partner till 31 March 2021.

18.39 Transfers to Depositor Education and Awareness Fund (DEAF)

Below mentioned are the details of funds transferred to Depositor Education and Awareness Fund during the year ended 31 March 2021.

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred to DEAF during the year	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

18.40 Credit Default Swap

The Bank has not entered into Credit Default Swap during the year ended 31 March 2021 and previous year ended 31 March 2020.

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

The borrowers of the Bank do not have any Unhedged Foreign Currency Exposure as at 31 March 2021 and 31 March 2020.

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

18.43 The board of directors in their meeting dated 22 May 2020 decided to contribute towards corporate social responsibility up to ₹2.50 crore which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
a) Gross amount required to be spent by the Company during the year	2.03	0.40
b) Amount spent during the period/ year on purposes other than construction/acquisition of any asset		
Paid in cash	2.50	1.00
Yet to be paid	-	-
Total of amount spent	2.50	1.00



Uttarakh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.44 The Bank's pending litigations include claims against the Bank by counterparties and proceedings pending with tax authorities. The Bank has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required, and disclosed as contingent liabilities where applicable.

18.45 The following table sets forth, for the years indicated, the movement in software acquired by the Bank, as included in fixed assets.

(₹ in crores)

Particulars	As at 31 March 2021	As at 31 March 2020
At cost at March 31 of preceding year	12.53	4.19
Additions during the year	14.22	12.53
Deductions during the year	-	-
Accumulated depreciation to date	7.18	5.19
Net block	19.57	12.53

18.46 The composite scheme of arrangement (Scheme) between the Uttarakh Small Finance Bank (Bank) and Uttarakh CoreInvest Limited (UCL), its holding company, and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad (NCLT) on 23 October 2019 for the reduction in the face value of equity share capital of the Bank and for the issuance and allotment of fully paid-up equity shares of the Bank to the shareholders of UCL (on account of their invested capital) from the reserves created from such reduction of share capital. The objective of the Scheme was, amongst others, to achieve dilution in shareholding of UCL in the Bank in line with the small finance bank's licensing guidelines.

In relation to the Scheme, the Bank had approached RBI seeking a certificate u/s 44B (1) of the Banking Regulation Act, 1949 and RBI had vide its letter dated 31 July, 2020 communicated to the Bank that the mode of dilution of promoter shareholding proposed under the Scheme militates against the spirit of the licensing guidelines for Small Finance Banks. Further, RBI had advised that it may consider issuing the required certificate u/s Section 44(1) in the event the board of both the Bank and UCL agree and approve that the combined shareholding of UCL and shareholders of UCL, who would be allotted the equity shares of the Bank, will be diluted to 40% of the voting shares in the Bank by 22 January, 2022 and till that time together they will exercise only 26% voting rights in the Bank. Basis deliberations, the respective boards of UCL and the Bank decided to withdraw the application for approval of Scheme. Subsequently, the Bank withdrew the petition and the NCLT by its order dated August 27, 2020 dismissed the petition as withdrawn.

The Bank vide its letter dated September 03, 2020 addressed to RBI to withdraw its application seeking certificate from RBI.

18.47 The COVID-19 virus, a global pandemic has affected the world economy including India. The extent to which the COVID-19 pandemic including the current second wave will impact the Bank's operations and financial results will depend on the future developments, which are highly uncertain.

In accordance with the 'COVID-19 Regulatory Package' announced by the RBI on 27 March 2020, 17 April 2020 and 23 May 2020, the Bank in accordance with its board approved policy granted a moratorium on the repayment of all instalments and / or interest, as applicable, due between 1 March, 2020 and 31 August 2020 to all eligible borrowers. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

Bank had performed stress testing under different scenarios to assess the credit quality and possible impact on provision which may persist even after the restrictions related to the COVID-19 outbreak are lifted. The Bank holds provisions as at 31 March 2021 against the potential impact of COVID-19 based on the information available at this point in time. The covid-19 provision is towards all the assets including restructured assets. The provisions held by the Bank are in excess of the RBI prescribed norms.

The disclosure as required by RBI circular dated 17 April, 2020 for the year ended 31 March 2021 is given below:

Items	Amount (₹ in crores)
Amounts of advances that are SMA or overdue as of 29 February 2020, where the moratorium/deferment was extended	28.02
Amount of advances where asset classification benefits was extended as of 31 March 2021	22.98
Provisions made on above	2.80
Provisions adjusted against against slippages / restructured assets	2.80
Residual provisions as on 31 March 2021	-

18.48 In accordance with the instructions in the circular RBI/2021-22/17 DOR-STR.REC.4/31.04.048/2021-22 dated 7 April 2021, the Bank shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been finalised by the Indian Banks Association (IBA) in consultation with other industry participants / bodies, on April 19, 2021. The Bank has estimated the said amount and recognised an interest reversal in its Profit and Loss Account for the year ended 31 March 2021.



18.49 The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated 3 September 2020 ("Interim Order"), had directed banks that accounts which were not declared NPA till 31 August 2020 shall not be declared as NPA till further orders. Accordingly, the Bank did not classify any account which was not NPA as of 31 August 2020 as per the RBI's Prudential Norms on Income Recognition, Asset Classification, and Provisioning (IRAC) norms, as NPA after 31 August 2020. However, as a basis its assessment and as a prudent measure, the Bank had followed the extant policies relating to NPA's in this regards.

The interim order granted to not declare accounts as NPA stood vacated on 23 March 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular dated 7 April 2021 issued in this connection, the Bank has followed with the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms.

18.50 The Reserve Bank of India, vide its circular dated 22 April 2021, have instructed that while allowing banks to pay dividend on equity shares, to review the dividend declaration norms for the year ended March 31, 2021. Bank will not make any dividend pay-outs from profits pertaining to the financial year ended 31 March 2021, with a view to conserve capital in an environment of heightened uncertainty caused by the ongoing second wave of COVID-19.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.51 Figures of the previous year have been regrouped / reclassified, wherever necessary to confirm current year classification.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 103523W/W100048

For and on behalf of Board of Directors

Utkarsh Small Finance Bank Limited

CIN: U65992UP2016PLC082804

Purushottam Nyati

Partner

Membership No: 118970

Kajal Ghose

Director

DIN: 07702190

P. H. Ravikumar

Director

DIN: 00280010

Govind Singh*

Managing Director & CEO

DIN: 02470880

Mukund Barsagade

Chief Financial Officer

FCA: 048560

Nutan Rane

Company Secretary

ACS 20260

Place: Mumbai

Date: 25 April 2021

Place: Mumbai / *Gurugram

Date: 25 April 2021



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2021

18.51 Figures of the previous year have been regrouped / reclassified, wherever necessary to confirm current year classification.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 103523W/W100048



Purushottam Nyati

Partner

Membership No: 118970



For and on behalf of Board of Directors

Utkarsh Small Finance Bank Limited

CIN:U65992UP2016PLC082804



Kajal Ghose

Director

DIN:00702190



P. H. Ravikumar

Director

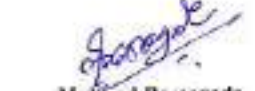
DIN : 00280010



Govind Singh

Managing Director & CEO

DIN: 02470880



Mukund Barsagade

Chief Financial Officer

FCA: 048560



Nutan Rane

Company Secretary

ACS 20260

Place: Mumbai

Date: 25 April 2021

Place: Mumbai / *Gurugram

Date: 25 April 2021

