

ANNUAL REPORT

2020-21



Utkarsh Small Finance Bank

Aapki Ummeed Ka Khaata

(A Scheduled Commercial Bank)



**OVERCOMING CHALLENGES,
BUILDING A LEGACY.**

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1,725.14

Total Income (₹ Crores)

558

Number of Banking Outlets

8,415.66

Gross Loan Portfolio (GLP) (₹ Crores)

Delivering growth

22.68%

Growth in total income on a year-on-year basis in FY 2020-21

25.13%

Growth in operating profit on a year-on-year basis in FY 2020-21



To view this report online, please visit:

www.utkarsh.bank

Overcoming Challenges, Building a Legacy.

The Financial Year 2020 -21 was a year filled with challenges. A year that will be remembered not just for the Pandemic situation that shook the world at many levels, but as the year that heralded exceptional changes in the way people respond socially and professionally.

The Pandemic posed a challenge that overwhelmed and bewildered organisations across the world.

At Utkarsh Small Finance Bank, we have been able to strike a balance between financial inclusion and servicing the rural and semi - urban segments with a pragmatic approach.

The management at Utkarsh Small Finance Bank took a resolve to overcome the various challenges faced by the Bank. We took reasonable initiatives to tackle issues right from those emanating from customer facing interaction to ensuring availability of cash on an ongoing basis through ATMs, to maintaining efficiency to near normal levels, to collections, to keeping the requisite liquidity, to ensuring data security and ensuring seamless access to Mobile and Internet Banking.

We mobilised teams, drew up processes, focussed on technology-enabled delivery, enforced risk mitigation practices, enabled

COVID-19 safety protocols for employees through HR initiatives and created various touch points for customers to empower them to go on with their day-to-day activities, despite the challenges.

Our holding company/promoter, Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited) helped us move ahead during this unprecedented Pandemic.

As the year progressed, we have been in a position to overcome the challenges posed by the Pandemic. Our core beliefs on which, this institution is built, has supported us during this difficult phase of the Pandemic Challenge. The approach, the belief and the ability to implement the steps taken, have firmly laid the foundation on which we strive to build our legacy.

The Bank is in a position today to scale up its operations and offerings supported by human capital and robust technology initiatives.

Company Overview

ABOUT US

USFBL commenced Banking operations on Jan 23, 2017 and has since spread its footprint consistently to include a customer base that covers the unserved and underserved segment across various States and UTs of India. The Bank re- envisioned its Vision, Mission and Value Statements during FY 2020-21 to signify its ability to offer excellence in banking services across social strata.



ETHOS

Vision

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

Mission

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

Values

Persistence is our innate quality

Responsible and Ethical in our dealings

Inclusive in our approach

Diligent in our process

Excellence in all that we do



PRODUCT SEGMENTS

We have a diversified product portfolio as classified below:

Assets	Liabilities	Services	Digital Banking Channels
<ul style="list-style-type: none"> • Microbanking Group Loans • Microbanking Individual Loans • Retail Loans <ol style="list-style-type: none"> a. Personal Loans b. Business Loans c. Commercial Vehicles & Construction Equipment Loans d. Loan Against Property e. Overdraft Loans • Wholesale Banking Loans • Housing Loans 	<ul style="list-style-type: none"> • Savings account • Current account • Term Deposits • Recurring Deposits • Certificate of deposits 	<ul style="list-style-type: none"> • Debit cards • Life insurance • General insurance • Mutual funds • Safe Deposit Locker Facility • Payments via NEFT, RTGS, Remittance, and Bharat Bill Pay • POS 	<ul style="list-style-type: none"> • Internet Banking • Mobile Banking • Digi On-boarding



AWARDS AND RECOGNITION

- BT-KPMG – **Best Small Finance Bank** in 2021- SFB category – Quantitative Rankings
- Team Marksmen and Media partner CNBCTV18 have recognised Utkarsh Small Finance Bank as one of the **Most Trusted Brands of India 20-21**
- Utkarsh Small Finance Bank was awarded **State Level Outstanding Performance Award** by NABARD Year – 2020 for Joint Liability Group under Small Finance Category by NABARD

DIVERSIFIED STAKEHOLDER BASE AT OUR HOLDING COMPANY UTKARSH COREINVEST LIMITED

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



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TAKING DECISIVE STEPS

As a Bank, we are poised for growth amidst the opportunities and challenges that has come our way aided d by our ability to take decisive and sustainable steps year on year, contributing towards carving a niche in terms of products and market presence. With an able leadership team and a strong workforce, that ably supports those decisions; we have been growing from strength to strength to position ourselves as one of the leading Small Finance Banks in the country.

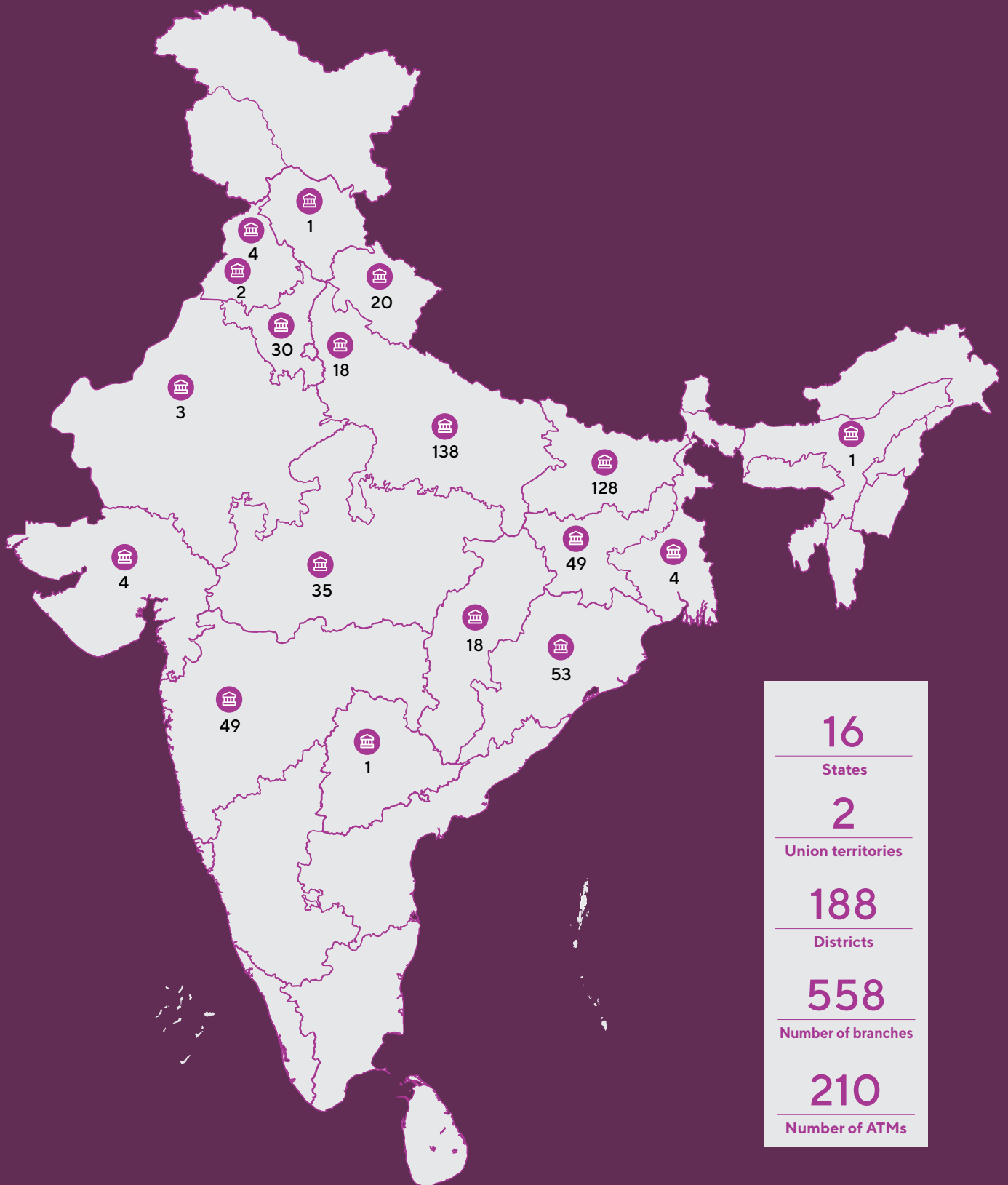
FISCAL YEAR EVENTS AND MILESTONES





Company Overview

States	Loan Book (₹ Crores)	% Distribution
Bihar	3,308.94	39.32%
Chandigarh	0.67	0.01%
Chhattisgarh	103.42	1.23%
Gujarat	68.56	0.81%
Haryana	515.32	6.12%
Himachal Pradesh	9.21	0.11%
Jharkhand	599.22	7.12%
Madhya Pradesh	340.61	4.05%
Maharashtra	605.49	7.19%
Nct Of Delhi	178.71	2.12%
Odisha	144.65	1.72%
Punjab	4.23	0.05%
Rajasthan	45.81	0.54%
Telangana	43.95	0.52%
Uttar Pradesh	2,239.28	26.61%
Uttarakhand	139.61	1.66%
West Bengal	67.99	0.81%
Total	8,415.66	100.00%



16	States
2	Union territories
188	Districts
558	Number of branches
210	Number of ATMs

*Map not to scale.
For illustrative purpose only.

From the Desk of Chairman to Shareholders



Dear Shareholders,

On behalf of Utkarsh Small Finance Bank (USFBL), I take this opportunity to present to you our 5th Annual Report for the FY 2020-21, a definitive and a decisive year that created a paradigm shift in the way organisations and institutions conduct their businesses. A year that ushered in the New Normal in the backdrop of once in a lifetime Pandemic.

Despite all the challenges that the Pandemic posed in general to our economy as well as the global economy and specifically to the banking system in India, our Annual Report reflects our resilience and our commitment to find solutions in the face of continued challenges. Moreover, it signifies the steps that the Bank collectively undertook to forge an ecosystem of trust and commitment amongst its stakeholders.

A lot has been said, written and discussed about the Pandemic and the challenges emerging therefrom. I would like to, hence, focus on how the Bank took decisive steps towards sustaining its growth momentum.

I take immense PRIDE to inform you that we kept our commitment, our promises to serve our customers, our pledge to ensure that every employee is taken care of both those managing the front-end, customer-facing part of the business and those supporting them.

The collective leadership of the management, and an able task force on the ground to execute adoption of technology, particularly digital technology, and streamlining of processes and controls, helped us in getting a hold on the challenges.

Significant initiatives taken by the Government, and the Regulatory Authorities helped the financial institutions to serve and support the customers, the business and industry ecosystem that we serve in general and all our customers in particular by providing reassurance that we are available for their needs, to provide solutions for their needs and find a service that meets their specific need.

Now coming to the results.

Yes, the lockdown disrupted economic activities and trade across the country, resulting in an estimated contraction of the Indian economy by 7.3% during the FY 2020-21

However, I am happy to report a total income of ₹ 1,725.14 Crore in FY 2020-21, compared to ₹ 1,406.24 Crore in FY 2019-20, clocking a year-on-year growth of 22.68% on the back of an increasing

gross loan portfolio and increase in deposits. Further, the operating profit of the Bank stood at ₹ 438.34 Crore in FY 2020-21 compared to ₹ 350.30 Crore in FY 2019-20, clocking a year-on-year growth of 25.13%

As a measure to counter any negative fall-outs of the Pandemic better, we have also created an additional provision in FY 2020-21 for COVID-19. Despite this extra provisioning as a cushion, during the FY 2020-21, we have reported a Capital to Risk Assets Ratio (CRAR) of 21.88% as on March 31, 2021, against a regulatory mandate of 15%, as set by the RBI. The first two quarters of the FY ended March 31, 2021 saw excess liquidity in the banking system (as also our Bank) particularly during the total lock-down during the first quarter of FY 2020-21.

₹438.34

Operating profit in
FY 2020-21

21.88%

Capital to Risk
Assets Ratio



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OVERCOMING CHALLENGES

The initial two quarters did affect the performance of the Bank due to the Pandemic situation. The nationwide lockdown marked the beginning of the fiscal situation on a tricky footing. The Monetary Policy from the Reserve Bank of India, however, resulted in surplus liquidity in the Banking System, including in our Bank. This liquidity meant deployment in safe assets but with very low returns since business was yet to recover to some level of normal activity. As we are a part of essential services, our banking outlets were operational. During the nationwide lockdown, we focused on engaging with our employees and customers, and ensured high customer and employee retention through the year. We took steps to check on the well-being of the employees and customers to ensure guidance to overcome this difficult situation. Further, we ensured that our distribution channels were functioning, despite the disruption caused by the Pandemic.

Significant focus in information technology and digitalisation ensured a smooth transition to 'work from home' and improvement in our digital banking solutions, to cater to the requirements of our customers better. We also focused on hiring new talent and strengthening our internal teams and processes during the Pandemic, to emerge stronger and strengthen our position in the banking space in India.



It is with immense PRIDE that we salute the resolute women, who are making that difference to their families, their villages and hence to a significant part of the economy.

REIMAGING BANKING

There is an immediate need to address the huge under penetration of credit in rural geographies. Though 47% of the GDP of the country is attributable to the rural geographies, it only accounts for 10% of the total credit. However, the impact of the second wave of the Pandemic through the first quarter of the FY 2021-22 means that growth momentum, which was picking up would most likely need to wait towards the latter half of the FY 2021-22.

We have focused on lending to the underserved and unserved communities, and to help women entrepreneurs thereby empowering them financially. An educated woman, teaches an entire family, a financially empowered woman secures the future of the entire family, and a community of inspired women, an entire village. Such lending also has to be safe and rewarding both to the entrepreneur and the Bank.

We believe we have managed this balancing act well so far.

It is with immense PRIDE that we salute the resolute women, who are making that difference to their families, their villages and hence to a significant part of the economy.

During this period to alleviate the hardships of our customers, we launched products and services to assist them to tide over their challenges. With the support of the Government and regulatory authorities, we launched Sambal loan, PM SVANidhi loan and Emergency Credit Line Guarantee Scheme (ECLGS).

I would like to emphasise here, that while our focus was on managing multiple service points, we consciously remained conservative on the liquidity side, maintaining adequate liquidity through the year, ensuring that we were in a position to meet all commitments towards customers and lenders at any given moment.

OUTLOOK

As I write to you today, many of the challenges are still out there, not just in the country, but also across the world. Our collective focus has helped us realign our offerings and services to the need of the hour. The technology efficiency and scaling will be a continuing journey for us and a significant focus area in the coming days.

The focus of the RBI to drive the efficiency of banks and financial institutions will support the growth story of the banking sector immensely in the days to come.

ACKNOWLEDGMENT

I would like to close my statement on this note - "We are firm believers in people-centricity and the year under review showcased our relentless determination."

I take this opportunity to thank the members of the Board for their support and counsel. My heartfelt gratitude towards the entire Utkarsh team. It is my privilege to acknowledge each one of them for their contribution towards the growth and development of the Bank in the year gone by. I must specifically put on record their untiring effort to ensure unimpeded customer service through the challenging period, quite often at peril to their own safety and health.

The unstinted support from customers, shareholders, investors and regulators has been remarkable, and I am grateful to them for their continued support.

Team Utkarsh would make efforts to sustain amidst the challenging



It is my privilege to acknowledge each one of them for their contribution towards the growth and development of the Bank in the year gone by.

environment even during the current year FY 2021-22. There are nascent signs that the second wave is letting up, and we would hence look forward optimistically to FY 2021-22 since we would have full three quarters to play catch-up. I am certain that the continued rigour, focus and commitment shown in FY 2020-21 will stand the Bank in good stead even during FY 2021-22.

Best wishes to you all for a safe, healthy and happy year ahead.

Regards,

Mr. Puranam Hayagreeva Ravikumar

Chairman



The unstinted support from customers, shareholders, investors and regulators has been remarkable, and I am grateful to them for their continued support.



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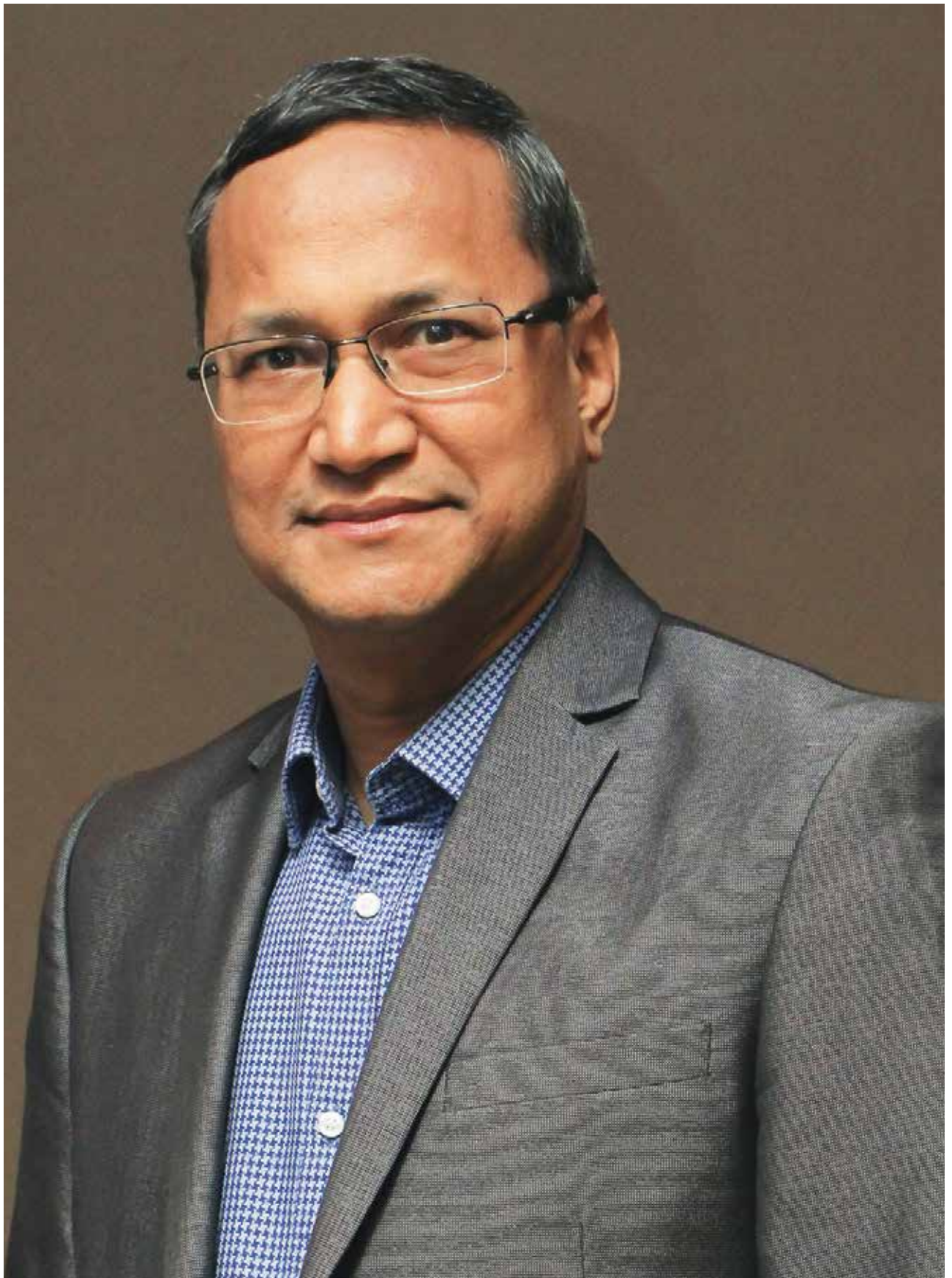


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Message to Shareholders from MD & CEO



Dear Shareholders,

It is with immense pleasure and gratitude that I present to you our Annual Report for the FY 2020-21. This has been a defining year in many ways and it was interspersed with a mixed bag of several external factors and internal events affecting the Bank. The year has witnessed significant impact on all aspects of business, economy, and social behaviours, as we have known earlier. It was a year that saw leadership teams take cognizance of change not just as an adjustment or adaptation but also as a core value for organisations to transform.

The Bank recognised this need for change at the very beginning of the Pandemic. The management team put together a blueprint to handle the many disruptions that cropped up during this period. The early intervention and planning helped us to implement a well thought - through business initiative to the advantage of all our stakeholders.

Before I start to address the performance and the initiatives of the Bank for the FY 2020-21, I would like to touch upon the industry performance of both microfinance and SFBs.

The microfinance industry had been growing at a commendable pace, but the looming of the Pandemic during the FY 2020-21 has proved to be a dampener and therefore, contributing towards a dawdling growth. The significant pace at which the SFBs have been growing turned sluggish due to the Pandemic. This slow growth holds true for all the sectors during this period. The regulators and the Government have been quick to gauge the impending difficulties and have put forth relief measures to alleviate the stress caused by the Pandemic on the financial institutions.

Given this scenario, the Bank worked towards a sustainable growth pace that complemented

the spirit of micropreneurs and the efficacy of the financial lending opportunities.

We were challenged to work towards a better future with a determined approach. We introduced products and processes that provided assistance to those who were in dire need of liquidity to keep things afloat on a day-to-day basis. The technology acceleration was significant. The unified approach in execution and implementation from strategy to service has been remarkable. The HR intervention in expediting the processes to align the challenges of remote working with the synergy of teamwork has been remarkable. This enabled the Bank to be abreast of any such challenges and sustain the needs of its customers at all times.

The days were poised with challenges, but I can say with conviction that we have been in a position to overcome those challenges to opportunities. This was also the period, that the Bank took its initial steps towards becoming a listed entity.

Before we delve deeper into the narration, I would like to quickly highlight here some of the achievements and milestones of the Bank:

- We celebrated 4 years of our banking operations
- We won significant awards and recognition
- We launched our international debit cards with a tie up with MasterCard
- Our first virtual branch launch was inaugurated in January 2021 post which many such launches have taken place successfully
- We re-envisioned our vision, mission and values in line with changing times and need
- We have rolled out COVID-19 specific initiatives for the well-being of our employees both financially and emotionally
- An on-call telemedicine facility for employees and their families has been introduced for their overall well-being. This health counselling initiative goes beyond COVID -19 and addresses the many issues that a person might face - both physical health and mental health
- We filed the Draft Red Herring Prospectus (DRHP) with SEBI to raise upto ₹ 1,350 Crore through the prospective Initial Public Offering (IPO)
- We continue with our social responsibility initiatives



THE YEAR OF THE PANDEMIC

Liquidity was there but there has been reluctance of availing credit

The onset of the Pandemic resulted in subsequent lockdowns to contain the spread of the Pandemic. With the Pandemic forcing authorities to enforce a strict lockdown, the livelihoods of many were severely impacted. The lockdown meant small businesses were brought to a standstill. Without any income, repayment of loans became an issue, which adversely affected the collections of banks.

While liquidity was not an issue, it was the appetite to borrow and lend amid this period of uncertainty that was hampered. This resulted in slow credit offtake in the banking and financial sector during FY 2020-21. Therefore, there was a need to focus on lending and in improving the operational efficiencies.

To overcome this, the RBI allowed banks and other lending institutions to provide moratorium on loan repayment for six months between March 2020 and August 2020. This was followed by loan restructuring under resolution framework for COVID-19, with the objective of reviving the economy. As part of a comprehensive targeted policy response, the RBI also unveiled schemes to provide credit relief to individual and MSME borrowers impacted by the Pandemic.

CREATING IMPACT THROUGH A ROBUST BUSINESS MODEL

The FY 2020-21 for the Bank started with a monthly collection

efficiency of barely 3.34% in April 2020; however, it significantly increased to a monthly collection efficiency of 97.55% by March 2021. We recorded 26.36% and 43.41% growth in gross loan portfolio and deposits during the year under review, which validated the robustness of our business model.

DELIVERING VALUE

Financial and operational performance

On the back of growth in the gross loan and deposits, we clocked a year-on-year growth of 22.68% and 25.13% in total income and operating profit respectively during FY 2020-21. Further, to counter the Pandemic, we made provisions of ₹ 286.90 Crore in FY 2020-21 compared to ₹ 99.88 Crore in FY 2019-20, registering a year-on-year increase of 187.25%. The provisions made during the year, resulted in a lower Profit After Tax (PAT). Our PAT stood at ₹ 111.82 Crore in FY 2020-21 compared to ₹ 186.74 Crore in FY 2019-20. The Return on Assets (RoA) stood at 1.04% and Return on Net Worth (RoNW) at 9.99% for the year ended March 31, 2021.

During the FY 2020-21, the Bank expanded its physical footprint



On the back of growth in the gross loan and deposits, we clocked a year-on-year growth of 22.68% and 25.12% in total income and operating profit respectively during FY 2020-21.

by opening 35 new general banking outlets, and increased its outreach across 16 states and 2 union territories. I am happy to inform that the Bank's gross loan portfolio and deposits have grown at a CAGR of 38% and 51% respectively over the last 3 years.

We realised in due course that Cross selling opportunities need to be harnessed and we made a conscious effort to focus on that during the FY 2020-21. Our CASA deposits for the year stood at ₹ 1,326.99 Crore compared to ₹ 706.66 Crore in FY 2019-20, registering a growth of 87.78% year-on-year. Further, our retail term deposits also grew by 64.81% during FY 2020-21.

As the year progressed, the Pandemic situation continued to present us with challenges that required a holistic solution based integrated approach and not just a piecemeal approach towards managing a crisis. The Loan Book during this period was at ₹ 8,416 Crore across various business units namely Microbanking, Wholesale Banking, Retail Assets (MSME and Personal Loans), Housing Loans, Business Correspondents, Commercial Equipment and Construction Vehicles and others. The Microfinance portfolio contributed to around 82% while other businesses contributed around 18% towards the Loan Book.

We kept pace with digitisation of our services, accelerated by the Pandemic situation. The period called for reimaging the process efficiency at a time when human intervention was limited. This, in turn, translated into stronger engagement and in providing better resolution to the customers.

We looked for opportunities to diversify our portfolio, increase revenue share from non-microfinance segment and ensure productive customer engagement.

To enable better revenue share from the non-microfinance segment, we promoted products such as commercial vehicle and construction equipment loan, MSMEs, Microbanking Individual Loans (MBIL) and Housing loans to individuals. At this juncture, I would like to share with you that your Bank has taken its first step towards being a listed company. During the FY 2020-21, we filed for DRHP, which comprises a fresh issue of equity shares of ₹ 750 Crore, and an offer for sale of ₹ 600 Crore by our promoter company Utkarsh CoreInvest Limited (UCL). Further, we also concluded private placement of our equity shares to the tune of ₹ 240.47 Crore to six equity investors.

MISSION, VISION AND VALUE STATEMENTS

You must have had the chance to read our revised Mission, Vision and Value Statements at the very beginning of this report. In the year under review, we decided to re envision them to align to the changing socio-economic conditions.

Utkarsh Small Finance Bank's core values rest on the three pillars of Culture, Process and Growth. Keeping the interests of employees, customers, partners and all stakeholders as our focus, the exercise was undertaken to reflect our endeavor to progress further and to emphasize our ability to overcome challenges, thereby, strive towards building a legacy.



During the FY 2020-21, we filed for DRHP, which comprises a fresh issue of equity shares of ₹ 750 Crore, and an offer for sale of ₹ 600 Crore by our promoter company Utkarsh CoreInvest Limited (UCL).

The new Mission, Vision and Value statements resonate the Bank's core values and is comprehensive. It has been purposed with an endeavour to help the Bank align its resources towards achieving future goals.

The Bank intends to disseminate the revised Mission, Vision and Value statements to its employees and other stakeholders through various forums. The Board and the Management deliberated at length before arriving at the proposed Mission, Vision and Value statements.

EXPANDING FOOTPRINT

During the FY 2020-21, we forayed into newer geographies with a clear focus on increasing our footprint in the existing markets. We expanded our presence to 16 states and 2 union territories, inaugurating new branches in cities namely, Hyderabad, Mumbai, Nashik, Pune, Surat Thane, Vadodara, and in the states of Chhattisgarh and Odisha, among others.

As on March 31, 2021, we had a widespread presence across 188 districts, serviced through

a robust distribution network of 558 Banking outlets, and 210 ATMs supported by internet and mobile banking services.

RESPONSE TO COVID-19

Business continuity

The FY 2020-21 will always be the year that emphasised that a template approach will never work in the long run. To combat the unprecedented situation, the team enforced significant steps and a robust Business Continuity Plan (BCP) was laid down to counter the disruptions that stemmed from the Pandemic.

With unstinted support from all stakeholders we ensured effective and uninterrupted banking services to our customers. The BCP helped in attaining operational efficacy, despite servicing our esteemed clients with reduced staff across all banking outlets in the country. Further, the CPCs at Navi Mumbai and Varanasi ensured business continuity of banking operations through rostering of staff.

HEALTH AND SAFETY

Employees

During the Pandemic, the Bank took definitive steps to protect the interest of the employees - emotionally, physically and financially, wherever required. The employees ensured continuous operation at Branches, Call Centres, CPC and other critical units of the Bank during the course of the Pandemic. The Bank on its part was committed to safeguard the health of its employees by ensuring that premises were compliant to all the safety protocols laid down by the Government and public health authorities.



Steps were taken to provide responses to any queries relating to COVID-19 through a dedicated helpdesk in HR. We also rolled out health initiatives to support the well-being of our employees through qualified professionals. The telemedicine consultancy for employees and their families is an initiative that goes beyond the realm of COVID-19. The Bank, being cognizant of the importance of vaccination during the Pandemic, has initiated the process to get all our employees vaccinated through relevant tie-ups with health service providers. We are continuously monitoring the situation and to ensure the well-being of our employees, we have been rolling out initiatives that support them on multiple fronts.

CREATING VALUE

We continue to focus on creating sustainable long-term value for our stakeholders. Our business model is the culmination of our unique strengths and strategies. We look towards scaling up services and products that cater to both rural and urban customers. We have been working towards creating value across social strata through insightful and viable solutions.

Furthermore, we are well positioned in terms of liquidity to meet our growth plans. Our growing liability franchise continues to support the Bank's liquidity requirements. Our Treasury also ensures that the Bank continues to enjoy healthy liquidity to tide over any unforeseen stress scenario.

The touch points between the Bank and its clients were increased through digital and technological tools to understand and manage the situation optimally.



The touch points between the Bank and its clients were increased through digital and technological tools to understand and manage the situation optimally.

Cybersecurity is of utmost importance to the Bank and various steps were taken during the Pandemic to offer seamless yet secured connectivity to enable employees access systems while working from home without compromising on information security.

Due to early adaptation to change, the Bank has been in a position to brace up for paradigm shifts that stem from the changing dynamics of the current socio economic scenarios, not to mention the changing technological shifts.

Our Strengths

- Deep understanding of microfinance segment and strong rural and semi-urban areas
- Fast growing deposits with strong focus on retail deposits
- Diversified distribution network with cross-selling opportunities

Strategic focus areas

- Continue diversifying the retail assets portfolio
- Grow retail deposits mix across geographies and customer segments to build stable funding source

- Increase share of fee income and capitalise on cross-selling opportunities
- Increasing use of technology and digital offerings for the last mile delivery to customers

COMMUNITY

The Bank has been committed to social causes since its inception. The core value has been to provide for a level playing field for those who have been financially and socially challenged. The Pandemic was no different.

For Pandemic specific relief measures, the Bank, through Utkarsh Welfare Foundation, undertook various initiatives such as setting up relief camps for people visiting hospitals, providing refreshments and meals, relief camps for migrant labourers including providing dry ration. The relief camp covered more than 5,000 labourers in 10 days. Quarantine centres for migrant workers were set up with requisite safety measures in place. Utkarsh Welfare Foundation distributed more than 1,000 masks to MGNREGA workers in five villages namely Bheemchandi, Deendaspur, Dholapur, Karnadadi, Mehmampur, and of Arajiline Block, District Varanasi, Uttar Pradesh.

During this period, we inaugurated e-clinics for citizens in Nihalpur, Varanasi and also inaugurated Solar Light Lamps for the benefit of citizens in Harahua village in Varanasi District, Uttar Pradesh.

ACKNOWLEDGEMENT

The year has challenged us in multiple ways and has enabled us to reimagine, reinvent to overcome the challenges. This has been possible because of a

definite business model backed by effective functioning aligned to the changing times and requirements.

I take this opportunity to thank the Board Members, who have been supporting and guiding us through this difficult period.

I thank the regulatory authorities who have from time to time created a conducive environment for banks to function in the Pandemic induced challenging environment.

I thank our investors, shareholders and our holding company/promoter Utkarsh CoreInvest Limited, who have stood by us imposing their faith and helping us grow from strength to strength.

I would like to thank our customers for the confidence and trust imposed in us and to have supported the Bank. We pledge ourselves to continue with our excellence in service approach at all times.

My heartfelt gratitude and thanks to all the employees and their families to have supported us during this difficult period. When 'Work From Home' became

the new normal, the families of employees had to adjust in many ways to sustain a work like environment at home over prolonged periods. Employees who had to front-end at Branches are true frontline warriors who, despite the precarious situation, served our customers so that they could continue with their day -to -day lives – a special thanks to them. Each of them has made a valuable contribution and the Bank appreciates that wholeheartedly. With your unstinted support and commitment, I am sure Utkarsh Small Finance Bank will be able to build a legacy that is inclusive and trustworthy.

I take this opportunity to thank our partners, rating agencies for their continued support, trust and association with the Bank.

I look forward to the coming year with renewed vigour and continued support of all our employees to overcome the challenges and in building a legacy.

Together we can. Together we win.

Warm regards,

GOVIND SINGH

Managing Director & CEO



I thank our investors, shareholders and our holding company/ promoter Utkarsh CoreInvest Limited, who have stood by us imposing their faith and helping us grow from strength to strength.



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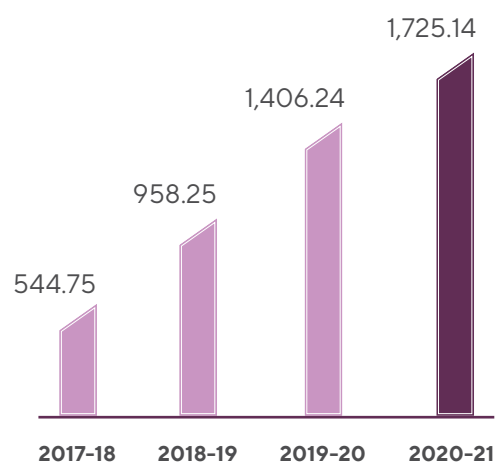
Key Performance Indicators

Consistent progress over the years

Profit and loss indicators

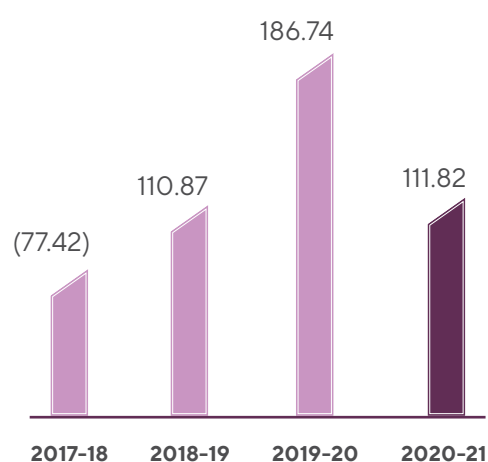
TOTAL INCOME

(₹ Crores)



PAT

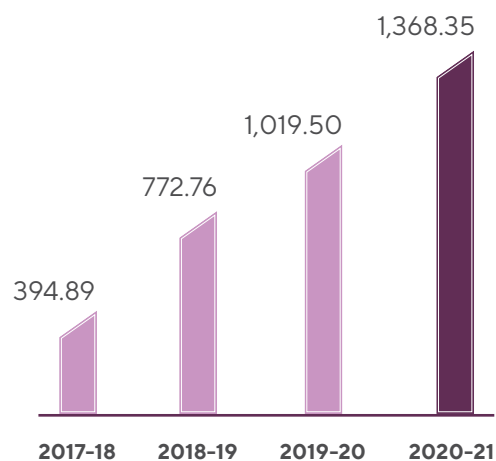
(₹ Crores)



Balance sheet indicators

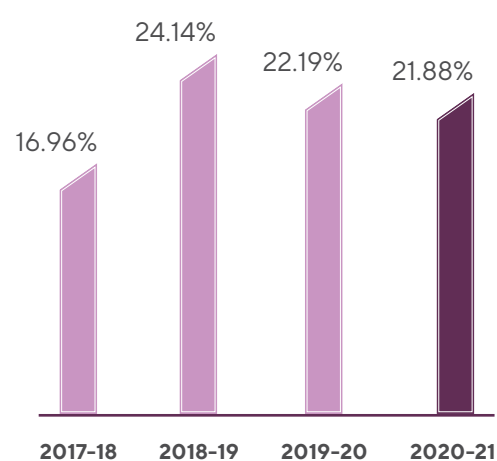
CAPITAL + RESERVES

(₹ Crores)



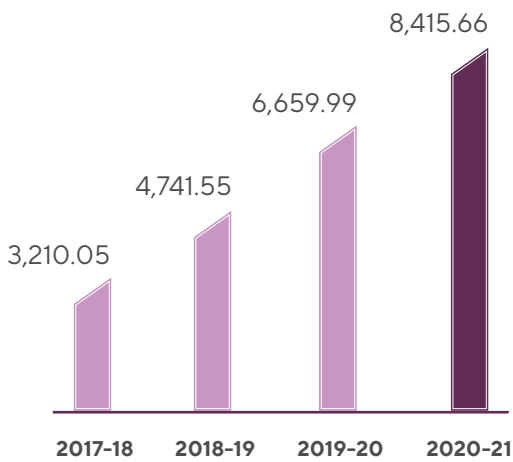
CAPITAL ADEQUACY RATIO

(%)

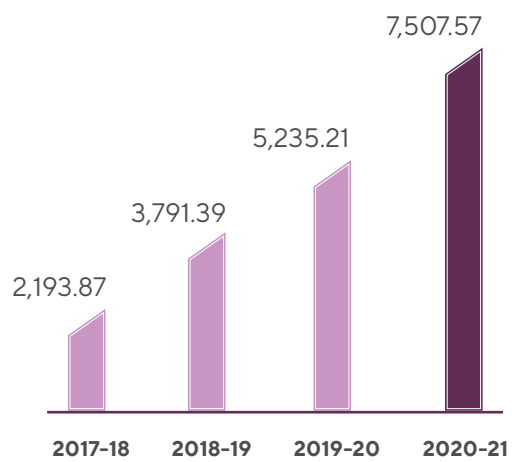


Operational indicators

SIZE OF GROSS LOAN PORTFOLIO
(₹ Crores)



TOTAL DEPOSITS
(₹ Crores)



Business Segment Overview

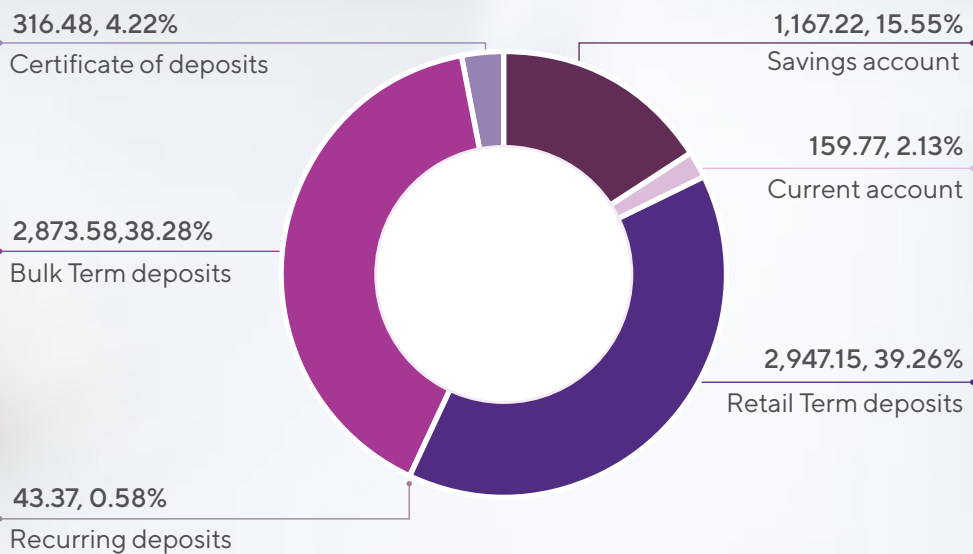
OPTIMISING THE REVENUE MIX

LIABILITIES

7,507.57

Size of total deposits (₹ Crores)

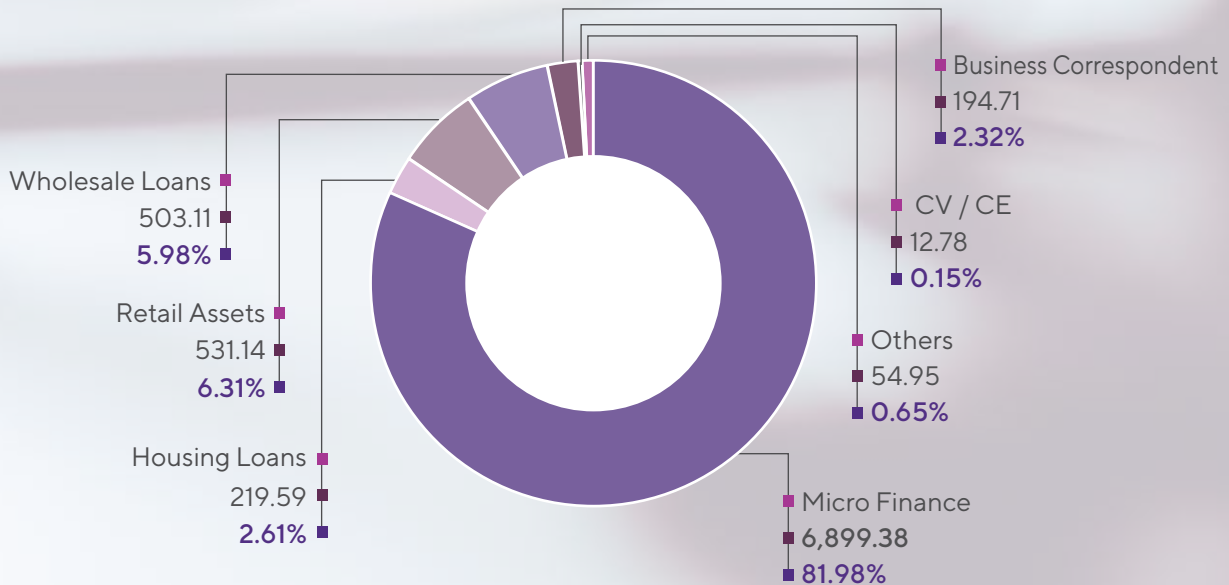
CONTRIBUTION TO DEPOSITS (%)



ASSETS

8,415.66

Size of total loan book (₹ Crores)



■ Channels ■ Loan (Cr) ■ % Compositions

Gross Loan Portfolio 8,415.66

Business Segment Overview

Over the years, we have been leveraging our inherent strengths which include experience and understanding of microfinance and rural and semi-urban franchise, furthered by a deep knowledge on the needs of the urban elite to spread our offerings and services across 18 states including 2 UTs. We have built upon our strength in our engagement with our customers to diversify our product offerings that includes savings account, deposit products and other loan products.

While dealing with underbanked and unbanked areas in some of the rural and semi-urban geographies of Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh and Uttarakhand, we could understand not just the opportunity for the Bank, but at the entrepreneurial ability and thereby the potential to empower a stable India in the process. Further, on the back of the Bank's strong rural presence, USFBL comfortably meets RBI's requirement of minimum 25% of branches in Unbanked Rural Centres (URCs), which is validated by the fact that 27.78% of the Bank's banking outlets were located in URCs as on March 31, 2021.

Though ~47% of India's GDP comes from rural areas, its share of total credit outstanding is merely 10%. This shows the huge under-penetration of credit products in the rural and semi-urban locales across the country. Uttar Pradesh and Bihar are some of the most populous states in India, accounting for 17% and 9% respectively of overall population in India.

The Bank on its strength of an informed employee force was able to address the needs of a customer base that was diverse across levels.

As on March 31, 2020 and 2021, our microbanking portfolio contributed 87.92% and 81.98% of our total gross loan portfolio.

At USFBL, we service our customers with product portfolio spanning across both deposits and liabilities. The deposit products comprise of saving accounts, salary accounts, current accounts, recurring and fixed deposits, and locker facilities. We offer a variety of demand and time deposit products and other services through which our customers can address their savings and transactional needs. Our product suite includes a range of deposit products including saving accounts, salary accounts, current accounts, recurring and fixed deposits (with callable and non-callable options) and locker facilities. We offer diversified liabilities products at competitive rates targeted primarily at retail customers from all segments led by senior citizens, middle-class individuals and self-employed and salaried individuals.

Our total deposits have grown from ₹ 5235.21 Crore as on March 31, 2020 to ₹ 7507.57 Crore as on March 31, 2021. Further, our CASA balances grew from 706.66 Crore as on March 31, 2020 to ₹ 1326.99 Crore as on March 31, 2021.

In addition, our CASA to total deposits ratio has improved from 13.50% as on March 31, 2020 to 17.68% as on March 31, 2021. This increase in CASA franchise has provided us with a stable access to low-cost funding and longer tenure resources profile.

A continuous growth in our customer base has led to diversification of our deposit franchise. Our deposit base comprises of customers across segments and geographies.

18

Presence (states and union territories)

39.83%

Retail Term Deposit to Total Deposit as on March 31, 2021 (%)

81.98%

Contribution of microfinance in GLP, as on March 31, 2021 (%)

We have a widespread and robust physical network of 558 banking outlets across 18 states and union territories, covering 188 districts in India, as on March 31, 2021. Of the 558 outlets, 366 were located in rural and semi-urban areas, validating our focus on the unbanked and underbanked masses of the rural and semi-urban geographies. Of this, a majority of 420 banking outlets are primarily focused on the microbanking portfolio. Our footprint in the states of Uttar Pradesh and Bihar has enabled us to build a significant microbanking franchise in these states.

Our distribution network also reduces reliance on any specific region in India, ensuring a wide spread of revenue generation from across the country.

Our network of Banking Outlets allows us to service our existing customers and attract new customers as a result of relationships cultivated through proximity and frequent interaction by our employees. Our network also reduces reliance on a particular region in India and allows us to replicate best practices developed in one region to other regions.

In order to promote financial inclusion of the underprivileged sections of the society, we opened banking outlets such as URCs across 54 districts. In addition to banking outlets, our distribution network also comprises ATMs, micro-ATMs, mobile and internet banking, corporate internet banking services. As of March 31, 2021, we had a network of 175 on-site and 35 off-site ATMs. Further, to facilitate ease of transaction for account holders, we have a range of transaction and payment channels such as domestic and international ATM-cum-debit cards (RuPay and Mastercard), payment gateways, integrated bill payment system facility, money transfer service scheme and doorstep banking services.

Our relationship with our micro banking customers has given rise to significant opportunities to cross sell our other asset products that cater to the entire customer lifecycle. In doing so, we launched individual loans and two-wheeler loans during FY 2020-21.

65.59%

Proportion of banking outlets located in rural and semi-urban areas, as on March 31, 2021 (%)

Over the years, we have grown our gross loan portfolio, from ₹ 6,659.99 Crore as on March 31, 2020 to ₹ 8,415.66 Crore as on March 31, 2021. Further, we also clocked one of the fastest on-book AUM growth between FY 2016-17 and FY 2019-20 in the SFB sector. On the other hand, our disbursements were at ₹ 5,914.01 Crore as on during FY 2020-21

On this front, we have a liquidity profile that is backed by shorter tenure micro banking lending, and sufficient liquidity buffer. Further, we are also carrying COVID-19 additional provision of ₹ 50.13 Crore as on March 31, 2021 to cover the potential stress in advances, including restructured portfolio.

The use of automation and digitalisation in our processes including disbursements of loans has led to cost efficient operations. Our cost-to-income ratio has reduced from 57.63% in FY 2019-20 to 55.43% as on March 31, 2021.

55.43%

Cost-to-income ratio in 2020-21 (%)

22.68%

Growth in total income over 2019 -2020



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Human Resource Review

BUILDING A CULTURE OF INCLUSIVE GROWTH

As part of our customer-centric approach, we recruit employees locally, which assists us in gaining a better understanding of customers in that region and their requirements. We have a focused approach on enabling a diverse and inclusive workforce. We believe in cultivating talent and providing growth opportunities to our employees through learning, development and career progression programmes. We also have well-defined HR policies in place. These policies are implemented through our corporate HR structure that comprises recruitment, HR operations and employee engagement and training verticals, supported by a Zonal HR structure providing 'last-mile' connect. We develop our internal human resources to help them meet the organisational goals apart from offering individual career progression and growth for competent employees. We provide training programmes, such as, induction training, functional training, coaching and mentoring, which we believe enhances the technical, functional and soft skills of our employees. We also provide online learning platforms. The Bank has adopted a technology enabled and automation focused approach towards delivering HR services to employees. We provide real time access to key HR services through its mobile enabled online human resource management system. Our 'Performance Management System is online and all related activities including goal setting, and appraisals are done using the online platform. We have a mechanism in place to mitigate risk emanating from adverse employee behaviour and acts of omission or commission.

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

At Utkarsh Small Finance Bank Limited, we value persistence, responsible and ethical behaviour, inclusivity, diligence and excellence in what we do. On the back of this culture, we have grown to a 10,360 plus strong employee base, comprising people from diverse backgrounds and experiences. We believe in fair opportunities to every employee, marked by non-discrimination on the basis of age, gender or background, thereby driving diversity of the workforce. We have also focused on improving the women to men ratio in our workforce. We have a workforce of around 1314 women employees.

We have sharp focus on hiring the right set of people at the right positions, to ensure hiring efficiency. We consistently expand, nurture and retain our talent base that complements our growth strategy. We believe in developing our own talent pool and creating a career plan for each of our employees. We ensure talent development through training and right skilling of the employees. We not only focus on training our employees on products and processes, but also make sure to align them with the passion and values that we operate with.

During the FY 2020-21, we hired as many as 4,705 employees. Amidst a time, when employment



across the country was adversely hit, we were still employing in large numbers. We hired 400 new employees every month on an average, mostly fresh college graduates. We are focused on hiring local talent from rural, semi-urban and urban locales, to ensure employment generation across the areas of our operation.

We not only focus on hiring the right people at the right positions, but also on engaging and motivating them with the right training. We strive to align our goals with the goal of employees, ensuring growth of both parties. This validates our focus on inclusive growth of our people. In achieving so, we have learning, development and career progression programmes in place. We offer individual progression and growth for competent employees through initiatives such as talent management, competency mapping, training and development, succession planning, internal job posting and performance management system.

We believe that having a healthy balance between work and personal life is crucial for all our employees. This motivates employees to remain committed to work and lead a stress-free life. In achieving this, we undertake initiatives such as fitness programmes in office, support on emotional and mental well-being, annual functions, sports day and festival celebrations, ensuring employees are motivated and get opportunities to rejuvenate themselves.

We strive to build our employees' capabilities on the back of training and development initiatives. At USFBL, we have a diversified set of well-qualified trainers comprising retired bankers, senior management employees and training experts, for the purpose of delivering training these trainers impart trainings through induction training, functional training, coaching and mentoring, technical training, and functional and soft skills training. Our employees also participate in various external programmes conducted by regulatory and industry consortium bodies, to stay updated with the latest developments in the industry.

PROACTIVE EMPLOYEE ENGAGEMENT

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



answer queries of all employees, with a dedicated section for COVID-19.

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

FAIR EMPLOYEE RECOGNITION

We believe in adequately compensating our employee based on their performance, in both short and long terms. Employee benefits like interest-free advance against salary, housing loan, bike loan, mobile loan, personal loan and adequate insurance cover enables employees to focus on work without having to worry about any hassles. In addition to recognition for best performers, we celebrate organisation citizenship behaviour through various awards for innovation, risk mitigation, vigilance and customer service, among others.

We organised a special women's day award in FY 2020-21, namely 'She Inspires Us', wherein we celebrated the contribution and success of our women employees. We also recognise the association we have had with our employees who have been with us for more than five years, through long-term service awards. Further, we ensure the contentment level of employees with the help of periodic employee satisfaction survey.



Corporate Social Responsibility

PROACTIVE COMMUNITY ENGAGEMENT

We have adopted a Corporate Social Responsibility ("CSR") policy in compliance with the requirements of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014 notified by the Central Government. We have a board approved CSR policy that aims to contribute to the social and economic development of underprivileged and underserved community in low income geographies. Our Bank's strategy is to integrate its activities in community development, social and environment responsiveness and encourage each business unit/ function to include these considerations into its operations. We also have a CSR Committee which is responsible for administering and executing the CSR policy. Our CSR Committee identifies specific areas which need focus and recommends them for implementation and reviews these activities at regular intervals.

We carry out CSR activities through Utkarsh Welfare Foundation, a Group Company, which is a company incorporated under Companies Act, 1956 and our recent CSR activities have focused on education, financial literacy, health initiatives, skill and entrepreneurship development programmes, and supported elderly care centres and orphanages. Annually, we spend 2% of our average net profits of the previous three years as per our CSR policy. We believe that our CSR initiatives contribute to our overall strategy of engaging with our target customers.

FINANCIAL AWARENESS

We started our journey as an SFB with the objective of financial inclusion of the underprivileged sections of the society. In doing so, we realised financial awareness is a much-required initiative that needs to be undertaken and inculcated among the masses in the rural and semi-urban geographies. Hence, we initiated programmes aimed at building sound financial decision-making capabilities of the targeted beneficiaries through right information, instructions and advice.

2,17,105

Number of beneficiaries

FINANCIAL LITERACY

In order to promote financial awareness, we undertook the financial literacy programme for target population across 4 states covering 14 districts, 4 in Bihar, 3 in Jharkhand, 1 in Madhya Pradesh and 6 in Uttar Pradesh. Under this programme, we organised training in small batches and used interactive learning aids such as audio-visuals, posters, banners, group discussion, role plays, exercises, games, and other participatory training tools. The course comprised a 3-day classroom training in batches, the module for which included financial planning, budgeting, savings, borrowings, investments, insurance, banking services and target government schemes.

During the year under review, we completed the 3-day classroom training in 2,557 batches, which included outreach of 15,701 beneficiaries in 1,873 batches through CRPs. Further, we created awareness about digital finance, enabling us to cater to the evolving customer needs better.

22,227

Number of beneficiaries of financial literacy programme

9,889

Number of beneficiaries of financial literacy

687

Batches

HEALTH INITIATIVES

UWF understands the growing need of health awareness programmes. Now, more than ever, health initiatives should be at the core focus of each organisation operating in the rural geographies of the country. Health initiatives are intended to provide free primary health services and awareness to low-income households of rural and semi-urban geographies.

Our health initiatives comprise outpatient diagnostic services with free medicines. We provide this through regular poly clinics across various locations, as well as mobile poly clinics with route plans in the underserved and under-privileged geographies of India.

During FY 2020-21, we organised preventive health care programmes across 18 locations covering 15 districts, 3 in Bihar, 4 in Madhya Pradesh, 2 in Jharkhand, 5 in Uttar Pradesh and 1 in Uttarakhand.

12,810

Number of beneficiaries under health camps

HEALTH AWARENESS

In addition to the polyclinics, we also conduct health awareness sessions to promote preventive healthcare for diseases such as malnutrition, anaemia, diarrhoea, malaria and other locally prevalent diseases. Further, we also promote hygiene and menstrual health.

During FY 2020-21, we conducted 1,139 health awareness sessions with the target of reaching out to 12,500 people.

12,859

Number of beneficiaries under health awareness



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SKILL DEVELOPMENT AND VOCATIONAL TRAINING

Building legacy for SIDBI MUSP project

During FY 2020-21, UWF combined its learnings from SIDBI, which, coupled with supported partnership project on women entrepreneurship under the advice of the Committee; helped in designing an intensive training programme for selected women entrepreneurs. This programme identified viability gap in each of the key trades. UWF with support of USFBL built sustained livelihood opportunities for women entrepreneurs and trained them to promote entrepreneurship.

200

Number of women entrepreneurs

Micro Enterprise Promotion Programme (MEPP)

MEPP was initiated with the objective of identifying, motivating and guiding entrepreneurs in setting up micro enterprises, thus, driving employment generation in semi-urban and rural India. SIDBI is currently implementing this programme across 126 districts in 26 states of the country, promoting 43,000 enterprises.

UWF under the guidance of USFBL, has collaborated with SIDBI, and helped in setting up two micro enterprise promotion centres in the districts of Ghazipur and Varanasi, in December 2018. The programme was implemented with the support of 4 project staff, 2 each in Ghazipur and Varanasi.

In FY 2020-21, the project aimed to train 600 beneficiaries and facilitate credit linkages for 200 entrepreneurs for setting up enterprise. During the year under review, the project trained 110 entrepreneurs to facilitate credit linkages, and 616 entrepreneurs on business development services.

726

Number of Entrepreneurs



Case study 1

Harshit Kumar

Micro entrepreneur, Varanasi

Harshit runs a micro firm, namely Harshit Firm, which deals in motor parts. He started his business in the year 2012, with a capital outlay of ₹ 10 lakh. However, he was failing to scale his business after a certain point, owing to his inability to acquire the credit linkage required for the expansion.

During 2020, we at UWF selected him for the MEPP, with the intent of inculcating knowledge about the market and formal financial sector. With this information and support of UWF staff, Harshit applied to a formal financial service provider for credit support. Further, the loan to the tune of ₹ 1.7 lakh was sanctioned. This helped him scale his business and increased his monthly income from ₹ 45,000 to ₹ 1,00,000. This also helped him restructure his business and employ 3 more people in his firm.

Case study 2

Suresh Sonkar

Micro entrepreneur, Varanasi

Suresh is a fruit trader, who initiated his business in the year 2010 with a capital outlay of ₹ 10 lakh. However, he was unable to grow his business and expand its scope, owing to inability to acquire the credit linkage required for the expansion.

During 2020, we at UWF selected him for the MEPP, with the intent of inculcating knowledge about the market and on business expansion. Empowered with this information and leveraging the newfound information and training, Suresh acquired a credit support of ₹ 7 lakh from a formal financial institution. This helped him scale his business to 3-4 districts across Varanasi, and increased his monthly income to ₹ 40,000. This, in addition, enabled him to employ 6 people in his business.



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Case study 3

Rambrik Saroj

Micro entrepreneur, Varanasi

Rambrik runs a fruit trading firm. He initiated his business in the year 2009 with a capital outlay of ₹ 10 lakh. However, he lacked the knowledge and financial stability to expand his business.

During 2020, we at UWF selected him for the MEPP, with the intent of inculcating knowledge about the market and on business expansion. Leveraging this knowledge, Rambrik acquired a credit linkage of ₹ 20 lakh from a formal financial institution. This helped him scale his business to 8 districts across Uttar Pradesh, and increased his monthly net profit to ₹ 20,000. This also helped him employ 7 people in his business.

United Nations Development Program (UNDP) – Social protection for migrants and vulnerable communities

The project was implemented with the objective of facilitating social protection and crisis response under COVID- 19 rapid response facility programme in the State of Uttar Pradesh. UWF implemented the project across 6 districts, namely Varanasi, Mirzapur, Chandauli, Sonbhadra, Gorakhpur and Deoria.

12,671

Number of beneficiaries

UNDP – Building economic resilience of artisans and micro entrepreneurs post COVID-19 (Non-farm project)

Fostering the collaborative efforts towards COVID-19 response, UWF started another project with UNDP. The project was completed on December 31, 2020 with a significant number of artisans and micro-entrepreneurs being mobilised and on-boarded through the non-farm project across Mirzapur and Varanasi districts.

2,760

Number of Artisans and Micro entrepreneurs



VILLAGE DEVELOPMENT PROGRAMME (VDP)

Under this programme, UWF endeavours to achieve integrated and holistic development of identified villages in consultation with village community. During the FY 2020-21, UWF identified 5 villages in Varanasi, namely Bhimchandi, Deendasapur, Dholapur, Karnadadi and Mehmedpur for this intensive development programme.

Learning enhancement programme for school children

To promote education, UWF identified and enrolled 130 children between the age of 5 and 12 years in tutorial classes. These tutorial classes were organised by UWF, covering language skills (English and Hindi), numeric skills, science and arts. The tutorial used various creative learnings tools, audio-visuals, games and participatory tools to help the children learn. On the initial success of the learning enhancement programme, it has been extended to 4 villages at Varanasi, namely Bhimchandi, Deendasapur, Karnadadi and Mehmedpur with the support of Community Resource Persons (CRPs) at field level.

During FY 2020-21, UWF organised financial literacy trainings through 336 batches, under VDP. Further, during the fiscal, we also provided health awareness training programme through 368 batches across 5 villages in Varanasi, namely Bhimchandi, Deendasapur, Dholapur, Karnadadi and Mehmedpur. We also educated the masses about the various safety protocols to be followed during COVID-19.

2,844

Number of beneficiaries of financial literacy under VDP

3,524

Number of beneficiaries of health awareness programmes under VDP

COVID-19 RELIEF

ESIC hospital, Varanasi

UWF undertook initiative to organise relief camps by providing light refreshment meals to all visitors coming at ESIC hospitals, Varanasi for COVID-19 tests. This relief camp was organised for a stretch of 10 days.

5,000

Number of beneficiaries

Support to migrant labourers and stranded population on highways

UWF set up a relief camp at Akhri Chowraha in Varanasi consecutively for 10 days, for all migrant labourers travelling from distant places. We served them refreshments (parched rice, jaggery, water bottles, gram) and also a pair of slippers.

5,000

Number of beneficiaries

Mask distribution to MGNREGA workers

UWF distributed more than 1,000 masks to MGNREGA workers across 5 villages in Varanasi - Deendasapur, Mehmadpur, Dholapur, Bheemchandi and Karnadadi.

Relief camp at quarantine centres

UWF came in aid of the migrant labourers who were quarantined in quarantine centres, by providing them breakfast for a period of 10 days.

OTHER INITIATIVES

During the year under review, we continued to support special homes for children and elderly people. In addition to this, we also sponsored the meals at such special homes and provided the children and elderly people essentials for daily needs. For an improved engagement with the people at the special homes, our volunteers visited these special homes on a monthly basis. The Bank contributed ₹ 1.00 Crore towards PM Cares Fund for Pandemic specific needs.



Governance

Leaders who inspire us

At USFBL, we believe in creating an industry benchmark on governance on the back of our core values, and a focused effort at promoting ethical business and targeted policies. Our vision of good governance is to promote transparency, accountability, and awareness in all aspects of our operations.

We have created a robust governance framework centred on an effective Board of Directors, backed by the Board committees. The governance framework is designed in a way, wherein the senior management reports to the Board of Directors on a periodic basis. Further, the Board maintains an oversight over functions and ensures the operation of business.

OUR BOARD OF DIRECTORS



MR. PURANAM HAYAGREEVA RAVIKUMAR

Independent Director and Part Time Non-Executive Chairman

Mr. Puranam Hayagreeva Ravikumar is an Independent Director and Part Time Non-Executive Chairman of our Bank. He holds a bachelor's degree in commerce and a senior diploma in French from Osmania University. He is a certified associate of the Institute of Bankers, London, certified associate of the Indian Institute of Bankers and a fellow of the Securities & Investments Institute, London. He has over 49 years of experience in the field of financial services. He has worked at the Bank of India and ICICI Bank Limited and also served as the Managing Director of National Commodity & Derivatives Exchange Limited, Invent Assets Securitisation and Reconstruction Private Limited and Capri Global Capital Limited. Prior to joining our Bank, he has also been associated with Fedbank Financial Services Limited, Bharat Financial Inclusion Limited, Vastu Housing Finance Corporation Limited, Eveready Industries India Limited, I G Petrochemicals Limited, The Federal Bank Limited, IDBI Federal Life Insurance Company Limited and L&T Investment Management Limited.



MS. ANITA RAMACHANDRAN

Nominee Director

Ms. Anita Ramachandran is a nominee Director of our Bank. She holds a bachelor's degree in commerce and a master's degree in management studies from the University of Mumbai. She has previously worked with A.F. Ferguson & Co. She founded Cerebrus Consultants in 1995.



MR. GOVINDASAMY SAMPATH KUMAR

Nominee Director

Mr. Govindasamy Sampath Kumar is the nominee Director of our Bank. He holds a master's degree in business administration from Punjab Technical University. He holds post-graduate diplomas in business administration and financial management from Annamalai University and in computer applications from Bharathiar University. He has been associated with Future Financial Services Private Limited, Andhra Pradesh State Financial Corporation, APITCO Limited, Hyderabad Information Technology Venture Enterprises Limited, Cyberabad Trustee Company Private Limited and MPCON Limited. He currently serves as the chief general manager of SIDBI.



MR. KAJAL GHOSE

Independent Director

Mr. Kajal Ghose is an Independent Director of our Bank. He holds a bachelor's degree in commerce from Ranchi University and a diploma in human resources development from All India Institute of Management Studies, Chennai. He is a certified associate of the Indian Institute of Bankers. He previously worked as the chief general manager at State Bank of India, as a consultant with PayU Payments Private Limited and at Stratosphere IT Services Private Limited and Kovid Group Analytics India Private Limited. He has also been a member of the board of advisors of Datawise Management Services India Private Limited. He currently is a member of the investment committee of New Leaf Investment Advisors LLP.



MS. KALPANA PRAKASH PANDEY

Independent Director

Ms. Kalpana Prakash Pandey is an Independent Director of our Bank. She holds a Bachelor's degree in Science (Chemistry, Physics and Mathematics) and Master's Degree in Science (Physics) from Garhwal University and a Master's degree in technology (computer science and technology) from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She also holds a Post-Graduate Diploma in Electronics and Communication Engineering from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She has previously served as the Managing Director and Chief Executive Officer of CRIF High Mark Credit Information Services Private Limited, an RBI licensed credit bureau. Additionally, she was also associated with IDBI Principal Asset Management Company, State Bank of India and HDFC Bank Limited.



MR. NAGESH DINKAR PINGE

Independent Director

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



MR. MURALIDHARAN RAJAMANI

Non-Executive Director

Mr. Muralidharan Rajamani is a non - executive Director of our Bank. He holds a bachelor's degree in science (mathematics) from the University of Madras and a master's degree in arts (branch III - economics) from the University of Madras. He has completed the management of managers programme from Stephen M. Ross School of Business, University of Michigan and is a certified associate of the Indian Institute of Bankers. He was previously associated with Edelweiss Tokio Life Insurance Company Limited, Leadership Centre Private Limited, ICICI Bank Limited, Dhanlaxmi Bank Limited and L&T Finance Limited.





MR. AJAY KUMAR KAPUR

Independent Director

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



MR. GOVIND SINGH

Managing Director and Chief Executive Officer

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

COMMITTEES OF THE BOARD

Sr. No.	Particulars	Composition of Committee
1	Audit Committee	1. Mr. Nagesh Dinkar Pinge (Chairperson) 2. Mr. Ajay Kumar Kapur (Member) 3. Ms. Anita Ramachandran (Member) 4. Mr. Kajal Ghose (Member) 5. Ms. Kalpana Prakash Pandey (Member)
2	Nomination & Remuneration Committee	1. Mr. Kajal Ghose (Chairperson) 2. Mr. Ajay Kumar Kapur (Member) 3. Ms. Anita Ramachandran (Member) 4. Mr. Puranam Hayagreeva Ravikumar (Member)
3	Stakeholders' Relationship Committee	1. Mr. Muralidharan Rajamani (Chairperson) 2. Ms. Kalpana Prakash Pandey (Member) 3. Mr. Govind Singh (Member)
4	Corporate Social Responsibility Committee	1. Mr. Puranam Hayagreeva Ravikumar (Chairperson) 2. Ms. Kalpana Prakash Pandey (Member) 3. Mr. Muralidharan Rajamani (Member) 4. Mr. Govind Singh (Member)
5	Capital Structuring and Fund Raise Committee	(a) Mr. Puranam Hayagreeva Ravikumar (Chairperson) (b) Mr. Nagesh Dinkar Pinge (Member) (c) Mr. Govind Singh (Member)
6	IT Strategy Committee	1. Mr. Kajal Ghose (Chairperson) 2. Mr. Govindasamy Sampath Kumar (Member) 3. Ms. Kalpana Prakash Pandey (Member) 4. Mr. Nagesh Dinkar Pinge (Member) 5. Mr. Muralidharan Rajamani (Member) 6. Mr. Arun Raman (Head IT & Operations)
7	Review Committee for Identification of Wilful Defaulters	(a) Mr. Govind Singh (Chairperson) (b) Mr. Nagesh Dinkar Pinge (Member) (c) Mr. Govindasamy Sampath Kumar (Member)
8	Customer Service Committee	1. Ms. Kalpana Prakash Pandey (Chairperson) 2. Mr. Govindasamy Sampath Kumar (Member) 3. Mr. Muralidharan Rajamani (Member) 4. Mr. Govind Singh (Member)
9	Special Committee to monitor Large Value Frauds	(a) Mr. Govind Singh (Chairperson) (b) Mr. Nagesh Dinkar Pinge (Member) (c) Mr. Govindasamy Sampath Kumar (Member) (d) Mr. Kajal Ghose (Member); and (e) Ms. Anita Ramachandran (Member)
10	Credit Approval Committee	1. Mr. Kajal Ghose (Chairperson) 2. Mr. Ajay Kumar Kapur (Member) 3. Mr. Puranam Hayagreeva Ravikumar (Member)
11	Special Committee for Corporate Office Building Project	(a) Mr. Kajal Ghose (Chairperson) (b) Mr. Puranam Hayagreeva Ravikumar (Member) (c) Mr. Govind Singh (Member)
12	Risk Management Committee	1. Mr. Ajay Kumar Kapur (Chairperson) 2. Ms. Kalpana Prakash Pandey (Member) 3. Mr. Muralidharan Rajamani (Member) 4. Mr. Puranam Hayagreeva Ravikumar (Member) 5. Mr. Govind Singh (Member)



OUR LEADERSHIP TEAM



MR. ALOK PATHAK

Chief Risk Officer

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



MR. ARUN RAMAN

Head IT & Operations

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



MR. HITAIN SHARMA

Chief Human Resources Officer

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



MR. MUKUND BARSAGADE

Chief Financial Officer

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

**MS. NUTAN RANE****Company Secretary**

Ms. Nutan Rane is the Company Secretary of our Bank. She is also the compliance officer of our Bank. She holds a bachelor's degree in commerce from the University of Bombay. She is a certified chartered financial analyst from the Institute of Chartered Financial Analysts of India University, Tripura. She has completed executive master's diploma programme in business administration from the Indian Institute of Business Management Technology and Research and is an associate of the Institute of Company Secretaries of India. She has experience in the field of secretarial compliance and has previously worked at SBI Capital Markets Limited as their manager – legal and compliance.

**MR. N. V. SHIV KUMAR****Head - Assets**

Mr. N. V. Shiv Kumar is the Head - Assets of our Bank. He holds a bachelor's degree in science from Sri Venkateswara University and is a certified associate from the Indian Institute of Bankers. He has experience in the field of business development and has previously worked at Axis Bank Limited as its vice president, Union Bank of India as its assistant manager, IndusInd Bank Limited as its executive vice president and Placid Limited as its Director – agri business council.

**MR. PEEUSH JAIN****Head - Liabilities**

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

**MR. RAHUL DEY****Head - Internal Audit**

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





MR. RAHUL SINHA

Head - Collections, Risk Containment Unit and Data Analytics

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



MR. SACHIN PATANGE

Chief Compliance Officer

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



MR. TRILOK NATH SHUKLA

Head - Micro Banking

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

Management Discussion & Analysis

INDIAN ECONOMY

Since the start of FY 2020-21, the Indian economy has been going through a significant challenge in facing an unprecedented crisis caused by the spread of COVID-19. The nationwide lockdown announced by the Government of India to combat the spread of the virus in March 2020, brought the country to a standstill in which the small businesses and the unorganised sectors were affected the most. The nation quickly got on to its feet to manage the situation albeit the inevitable economic stress.

Consequently, the Indian economy shrank 23.9% in the April-June quarter of the FY 2020-21, followed by another 7.5% contraction in the July-September quarter in FY 2020-21. However, the GDP grew by 0.4% in Q3 of FY 2020-21 and 1.6% in Q4 of FY 2020-21, validating the fact that the economy was recovering due to the financial stimulus by the Government and easing of lockdown restrictions coupled with improvement in operating environment. This led to the government and the regulatory bodies reimagine its outlook and provide for an evolving financial landscape, given the volatility of the Pandemic.

During the financial year, the government announced three AtmaNirbhar Bharat (ANB) packages - ANB 1.0, ANB 2.0 and ANB 3.0. The total financial impact of all packages, including RBI measures, were estimated at ₹ 27.1 Lakh Crore, or over 13% of the GDP. Reserve Bank of India (RBI) acted swiftly by reducing the repo rate twice, in March and May 2020, and undertook several other measures to boost liquidity in the financial system. The central bank also allowed banks and other lending Institutions to provide moratorium on loan repayment for six months between March 2020 and August 2020 to their borrowers facing financial stress, followed by loan restructuring under resolution framework for COVID-19.

All these efforts have been contributing towards the recovery of the economy. For FY 2020-21, the country's GDP has contracted by 7.3%.

The impact of COVID-19 on operating environment receded significantly towards February-March 2021, and it seemed that the Indian economy was marching towards a strong recovery. The resurgence of severe second wave of COVID-19 in the month of April-May 2021 is posing challenges again.

In May 2021, the RBI announced another financial stimulus of ₹ 50,000 Crore for vaccine makers, medical equipment suppliers, hospitals, and even patients in need of funds to treat the disease, while opening up another round of restructuring of loans for individual and small borrowers for up to two years. Further, the Central Bank also opened up a special long-term repo operation window for small finance banks (SFB), wherein the banks can borrow funds up to ₹ 10,000 Crore at repo rate for deploying for fresh loans of up to ₹ 10 lakh per borrower. The loans given by SFBs to small microfinance institutions (MFIs) that have asset size of up to ₹ 500 Crore would be considered under priority sector.

On the back of these initiatives as well as considering the impact of COVID-19 second wave, the RBI has projected the GDP growth for FY 2021-22 at 9.5%.

INDIAN BANKING INDUSTRY

The Indian banking industry comprises 12 public sector banks, 21 private sector banks and 11 small finance banks, 44 foreign banks, 43 regional rural banks, and 98,545 cooperative banks. The number of bank branches per 1,00,000 people in India has increased from 13.6% to 14.6% in the past 4 years.

Banks' deposits growth has been at a healthy 11.4% during FY 2020-21 as individuals are saving more during the Pandemic. However, the bank credit growth, which had slowed down in FY 2019-20, witnessed another setback in FY 2020-21 due to the economic contraction and weakening consumer sentiment. According to RBI, credit growth stood at 5.6% in FY 2020-21, the slowest in over five decades. In the FY 2019-20, the credit growth stood at 6.1%.

RBI has been taking policy measures to mitigate the stress in the economy. In the initial phase of the Pandemic, the central bank geared its policy actions towards restoring normal functioning, with aggressive policy rate cuts, significant liquidity infusion, moratorium, and time-bound window for restructuring of loans.



Both RBI and the government are now focussing on supporting the economic recovery. Once the second wave of the Pandemic settles, the massive capital outlay announced in the Union Budget would further drive the public spending and help in boosting India's consumption story, which, in turn, would drive the credit growth for the banking industry.

SMALL FINANCE BANKS

The RBI awarded Small Finance Bank (SFB) licenses to 10 players in keeping with the Government's focus on financial inclusion and inclusive banking. Of the 10 SFBs, 8 were microfinance players, while the other two were a local area bank and a Non-Banking Finance Company (NBFC). SFBs are allowed to take deposits, which act as an advantage of having lower cost of funds compared with NBFCs. Micro Finance Institutions (MFIs) that have turned into SFBs are now diversifying their advances mix, and focusing on other retail and corporate lending businesses, apart from strengthening and diversifying their liabilities profile. The specific mandate assigned to SFBs, is to further the cause of financial inclusion by

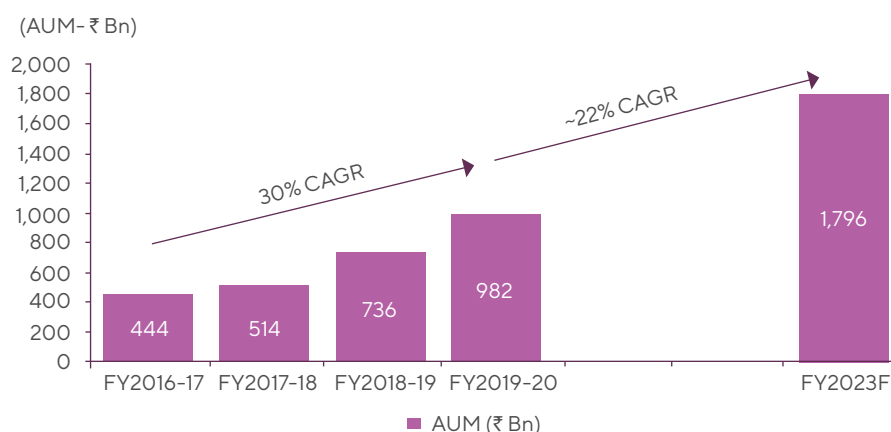
- Providing savings vehicles
- Supplying credit to small business units, including small and marginal farmers, micro and small industries; and other unorganised sector entities, and various low-income groups and the migrant work force through high technology-low cost operations

Furthermore, in January 2021, the RBI has allowed an Urban Cooperative Bank to convert and carry on the business as small finance bank. In December 2019, the RBI had issued guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector.

SFBs' growth and outlook

The availability of a sizeable market opportunity and credit at affordable rates, customised products aided by technology and information availability, and large target audience are likely to be key growth drivers for SFBs in the foreseeable future.

Huge opportunity to support growth over next three years (AUM)



Note: AUM considered for other players, the amounts are as of the end of the fiscal indicated; F: Forecast

Source: Company reports, CRISIL Research

The factors supporting growth are as follows:

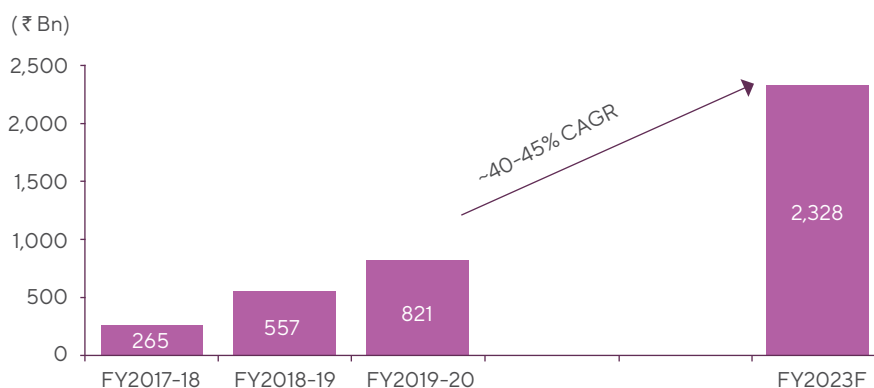
- **Huge market opportunity in the rural segment:** Despite its larger contribution to GDP of 47%, the rural segment's share in credit remains low at 10% of the overall credit outstanding. This provides a huge market opportunity for SFBs and other players present in the segment
- **Presence of informal credit channels:** In remote areas, informal credit channels have a major presence. In other words, there is a huge section of unbanked population. SFBs have an opportunity to cater to this market

- **Geographic diversification:** With increased focus on diversifying their portfolio and expanding their reach, SFBs are expected to register higher growth as they cater to newer geographies
- **Loan recovery and control on aging NPAs:** SFBs are experienced in collection and monitoring of default risk. This will help them keep asset quality under check
- **Ability to manage local stakeholders:** With their microfinance experience, SFBs have the ability to manage local stakeholders and maintain operational efficiency
- **Access to low-cost funds and huge cross sell opportunity:** SFBs' cost of funds is substantially low compared to NBFCs, due to the ability of SFBs to raise CASA deposits. This further helps SFBs lend at more reasonable rates to its customers, thus, enhancing their cross selling opportunities

SFB deposits growing at a healthy pace

SFBs have a significant growth potential as most of them were functioning as NBFCs or MFIs previously. Immediately after commencement of their operation, all SFBs focused on increasing their deposit base. Their overall deposit base doubled to approximately ₹ 557 billion as on March 31, 2019, and further increased to approximately 48% to amount to ₹ 835 billion as on March 31, 2020. The increase could be attributed to the improving franchise of SFB and relatively attractive interest rates offered by them.

SFB deposits to grow robustly



Note: Amount are as at the end of fiscal year indicated, F: Forecast

Source: Company reports, CRISIL Research

Microfinance

Over the years, micro finance sector has proven its resilience and played an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the economic pyramid. Despite catering to a vulnerable audience, the micro finance sector has historically proven their ability to recover effectively from crisis situations, such as, demonetisation and even from the first wave of the COVID-19 Pandemic within a few months and have been able to maintain profitability over a cycle.

In the last three years, various MFIs have opened branches in untapped districts, thereby, increasing their penetration. This has led to a rise in clientele and number of active loan accounts. Going forward, the penetration into newer states and districts is expected to deepen. The growth in microfinance portfolio is expected to come from states that have a relatively lower penetration.



MICRO, SMALL AND MEDIUM ENTERPRISES

Micro, Small and Medium Enterprises (MSMEs) are manufacturing and service enterprises, as categorised below on the basis of investment in equipment and annual turnover generated:

Criteria	Manufacturing		Services	
	Turnover	Investment	Turnover	Investment
Micro	₹ 5 Crore	Less than ₹ 25 lakh	₹ 5 Crore	Less than ₹ 10 lakh
Small	₹ 50 Crore	More than ₹ 25 lakh but less than ₹ 5 Crore	₹ 50 Crore	More than ₹ 10 lakh, but less than ₹ 2 Crore
Medium	₹ 250 Crore	More than ₹ 5 Crore, but less than ₹ 10 Crore	₹ 250 Crore	More than ₹ 2 Crore, but does not exceed ₹ 5 Crore

The MSME sector in India accounts for a healthy contribution of 30% towards the country's GDP. Further, the MSME sector accounts for 48% of the exports from India. Owing to this huge contribution, the Government of India continues to consistently promote MSMEs. The total number of registered MSMEs in India grew by 18.5% year-on-year to 25.13 lakh in 2020, over 21.21 lakh in 2019.

Share of urban and rural MSMEs across India

(Numbers in lakh)

	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

The nationwide lockdown in April-May 2020 disrupted economic activity, impacted working capital needs, supply chain, future investments and expansions of the MSMEs. However, given the importance of MSMEs in India, the Government has taken several initiatives to support MSMEs with the most significant initiative comprising ₹ 3 lakh Crore Emergency Credit Line Guarantee Scheme ('ECLGS') to banks and NBFCs, up to 20% of the entire credit outstanding as of February 29, 2020.

Government driving the MSME sector

In the FY 2021-22 budget, the government more than doubled the capital outlay for MSMEs to ₹ 15,700 Crore compared to ₹ 7,572 Crore in FY 2020-21. The government also provided a corpus of ₹ 10,000 Crore as a provision of guarantee for borrowings, ensuring a relief to the lenders.

(Source: RBI, MSME, PIB)

HOUSING FINANCE

The real estate sector has been going through a significant transformation when the Pandemic brought constructions to a grinding halt, especially in the first quarter of FY 2020-21. Post the lifting of lockdown restrictions, the housing demand has witnessed a steady rebound aided by the financial stimulus and the consistent support by the government on housing sector. Further, the low interest rates in home loans, stable property prices and government support such as the extension of credit linked subsidy scheme on affordable housing units till 2022, among others, have helped the housing sector revive.

Consistent demand for housing, improving affordability and Government impetus towards housing sectors are key drivers for growth of housing finance in India.

THE BANK'S OVERVIEW

The able functioning of Financial Institutions has a direct bearing on the social, financial and economic development of a country. It is the backbone of a nation, on which, several initiatives and policies are centered around. The FY 2020 -21 was a year that enforced a change in the dynamics of socio economic functionality of the society. It made nations come to a grinding halt across industries, leaving everyone in a situation that has

been enervating – a situation that has accelerated technology adoption, brought about a social and economic transformation, and most importantly underlined the importance of human resilience in the face of adversity. To keep the economy running, the Government and Regulatory authorities introduced and recommended a slew of financial incentives and packages at regular intervals. The primary objective was to enable a sustainable economic environment at the back of an unpredictable Pandemic situation.

At Utkarsh Small Finance Bank Limited (USFBL), it was a year of reimagining, reinventing and reshaping many aspects of the business as we had known earlier. Having said that, the Bank was in a position to quickly get on its feet with a dynamic yet focused approach to address the situation. The Pandemic reiterated the significance of the collective effort of a team and an able leadership at the helm of affairs who demonstrate the efficacy of being nimble.

In the midst of a defining transitional phase, the Bank adopted strategic understanding of the immediate objectives. This presented an opportunity to create new paradigms that augurs well for the Bank despite the grappling pandemic situation. It brought about a change while dealing with unfamiliar – please delete transformational challenges. As a result, the Bank today is in a position to provide excellence not just in customer services, but also in servicing stakeholders across the board. In effect, this has helped the bank build a legacy of trust, commitment and pride amongst its stakeholders.

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

The Bank is gradually expanding its reach across the country, by leveraging the rich experience gathered over the years. As on March 31, 2021, the Bank is present in 18 states and union territories with 558 banking outlets spread across 188 districts and serving a total customer base of more than 29 lakh, supported by a strong workforce of 10,361 employees. Further, on the back of the Bank's strong rural presence, USFBL comfortably meets RBI's requirement of minimum 25% of branches in Unbanked Rural Centres (URCs), which is validated by the fact that 27.78% of the Bank's banking outlets were located in URCs as on March 31, 2021.

Given the legacy of UCL as an NBFC focused on providing microfinance, the sector remains a strong suite for the Bank. Over the past few years, the Bank has focused on diversifying its product portfolio to accommodate non-micro banking loans as well, ensuring reducing concentration towards microfinance business. Over years, the Bank has augmented its product profile by offering retail loans comprising unsecured loans such as business loans, personal loans, and secured business loans, loans against property, housing loans with focus on affordable housing, wholesale lending, both short-term and long-term loan facilities to SMEs, mid and large corporate and institutional clients. Our micro banking and retail loan products are primarily aimed at customers who are not a part of the formal banking infrastructure. During FY 2020-21, the Bank has also commenced lending toward financing commercial vehicles and construction equipment.

On the liabilities side, the Bank offers savings accounts, current accounts and a variety of term and recurring deposit accounts. Further, USFBL also provides non-credit offerings comprising ATM-cum-debit cards, bill payment system and distribute third party point of sales terminals, mutual funds and insurance products. USFBL's branches provide a full range of banking services as permissible for small finance banks.

The gross loan portfolio and deposits of the Bank stood at ₹ 8,415.66 Crore and ₹ 7,507.57 Crore respectively as on March 31, 2021

USFBL uses technology to provide transactional ease through internet and mobile banking. The Bank in addition provides digital on-boarding convenience of customers by using mobiles, tabs and laptops.

In line with the objective of providing financial services to the customers in underserved and unserved sections of the society, USFBL has widespread presence in the states of Bihar and Uttar Pradesh. These two states together accounted for 65.93% of the portfolio of the Bank as on March 31, 2021. These geographies offer good growth potential for microfinance business and financial inclusion related opportunities.



Expanding presence despite COVID-19 disruption

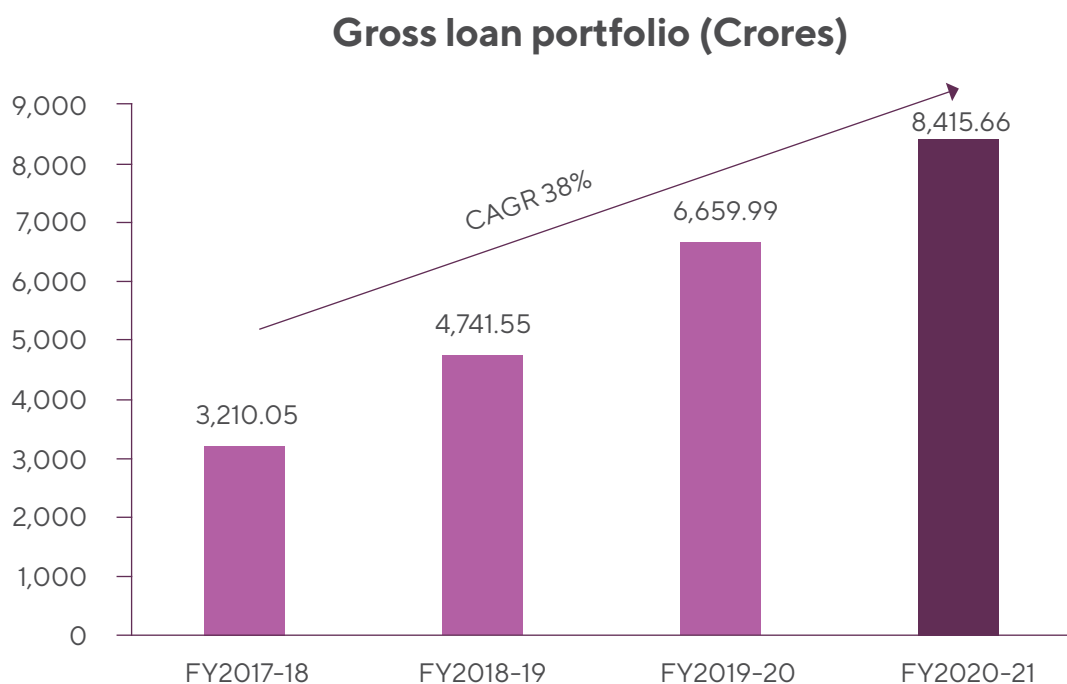
Particular	March 31, 2021	March 31, 2020	Expansion during FY21
States	18 states & UT	17 states & UT	1 state
Districts	188	173	15
General banking outlets	138	103	35
Micro banking outlets	420	404	16
Total banking outlets	558	507	51
ATMs	210	177	33

The Bank has successfully expanded its presence despite the disruption caused by the COVID-19 Pandemic. The Bank opened 51 new banking outlets during FY 2020-21 and expanded its presence over 15 new districts of the country. The Bank offers MSME and housing loan products through its select General Banking (GB) and Micro-banking branches. As on March 31, 2021, the Bank was operating its MSME lending vertical and housing loan vertical across 50 and 37 locations respectively. Apart from the branches, USFBL services customers through 210 ATMs and a strong internet banking and mobile banking platforms.

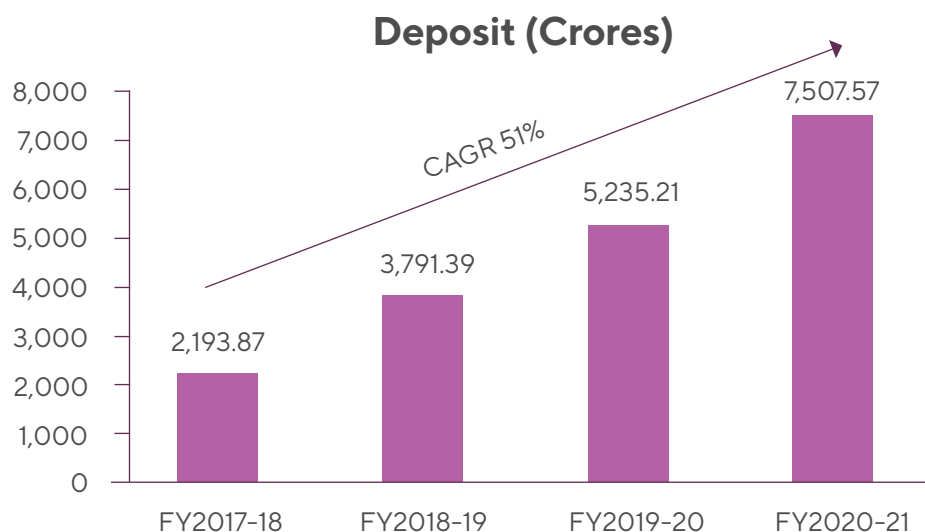
BUSINESS PERFORMANCE

USFBL has a strong and established rural and semi-urban presence, validated by the proportion of its branches present in semi-urban and rural geographies standing at 65.59% as on March 31, 2021. The consistent asset penetration of the rural and semi urban markets, with a strategic approach to expand in urban and metropolitan markets by the Bank specifically for the liabilities segment, has augured well for the Bank’s growth in portfolio and deposits. The Bank’s gross loan portfolio and deposits have grown at a CAGR of 38% and 51% respectively over the last 3 years.

(Amount in ₹ Crores)



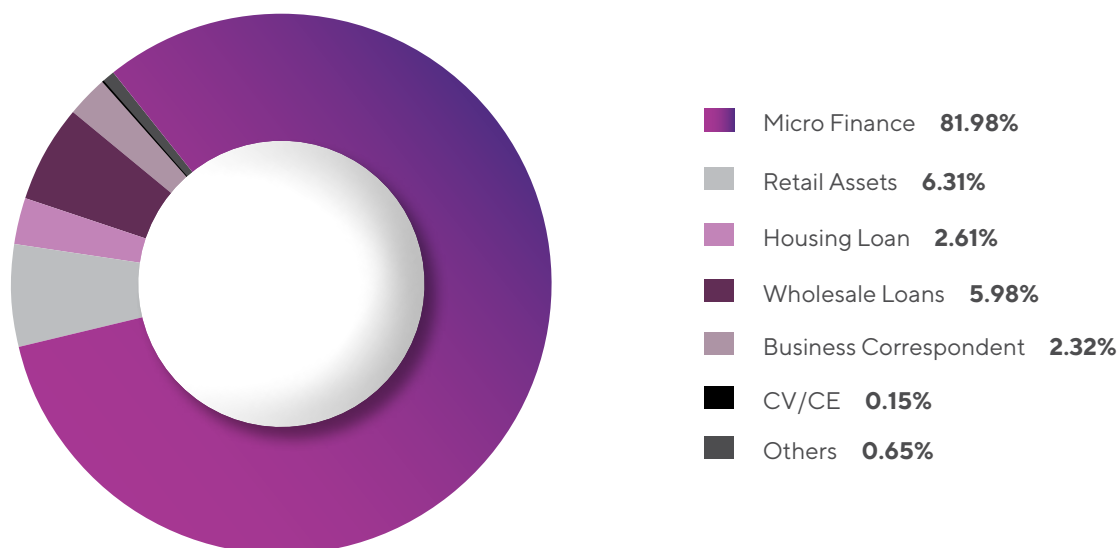
(Amount in ₹ Crores)



ASSETS - LENDING PRODUCTS

The Bank is a retail focussed Bank primarily engaged in microfinance lending through Joint Liability Group (JLG) product, loans to MSMEs, housing finance and other loans. During FY 2020-21, gross loan portfolio of the Bank increased by 26.36% year-on-year to reach ₹ 8,415.66 Crore as on March 31, 2021.

Loan Composition mix as on March 31, 2021



Note: Bank's overall exposure to JLG (including BC JLG) is 83.71% as on March 31, 2021

Microfinance

Given the track record and experience of UCL (promoter entity) as an NBFC-MFI, microfinance remains a focused business segment for the Bank. Microfinance lending comprised 81.98% of the gross loan portfolio of the Bank as on March 31, 2021. Under microfinance lending, the Bank focuses on financial inclusion of the underprivileged and economically weaker sections of the society, who get very limited or no access to financial services. The Bank provides JLG loans, individual loans, swacchata loan and two-wheeler loans under micro

finance lending. During the FY 2020-21, the Bank also launched 'PM SVANidhi' loan product, a special micro credit facility scheme for providing affordable loan to street vendors, helping them resume their livelihoods, post the Pandemic disruptions.

Bihar and Uttar Pradesh has been core geography for the Bank's microfinance portfolio. Microfinance loans continues to be substantially diversified with an average ticket size of ₹ 27K (based on outstanding loan portfolio), with tenors ranging between 12 to 24 months.

As on March 31, 2021, the Bank had more than 25 lakh active loan accounts under microfinance lending spread across 141 districts and 11 states, serving through 420 micro banking outlets. During FY 2020-21, the Bank successfully opened 16 new micro banking branches. Bank's microfinance loan portfolio has grown by 17.82% during FY 2020-21 to reach ₹ 6,899.38 Crore as on March 31, 2021.

Microfinance outreach	March 31, 2021	March 31, 2020	Expansion during 2020-21
No. of states	11	11	-
No. of districts	141	135	6
No. of micro banking outlets	420	404	16
Active loan accounts (in lakh)	25 lakh plus	25 lakh plus	-
Loan portfolio outstanding (₹ in Crore)	6,899.38	5,856	1,043

The Bank offers following products under microfinance lending:

Joint Liability Group (JLG) loans

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

Group loan products are offered to the economically weaker sections of the society to meet their individual requirements. The primary target customer segment are women in households, engaged in income-generating activities, or are intending to begin new income-generating activity on their own. JLGs congregate at centres comprising 10-30 members, with the group-lending technique used to extend loans to women members. We offer group loan products on the basis of credit worthiness. The maximum household income for the credit worthiness is limited to ₹ 1,25,000 per annum and ₹ 2,00,000 per annum for rural & semi-urban and urban areas respectively. The methodology includes either fortnightly or bi-fortnightly centre meetings and 'stepped-up' loans that can grow each time a client takes a loan and successfully repays, thereby demonstrating good credit worthiness and the need for higher amount of loan.

As on March 31, 2021, all of the Bank's customers in the JLG loans segment were female, with loans ranging between ₹ 6,000 and ₹ 1,00,000 for agriculture and allied activities and other income generating activities. The Bank also offers 'Swacchata Loan' with a single ticket size of ₹ 27,500 to the existing JLG customers for construction, repair and renovation of toilets.

Individual business loans

In order to meet the increasing funding requirement of customers who have completed multiple loan cycles and are matured borrowers, the Bank introduced individual business loans for specific amounts of ₹ 1,00,000, ₹ 1,50,000 and ₹ 2,00,000. The Bank focuses on providing individual loans to a specific subset of their JLG customers, who have shown good credit behaviour and has relatively higher fund requirements. USFBL disburses the loan in the bank account of these customer, the collection from whom is then routed through the bank account of the customer. During FY 2020-21, the number of individual business loans clients increased from 1,100 as on March 31, 2020 to 4,352 as on March 31, 2021.

Two-wheeler loans

The Bank provides two-wheeler loans to existing micro banking customers, who have completed their two JLG loan cycles with a minimum repayment of 24 months.

During the FY 2020-21, the Bank realised the increasing need of credit by the underbanked and unbanked sections of the society. To cater to the financial requirement of such people in the midst of the Pandemic, the Bank launched following products:

Utkarsh Sambal

This product was specifically designed to meet the livelihood support requirements of customers owing to the disruption caused by the Pandemic. This is a need-basis loan, the quantum of which is decided based on the current credit assessments and parameters applicable to the JLG customers. The loans ranged between ₹ 6,000 and ₹ 10,000 with a tenor of 12 months, and rate of interest of 15% per annum. As on March 31, 2021, the number of outstanding Utkarsh Sambal loans stood at 7,046.

PM SVANidhi loan scheme

The Ministry of Housing and Urban Affairs has recently launched Prime Ministers Street Vendor's Atmanirbhar Nidhi (PM SVANidhi), which is a special micro credit facility scheme for providing affordable loan to street vendors to resume their livelihoods that have been adversely affected due to the Pandemic. The loan amount is capped to a maximum amount of ₹ 10,000 with a tenor of 12 months, and a rate of interest of 15% per annum. As on March 31, 2021, the number of outstanding loans under PM SVANidhi loan scheme were 1,553.

Retail assets

Retail assets of the Bank comprises MSME loans and personal loans. Under this vertical, the Bank offers a combination of secured and unsecured loans to the small and medium size businesses, catering to manufacturing and services sector. The increasing branch network, new geographies and innovative products has enabled the MSME vertical to reach out to new markets and customers. During the year under review, the Bank's MSME loan book grew by 115.79% year-on-year to reach ₹ 531.14 Crore, from ₹ 246.14 Crore in FY 2019-20. The growth in MSME loan book has been supported by activation of new locations and new product variants during the fiscal.

Within retail assets lending, the Bank has been focusing more on secured loans. As a result, the share of secured loans in total retail assets portfolio has increased to 65.11% as on March 31, 2021 compared to 37.05% as on March 31, 2020. The Bank has also strengthened its Direct Sales Agent (DSA) network during the year, enabling the MSME vertical to reach out to newer geographies and to a new set of borrowers without significant addition to the fixed cost.

Housing loans

USFBL has sharpened its focus on catering to the financing needs of self-employed and salaried individuals for affordable housing loans. USFBL's housing loan offerings are spread across formal, informal and semi-formal income segments, aiding in purchase and construction of plots, purchase and construction of house, and renovation, restoration and extension of existing house. Such loans range between ₹ 2,00,000 and ₹ 1,00,00,000, with a tenor of 3-30 years.

The housing loan portfolio of USFBL saw a year-on-year growth of 156.85% during FY 2020-21 to reach ₹ 219.59 Crore compared to ₹ 85.49 Crore in the previous fiscal. The growth in housing loan book of the Bank has been supported by continuous focus on building housing loan book, relatively small base of the Bank's housing loan portfolio, and expansion in number of branches during FY 2020-21.

During FY 2020-21, the Bank has also received additional special refinance facility of ₹ 85 Crore from National Housing Bank at attractive rate of interest to boost its housing finance business.

Wheels financing

Commercial vehicle and construction equipment loans

During the FY 2020-21, the Bank forayed into commercial vehicle and construction equipment loan, catering to the needs of both new customers and existing customers. Such loans start from a minimum value of ₹ 2,00,000, against the collateral of the vehicle which the Bank is funding. These loans have tenor of 12-60 months, and an interest rate of 10-15% per annum. USFBL's commercial vehicle finance customers typically include fleet operators, such as bus service providers, goods carriers, chemical transporters, and vehicle transporters. As on March 31, 2021, Bank's lending under wheels vertical stood at ₹ 12.78 Crore.

Wholesale lending

This vertical focuses on catering to SMEs, corporates and financial sector entities for their term loans and working capital requirements. Under this product vertical, the Bank's portfolio stood at ₹ 503.11 Crore as on March 31, 2021, with a client base of 52 active clients. During the FY 2020-21, the Bank also launched overdraft (OD) and drop-line overdraft (DLOD) products for the customers.



The various wholesale lending products offered along with their nature and purpose are as below:

Types of wholesale lending products	Nature	Purpose
Overdraft	Short term	Working capital
Dropline overdraft	Long term	Working capital, business expansion
Term loan	Short term and long term	On-lending, business expansion
Bank guarantee	Short term and long term	Customer's specific requirement

During the FY 2020-21, the Bank has also started offering non-fund based limits in the form of bank guarantee to the customers.

As on March 31, 2021, there were no NPAs under wholesale lending product of the Bank.

Business Correspondent (BC)

The Bank initiated the business correspondent model in 2017-18 with the objective to expand across new untapped geographies through banking outlets. The BCs acquire, manage and service customers as an extended arm of the Bank by following all the policies and procedures laid out as per the internal governance structure. As on March 31, 2021, the BCs were responsible for sourcing and servicing customers for 2.32% of the Bank's gross loan portfolio.

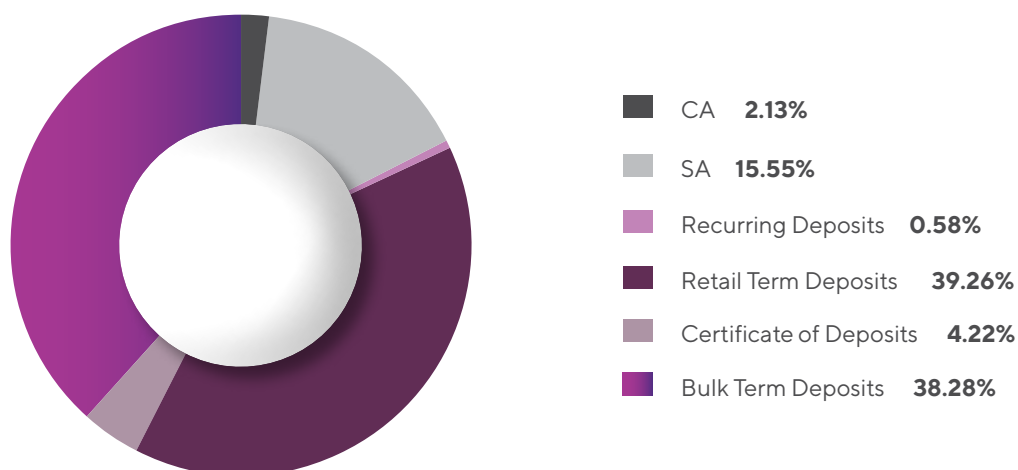
During the FY 2020-21, the Bank partnered with 9 BCs in the states of Madhya Pradesh, Chhattisgarh, Haryana, Rajasthan, West Bengal, Maharashtra, Andhra Pradesh, Telangana and Karnataka for micro banking and retail assets. The portfolio under this segment stood at ₹ 194.71 Crore as on March 31, 2021 comprising of JLG BC portfolio ₹ 191.26 Crore and LAP / HL BC products ₹ 3.45 Crore as on March 31, 2021.

Liabilities – Deposits

Over the past 4 years, USFBL has garnered deposits across both retail and institutional customers. During the FY 2020-21, the Bank expanded its physical footprint by opening 35 new general banking outlets and increased its outreach across 16 states and 2 union territory. In order to increase the absorption of deposit customers across the country, expanding physical presence and deepening presence is of innate importance.

The Bank's total deposit base stood at ₹ 7,507.57 Crore as on March 31, 2021 compared to ₹ 5,235.21 Crore as on March 31, 2020, registering a year-on-year growth of 43.41%. During the year under review, the Bank focused on building its CASA book, which saw a growth of 87.78% year-on-year to reach ₹ 1,326.99 Crore as on March 31, 2021 over ₹ 706.66 Crore as on March 31, 2020. Further, the Bank's retail term deposits (RTD) grew by 64.81% to reach ₹ 2,990.52 Crore as on March 31, 2021. During the year under review, the Bank prioritised ease of banking for the customers through digital channels such as net banking, mobile banking and tab banking, among others.

Deposits Composition as on March 31, 2021



The Bank has been consistently focussing on improving granularity of its deposits and improving share of CASA and retail term deposits. The Bank's CASA and retail term deposits portfolio together stood at ₹ 4,317.51 Crore (57.51% of total deposits) as on March 31, 2021, compared to ₹ 2,521.18 Crore as on March 31, 2020 (48.16% of total deposits). Alongside, an improvement in deposits profile, the Bank also witnessed decline in cost of deposits by 121 bps from 9.10% in FY 2019-20 to 7.89% in FY 2020-21.

(₹ in Crores)

Particulars	As on March 31, 2021	As on March 31, 2020	Change y-o-y
No. of states/UT	16/2	15/2	1/0
No. of general banking outlets	138	103	35
Total deposits	7,507.57	5,235.21	2,272.36
Current deposits	159.77	119.16	40.61
Savings deposits	1,167.22	587.50	579.72
CASA Deposits	1,326.99	706.66	620.33
Retail term deposits	2,990.52	1,814.52	1,176.00
Bulk term deposits (including certificate of deposits)	3,190.06	2,714.03	476.03
Total term deposits	6,180.58	4,528.55	1652.03

Particulars	As on March 31, 2021	As on March 31, 2020	Change y-o-y
CASA ratio	17.68%	13.50%	4.18%
No. of savings accounts	8,56,985	4,10,842	4,46,143
Of these no. of BSBDA's	6,00,868	2,54,018	3,46,850
No. of current deposits	17,300	14,199	3,101
No. of term deposits	1,90,817	89,825	100,992

Under its retail segment, USFBL has an array of diversified products ranging from retail savings account, current account and retail term deposit. The Bank has also been consistently increasing its deposit portfolio by raising deposits from wholesale and institutional clients as well.

In addition, more than 5 lakh deposits accounts were on-boarded during FY 2020-21, taking the total number of active accounts to more than 10 lakh, a more than 2x increase over the previous fiscal. Further, the Bank is using its vast network of micro banking outlets to reach out to rural and semi-urban customers for deposit mobilisation.

The Bank offers RuPay Debit Card to all its customers. During FY 2020-21, the Bank also launched a global co-branded Debit Card in association with Mastercard. The Bank is taking proactive steps for easier and convenient on-boarding of customers through its digital channels.

Other products and offerings

USFBL also provides a host of other products ranging from debit cards and locker services for the customers to third party products such as life insurance, general insurance and mutual funds, among others. Further, with the help of the internet banking platform, the Bank offers basic remittance services such as IMPS, NEFT and RTGS, in addition to Bharat Bill Pay system.

Customer services and digitalisation

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

In servicing its customers with a differentiated banking experience, USFBL has undertaken the following initiatives during FY 2020-21:

- Ensuring ease of payments through digital channels such as internet and mobile banking
- The Bank has launched MasterCard during FY 2020-21
- Ensuring ease of transaction for the MSME customers by ideating the launch of mPOS machines
- During the FY 2020-21, the Bank launched 'DIGI onboarding tab banking' for smooth customer on-boarding process
- Planning strategic partnerships with various e-commerce players to promote USFBL debit card on their respective portals

To provide easy access to the rural and remote customers, the Bank has started deploying micro ATMs across micro banking branches as a pilot project in remote areas. Micro ATMs provide basic banking facilities, such as cash deposit, cash withdrawal and fund transfer, among others. The Bank has scaled to 107 micro ATMs across its micro banking branches in FY 2020-21. USFBL further intends to scale up the micro ATM network across all the micro banking branches.

Business strengths

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

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

Fast growing deposits with strong focus on retail deposits

The Bank offers a diverse mix of demand and time deposit products and other services, helping the customers with their savings and transactional needs. Further, the Bank has an array of liability products at competitive rates, predominantly targeting retail customers across various segments – senior citizens, middle-class individuals and self-employed and salaried individuals. The Bank has been consistently focussing on improving granularity of its deposits and improving share of CASA and retail term deposits. The Bank's CASA and retail term deposits portfolio together stood at ₹ 4,317.51 Crore (57.51% of total deposits) compared to ₹ 2,521.18 Crore as on March 31, 2020 (48.16% of total deposits).

Diversified distribution network with significant cross-selling opportunities

The Bank has an established distribution network comprising 558 banking outlets across 16 states and 2 union territories, covering 188 districts in India as on March 31, 2021. Of the 558 banking outlets, 366 were located in rural and semi-urban areas, validating USFBL's core vision of financial inclusion. Leveraging the widespread distribution network across the country, the Bank services the existing customers and focuses on on-boarding new customers. The Bank's network also reduces the dependence on a particular region in India and allows it to replicate best practices developed in one region to other regions.

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

During the year under review, the Bank's gross loan portfolio and deposits have grown by 26.36% and 43.41% respectively, on the back of continuously expanding franchises and focused approach towards growing secured loan book, retail and CASA deposits base. Further, USFBL maintained healthy operational performance during the FY 2020-21, validated by a 25% year-on-year growth in operating profits (before provisions) to reach ₹ 438.34 Crore compared to ₹ 350.30 Crore in FY 2019-20. During the year under review, the Bank improved its cost-to-income ratio to 55.43% compared to 57.63% during FY 2019-20.

Leadership team complementing our strengths

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

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

Further, in order to diversify the shareholding pattern and raise capital for growth, in March 2021, the Bank raised equity capital of ₹ 240.47 Crore from six institutional investors namely Olympus ACF Pte. Ltd., responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Triodos Sicav II - Triodos Microfinance Fund, Legal Owner Triodos Funds B.V. in its capacity as legal owner of Triodos Fair Share Fund & Growth Catalyst Partners LLC. This not only provided capital buffer to support growth plans of the Bank, but also diversified the Bank's shareholding pattern, as a step towards achieving the dilution in promoter shareholding for SFBs to the level prescribed by the RBI. As a result of primary capital raise of ₹ 240.47 Crore in March 2021 by the Bank, UCL's shareholding declined to 89.50% as on March 31, 2021 from 100% in the previous fiscal.

Strategies

Continue diversifying the retail asset portfolio

The primary focus of the Bank is to keep diversifying the asset portfolio to cater to the existing customers from the unserved and underserved sections of the society. The Bank intends to extend the offering from JLG loans to individual loans, two-wheeler loans, micro enterprise loans, affordable housing loans and other new products to cater to the evolving financing needs of its customers. On the retail assets front, the Bank has focused on offering working capital and term loans to MSMEs, small and medium sized corporates, besides other retail assets products such as housing loans, business loans, personal loans, loan against properties, loans for purchase of commercial properties, two-wheeler loans and commercial vehicle and construction equipment loans. Further, the Bank has also focused on upselling to the existing customer base in rural and semi-urban locations leveraging the robust distribution network across urban and metro locations.

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

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

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

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

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

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

The Bank also focused increasingly on bancassurance channels to distribute various types of third-party insurance products to existing customers. As on March 31, 2021, the Bank had four bancassurance relationships with insurance companies to offer life insurance, general insurance and health insurance products.



On the liability side, the Bank consistently engaged with customers in urban and metropolitan locations to promote wealth management services such as mutual fund investments and strengthen distribution of such products. Further, the bank also focuses on enhanced engagement with the existent customer base to drive debit card and online spending behaviour through active promotions, in order to drive growth of our transaction fee income.

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

The Bank has been continuously focusing on optimal utilisation of technology to ensure cost-effective operations marked rapid growth. Further, the focus is to increase efficiencies and promoting customers to migrate from an assisted model to a self-service delivery model. USFBL has plans of developing bespoke products designed with the help of data analytics, for various customers spread across various sections of the society and in different geographies. In achieving this, the Bank has undertaken various initiatives such as the implementation of data-lake, master data management, next generation internet and mobile banking, digital on-boarding and micro-banking platform, among others. The Bank has also invested on improving the data security infrastructure and cyber security components.

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

Financial inclusion and priority sector lending

USFBL has more than 25 lakh active JLG loan accounts (with an outstanding of ₹ 7,045 Crore), carving out 83.71% of the total loan book during FY 2020-21, ensuring financial inclusion across the underbanked and unbanked sections of the society for agriculture, livestock and small business activities. Since its inception, the Bank has been providing Basic Savings Bank Deposit Account (BSBDA) to its customers, which has summed up to more than 6,00,000 BSBDA savings accounts, promoting financial inclusion. Further, on the lending front, the Bank accounts for 86.15% of loan portfolio towards priority sectors, as on March 31, 2021. The Bank's PSL achievement stood at 78.17% during FY 2020-21 against the backdrop of a minimum regulatory requirement of 75%. Similarly, the Bank's lending to ticket size of less than ₹ 25,00,000 carved out 90.09% chunk of the loan portfolio, against the backdrop of a minimum regulatory requirement of 50%.

On the back of good proportion of PSL loan portfolio in total portfolio of the Bank, the Bank has been able to comfortably maintain PSL targets, as well as selling surplus PSL portfolio through Priority Sector Lending Certificate (PSLCs) to earn non-interest income for the Bank.

COVID-19 IMPACT AND RESPONSE STRATEGY

The World Health Organisation declared the 2019 novel coronavirus (COVID-19) outbreak as a global Pandemic on March 11, 2020, following which, the Government of India declared a nationwide lockdown on March 24, 2020 to combat the spread of COVID-19, causing trade disruption and a standstill in the economic activities, barring few sectors which were still performing as essential services. Banking services were determined to be under the purview of essential services, which allowed USFBL to continue operations across majority of its banking outlets during the lockdown albeit with limited workforce, following the safety guidelines as laid down by government.

To address the financial implications of the Pandemic, the RBI announced monetary, fiscal and administrative measures. Under the guidelines of RBI, all term loans were declared eligible for moratoriums on instalments, and working capital facilities on interest due during a period of six months, between March and August 2020. Such moratorium periods were suggested to be excluded by the lending institutions (including SFBs) for calculating the number of days past-due for the purpose of asset classification under the income recognition and asset classification norms prescribed by the RBI.

In accordance with these guidelines, USFBL provided a moratorium to eligible borrowers on the payment of all principal amounts and interest between March and August 2020, resulting in a decline in our collections during such period.

Business Continuity Plan (BCP)

The Bank has implemented a business continuity policy and formed a crisis management team to ensure that our operations continue with minimum disruption. Our business continuity plan involves the creation and

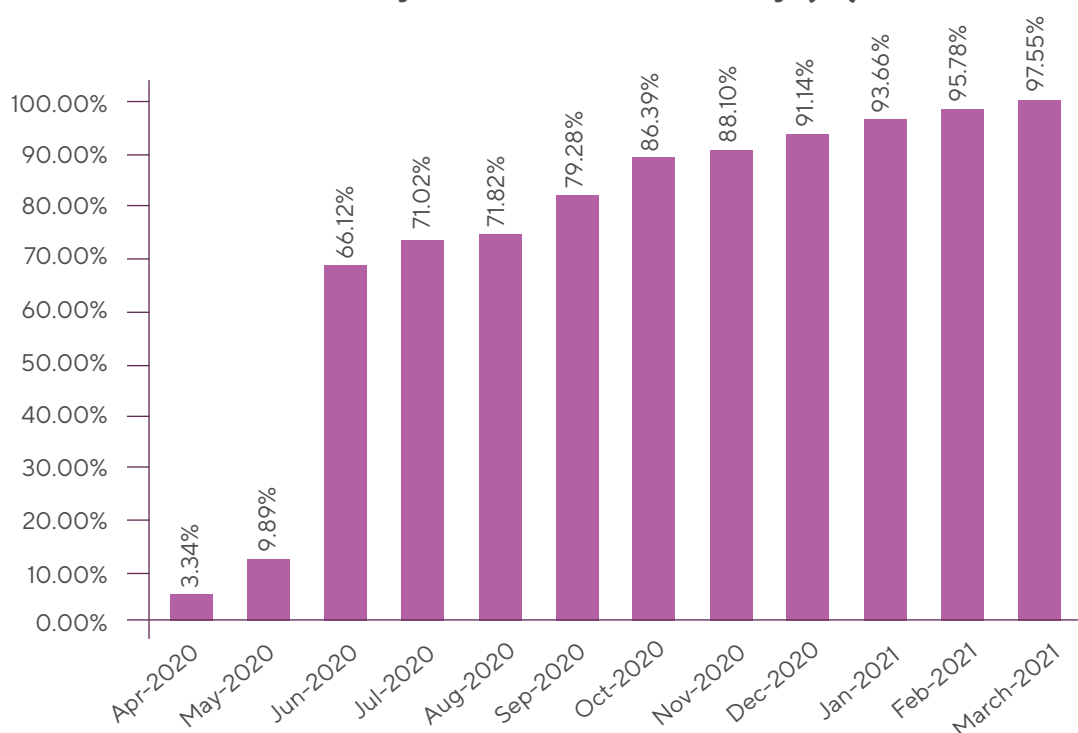
implementation of strategies that recognise threats and risks that we may be subject to, with a focus on the protection of personnel and assets, while maintaining continued operations in the event of a disaster. Further, our crisis management team is responsible for taking remedial action in case of any breakdown or failure of critical systems, occurrence of natural disasters or accidents or any other events affecting business continuity.

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

To cater to the immediate financing needs of customers, the Bank launched products such as Sambal loan, PMSvanidhi loan, Emergency Credit Line Guarantee Scheme (ECGLS) during the year under review. Further, the Bank also implemented 'work from home' to ensure continuity of business and critical functions permitted through secured VPN with strict controls in place. The Bank successfully maintained adequate liquidity amidst the Pandemic, ensuring the ability to meet all commitment towards customers and lenders. Special efforts were made to reach out to customers to check their well-being and sharing advice to tide over this difficult situation.

As a result of the COVID-19-induced crisis, there was a severe negative impact on economic activities in the country. Collection efficiency of the Bank dropped significantly in the month of April and May 2020. However, with the improvement in economic activities and easing of lockdown restrictions, collection efficiencies started improving in subsequent months, even during the loan repayment moratorium period. The collection

Monthly collection efficiency (%)



Note: Collection efficiency is calculated as the aggregate EMI amounts collected (excluding prepayment) in the relevant period, divided by the current month EMI due for collection (had there been no moratorium) in such period.



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efficiency witnessed a substantial improvement towards end of FY 2020-21 (in the month of February and March 2021) as the COVID-19 impact receded further.

Snapshot on asset quality

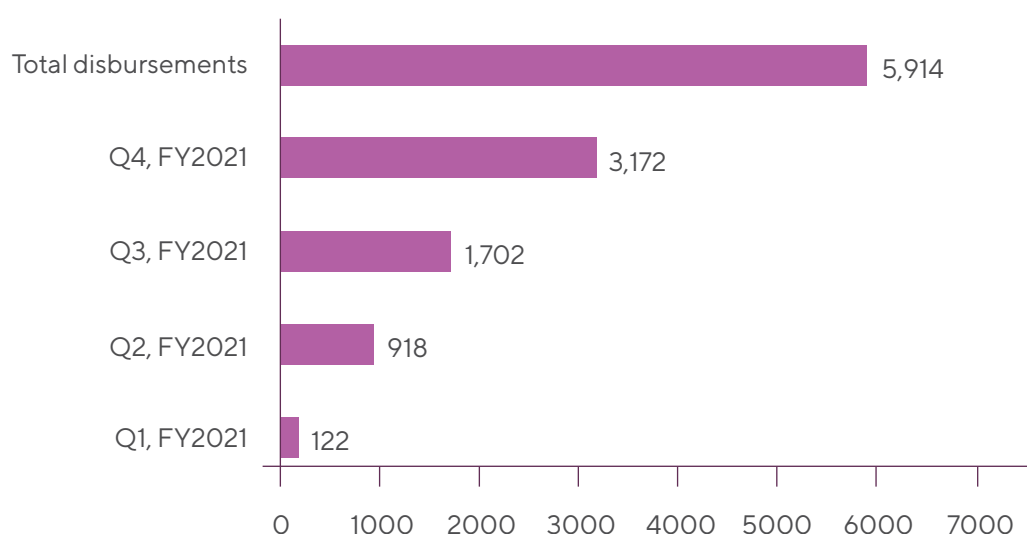
	March 31, 2021		March 31, 2020	
	Amount	(%)	Amount	(%)
Gross NPAs (₹ Crore)	315.29	3.75%	44.66	0.71%
Net NPAs (₹ Crore)	108.82	1.33%	11.09	0.18%
Provision against gross NPAs (₹ Crore)	206.47		33.56	
Provision Coverage Ratio (PCR)	65.49%		75.16%	
Standard restructured advances (₹ Crore)	263.24	3.13%	Nil	Nil
Provision against standard restructured (₹ Crore)	52.65			
Provision cover on standard restructured (₹ Crore)	20.0%			
Additional COVID-19 provision (₹ Crore)	50.13		49.96	

COVID-19 effect led to lower collection efficiency in FY 2020-21 vs. FY 2019-20, which impacted the Bank's asset quality profile during FY 2020-21. As on March 31, 2021, the Bank's gross and net NPAs stood at 3.75% and 1.33% respectively, with a provision coverage ratio of 65.49%. Further, in line with RBI guidelines, the Bank restructured loans worth ₹ 283.63 Crore for 98,475 eligible borrowers. As on March 31, 2021, ₹ 263.24 Crore of standard restructured loans were outstanding.

To address the impact of Pandemic on the Bank's business, USFBL made accelerated provisions during FY 2020-21. The Bank also created provision for standard restructured at 20% in FY 2020-21, compared to a minimum regulatory requirement of 5% for MSME restructured and 10% for non MSME restructured. In addition, the Bank is also carrying a COVID-19 additional provision of ₹ 50.13 Crore as on March 31, 2021 to cover the potential stress in advances, including restructured portfolio.

USFBL's gross loan portfolio and deposits grew at 26.36% and 43.41% respectively during FY 2020-21, despite the Pandemic. While, the fresh disbursements to the clients was affected in the first half of the FY 2020-21,

Quarterly disbursement trend (₹ Crores)



the Bank witnessed an improvement in disbursements during the second half of the fiscal on the back of improvement in operating environment and the on-ground situation. This improvement is validated by the quarterly disbursement trend during FY 2020-21, which are as follows:

Financial performance

Income Statement (₹ In Crores)	2020-21	2019-20	Change y-o-y
Deposits	7,507.57	5,235.21	43.41%
Gross Loan Portfolio	8,415.66	6,659.99	26.36%
Net advances (Net)	8,216.86	6,281.60	30.81%
Investments	2,313.94	1,192.39	94.06%
Capital + Reserves	1,368.35	1,019.50	34.22%
Net interest income	839.25	728.22	15.25%
Non-interest income	144.15	98.56	46.26%
Total income	1,725.14	1,406.24	22.68%
Operating expenses	545.06	476.48	14.39%
Operating profit	438.34	350.30	25.13%
Provisions	286.90	99.88	187.25%
PBT	151.44	250.42	(39.53%)
TAX	39.62	63.67	(37.77%)
PAT	111.82	186.74	(40.12%)
Net interest margin	8.20%	10.13%	
Cost to income	55.43%	57.63%	
Return on Average Total Assets (ROAA)	1.05%	2.51%	
Return on Average Net-worth (RONW)	9.99%	20.32%	
Gross Non-performing assets (GNPA)	3.75%	0.71%	
Net Non-performing assets (NNPA)	1.33%	0.18%	
GLP/Capital and Reserves	6.15	6.53	

Income

Net interest income of the Bank stood at ₹ 839.25 Crore in FY 2020-21 compared to ₹ 728.22 Crore in FY 2019-20, registering a year-on-year growth of 15.25%, despite the COVID-19 impact which resulted in higher NPAs and consequently affected the interest income.

The Bank's other income grew by 46.26% to ₹ 144.15 Crore in FY 2020-21 from ₹ 98.56 Crore in FY 2019-20. Operating profit (before provisions) grew at 25.13% year-on-year to reach ₹ 438.34 Crore in FY 2020-21 compared to ₹ 350.30 Crore in FY 2019-20. The Bank has also been able to optimise cost-to-income ratio to 55.43% in FY 2020-21 from 57.63% in FY 2019-20.

PAT

Despite making a substantial provision of ₹ 286.90 Crore during FY 2020-21 compared to ₹ 99.88 Crore during FY 2019-20, primarily on account higher provision for NPAs and restructured advances, the Bank posted Profit After Tax (PAT) of ₹ 111.82 Crore in FY 2020-21 compared to ₹ 186.74 Crore in FY 2019-20.

Loan portfolio

The gross loan portfolio of the Bank stood at ₹ 8,415.66 Crore as on March 31, 2021 compared to ₹ 6,659.99 Crore as on March 31, 2020, registering a year-on-year growth of 26.36% on the back of expanding franchise and growth in non-JLG portfolio. Total net advances of the Bank grew 30.81% year-on-year to reach ₹ 8,216.86 Crore in FY 2020-21 from ₹ 6,281.60 Crore in FY 2019-20.



Deposits

The aggregate deposit of the Bank stood at ₹ 7,507.57 Crore as on March 31, 2021, registering a year-on-year growth of 43.41%. The Bank's CASA deposits grew by 87.78% year-on-year to reach ₹ 1,326.99 Crore in FY 2020-21 compared to ₹ 706.66 Crore in FY 2019-20. Further, the retail term deposits of the Bank grew by 64.81% year-on-year to ₹ 2,990.52 Crore in FY 2020-21 compared to ₹ 1,814.52 Crore in FY 2019-20.

NPA

The Pandemic has had an impact on the asset quality of the Bank, increasing the gross NPA to 3.75% as on March 31, 2021 compared to 0.71% as on March 31, 2020. Further, the Bank has created accelerated provision to cover asset quality impact, in turn, keeping the provision coverage ratio of the Bank at 65.49% as on March 31, 2021.

CRAR

The Bank raised equity capital of ₹ 240.47 Crore from six institutional investors to augment its capital base and support growth plans during the FY 2020-21. Despite growth in loan portfolio and moderation in profitability, the Bank has been able to maintain healthy capitalisation. The Bank's Capital to Risk weighted Asset Ratio (CRAR) stood at 21.88% as on March 31, 2021 compared to 22.19% as on March 31, 2020. Further, the Tier-I CRAR of the Bank stood at 19.98% as on March 31, 2021 compared to 19.41% as on March 31, 2020.

Particulars	2020-21	2019-20
CRAR	21.88%	22.19%
Tier-I	19.98%	19.41%
Tier-II	1.90%	2.78%

Return ratios

Due to COVID-19 disruptions, the Bank's PAT was impacted in FY 2020-21, leading to lower Return on Average Assets (ROAA) of 1.05% during FY 2020-21 compared to 2.51% in FY 2019-20, and a lower Return on Average Net worth (RONW) of 9.99% in FY 2020-21 compared to 20.32% in FY 2019-20.

OUTLOOK

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

In this endeavour, the Bank expects technology to be a key enabler. Upon this realisation, the Bank also intends to enhance its digital capabilities through internet and mobile banking application and other digital channels, in addition to leveraging data analytics to gain deeper insights into customer trends and develop customised products for specific customer segments.

Branch banking and operations

Central Processing Centre (CPC)

The objective of having a CPC is to support the various initiatives undertaken by the Bank to improve its operational efficiency. The CPCs of the Bank is based out of Varanasi and Navi Mumbai. Continuing this pursuit, during FY 2020-21, the Bank's CPC supervised:

- 24*7 operations to support 24*7 NEFT and RTGS
- 365 days operation to facilitate reconciliation and settlement of IMPS services
- Setting up micro-ATMs
- Operationalising 'Positive Pay'
- Optimising and scaling capacity of liabilities by introducing night shifts

During the year under review, the CPCs also supported the Business Continuity Plan (BCP) of the Bank, ensuring all payment systems were fully operational.

Internal Ombudsman (IO)

In compliance with the guidelines of the RBI, the Bank appointed Internal Ombudsman (IO) as an independent authority to review the complaints that are partly or wholly rejected by the Bank. The IO mechanism has been set up by the Bank with the objective to strengthen the internal grievance redressal system, ensuring customer complaints are addressed efficiently. With the implementation of IO scheme, the Bank has been able to improve the turnaround time for redressal of grievances and satisfactorily enrich the banking experience of the customers. The Bank has synchronised its IO mechanisms with the Customer Relationship Management (CRM) system, to ensure synergy in value created for the stakeholders with a view of achieving fair, transparent and customer-centric grievance redressal system.

Grievances closed by IO in FY 2020-21

No. of grievance received by the Bank during 2020-21	No. of cases rejected by Bank partly/fully during 2020-21	No. of cases reviewed by IO during 2020-21	No. of grievances closed by IO during 2020-21	No. of grievances outstanding as on March 31, 2021
25,170	64	64	64	0

Disposal of grievances by bank during FY 2020-21

No. of grievances at the beginning of 2020-21	No. of grievances received by the Bank in 2020-21	No. of grievances disposed by the Bank in 2020-21	No. of grievances outstanding/open as on March 31, 2021
51	25,170	24,964	257

Credit Operations

The credit risk department of the Bank is tasked with the implementation of policies and processes for the identification, assessment, measurement, monitoring and control of various risks.

Collection mechanism

Over the years, USFBL has been consistently strengthening its underwriting, collection processes and systems. During the FY 2020-21, the Bank focused on the overdue clients, as listed by the in-house collection team, and kept following up accordingly. This not only ensured good results but also helped the Bank maintain cordial customer relationship. Collections are carried out through personnel engaged by the Bank only if the customer fails to make payments by the due date.

Treasury

Treasury team focuses primarily on the management of our funds, maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), asset liability gaps, interest rate risks, liquidity positions, investments and trading activities. Our Treasury also has access to the priority sector lending certificate platform for the sale, if any, of excess portfolios under the priority sector. We have a Board-approved investment policy framed in accordance with RBI guidelines and a standard operating procedure for carrying out treasury transactions and governing investments in various instruments such as bonds, treasury bills, commercial papers, certificate of deposits, mutual funds, debentures and other products.

Our Bank is a member of the market infrastructure in reporting and settlement systems, such as, NDS-Call, NDS-OM, TREPS C-BRICS and FTRAC. In its role to manage liquidity, our treasury department ensures availability of adequate liquidity to meet the needs of asset growth, operational expenses and payment obligations. Further, in order to manage liquidity mismatches, our treasury department actively participates in money market operations, such as, call/notice/term money, certificate of deposits, commercial papers and IBPC. In addition, it also raises liability resources through refinance, IBPC, issue of certificate of deposits and bulk FDs. Our resource mobilisation strategy plays a vital role in managing our sources of funds with an optimal mix of term deposits and interbank term money.



Credit ratings

The Bank has following credit ratings outstanding from ICRA and CARE:

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

RISK MANAGEMENT

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

Risk	Impact	Mitigation measures
Concentration risk	The overdependence of USFBL on the microfinance segment and the major geographies of its operation might impact the business in the long run. The JLG lending segment contributed 83.7% of the outstanding loan portfolio as on March 31, 2021. Further, the Bank’s JLG portfolio is largely concentrated in Uttar Pradesh and Bihar with a share of 27% and 39% respectively of the overall portfolio as on March 31, 2021. While there seem to be state-level geographical concentration, the Bank’s portfolio is well-diversified in terms of districts, with no single district accounting for more than 3% of the Bank’s total asset under management.	In order to reduce its dependence on specific product segments and geographies, the Bank has consciously started focusing on growing other retail loans with particular focus on secured lending book, and on expanding across new geographies and deepening its presence in existing geographies. In FY 2020-21, the Bank made substantial progress on the disbursements in categories such as home loans and loan against property in the MSME space, reducing the proportion of MFI loans in the total portfolio to 83.71% from 89.60% in FY 2019-20. The Bank also launched overdraft/cash credit products, along with commercial vehicles and construction equipment lending, which is expected to further reduce the proportion of MFI loans in the total portfolio. The Bank has also expanded its footprint in new states and union territories during the year under review.
Operational risk	Inadequate or failed internal processes, people, and systems might have an adverse impact on the profitability of the business.	To mitigate this risk, USFBL has put together a comprehensive operational risk management policy, with a framework to identify, assess and monitor risks, strengthen controls, improve services, and minimise operational losses. Amidst the Pandemic, the Bank ensured operational continuity with the help of its Business Continuity Policy (BCP) and a crisis management team.
Fraud risk	Fraud risks comprise cyber threats, scam, processing errors and document mishandling, among others, affecting the goodwill and the revenue generation of the Bank.	To mitigate this risk, the Bank’s has put together a Fraud Risk Management (FRM) unit as an independent group in the Bank to enable fraud prevention, monitoring, investigation, reporting and awareness creation. Further, the Bank also has a dedicated Risk Containment Unit (RCU), which is tasked with thorough online checking of all loan files and liabilities. During the year under review, the Bank has forayed into the adoption of artificial intelligence tools such as Hunter, C.A.R.T. and Sherlock, among others, ensuring improved scrutiny of assets and liabilities applications. Further, the Bank is using the Inline Fraud Risk Management (IFRM) tool for monitoring fraudulent transactions across all channels.

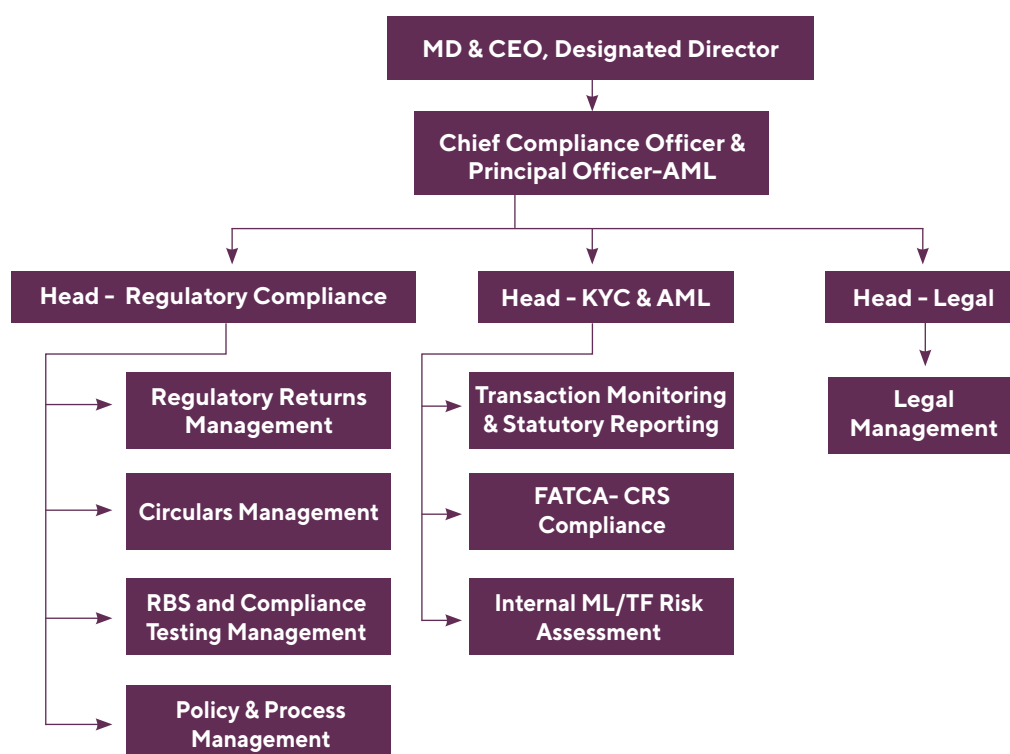
Risk	Impact	Mitigation measures
IT risk	The risks associated with the increasing adoption of technology include non-availability of systems and processes, resulting in business loss from both unintentional (faulty use) and intentional (cyber frauds) events.	To ensure efficient management of IT risk and ensuring confidentiality and integrity of business and customer information, the Bank has implemented security controls in accordance with the RBI cybersecurity framework. Regular security monitoring is in place and the Bank is in compliance with the regulatory guidelines issued from time to time. Further, to ensure business continuity through work from home, securing people, process and technology was of innate importance. In doing so, the Bank has put in place the BCP and incident response plans for handling both operational and security risks.
Credit risk	When the borrower defaults on the due date of repayment, with an inadequate collateral (if received), it adversely impacts both the revenue and margins of the Bank.	USFBL assesses the credit worthiness of each customer, product, enterprise, geography at multiple levels. This helps the Bank identify risks and take informed decisions, which are aligned to the rules laid down by the committees authorised by the Board. USFBL has been continuously evolving, which has helped the Bank identify early warning signals to minimise credit costs both in a pre- and post-Pandemic environment.
Market risk	Risks arising from the movement in market prices might impact the revenue generation ability of the Bank.	Both the investment committee and asset liability committee of the Bank is tasked with supervision of the investment and market risks; accordingly approve the framework for market risk and its thresholds. The mid-office prepares and analyses daily reports on various activities of the Bank's treasury department. A comprehensive market and liquidity risk dashboard is circulated to senior management on a monthly basis, which comprises all relevant information related to investment portfolio, liquidity position, depositors and borrowing, enabling improved and informed decision-making by the senior management.
Liquidity risk	An asset-liability mismatch might result in liquidity risk for the Bank, which would result in raising fresh liabilities at higher cost or liquidating assets at a higher discount rate, thus, impacting the margins of the Bank.	USFBL has set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowings, deposits and placements, among others. The asset liability committee of the Bank reviews treasury operations, interest rate and cash flows on a monthly basis. The liquidity profile of the Bank is analysed every week by tracking all cash inflows and outflows based on the actual maturity and expected occurrence predicted. Premature withdrawals of term deposits and drawdown of unavailed credit limits are also analysed by the Bank to measure the actual liquidity position on an ongoing basis.

COMPLIANCE ARCHITECTURE

Compliance is an integral feature of ensuring a business creates fair value for all its stakeholders, including the regulatory authorities. Being a bank, the expectations and stringency of applicability of RBI guidelines are higher. Further, compliance department of a bank acts as an important interface between regulators and regulations on one hand, and the regulators and business on the other.

USFBL endeavours to create and follow industry benchmark compliance practices, ensuring easy receipt and dissemination of all statutory, regulatory and internal guidelines and instructions in the matters of compliance across all business departments.





Process framework within compliance department

The Bank’s compliance department has established a process of dissemination of regulatory changes to the various departments and for updating policies, informing timely submission of returns to regulatory authorities, and correspondence with regulatory authorities. This helps the Bank ensure effective compliance of policies or guidelines created by regulatory authorities.

Following is the key process framework of compliance department:

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

Circular management process

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

Returns management process

All SCBs in India are required to submit various returns to RBI and other regulators on periodic intervals as directed by the regulators. These returns are submitted on online portals like XBRL, ORFS and DCS; or through email, physical copies and reply letters, as directed by the regulators. The Banks’ compliance department has institutionalised a robust returns management process to ensure timely submission of such returns.

Policy, product and process management

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

AML/Transaction monitoring process

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

Compliance risk assessment framework

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

Legal management

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

- Clarification on branch operation queries such as account opening, drafting and vetting of letters and replies to customer, replies to be filed before Banking Ombudsman, courts and tribunal, and drafting and vetting of draft FIR to police
- Drafting of reply to various notices received from DRT, notices issued under Cr. P. C. and other statutory notices
- Drafting and vetting of agreements and supplementary agreements (Non-disclosure agreement, service level agreement, purchase order and other administrative agreements)
- Issues relating to title investigation report prepared by empanelled advocates
- Drafting of notices pertaining to collections, vetting of submissions on behalf of the Bank in cases filed against the Bank, opinion in respect of recovery measures to be taken, actions to be taken under arbitration proceedings to be taken under SARFAESI Act

In addition to the sharpened focus on contact with the regulators, the compliance department periodically apprises the Bank's management, Board of Directors and Board Committees on the changes in regulatory environment and status of compliance thereof in the Bank. During the FY 2020-21, the Bank strengthened the compliance testing and automation of certifications to be submitted by various stakeholders. Conscious steps were initiated towards cultivating and building a strong compliance culture within the Bank.

VIGILANCE MECHANISM

The vigilance and security department of the Bank supervises the investigation of fraud, corruption cases and grievances, including those issued under the Bank's whistle-blower policy. The vigilance department also educates and spreads awareness among the staff on preventive vigilance, punitive actions, surveillance and identification areas. During the FY 2020-21, the vigilance and security team conducted a variety of inquiries related to fraud, cash theft and serious employee abuse, among others, and performed branch visits, surprise visits, and liaisons in association with local governments.

INFORMATION TECHNOLOGY (IT)

Bank believes that information technology is one of the key differentiators for improving customer experience. The use of technology, over the years, has enabled us to scale up our operations in an efficient manner. We have collaborated with third party software solution providers and software service providers in order to automate our backend operations which are supported by a core banking system and loan management function. Our various technology platforms support major functions, such as, customer experience, enterprise accounting, expense management and human resources, process management, risk management, and governance are also supported by various technology platforms. We also provide digital end-to-end onboarding with quick savings bank account opening with limited documentation through handheld devices. In addition, we have



enabled digital facilities including internet banking, mobile banking, corporate internet banking, bill payments, and debit cards.

We aim at leveraging technology to better serve our customers, identify opportunities, deliver innovative products and services and advance on our goal of financial inclusion. We have introduced robotics process automation to increase efficiency and improve operational productivity. We have recently started new data-lake and analytics projects for better understanding of core customers and decision taking in real time. We believe this will increase our ability to deliver improved customer experience and facilitate customer acquisition and deepen our relationship with customers.

Over the years, the Bank has invested in technological adoption, leading to introduction of new age digital platforms such as UPI and BBPS. The Bank has undertaken several initiatives to enhance the digital landscape and drive automation across operations on the back of initiatives such as digital onboarding, self-onboarding, internet banking and mobile banking upgrade. Further, the Bank also undertook the following initiatives:

- Atal Pension Yojana (APY)
- Mastercard integration for debit cards
- RTGS 24*7
- Micro ATM
- Robotic process automation to increase the automation in operation

All of these platform and technology upgrades are part of bank's strategy towards getting into Technology Driven Bank with keen focus towards automation and analytics.

Bank is also working towards strengthening of core back hand infrastructure to support the growing business volume with continuous upgrade to network, core hardware and data center capabilities. Bank is also in process of getting NDR (Near DR) setup functioning in bank for critical information and systems of the Bank.

HUMAN RESOURCES AND TRAINING

As a progressive organisation, the Bank's human resource and training programmes have been centred around hiring the best talent, retaining them and providing learning and development environment. The Bank takes concerted efforts to increase the representation of women in the workforce of the Bank. During the fiscal 2020-2021, there has been a net addition of 4,705 employees in the Bank, including 694 female employees. As on March 31, 2021, the Bank's employee base stood at more than 10,300. The annualised attrition rate for fiscal year 2021 was 23.3%.

USFBL is developing an internal talent pool through training programs from various institutions, to grow and expand in new geographies and products. Apart from this, numerous workplace training programs were implemented including refresher trainings, promotion trainings, capacity building certification programs, mandatory certification programs and soft skill programs, among others. In addition to employees' participation in various external programs conducted by regulatory and industry consortium bodies to stay updated about the latest developments in the industry, the Bank also has an in-house team of well-qualified trainers comprising retired bankers, senior management employees and training experts. During the year under review, more than 6,000 staff were educated under various programs.

Over the years, the Bank has worked upon creating various engagement channels for employees through which, they can share their feedback and suggestions, including an online grievance redressal platform to get their grievances addressed, online HR query helpdesk for timely query resolution with a dedicated section for COVID-related issues and regular virtual town hall of all the employees with the senior management to brief them on various developments and growth in the bank. At the aggregate level, the Bank strives to build and imbibe its unique culture in the employees. Do you want to give rate of attrition of employees during the year.

AUDIT AND INTERNAL CONTROL SYSTEMS

The internal audit department of the Bank comprises more than 140 employees with audit experience across different products ranging from micro banking and liabilities to retails assets, and different functions such as treasury, operations, risk, credit, information security and information technology, among others. The Bank has put in place an integrated end-to-end auditing software for execution and reporting of internal audits, namely 'Pentana'.

During the FY 2020-21, the internal audit team has conducted different types of audit, covering regulatory requirements such as risk-based internal audit of all branches and central functions, concurrent audit of asset and liabilities branches as per extant guidelines, offsite audit of critical transactions, concurrent audit of centralised account opening, retail asset and home loan disbursement, vendor payments, customer complaints, GL reconciliation and various other ad hoc audits. Further, during the FY 2020-21, in collaboration with the audit experts and consultancy firms, the internal audit team also conducted management audit, information security and cyber security audit, concurrent audit of treasury transactions and testing of internal financial controls.

FINANCE, ACCOUNTS AND COMPANY SECRETARIAL

Our finance department focuses primarily on preparing financial plans, monitoring and analysis of financial performance, planning and raising of capital and investor relations. The finance department monitors priority sector target achievement and financial inclusion performance of our Bank and computes MCLR for the Bank on a monthly basis. The team also manages the Bank's credit ratings and interacts with credit rating agencies. Our accounts department is responsible for publishing financial results, substantiation and reconciliations of all accounts, reporting to the RBI and tax compliance. Our company secretarial function is to update, monitor, report and comply with the requirements of the applicable laws. The department is also responsible for the conduct of meetings of the Board and committees.

CAUTIONARY STATEMENT

Statements included in this MD&A describing the Bank's priorities, forecasts, predictions, general market conditions, expectations, etc., can constitute 'forward-looking statements' within the scope of applicable legislation. Such factors and uncertainties include, but are not limited to, the Bank's ability to execute plans for development and expansion, variation between anticipated and actual non-performing advances, credit loss reserve, technological change, investment income and various risk profiles.



Corporate Overview



Statutory Reports



Financial Statements

Basel – Pillar 3 Disclosures as on March 31, 2021

Utkarsh Small Finance Bank Limited (hereafter referred as the “Bank” or “USFBL”), is a wholly owned subsidiary promoted by Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Limited) incorporated on April 30, 2016 under the provision of the Companies Act, 2013. The Bank is licensed by the Reserve Bank of India to operate as a Small Finance Bank under the Banking Regulation Act, 1949 on November 25, 2016. As per the Business Transfer Agreement, Utkarsh Micro Finance Limited (now known as ‘Utkarsh CoreInvest Limited’) transferred all its assets and liabilities (except certain statutory assets, vehicle and statutory liabilities) to Utkarsh Small Finance Bank Limited as at the close of business on January 21, 2017. Subsequently, soft launching of banking operations commenced on January 23, 2017 with the opening of five branches in Delhi, Patna, Nagpur and Varanasi and full-fledged launching of the banking operations commenced on September 22, 2017. The Bank has entered its fifth full year of business operations. It was included in the second schedule of the RBI Act, 1934 vide a notification dated November 16, 2017 and was accorded the status of a Scheduled Commercial Bank.

The Bank aims to provide affordable & accessible banking services which are process centric, technology enabled and people oriented resulting in reliable, scalable and sustainable institution facilitating socioeconomic change. The purpose is to provide banking products to the unserved and underserved sections of the country, which includes small and marginal farmers, micro and small industries, and other organised sector entities, at an affordable cost.

USFBL has prepared this disclosure document in compliance with the directions of Reserve Bank of India (RBI) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 01, 2015. The document provides a review of key observations pertaining to the Bank’s capital adequacy, credit quality, key business highlights and a review of its key risks as at March 31, 2021.

I. SCOPE OF APPLICATION

The framework of disclosures applies to USFBL. The Bank does not have any subsidiary nor does it have any interest in any insurance entity. All the information in this document are made as a standalone entity.

II. CAPITAL ADEQUACY FRAMEWORK AND CAPITAL STRUCTURE

Framework

The Bank is subject to the capital adequacy framework as per the “Operating Guidelines for Small Finance Bank” from Reserve Bank of India (RBI). As per capital adequacy framework, the Bank is required to maintain a minimum Capital to Risk Weighted Assets (CRAR) of 15% with minimum Tier I capital as 7.5%. As of now, capital conservation buffer and counter cyclical buffer are not applicable for Small Finance Banks (SFBs).

For the purpose of capital adequacy, only credit risk is covered since there is no separate capital charge prescribed for market risk and operational risk as per the direction of RBI. For computation of capital for credit risk of SFBs, RBI has prescribed Basel II Standardised Approach and has permitted the use of external rating based risk weights for rated exposure and regulatory retail approach for small retail loans.

Assessment

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

The Bank’s ICAAP focuses to ensure that the Bank has sufficient capital to support all the risks inherent to its business and an adequate capital buffer based on the business profile to cover future unforeseen risks upto a certain degree. The change in the level of credit risk, market risk and interest rate risk along with the changes in on- balance sheet and off- balance sheet exposures are assessed under different stress scenarios by the Bank to have better assessment of the capital requirement.

Besides computing CRAR under the Pillar I requirement, the Bank has set up sound corporate governance and control practices to identify, assess and manage risks.

(a) Capital Funds

		(₹ in Crores)
Sl. No.	Particulars	Amount as on March 31, 2021
A	Tier I Capital	
	Paid-up Share Capital	848.33
	Reserves	501.11
	Innovative Tier 1 Capital instruments	
	Minority Interest	
B	Deductions	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/ associates	
	Securitisation exposures including credit enhancements	
	Deferred Tax Assets	57.97
	Good will and Adjustments for less liquid position	
	Deferred revenue expenditure	15.99
	Intangible assets	18.97
C	Net Tier I Capital	1256.52
D	Tier II Capital	
	General Provisions	38.35
	Upper Tier II capital instruments	
	Lower Tier II capital instruments	62.00
	Investment fluctuation reserve	18.91
E	Deductions	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/ associates	
	Securitisation exposures including credit enhancements	
F	Net Tier II Capital	119.25
	Total Eligible Capital	1375.77

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

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

		(₹ in Crores)
Sl. No.	Particulars	Amount as on March 31, 2021
(a)	Capital Requirement for Credit Risk:	
	Portfolios subject to Standardised Approach	943.16
	Securitisation	
(b)	Capital Requirement for Market Risk:	
	Interest Rate Risk	
	Foreign exchange Risk (including Gold)	
	Equity Risk	
(c)	Capital Requirement for Operational Risk:	
	Basic Indicator Approach	
(d)	Total Capital Requirement (a+b+c)	943.16

(₹ in Crores)

Sl. No.	Particulars	Amount as on March 31, 2021
(e)	Total Risk Weighted Assets	6287.72
(f)	Total Capital Fund	1375.77
(g)	Capital Adequacy Ratio	
	Common Equity Tier-I	19.98%
	Tier-I	19.98%
	Tier-II	1.90%
(h)	Total CRAR	21.88%

(c) Leverage ratio

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

Leverage Ratio = Capital Measure (Tier I Capital)/Exposure Measure

As per operating guidelines for SFBs, the Bank is required to maintain leverage ratio of 4.50%.

The Bank's leverage ratio, calculated in accordance with RBI guidelines under consolidated framework, is as follows:

(₹ in Crores)

Sl. No.	Items	Amount as on March 31, 2021
On-Balance sheet exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	12137.91
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	12137.91
Derivative exposure		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	
12	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	CCR exposure for SFT assets	
15	Total securities financing transaction exposures (sum of lines 12 to 15)	
16	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	62.07

		(₹ in Crores)
Sl. No.	Items	Amount as on March 31, 2021
18	(Adjustments for conversion to credit equivalent amounts)	
19	Off-balance sheet items (sum of lines 17 and 18)	62.07
Capital and total exposures		
20	Tier 1 capital	1256.52
21	Total exposures (sum of lines 3, 11, 16 and 19)	12199.98
Leverage ratio		
22	Basel III leverage ratio	10.30

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

Sl. No.	Particulars	Amount as on March 31, 2021
1	Total consolidated assets as per published financial statements	12137.91
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	
4	Adjustment for entities outside the scope of regulatory consolidation	
5	On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)	12137.91

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

Sl. No.	Particulars	Amount as on March 31, 2021
1	Total consolidated assets as per published financial statements	
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	62.07
7	Other adjustments	
8	Leverage ratio exposure	10.30

III. RISK EXPOSURE AND ASSESSMENT

The Risk Appetite of the Bank has been gradually increasing over the years with the experience & confidence gained from its past performance and vision for the future along with its strong senior management team which is at the helm and steering the Bank to new heights every year.

Major Risks as identified by the Bank are as followed (keeping in mind the area and scale of operations)

- 1) Credit risk 2) Market risk, 3) Liquidity risk and 4) Operational risk including IT related risk.

The Bank has robust mechanism in place to identify; assess, measure and mitigate each type of risk and to be compliant with the regulatory framework within which each risk parameter has to be complied with across different sections and departments of the Bank in which we are currently operating.

RBI Guidelines on Basel III Capital Regulations have been implemented and the Bank is adequately capitalised as per the current requirements under Basel III. An independent Risk Governance Structure, in line with best practices, has been put in place, in the context of segregation of duties and ensuring independence of Risk Measurement, Monitoring and Control functions.

All stakeholders within the Bank at all levels are communicated the importance of adherence to Risk Management Policies and proper checks are in place to ensure compliance of the same by all with escalation to the next level in case of any breach by anyone. This is a part of the Risk Management Structure and Framework adopted by the Board and enshrined in the overall policy framework to be followed by all.

Utmost compliance to Corporate Governance is stressed at all levels by way of disclosure of all material information through adoption of means available for disclosing the same. Risk transparency is fostered through reporting, disclosure, sharing of information and open dialogue about the risks arising from different activities across the Bank

(a) Risk Governance Model

The Bank has a well-defined system of establishing, monitoring and controlling the management of risk within the Bank

This governance model defines three key roles:

- Businesses that take, manage and monitor risk
- Risk Management to provide policy, guidance and analysis; and
- Internal Audit to provide independent assurance

Risk Management Department is responsible for setting up the appropriate risk control mechanism, quantifying and monitoring risks.

(b) Risk Governance Framework

The Bank has always maintained and encouraged a policy whereby the decision making of the Risk Team should not be guided or be affected in any ways by the material outcome of the decision or the profitability (enhancement in market share or loosening of policies for the benefit of one particular section etc.) it may bring in the short term. Risk Team should be able to take decisions and frame policies for the long term which would be able to guide and serve the Bank for years to come by laying a strong foundation on which we may capitalise as and when opportunities, in line with good corporate social norms and healthy business norms, arise.

(c) Governance Committees

- **Board of Directors**

The Board of Directors ("the Board") are the ultimate authority in the Bank to draft and introduce policies.

The Board has however, formed committees to delegate and monitor (including adequate implementation) of the risk management processes, procedures and systems in the Bank.

- **Risk Management Committee of the Board (RMC)**

The Risk Management Committee is a Board level sub-committee. The primary role of the Committee is to provide forward looking guidance on the threat perceptions building within the Bank basis its current operations (including area and scope) or the threat perceptions which the Bank is facing or might face in the future based on the evolving economy outlook and the developing market trends. This committee reports directly to the Board

RMC constitutes:

- o Five members of the Board of Directors, as nominated by the Board, including Managing Director & CEO
- o Chief Risk Officer - Permanent Invitee
- o The Chief Financial Officer - Permanent Invitee
- o The Company Secretary - Convener and Secretary

- **Management Level Committees**

At management level, three separate committees for Credit Risk Management, Operational Risk Management, Asset Liability Management, Information System Security committees and Fraud Risk Council.

These committee's meet at regular intervals to support and share its findings with the Board level committees to help them understand the area's in which operations of the Bank needs to further streamline its processes' and policies along with norms which needs to be made more stringent or relaxed as per the Risk Appetite of the Bank and/or the overall Regulatory Framework within which the Bank operates.

IV. CREDIT RISK

Credit risk is the risk of loss that may occur due to default of the counterparty or from its failure to meet its obligations as per the terms of the financial contract.

Occurrence of any such event will have an adverse effect on the financial performance of the Bank and also affect its creditability in the market in years to come.

The framework provides a clear definition of roles as well as allocation of responsibilities with regard to ownership and management of risks. Further a clear hierarchy is defined with respect to reporting relationships and Management Information System (MIS) mechanism.

(a) Structure and Organisation

The Bank faces credit risk through its lending, investment and contractual arrangements. To mitigate the effects of credit risks faced by the Bank, a robust risk governance framework is in place.

The organisational structure for Credit Risk Management is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Credit Risk Management Committee (CRMC)
- Chief Risk Officer (CRO)
- Head - Credit Risk Department
- Credit Risk Department
- Business Units

The Bank has an approved delegation of authorities at various levels to different credit committees or individuals (based on their designation and overall experience) for credit approvals.

The Credit Risk Management Committee at the management level proactively assess portfolio quality, prudential limits and inherent risks. It also frames policies and sets limits to mitigate identified risk. Governance control is vested with the Risk Management Committee (RMC) of the Board, which monitors and provides guidance on the risk assessment and capital adequacy as well as ensures timely and effective implementation of policies. Policies such as the credit risk management policy, investment policy, credit risk policy, product specific credit policies, NPA policy and collection policy are defined to effectively manage credit risk.

(b) Strategies and Processes

The Bank has defined and implemented various risk management policies, procedures and standards with an objective to build, sustain and maintain a high quality credit portfolio by proper measurement, monitoring and control of the credit exposures. These policies also address more granular factors such as diversification of the portfolio across companies, business groups, industries, geographies and sectors. The policies reflect the Bank's approach towards lending to borrowers in light of prevailing business environment and regulatory stipulations. All these policies are approved by the Board of Directors of the Bank and are reviewed regularly.



The product specific credit policy details the credit norms to be adhered to for each customer segment within specific products. Credit Committees, comprising of various senior officials from the Bank including representation from the Risk Department, are constituted for approval of various loan proposals. Individuals are also delegated decision making powers based on their designation and experience. All credit proposals other than Micro Finance loans are approved by various committee and individuals as per authority matrix approved by the Board.

Large value exposures are assessed based on qualitative and quantitative parameters. An internal rating model uses these quantitative and qualitative inputs to assess the risk profile of the borrower. Internal rating is reviewed periodically.

The Bank manages concentration risk by adopting the prudential limits as directed by the RBI as well as by putting in place various internal limits. The Bank has put in place internal guidelines on exposure norms in respect of single borrower, groups, industry exposure, etc. based on various guidelines issued by regulators.

(c) Credit Risk Measurement

Quantitative dimension of risk management involves measuring risk in credit portfolio, making provisions as per “Master Circular – Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances” and holding capital as per “Master Circular – Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF)”.

Total Net credit risk exposure by facility including others (SLR Investment, Current and fixed asset):

		(₹ in Crores)
Sl. No.	Facility Type	Amount as on March 31, 2021
1	Loans & Advances (Net of provisions)	8216.86
	Add: Non SLR Investments	165.20
	Total Fund Based	8382.06
2	Non-Fund Based	
3	Others (SLR Investment, Current and fixed asset)	3755.85
	Total	12137.91

Total Net credit risk exposure by geography:

		(₹ in Crores)
Sl. No.	Facility Type	Amount as on March 31, 2021
1	Domestic	12137.91
2	Overseas	
	Total	12137.91

Total Net credit risk exposure between secured, unsecured businesses and SLR Investment, Current and fixed asset):

		(₹ in Crores)
Sl. No.	Facility Type	Amount as on March 31, 2021
1	Secured Advances (Net of provisions)	1135.75
2	Unsecured Advances (Net of provisions)	7081.11
3	Others	3921.05
	Total	12137.91

Industry wise Distribution of Gross Advances

(₹ in Crores)

Sl. No.	Facility Type	Exposure as on March 31, 2021	% of Total Exposure
1	Agriculture and Allied Activities	4,874.47	57.93%
2	Micro and Small	185.01	2.20%
3	Professional Services	90.72	1.08%
4	Retail Trade	1,388.86	16.50%
5	NBFCs	490.78	5.83%
6	Other Services	933.70	11.09%
7	Housing Loans (incl. priority sector Housing)	224.29	2.67%
8	Consumer Durables	0.39	0.00%
9	Vehicle/Auto Loans	12.92	0.15%
10	Education Loans	0.08	0.00%
11	Advances against Fixed Deposits (incl. FCNR(B), etc.)	54.50	0.65%
12	Other Retail Loans	159.93	1.90%
	Total	8,415.66	100.00%

Residual maturity breakdown of Assets and Liabilities:

(₹ in Crores)

Particulars	Amount as on March 31, 2021					
	Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR)**	Foreign currency Assets	Foreign currency Liabilities
1 day	140.34	735.32	31.01	0.01	-	-
2 to 7 days	77.78	35.12	266.92	0.06	-	-
8 to 14 days	91.71	87.46	364.88	300.07	-	-
15 to 30 Days	254.70	25.25	191.84	0.16	-	-
31 Days to 2 months	422.81	84.45	237.08	20.31	-	-
Over 2 months to 3 months	437.18	49.84	361.93	16.98	-	-
Over 3 months to 6 months	1,257.23	221.56	1,190.89	303.18	-	4.57
Over 6 months to 1 year	2,171.31	294.63	1,313.33	245.79	-	4.57
Over 1 year to 3 years	2,965.40	705.61	3,449.05	1,253.99	-	-
Over 3 years to 5 years	283.48	42.80	53.67	271.73	-	-
Over 5 years	114.92	31.90	46.97	195.54	-	-
Total	8,216.86	2,313.94	7,507.57	2,607.82	-	9.14

*Amount disclosed are net off provision for NPA

**Includes foreign currency liabilities and repo

Classifications of Non-Performing Assets & Provisioning

Advances are classified as Performing Assets (Standard) and Non-performing Assets (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. The advances are stated net of specific provisions made towards NPAs, unrealised interest on NPAs, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies.

Position of Non-performing Assets (NPA):

(₹ in Crores)	
Particulars	Amount as on March 31, 2021
Gross Advances	8415.66
Net Advances	8209.19
Gross NPA	
Sub-standard	311.05
Doubtful 1	4.06
Doubtful 2	0.18
Doubtful 3	
Loss	
NPA Provision	198.80
Floating Provision	7.67
Net NPA	108.82
Gross NPA to Gross Advances (%)	3.75%
Net NPA to Net Advances (%)	1.33%

Movement of Non-performing Assets (NPA Gross):

(₹ in Crores)	
Particulars	Amount as on March 31, 2021
Opening Balances (As on 1st Apr 2020)	44.65
Additions	309.58
Write Offs	35.33
Reductions	3.62
Closing Balances	315.28

Movement of NPA Provisions:

(₹ in Crores)	
Particulars	Amount as on March 31, 2021
Opening Balances (As on 1st Apr 2020)	33.56
Add: Provisions made during the period	210.37
Less : Write offs	35.33
Less : Write Back of excess provision	2.13
Closing Balances	206.47

Including floating provision of ₹ 7.67 Crore (March 31, 2020: ₹ 6.21 Crore)

Movement of provisions for depreciation on investments:

Particulars	(₹ in Crores)
	Amount as on March 31, 2021
Opening Balance (As on 1st Apr 2020)	0.06
Add: Provisions made during the period	19.36
Less : Write offs	
Less : Write Back of excess provision	0.06
Closing Balance	19.36

V. CREDIT RISK- DISCLOSURES FOR PORTFOLIOS SUBJECT TO STANDARDISED APPROACH

In line with the RBI licensing guidelines on Small Finance Banks, Bank ensures that at least 50 per cent of its loan portfolio constitutes loans and advances of upto ₹ 25 lakh.

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

Category	(₹ in Crores)
	Amount as on March 31, 2021
Below 100% Risk Weight	5808.93
100% Risk Weight	458.69
More than 100% Risk Weight	20.08
Closing Balance	6287.71

VI. CREDIT RISK MITIGATION- DISCLOSURES FOR STANDARDISED APPROACHES**Collaterals & Guarantees**

At the time of initial Risk Assessment, we try and understand the repayment capacity of the borrower's in line with the financial health of the business or profession which is being carried out by the borrower. In case of secured loans, the collateral offered by the Borrower is an additional comfort and not an alternative to the stringent or laid down criteria of assessment for the financial health of the Borrower. Though any collateral provided by the Borrower; helps to provide additional comfort in terms of availability to liquidate the same and recover the loan amount. This is further aided by laws such as the 'SARFESI'

Collateral Acceptance Criteria

Assets accepted as collateral shall satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified
- The asset is marketable and there exists a readily available secondary market for disposing of the asset
- Bank's right to repossess the asset is legally enforceable and without impediment
- Bank is able to secure control over the asset if necessary. In the case of a movable asset, bank have either physical custody of the asset (e.g. gold, precious metal) or have the means of locating its whereabouts (e.g. vehicle, machinery or equipment); and bank has the expertise & systems to manage the asset concerned

VII. LIQUIDITY RISK QUALITATIVE DISCLOSURES

Liquidity refers to the Bank's ability to fund the increase in assets or withdrawals of liabilities and meet both expected and unexpected cash and collateral obligations at reasonable cost without adversely affecting its financial condition. Liquidity risk arises when the Bank finds it difficult to meet such obligations. The Bank's Asset Liability Management Committee (ALCO) is responsible for overseeing the management and governance of liquidity risk.



Liquidity Risk Management in the Bank (standalone) is governed by the Board approved Asset Liability Management (ALM) Policy which provides the framework for its monitoring & management. The Bank actively manages its liquidity risk covering both market funding risk and market liquidity risk. The Bank maintains a diversified funding profile with emphasis on building retail franchise to increase customer deposits. The Bank ensures that there is sufficient liquidity headroom available, including liquid assets, at all times to manage any contingency. Liquidity risk is assessed from both structural and dynamic perspective. The Bank uses liquidity gap analysis to measure cash flow mismatches at different time bands. The cash flows are bucketed based on the residual maturity or expected behaviour of assets, liabilities and off-balance sheet items. Bank also manages its liquidity on a dynamic basis to supplement the liquidity gap analysis by estimating net cash outflow or inflows for business units considering their business projection for the next 3 months.

VIII. MARKET RISK QUALITATIVE DISCLOSURES

Market Risk may be defined as the possibility of loss to a bank caused by changes in the market variables such as interest rates, credit spreads, equity prices, etc. The market risk for the Bank is governed by 'Market Risk Management Policy' and 'Treasury & Investment Policy', which are approved by the Board. These policies ensure that transactions in debt and capital markets are conducted in accordance with acceptable business practices and are as per the extant regulatory guidelines.

(a) Structure and Organisation

The organisational structure for Market Risk Management is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Asset Liability Management Committee (ALCO)
- Chief Risk Officer (CRO)
- Head - Market Risk Department
- Market Risk Management Unit

Market Risk Management unit is independent of the dealing and settlement functions and reports directly to the Chief Risk Officer.

(b) Strategies and Processes

Risk identification entails ensuring all instruments that result in Market Risk both on-balance sheet and off-balance sheet of the Bank are identified and monitored centrally. To achieve this objective, all new instruments/ products in which the Bank engage should be assessed. The Asset Liability Management Committee (ALCO) reviews all new instruments to evaluate whether they result in market risk. Modifications to existing instruments are reported to the ALCO to enable such evaluation.

The Market Risk Division of the Risk Management Department is responsible for the design and implementation of the Bank's market risk management/ALM system. The Division is independent from business and trading units, and provides an independent risk assessment, which is critical to the ALCO's key function of controlling and managing market risks in accordance with the mandate established by the Board and Risk Management Committee. Mid Office of the Bank's Treasury function is attached to the Market Risk Division of Risk Management Department. Mid Office prepares and analyses daily reports on various activities of the Bank's Treasury. The Mid Office, which is responsible for the critical functions of independent market risk monitoring, measurement and analysis, reports to the Bank's Chief Risk Officer through the Head of Market Risk Division.

(c) Market Risk Measurement

Adverse movements in interest rates can affect both interest earnings and fair or economic value of the financial instruments. The very nature of the financial intermediation business makes the Bank susceptible to interest rate risk and unmanaged risk could potentially pose a significant threat to the Bank's earnings and capital. Interest rate risk results from both trading book and banking book. The impact of interest rate risk on trading book is actively measured using trading book risk metrics like PV01, duration, etc. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items.

For SFBs, Reserve Bank of India has not prescribed capital charge for market risk. Since market risk framework also covers specific risk charge, therefore, to assess the credit risk in the trading book, an external rating based approach is used and risk weighted assets so computed are included under credit risk.

IX. OPERATIONAL RISK QUALITATIVE DISCLOSURES

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, which includes but is not limited to legal risk. It is inherent in all activities arising out of a bank's business and operations and could result in financial losses, litigation, regulatory fines or other damage to the bank. The severity of impact on the bank, its employee and customers is dependent on the efficacy with which operational risk is managed by the bank. The goal is to keep operational risk at appropriate levels, in light of the bank's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment in which it operates.

(a) Structure and Organisation

The operational risk management governance structure is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Operational Risk Management Committee (ORMC)
- Chief Risk Officer (CRO)
- Head - Operational Risk Department
- Operational Risk Unit

Additionally, with a view to ensuring sound practices in respect of governance of the overall Operational Risk, the Bank has outlined policies and processes in respect of Information Security, Business Continuity Planning, Disaster Recovery, Fraud Risk Management Control and Customer Services.

(b) Strategies and Processes

The business units and supporting operational functions are accountable for operational risks and controls in their respective areas, which they manage as per the policies, standards, processes, procedures; and operational risk management framework laid down by the independent operation risk management (ORM) function.

ORM along with product and process managers facilitates the business and operation groups for carrying out risk and control self-assessments on a periodic basis. All the new products and processes including modifications thereof are reviewed by the control groups such as risk, compliance, legal and audit.

Bank has an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement.

The Bank also has a Whistle blower policy, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event. The Bank has separate Risk containment unit to prevent fraudulent applications from entering into the system at the on boarding stage and Fraud Risk Management unit for external fraud investigations.

There is an independent information security group, which addresses information and cyber security related risks. The function is governed by a Board approved policies on information security and cyber security. The Bank carries out periodical awareness exercise to ensure employees are updated on information security practices. The information security function is driven by both technology and process driven controls.

Disaster recovery and Business Continuity Plan (BCP) has also been established by the Bank for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness.



X. INTEREST RATE RISK IN BANKING BOOK (IRRBB)

Qualitative Disclosure

Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. The immediate impact of changes in interest rates is on bank's earnings through changes in its Net Interest Income (NII). A long-term impact of changes in interest rates is on bank's Market Value of Equity (MVE) or Net worth through changes in the economic value of its, liabilities and off-balance sheet positions. The interest rate risk, when viewed from these two perspectives, is known as 'earnings perspective' and 'economic value' perspective, respectively.

The interest rate risk is measured and monitored through two approaches:

Earning at Risk (EAR): Earnings perspective involves analysing the impact of changes in interest rates on accrual or reported earnings in the near term. This is measured using TGA whose focus is to measure the level of a bank's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over the horizon of analysis which is usually one year. It involves bucketing of all RSA and RSL and off balance sheet items as per residual maturity/ re-pricing date in various time bands and compute Earnings at Risk (EaR) i.e. loss of income under different interest rate scenarios over a time horizon of one year.

Market Value of Equity (MVE): This approach analyses the dynamic behaviour of economic value of equity with response to varying interest rate scenarios. Broadly, the MVE is defined as the difference between the market value of assets and market value of liability in response to a change in the interest rate. The linkage between the two is established via modified duration of rate sensitive assets and liabilities.

The Duration Gap Analysis (DGA) would involve bucketing of all on- and off- balance sheet Risk Sensitive Assets (RSA) and Risk Sensitive Liabilities (RSL) as per their residual maturity / re-pricing dates in various time bands and computing the Modified Duration Gap (MDG). MDG would be used to evaluate the impact on the Market Value of Equity (MVE) of the bank under different interest rate scenarios.

Modified Duration of an asset or liability measures the approximate percentage change in its value for a 100 basis point change in the rate of interest.

Quantitative disclosure:

Earning at Risk (EAR):

(₹ in Crores)

Change in interest rate	Amount as on March 31, 2021
EaR @ 100 bps	16.04
EaR @ 200 bps	32.07
EaR @ 300 bps	48.11

Market Value of Equity (MVE):

	Amount as on March 31, 2021
% Change in MVE when there is 100 bps change in interest rates	-2.37%
% Change in MVE when there is 200 bps change in interest rates	-4.74%
% Change in MVE when there is 300 bps change in interest rates	-7.11%

XI. MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Disclosure template for main features of regulatory capital instruments				
	Equity Shares	Debt instrument	Debt instrument	
1	Issuer	Utkarsh Small Finance Bank Limited	Utkarsh Small Finance Bank Limited	
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE735W01017 (for Unlisted Equity Shares of the Bank)	INE735W08012 INE735W08020	
3	Governing law(s) of the instrument	Companies Act, 2013 & Banking Regulation Act, 1949 (for subscription to equity shares equivalent to 5% or more of the paid-up share capital by any single investor)	Indian Laws	
Regulatory treatment				
4	Transitional Basel III rules	-	Tier II	
5	Post-transitional Basel III rules	-	NA	
6	Eligible at solo/group/group & solo	-	Solo	
7	Instrument type	Equity Shares	Non-Convertible Debentures in the nature of Sub debt qualifying for Tier II	
8	Amount recognised in regulatory capital (₹ in Crore, as of most recent reporting date)	₹ 848.33 Crore (as on March 31, 2021 – for fully paid up equity shares)	₹ 30 Crores	
9	Par value of instrument	₹ 10/- per equity share	₹ 100,000/- Per NCD	
10	Accounting classification	Share Capital	Borrowings	
11	Original date of issuance	Equity: (Face/Nominal Value of Equity raised) i) At the time of Incorporation ₹ 5,00,000/- ii) Allotment date 07.10.2016 - ₹ 99,95,00,000/- iii) Allotment date 20.01.2017 - ₹ 200,050,00,00/- iv) Allotment date (through conversion of CCDs) 21.09.2017 - ₹ 120,00,00,000/- v) Allotment date 26.03.2018 - ₹ 50,00,00,000/- vi) Allotment date (through conversion of CCDs) 21.09.2017 - ₹ 267,00,00,000/- vii) Allotment date 18.09.2019 - ₹ 22,22,22,220/- Allotment date 08.03.2021 - ₹ 89,06,16,470/-	January 12, 2017	INE735W08012 - July 09, 2018 INE735W08020 - August 30, 2018

Disclosure template for main features of regulatory capital instruments				
	Equity Shares	Debt instrument	Debt instrument	
12	Perpetual or dated	Perpetual (Non-Redeemable)	Dated	Dated
13	Original maturity date	-	June 30, 2022	INE735W08012 - July 09, 2025 INE735W08020 - August 30, 2025
14	Issuer call subject to prior supervisory approval	-	NA	NA
15	Optional call date, contingent call dates and redemption amount	-	NA	NA
16	Subsequent call dates, if applicable	-	NA	NA
Coupons / dividends				
17	Fixed or floating dividend/coupon	-	Fixed	Fixed
18	Coupon rate and any related index	-	Coupon – 12.00% p.a.	Coupon – 10.58% p.a.
19	Existence of a dividend stopper	RBI norms/guidelines as issued from time-to-time		
20	Fully discretionary, partially discretionary or mandatory	Discretionary (subject to approval of the Board of Directors)		
21	Existence of step up or other incentive to redeem	-	No	No
22	Noncumulative or cumulative	-	Non-Cumulative	Non-Cumulative
23	Convertible or non-convertible	-	Non- Convertible	Non- Convertible
24	If convertible, conversion trigger(s)	-	NA	NA
25	If convertible, fully or partially	-	NA	NA
26	If convertible, conversion rate	-	NA	NA
27	If convertible, mandatory or optional conversion	-	NA	NA
28	If convertible, specify instrument type convertible into	-	NA	NA
29	If convertible, specify issuer of instrument it converts into	-	NA	NA
30	Write-down feature	-	-	-
31	If write-down, write-down trigger(s)	-	-	-
32	If write-down, full or partial	-	-	-

Disclosure template for main features of regulatory capital instruments			
	Equity Shares	Debt instrument	Debt instrument
33	If temporary write-down, description of write-up mechanism	-	-
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Last (under Co. Act, 2013)	All other depositors and creditors of the Bank
35	Non-compliant transitioned features	-	-
36	If yes, specify non-compliant features	-	-

XII. TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS

Full Terms and Conditions of Equity Shares of the Bank		
Sl. No.	Particulars	Full Terms and Conditions
1	Voting shares	84,83,33,869
2	Limits on Voting Shares	One vote per share, subject to the provisions of Banking Regulations Act, 1949, as amended.
3	Position in Subordination hierarchy	Last (under Co. Act, 2013)
4	Perpetuity	Yes (Non-Redeemable)
5	Accounting Classification	Equity Share Capital
6	Distributions	-
7	Approval for Issuance	Board of Directors, Shareholders, RBI & for allotment Stakeholders' Relationship Committee of the Board



Directors' Report

Dear Members,

Your Directors take great pleasure in presenting the 5th (Fifth) Annual Report of the Bank, together with the Audited Financial Statements, the Auditors' Report and the Report on the Business and Operations of the Bank, for the Financial Year ended March 31, 2021.

Your Bank has continued its journey of stable growth, expansion and diversification of the product suite, despite significant disruption caused by the spread of COVID-19 in FY 2020-21. As at the end of the FY 2020-21, the Bank operated out of 558 banking outlets, spread over 18 States and Union Territories (UTs) and served more than 26 Lakh loan accounts supported by our 10,361 employees.

In the year under review, the spread of COVID-19 had a severe impact on operations and the financial environment. Therefore, there has been a significant bearing on collections / asset quality profile and incremental business sourcing of the Bank. Despite the COVID-19 disruption, the Bank has reported a healthy growth in deposits (43.41%) and gross advances (26.36%) in Financial Year 2021 over Financial Year 2020. However, the Gross NPAs have increased to 3.75% as on March 31, 2021 as against 0.71% as on March 31, 2020 on account of the impact on collection efficiency that also resulted in higher credit provisions during the year. Furthermore, while your Bank has reported healthy growth in operating profit (before provisions) of 25.13% over the previous year, which increased from ₹ 350.30 Crore in Financial Year 2020 to ₹ 438.34 Crore in FY 2020-21, the Profit After Tax (PAT) of the Bank declined by 40.12% from ₹ 186.74 Crore in Financial Year 2020 to ₹ 111.82 Crore in FY 2020-21. This is due to higher prudent credit provisioning during the year following an increase in NPAs.

There was a significant reduction of the impact of COVID-19 towards February - March 2021.

Since the onset of the COVID - 19 Pandemic in March 2020, your Bank has efficiently managed to run its Banking outlets with reduced manpower and in addition managed its alternate banking channels such as ATMs, internet and mobile banking, and the call center without any disruptions. The Bank maintained a robust VPN infrastructure, which has enabled and equipped employees to work from home to ensure that there are no service disruptions, and that the customers are provided with adequate service support. The central processing centers at Mumbai and Varanasi have continued their daily operations, in accordance with the safety guidelines provided by the Government, to ensure timely settlement of all transactions.

The Bank is focused on providing effective banking services to its clients without compromising on the health and safety of its employees. Your Bank has ensured containment of the Pandemic spread within the Bank by taking all necessary precautionary measures including providing enhanced sanitisation of the Bank branches and strict implementation of the COVID - 19 safety protocols for the employees and customers visiting the branches. The clients are encouraged to use the Bank's digital channels to mitigate the risk of spread of COVID - 19.

The Bank is encouraging its employees to get vaccinated on priority basis, is reimbursing the cost of vaccination in its efforts to provide timely medical help, and has entered into a tie-up for telemedicine support for its employees and their families. The Bank continues to constantly monitor the impact of COVID-19 on its business and operations.

The Bank has filed Draft Red Herring Prospectus (DRHP) dated March 04, 2021 with SEBI on March 5, 2021, and with Stock Exchanges for the purpose of Initial Public Offer of the Bank. This is in line with the regulatory timeline requirements for the listing of the Bank on a recognised stock exchange.

The Bank has raised additional funds aggregating to ₹ 240.47 Crore through Private Placement, for expanding its business. This was achieved by issuing 89,061,647 Equity Shares (Face Value of ₹ 10 per equity Share at premium of ₹ 17 per share) on March 8, 2021 to the identified Investors for a consideration of ₹ 27 per Equity Share. This is to enhance the capital adequacy and to achieve partial promoter shareholding dilution as required by the RBI in terms of the license granted to the Bank to operate as a small finance bank.

Dr. Veeravalli Sampath Sundaram retired as the Part Time Non-Executive Chairman and ceased to be an Independent Director of the Bank effective September 10, 2020 on completion of his tenure. The Board of Directors of the Bank would like to take this opportunity to thank Dr. Veeravalli Sampath Sundaram for his significant stewardship of the Bank during his tenure.

Mr. Puranam Hayagreeva Ravikumar has been appointed as the Part Time Non-Executive Chairman of the Bank for the period from September 11, 2020 to July 19, 2021.

FINANCIAL PERFORMANCE

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

Particulars	(Amount in ₹ Crores)		
	As on March 31, 2021	As on March 31, 2020	Change in %
Deposits	7,507.57	5,235.21	43.41%
Investments	2,313.94	1,192.39	94.06%
Advances (Net)	8,216.86	6,281.60	30.81%
Capital + Reserves*	1,256.52	954.55	31.63%
Net Interest Income	839.25	728.22	15.25%
Other Income	144.15	98.56	46.26%
Net Total Income	983.40	826.78	18.94%
Operating Expenses	545.06	476.48	14.39%
Provisions and Contingencies	326.52	163.55	99.64%
Net Profit	111.82	186.74	(40.12%)
Gross NPA Ratio	3.75%	0.71%	3.04%
Net NPA Ratio	1.33%	0.18%	1.15%
Capital Adequacy Ratio	21.88%	22.19%	(0.31%)
Business (Deposit plus Net Advance) per employee	1.52	1.30	16.37%
Business Per Branch	28.18	22.72	24.03%
Appropriations			
Transfer to Statutory Reserve	27.95	46.69	(40.12%)
Transfer to Capital Reserve	8.43	0.36	2249.41%
Transfer to Investment Reserve	13.67	3.92	248.24%
Dividend for the year, Including Tax Thereon	-	-	-
Number of Branches			
General Banking Branches	138	103	33.98%
Micro Banking Branches	420	404	3.96%
No. of Employees	10,361	8,831	17.33%
No. of Outstanding Loan Accounts	Over 25 lakhs	Over 25 lakh	-

* Net worth computed as per RBI guidelines

BUSINESS UPDATE AND STATE OF BANK'S AFFAIRS

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

Liabilities Business

The liabilities business of your Bank, served through the branch network and alternate channels such as internet and mobile banking and ATMs, is a key focus area. The Bank has further built a diversified deposits portfolio during FY 2020-21 and aims to build a stable portfolio. The aggregate deposits of the Bank at

the end of the year stood at ₹ 7,507.57 Crore. While the Total Deposits of the Bank grew by 43.41% on a YoY basis, the CASA witnessed a growth of 87.78% (YoY). The share of CASA & Retail Term Deposit (RTD) stood at 57.51% of Total Deposits. The Bank intends to scale up the liabilities franchise by focusing on newer geographies including targeting top 100 cities in terms of overall deposits, including tapping metropolitan and urban areas by promoting our savings accounts and other deposit products. We firmly believe that a strong stable low-cost retail deposit franchise constitutes the foundation for building a stable and steady growth for the Bank. The Bank expects technology to be a key enabler for our operations and the Bank will look to enhance digital capabilities through internet and mobile banking applications and other digital channels and undertake data analytics to gain deeper insights into customer trends and develop customised products for our customer segments to engage customers and serve their entire banking life cycle requirements in coming years.

Assets Business

The Bank is focused on customer segments that are unbanked or underbanked in terms of formal financing channels and believes that diversification of its business with respect to the products that the Bank offers, is a key component of the Bank's success.

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

In order to address the financial implications of the COVID-19 Pandemic, central banks around the world, including India, have taken monetary, fiscal and administrative measures. The RBI has issued guidelines on March 27, 2020, April 17, 2020 and May 23, 2020 in an effort to contain the impact of the COVID - 19 Pandemic on the financial services sector. Under these guidelines, all term loans were eligible for moratorium on instalments and working capital facilities on interest due during a period of three months, i.e., from March 01, 2020 to May 31, 2020 which was subsequently extended by another period of three months, i.e., until August 31, 2020 by the RBI, contingent on the lending institutions satisfying themselves that the same was necessitated on account of the economic fallout from COVID-19. In line with these RBI guidelines, the Bank provided moratorium to eligible borrowers.

Further, in view of the economic fallout on account of the COVID - 19 Pandemic and with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, the Reserve Bank of India had issued guidelines on August 06, 2020 on Resolution Framework for COVID -19 related Stress. The Bank had framed the Resolution Framework on COVID - 19 related stress ("Policy") based on the tenets as enumerated in the said RBI guidelines under which the Bank had restructured assets amounting to ₹ 283.63 Crore covering 98,475 customers.

Micro Banking

Micro banking provides a comprehensive package of financial inclusion products and business development services to the underprivileged or low-income individuals or groups who have limited access to financial services. In the micro banking loan segment, your Bank offers 'Joint Liability Group' ("JLG") loans, business loans and two-wheeler loans. Your Bank provides cashless disbursement in the micro banking segment and disburses all the loans in the designated bank account of the customer. In addition, we provide micro banking loans through Business Correspondent ("BC") partners. The Micro Banking business is spread across 141 Districts covering 11 States.

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

JLG business through Micro Banking ("MB") branches in FY 2020-21 recorded a growth of 17.38% over the previous financial year. The overall reach of the MB branches extended to 25.04 lakh clients in FY 2020-21. Further, 16 branches new MB branches were opened in existing states during FY 2020-21 in spite of the challenges due to COVID-19 situation.

In order to meet the increasing funding requirement of customers who have completed multiple loan cycles and are matured borrowers, your Bank introduced individual business loans. The Bank provides individual loans especially to those who have begun their formal credit under JLG. The Bank started providing two-wheeler loan products on a pilot basis to existing micro-banking customers, who had completed two JLG loan cycles. Individual Loans and Two-Wheeler loans launched in Financial Year 2020 were further expanded during the FY 2020-21. The total combined portfolio as at the end of FY 2020-21 stood at ₹ 44.28 Crore as against ₹ 11.62 Crore in Financial Year 2020.

Further, to address the short-term requirements of customers arising out of the financial stress on account of the COVID-19 Pandemic, the Bank introduced new products such as Utkarsh Sambal and PM SVANidhi Loan Scheme. Utkarsh Sambal was designed to meet the customers' livelihood support requirement on account of the COVID-19 Pandemic. As on March 31, 2021, Sambal loan portfolio stood at ₹ 2.04 Crore with a client base of 7,046. The Ministry of Housing and Urban Affairs had launched Prime Ministers Street Vendor's Atmanirbhar Nidhi ("PM SVANidhi"), a special Micro Credit Facility Scheme for providing affordable loans to street vendors to resume their livelihoods that have been adversely affected due to the COVID-19 Pandemic. The PM SVANidhi loan portfolio stood at ₹ 1.39 Crore with 1,553 clients as on March 31, 2021.

The total JLG portfolio of Micro Banking stood at ₹ 6,853.71 Crore as on March 31, 2021 with a total base of over 25.04 lakhs clients consisting of active loans through the branch network.

The JLG portfolio through Business Correspondents reached ₹ 191.26 Crore in FY 2020-21. The Bank has Six (6) Business Correspondents who are operating in Six (6) states covering 53 districts through 78 branches.

Retail Loans

Your Bank offers a combination of secured and unsecured loans to individuals and non-individual entities, such as micro, small and medium enterprises ("MSME"), which are engaged in business activities in the manufacturing and services sector, with flexible security requirements to make credit more accessible to the retail borrowers. The Bank has sanctioned 69 cases under Emergency Credit Line Guarantee Scheme amounting to ₹ 4.33 Crore during FY 2020-21.

The Retail Loans business has shown robust growth in FY 2020-21. The contribution of secured loans in the total retail portfolio has increased from 37.05% in Financial Year 2020 to 65.11% in FY 2020-21. The Bank has a focused approach on secured funding and the launch of new secured loan variants has contributed in the growth of secured portfolio. The retail business is now operative in 14 states through 50 branches. The retail portfolio grew by 115.79% over the previous financial year and stood at ₹ 531.14 Crore as on March 31, 2021 due to the greater increment in secured sourcing across branches, activation, and contribution of branches in West and National Capital Region (Delhi Zone) during FY 2020-21.

Housing Loans

We offer home loan solutions to customer looking for construction, purchase, repair and renovation of dwelling units through detailed assessment of our customer's repayment ability and tailor our loan offerings for customers.

Our Housing Loan portfolio grew at more than 156.85% over the previous financial year and stood at ₹ 219.59 Crore as on March 31, 2021. The Housing Loan business is now operative in 14 States through 37 Branches. The Bank has also received Additional Special Refinance Facility of ₹ 85 Crore from National Housing Bank (NHB) to provide boost to the housing business.

Wholesale Lending

Your Bank provides short term and long-term loan facilities to SMEs, small, mid-corporate, and institutional clients. The loans are offered to meet their on-lending, working capital and business expansion requirements. The portfolio under this segment stood at ₹ 503.12 Crore as of March 31, 2021 with a base of 52 active clients.

In the FY 2020-21, the Bank started offering a non-fund based product in the form of bank guarantees to the Customers and has issued guarantees of ₹ 13.13 Crore for 5 Customers as of March 31, 2021.



Business Correspondent

The strategy of your Bank is to build your Bank's Asset portfolio through a combination approach.

1. Own Branches
2. Partnership Approach.

The partnership approach with a well-entrenched and networked individual/entity will help your Bank gain significant presence in those markets of business interest.

Through these partnerships, we undertake various functions, such as, (i) identification of geography and experience of the entities in such catchment; (ii) assessing the financial and operational performance of the entities proposed to be the partner with our Bank; and (iii) undertaking end-to-end operations of onboarding and managing the customers throughout the lifecycle.

During FY 2020-21, the Bank has entered into partnerships with **Nine** Business Correspondents in the states of Andhra Pradesh, Chhattisgarh, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Telangana & West Bengal. The portfolio under this segment stood at ₹ 194.71 Crore as of March 31, 2021. (which is reported under the respective business lines).

A. FINANCIAL DISCLOSURES

Capital Raising and Capital Adequacy Ratio

During the year, your Bank has raised equity capital aggregating to ₹ 240.47 Crore by issuing 89,061,647 Equity Shares (face value of ₹ 10 each at the premium of ₹ 17 each) through Private Placement to the following institutional investors.

1. Olympus ACF Pte. Ltd.
2. responsAbility Participations Mauritius
3. Aavishkaar Bharat Fund
4. Triodos Sicav II - Triodos Microfinance Fund
5. Legal Owner Triodos Funds B.V.(in its capacity as legal owner of Triodos Fair Share Fund)
6. Growth Catalyst Partners LLC

Pursuant to the above issuance, the total issued and paid-up equity share capital of the Bank, as on March 31, 2021 increased from ₹ 759.27 Crore to ₹ 848.33 Crore.

The Bank is well capitalised with a healthy Capital Adequacy Ratio of 21.88% as on March 31, 2021. The Bank is required to maintain Capital Adequacy Ratio of 15% as per the regulations applicable to Small Finance Banks (SFBs).

The Tier II Capital as on March 31, 2021 stood at ₹ 119.25 Crore.

Ratings

Instruments	Ratings	Rating Agency	Rating Description
Certificate of Deposit	[ICRA] A1+	ICRA	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
Tier II NCD (Sub-debt)	[ICRA] A (Stable)	ICRA	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. Outlook is stable.
Tier II NCD (Sub-debt)	CARE A (Stable)	CARE	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. Outlook is stable.

Dividend

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

Transfer to Reserves

As required under RBI regulations, the Bank has transferred the following amount to various reserves during the financial year ended March 31, 2021:

Amount transferred to	Amount in ₹ Crores
Statutory Reserve	27.95
Investment Fluctuation Reserve	13.67
Capital Reserve	8.43

Net Worth

The Bank's Net Worth, as on March 31, 2021 stood at ₹ 1256.52 Crore. It comprises paid-up Equity Capital of ₹ 848.33 Crore and free Reserves of ₹ 408.18 Crore excluding Revaluation Reserve, net off Intangible assets and deductions of ₹ 92.93 Crore (Net Worth computed as per RBI guidelines).

CORPORATE GOVERNANCE

The Bank's Philosophy

Your Bank's philosophy on Corporate Governance is aimed at supporting the top management to efficiently conduct its business operations and meet its duties and obligations towards its stakeholders. The Bank is committed to building a transparent and merit-based organisation and ensuring fairness, transparency and responsiveness in all transactions. The Bank has a Corporate Governance framework that is intended to achieve the required standards of Corporate Governance as set out under various regulations and best practices.

The report on Corporate Governance prepared by the Bank voluntarily is presented in a separate section and forms part of this Report as **Annexure A**.

Constitution of the Board of Directors

The Board of Directors is constituted in accordance with the provisions of the Companies Act, 2013 (CA 2013), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, the Banking Regulation Act, 1949 (the BR Act, 1949) and the Articles of Association of the Bank. The Board consists of eminent persons with considerable professional expertise in business administration, audit, banking, compliance, finance, human resource, risk, strategy, information technology and other related fields. Their experience and professional credentials have helped the Bank to gain insights for strategy formulation, monitoring control framework and direction setting for the Bank, thus adding value to set a strong foundation enabling the overall growth objectives of the Bank.

As on March 31, 2021, the Board comprises Nine **(9)** Directors consisting of Eight **(8)** Non-Executive Directors, of which **Five (5)** are Independent Directors, **One (1)** is a Executive Director i.e. Managing Director & CEO and **Two (2)** are Nominee Directors. The Board has two women Directors, one of whom is a nominee Director of the Promoter entity and the other is an Independent Director.

All Independent Directors have submitted declarations stating that they meet the criteria of independence laid down under Section 149(6) of the Companies Act, 2013. Based on the declaration of independence criteria provided by them, and based on the applicable RBI guidelines and circulars, all the five aforesaid Independent Directors would qualify to be classified as Independent Directors under Section 149 of the Companies Act, 2013.



Mr. Govind Singh was appointed as Managing Director and Chief Executive Officer of the Bank for a period of three (3) years and his term period shall end on September 20, 2021. Being eligible for re-appointment under the Banking Regulations, 1949, and other applicable laws, rules and regulations and in terms of approval of the Nomination & Remuneration Committee and the Board, the Bank had applied and has received the approval from Reserve Bank of India for the reappointment of Mr. Govind Singh, the Managing Director & CEO for the further term of 3 years i.e. from September 21, 2021 to September 20, 2024. The same was noted in the Board Meeting held on July 6, 2021 and recommended to the Shareholders of the Bank. The approval for reappointment is forming the part of Notice of 5th Annual General Meeting of the Bank.

Further, in terms of Section 152 of the Companies Act, 2013, Ms. Anita Ramachandran, Nominee Director shall retire at the ensuing Annual General Meeting (AGM) and being eligible, seeks re-appointment as Director.

Changes in the Board of Directors and Key Managerial Personnel during the year under review:

- The details of the changes in the Board of Directors and Key Managerial Personnel (KMP) by way of appointment, re-designation, resignation, death or disqualification, variation made or withdrawn etc. during the year under review are as follows:

Sr. No.	Name of the Director / KMP	Designation	Date of Appointment	Date of Cessation
1.	Ms. Kalpana Prakash Pandey*	Independent Director	April 29, 2020	-
2.	Mr. Nagesh Dinkar Pinge**	Independent Director	July 20, 2020	-
3.	Dr. Veeravalli Sampath Sundaram***	Part Time Non-Executive Chairman and Independent Director	August 24, 2016	September 10, 2020
4.	Mr. Puranam Hayagreeva Ravikumar ****	Part Time Non - Executive Chairman	September 11, 2020	-
5.	Mr. Ajay Kumar Kapur**	Independent Director	March 02, 2021	-
6.	Mr. Muralidharan Rajamani**	Non- executive Non-independent Director	March 02, 2021	-

Notes: * Regularised pursuant to a resolution passed by Shareholders in its Annual General Meeting held on July 20, 2020.

** Regularised pursuant to a resolution passed by Shareholders in its Extraordinary General Meeting held on March 3, 2021.

***Retired on completing his term as Part Time Non- Executive Chairman of the Bank in line with RBI approval.

**** Appointed as Part Time Non -Executive Chairman with effect from September 11, 2020, in line with RBI approval.

Committees of the Board of Directors

For effective decision-making, the Board acts through various Committees, which oversee specific operational or strategic matters falling within the ambit of the specific terms of reference of that Committee. The Board has constituted 12 such Committees. All the Board Committees have a specific charter and these Committees monitor activities falling within their terms of reference. Additional details of the Board Committees have been provided separately in the Annual Report.

Composition of the Committees and attendance of the Directors at the Board and Committee Meetings held during the FY 2020-21 has been presented in **Corporate Governance Report** of the Bank.

Board Evaluation and Nomination and Remuneration Policy

A meeting of Independent Directors of the Bank was held during the year on **June 04, 2021**. Independent Directors carried out an annual performance evaluation of the entire Board, the performance of the Chairman, all the Non-Independent Directors individually as well as the evaluation of the working of its committees.

For the criteria for selection and appointment of Directors, remuneration to Directors, the Board in its meeting held on February 16, 2021 has approved the revision in the Nomination & Remuneration Policy.

The Nomination and Remuneration Policy is available on the website of the Bank at the following link:

https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Nomination&Remuneration-Policy.pdf

Performance evaluation criteria for Board, Board Committees and Individual Directors were approved by the Nomination and Remuneration Committee.

Pursuant to the Section 149(8) read with Schedule IV of the Companies Act, 2013, and other applicable Rules and Regulations thereof, the Nomination and Remuneration Committee of the Bank carried out an annual performance evaluation of the Board as a whole and for the directors individually.

The Board also carried evaluation of the working of its various Committees for the year under consideration, with the aim of improving the effectiveness of the Board and the Committees. Structured questionnaires were prepared, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and Governance etc. A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board. The entire Board carried out the performance evaluation of the Independent Directors. The Independent Directors carried out the performance evaluation of the Chairman and the Non-Independent Directors.

B. STATUTORY DISCLOSURE

Annual Return

As required under the provisions of Sections 92(3) and 134(3)(a) of the Companies Act, 2013 read with the rules framed thereunder, the Annual Return of the Bank in the prescribed Form MGT-7 for the year under review is available on the website of the Bank at the following link:

https://www.utkarsh.bank/uploads/pdf/disclosures/template_eleven/Form_MGT-7.pdf

Conservation of Energy and Technology Absorption

The particulars to be disclosed under Section 134(3)(m) of the Companies Act, 2013, relating to conservation of energy and technology absorption do not apply to the Bank. The Bank is constantly pursuing its goal in upgrading technology to deliver quality service to its customers in a cost-effective manner.

Foreign Exchange Earnings / Outgo

The Bank has no foreign exchange earnings during the financial year under review. However, during the FY 2020-21, the total foreign exchange outgo was ₹ 10.57 Crore which includes interest payment and principal payment of ECB.

Whistle Blower Policy (Vigil Mechanism)

The Bank, as a part of its prudent practice, has established a Vigilance Department to develop and execute a comprehensive strategy to deal with instances of fraud and mismanagement, if any, and as a preventive mechanism with active oversight, ensure holistic and smooth operations of the Bank on an ongoing basis. The Department is adequately staffed and conducts investigations on matters related to frauds committed and references received through whistle blower complaints.

Pursuant to the provisions of Section 177(9) of the Companies Act, 2013, and RBI Guidelines and other applicable laws, the Bank has established the Vigil Mechanism, as part of the Whistle Blower Policy. This empowers the Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or instances of leakage of Unpublished Price Sensitive Information ("UPSI"), misappropriation of assets or violation of the Bank's Code of Conduct. Additionally, the Bank places zero tolerance for any incidents of doubtful integrity and corruption by employees. Towards this end, all employees are trained to maintain of integrity in their work area.

The Whistle Blower policy is aimed at enabling the staff to escalate instances of doubtful integrity, mismanagement, abuse/misuse of power, undue influence/coercion exercised for indulging in undesirable practices, violation of the Bank's Code of Conduct, ethics and corruption. It also provides adequate safeguards against probable victimisation of employees who avail of this mechanism and allows direct access to the Chairperson of the Audit Committee of the Board, in exceptional cases.

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

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

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



of Audit Committee of the Board are provided to enable complainants to reach out with their complaints under the Whistle Blower Policy.

In addition to the above, the Bank has formulated Vigilance Policy for effectively managing the risks arising on account of possible corruption, malpractices and frauds.

Statutory Auditors

M/s Haribhakti & Co. LLP, Chartered Accountants, were appointed as the Statutory Auditors of the Bank for a period of one year and they will continue to hold office till the conclusion of the ensuing Annual General Meeting (5th Annual General Meeting).

Being eligible for re-appointment, the Board has, upon recommendation of the Audit Committee, proposed the re-appointment of M/s Haribhakti & Co. LLP, Chartered Accountants for a period of one year as Statutory Auditors from the conclusion of the 5th Annual General Meeting till the conclusion of 6th Annual General Meeting of the Bank.

The Statutory Auditors have confirmed their eligibility to the effect that their re-appointment, if made would be within the prescribed limits, under Section 139 of the Companies Act, 2013 and they will be eligible to continue as Statutory Auditors of the Bank, as required under Section 141 of the Companies Act, 2013 and applicable RBI guidelines.

The Bank has received the approval of RBI dated June 21, 2021 for reappointment of M/s Haribhakti & Co. LLP as a Statutory Auditor of the Bank for FY 2021-22.

Employees Stock Option Plan (ESOP)

The Holding Company of the Bank, Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited) has offered Stock Options to certain employees of the Bank, being an integral part of the group, and in line with the approved ESOP policy of the Holding Company. While the Holding Company approved the overall options, employee level allocation of options was based on the performance of the respective employees, and was duly approved by the Nomination and Remuneration Committee of the Board of the Bank.

The Bank has introduced USFBL MD & CEO Employee Stock Option Plan 2020 ("**MD & CEO ESOP Plan**") in FY 2020 approved by the Shareholders of the Bank in its meeting held on January 14, 2020. The Bank has also introduced "Utkarsh Small Finance Bank Limited (USFBL) Employee Stock Option Plan 2020" ("ESOP Plan 2020") and notified Scheme 1 under the ESOP Plan 2020 approved by the Shareholders of the Bank in its meeting held on December 28, 2020.

Both the Plans were adopted in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("**SEBI SBEB Regulations**") as the Bank is in the process of listing on exchanges.

The Details of the Plans are as follows:

a. USFBL MD & CEO Employee Stock Option Plan 2020:

Our Bank has adopted USFBL MD & CEO Employee Stock Option Plan 2020 ("**MD & CEO ESOP Plan**") vide meetings of the Board of Directors held on January 10, 2020 and the Shareholders on January 12, 2020. The Bank may grant a maximum of 20,018,918 options under the MD & CEO ESOP Plan. In accordance with the terms of the MD & CEO ESOP Plan, upon exercise and payment of the exercise price, the option holder will be entitled for an allotment of one Equity Share for each option. Therefore, the number of Equity Shares that may be issued under the MD & CEO ESOP Plan shall not exceed 20,018,918 Equity Shares. The MD & CEO ESOP Plan is in compliance with the SEBI SBEB Regulations.

Subject to RBI approval, the Board of Directors of the Bank has, vide the resolution passed at its meeting held on January 14, 2020, read along with resolution passed by it on July 20, 2020, approved the grant of options equivalent to 0.60% of the paid up share capital of the Bank as of March 31, 2020 constituting 4,555,633 Equity Shares to Mr. Govind Singh, Managing Director and Chief Executive Officer of the Bank under the MD & CEO ESOP Plan. While RBI has conveyed that the Bank's proposal does not have its approval, the Bank is in the process of submitting a revised proposal. Thus, as on date, pending RBI approval no options have been granted to Mr. Govind Singh.

b. Utkarsh Small Finance Bank Limited (USFBL) Employee Stock Option Plan 2020 (includes USFBL Employee Stock Option 2020 Scheme 1 (“ESOP Scheme 1”)):

Our Bank has adopted USFBL Employee Stock Option Plan 2020 (“ESOP Plan 2020”) vide meetings of the Board of Directors held on November 09, 2020 (extension of meeting held on November 6, 2020) and the Shareholders on December 28, 2020. The objectives of the ESOP Plan 2020 are, among others, to attract new talent, reward employees for extraordinary performance, motivate, and retain the employees. The Bank may, subject to a special resolution passed at its General Meeting, notify Utkarsh Small Finance Bank schemes under the ESOP Plan 2020 such as the USFBL Employee Stock Option 2020 Scheme 1 (“ESOP Scheme 1”) which was approved by the Shareholders on December 28, 2020. The Bank may grant a maximum of 60,741,778 options under the ESOP Plan 2020. In accordance with the terms of the ESOP Plan 2020, upon exercise and payment of the exercise price, the option holder will be entitled to be allotted one Equity Share for each option. Therefore, the number of Equity Shares that may be issued under the ESOP Plan 2020 shall not exceed 60,741,778 Equity Shares.

The ESOP Plan 2020 and ESOP Scheme-1 are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014. As on date, subject to RBI approval, the Board of Directors of the Bank has vide the resolution passed at its meeting held on November 09, 2020 (extension of meeting held on November 06, 2020) read along with the resolution of the Board, approved the grant of options equivalent to 0.30% of the paid up share capital of the Bank (as of November 06, 2020) constituting 2,248,394 Equity Shares to Mr. Govind Singh, Managing Director and Chief Executive Officer of the Bank under the ESOP Scheme 1. The Board, in its meeting held on May 1, 2021, has further revised the grant of options to Mr. Govind Singh, Managing Director and Chief Executive Officer under the ESOP Scheme 1 to 1,850,000 subject to approval of RBI. While RBI has conveyed that the Bank’s proposal does not have its approval, the Bank is in the process of submitting a revised proposal. Thus, as on date, pending RBI approval, no options have been granted to Mr. Govind Singh.

Deposits

Being a Banking Company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

Awards & Recognition

- BT-KPMG - **Best Small Finance Bank** in 2021- SFB category – Quantitative Rankings
- Team Marksmen and Media partner CNBCTV18.com have recognised Utkarsh Small Finance Bank as one of the **Most Trusted Brands of India FY 2020-21**
- Utkarsh Small Finance Bank was awarded **State Level Outstanding Performance** Award by NABARD Year – 2020 for Joint Liability Group under Small Finance Category by NABARD

Particulars of Employees

The ratio of the remuneration of each Director to the employees’ median remuneration and other details in terms of sub-section 12 of Section 197 of Companies Act 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are given below:-

- (i) the ratio of the remuneration of each Director to the median remuneration of the employees of the Bank for the FY 2020-21 :-

Name of Director	Designation	Ratio
Dr. Veeravalli Sundaram Sampath	Part Time Non-Executive Chairman of the Board (till September 10, 2020)	3.5:1
Mr. Puranam Hayagreeva Ravikumar	Part Time Non-Executive Chairman of the Board (w.e.f September 11, 2020)	5.8:1
Mr. Govind Singh	Managing Director and Chief Executive Officer	83:1

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



- (ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in FY 2020-21, is as follows:

Name of Director/KMP	Designation	Percentage (%) Increase
Mr. Puranam Hayagreeva Ravikumar	Part Time Non-Executive Chairman	No increment
Mr. Govind Singh	Managing Director and Chief Executive Officer	No increment
Mr. Mukund Barsagade	Chief Financial Officer	9.00%
Ms. Nutan Anand Rane	Company Secretary	No increment

* Apart from sitting fees, the Bank does not pay any remuneration to any Non-Executive Directors. The Part Time Non-Executive Chairman is entitled to a monthly remuneration, as approved by RBI.

The percentage increase in the median remuneration of employees in the financial year was 6.55%.

- (iii) The number of permanent employees on the rolls of the Bank, as on March 31, 2021 was 10,361 (includes 9047 male employees and 1314 female employees).
- (iv) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration.
- (v) Average increase in remuneration is 6.55% for employees other than managerial personnel and 3% for managerial personnel (Executive Directors including Managing Director and Chief Executive Officer, Chief Financial Officer and Company Secretary).
- (vi) The key parameters for any variable component of remuneration availed by the Directors is as specified in the Remuneration Policy.
- (vii) Affirmation that the remuneration is as per the remuneration policy of the Company: The Bank is in compliance with its Remuneration Policy.

The statement containing particulars of employees as required under Section 197(12) of Companies Act 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report separately annexed as **Annexure B**. In terms of Section 136 of Companies Act 2013, the Annual Report is sent to the members, excluding the information as required under Rule 5(2) as mentioned aforesaid and the same is open for inspection at the Registered Office of the Bank. The members may obtain a copy of this statement by writing to the Company Secretary of the Bank.

Remuneration Policy

Remuneration Policy for Directors

In terms of the provisions of Companies Act 2013, Listing Regulations and applicable provisions of the Banking Regulation Act, 1949, the Board on the recommendation of the Nomination & Remuneration Committee ("NRC"), formulated Remuneration Policy for the remuneration of Directors, Key Managerial Personnel ("KMPs") & Senior Management Officials. The Remuneration Policy is available on the Company's website at https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Nomination&Remuneration-Policy.pdf

Remuneration of Executive Directors

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

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

Remuneration of Part Time Non-Executive Chairman

The Nomination and Remuneration Committee recommends the remuneration of the Part Time Non-Executive Chairman to the Board, which has been considered and approved by the Board in the same manner, and subsequently approved by the Shareholders in its Extraordinary General Meeting held on September 11, 2020.

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

Remuneration of Non-Executive Directors (NEDs)

The NEDs (excluding Nominee Directors of the Bank) are paid sitting fees for attending each meeting of the Board of Directors or any Committee thereof. The NEDs are also entitled to reimbursement of expenses for participation in the meetings of the Board and Committees thereof.

RBI vide Circular No. DBR. No. BC.97/29.67.001/2014-15 dated June 1, 2015 issued Guidelines on Compensation of Non-Executive Directors of Private Sector Banks emphasising that in order to enable banks to attract and retain professional Directors, it is essential that such Directors are appropriately compensated.

During FY 2020-21, the Bank has not paid any commission on profit to any NEDs.

The Bank does not grant any stock options to NEDs.

Other Statutory Disclosures

- The Bank has not changed its nature of business during FY 2020-21
- Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given or securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from disclosure in the Annual Report
- All related party transactions that were entered into during FY 2020-21 were on an arm's length basis and were in the ordinary course of business and accordingly, AOC 2 is not applicable to the Bank. There are no materially significant related party transactions made by the Bank with Directors, Key Managerial Persons or other designated persons, which may have a potential conflict with the interest of the Bank at large. The Bank has a Related Party Transactions Policy in place for identification and monitoring of any potential related party transactions
- There were no significant/material orders passed by the Regulators / Court / Tribunal etc. during FY 2020-21, which would impact the going concern status of the Bank and its future operations
- There was no application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year under review
- The details of Risk Management Policy & its framework are separately provided in the Management Discussion and Analysis Report
- The Bank is a subsidiary company of Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited). The Bank does not have any company, which is its subsidiary or associate. Hence the details of sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 are not applicable to the Bank
- The provisions for maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 are not applicable to the Bank
- There are no adverse observations/qualifications in the Statutory Auditors' Report. Further, pursuant to Section 143(12) of the Companies Act, 2013, the Statutory Auditors of the Bank have not reported any instances of frauds committed in the Bank by its officers or employees
- All recommendations of the Audit Committee were approved by the Board
- Proper internal financial controls are in place, and that the financial controls have been adequate and operating effectively
- There are no material changes and commitments, affecting the financial position of the Bank that have occurred between the end of the financial year of the Bank i.e. FY 2020-21 and the date of the Directors' Report
- During the year under review, the paid up share capital increased pursuant to issue of 8,90,61,647 shares through private placement to Identified Investors
- During the year under review, the non-convertible debentures of ₹ 195 Crore issued to identified investor through private placement
- During the period under review, the Bank's ratings were reaffirmed and there was no change



C. OTHER DISCLOSURES

Code of Conduct

For a financial institution, transparency and corporate governance are important pre-requisites for establishing a compliance-oriented bank. Towards this end, the Bank endeavours to ensure that all its activities are fairly aligned with the highest standards of personal and professional integrity and the highest level of ethical conduct. The Bank has adopted a Code of Conduct and norms for the avoidance of conflict of interest, all the Senior Management officials, KMPs, Employees with loan sanctioning authority, employees directly related with sourcing/servicing corporate or wholesale banking relationships and employees directly involved in the procurement of goods and services, conduct duties according to the aforesaid Code of Conduct. Some of the areas that are covered by the Code of Conduct are fairness of employment practices, protection of intellectual property, integrity, customer confidentiality and conflict of interest. The Bank's Code of Conduct for Directors and senior management is hosted on the website of the Bank at https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Policy-on-Code-of-Conduct-Directors-&-SMP.pdf

Vigilance & Security

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

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

Corporate Social Responsibility (CSR)

Your Bank strives to proactively encourage inclusive growth and development, thereby participating in building a sustainable future.

The Bank has a duly constituted Corporate Social Responsibility Committee (CSR Committee) of the Board consisting of majority of Independent Directors.

The Board has approved CSR spend of ₹ 2.50 Crore during the FY 2020-21. Accordingly, out of total CSR corpus of FY 2020-21, the Bank contributed ₹ 1.00 Crore to PM Cares Fund and remaining ₹ 1.50 Crore was paid to Utkarsh Welfare Foundation, Section 8 company, specially formed by the Holding Company to carry out CSR activities.

The CSR spend was carried out in the fields of financial literacy, health initiatives, skill and entrepreneurship development programmes and other philanthropic initiatives (supporting orphanages and care centres for the elderly). The Bank has a Board approved CSR policy in line with the provisions of Section 135 of the Companies Act 2013. The Bank's CSR spend, approved by the CSR Committee of the Board, is within such Board approved policy parameters.

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

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

Your Bank adheres to the RBI's KYC / AML Guidelines issued from time to time. The Bank's KYC / AML Policy is prepared in accordance with the Prevention of Money Laundering Act, 2002 and RBI / Indian Banks' Association (IBA) guidelines. The Bank complies with, various regulatory reporting requirements, as set out by the Financial Intelligence Unit (FIU) of the Government of India. The Bank has a transaction monitoring mechanism in line with regulatory requirements with an automated system solution, closely monitored by a centralised AML team. Bank's employees are imparted training on KYC / AML aspects regularly. Executives of the Bank also attend periodic workshops/seminars organised by FIU - IND, RBI, IBA and National Institute of Bank Management (NIBM) to enhance their awareness in these aspects. Recent changes as contained in the PMLA notifications and RBI guidelines have been followed and embedded in the customer acquisition processes of the Bank.

Prevention of Sexual Harassment

Your Bank is committed to create a safe environment where all employees are treated with respect and dignity. The Bank takes a strong stand and has zero-tolerance policy on the issue of sexual harassment

at workplace. The Bank follows all the guidelines prescribed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and seeks to protect women from sexual harassment at the place of work. The Prevention of Sexual Harassment Policy ("POSH Policy") is implemented for all employees and other stakeholders/ partners and any complaint of sexual harassment made against any individual working on the Bank's premises, including third-party vendors, is investigated in line with this POSH Policy.

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

POSH Policy is applicable to all employees (permanent/ fixed term/ on contract) of the Bank across the Board and is equally applicable to all genders, grades and stakeholders of the groups.

The POSH Policy is periodically communicated to all employees and is available on the Bank's website for information and compliance thereof.

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

For FY 2020-21 a total of 14 cases were reported under POSH and all have been resolved.

Human Resources

The Bank has formulated a sound Human Resources Policy ("HR Policy") and adopted a HR strategy to effectively align with business requirements and various HR activities pertaining to recruitment, deployment, training, talent retention and motivational strategies are directed to seamlessly support the achievement of your Bank's vision and mission. In this direction, your Bank has been making constant efforts to motivate its employees for excellence in performance, and at the same time endeavours to provide a better work-life balance through various employee welfare activities. The COVID-19 Pandemic was a singular event for the entire world economy. Your Bank was able to provide seamless services to its customers during this tough period while ensuring the health and safety of our employees. Your Bank continues to serve its customers while adhering to the safety protocols related to COVID-19.

Your Bank has consistently made efforts to increase the participation of women employees in the workforce. At the close of FY 2020-21, the Bank had a total of 1314 women employees in its workforce.

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

Technology

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



Secretarial Auditors

Pursuant to the Section 204 of The Companies Act, 2013 and relevant provisions of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Bank has appointed M/s S. N. Ananthasubramanian & Co., Company Secretaries as the Secretarial Auditors for FY 2020-21. The Secretarial Auditors have carried out an audit as required under Section 204 of the Companies Act, 2013 and the rules made thereunder. The Bank has provided all assistance and facilities to the Secretarial Auditors for conducting the audit.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark and is annexed to this Report as **Annexure D**.

Compliance with Secretarial Standards

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

Basel II (Pillar 3) Disclosures:

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

Composite Scheme of Arrangement between the Bank (USFBL), the Holding Company (UCL) and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013.

The composite scheme of arrangement (Scheme) between Utkarsh Small Finance Bank Limited (Bank) and Utkarsh 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 October 25, 2019 for 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 licensing guidelines issued by RBI for Small Finance Banks.

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 July 21, 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 Boards 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 January 22, 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 the 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, also requested to withdraw its application seeking certificate from RBI.

Prospects

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

The Bank has a fair presence in unserved and underserved sections and will continue to serve these sections by increasing its reach through increased presence at unbanked rural centre locations every year.

Also, the Bank intends increasing its footprint in top 100 cities in terms of overall deposits, and enhance its deposit base. Your Bank is evolving through increased presence on digital channels and will continue to adopt best digital services to serve its clients.

Directors' Responsibility Statement

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

- in the preparation of the annual accounts for the financial year ended March 31, 2021, the applicable accounting standards have been followed, and there is no material departure from the same
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2021 and of the profit of the Bank for the year ended on that day
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities
- the Directors have prepared the annual accounts for the financial year ended March 31, 2021 on a going concern basis
- The Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and operating effectively
- The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws, and that such systems were adequate and operating effectively

Acknowledgement

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

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

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

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

For and on behalf of the Board of Directors

Kajal Ghose

Director
DIN - 07702190

Govind Singh

Managing Director & CEO
DIN - 02470880

Place: Varanasi / Mumbai
Date: June 09, 2021

Corporate Governance Report

INTRODUCTION

“Governance is not about the budget lines, personnel issues and equipment approvals. It is about Values, Vision and Strategic Leadership.”



The Bank's corporate governance philosophy is based on an effective independent Board, the separation of the Board's supervisory role from the executive management and the Board Committees. Our Board has Independent Directors, highly respected for their professional integrity as well as rich financial experience and expertise. The Company also considers its stakeholders as partners in success, and the Company remains committed to maximising stakeholders' value. Corporate Governance refers to the mechanisms, processes and relations by which corporations are controlled and directed. It essentially involves balancing the interests of the Company's stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government and the community. The Bank functions on following core value:

- **P**ersistence is our innate quality
- **R**esponsible and Ethical in our dealings
- **I**nclusive in our approach
- **D**iligent in our process
- **E**xcellence in all that we do

The Report on compliance with the principles of Corporate Governance is prepared voluntarily as prescribed under in Chapter IV read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given below:

1. PHILOSOPHY ON CODE OF GOVERNANCE

Good governance with good intentions is the hallmark of our Bank. Implementation with integrity is our core passion. The Bank believes in adopting and adhering to the best recognised corporate governance practices and continuously benchmarking itself against each such practice. The Bank understands and respects its fiduciary role and responsibility towards its shareholders and other stakeholders and strives hard to meet their expectations. The Bank believes that best Board governance practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value. The Bank has infused the philosophy of corporate governance into all its activities. The philosophy on corporate governance is an important tool for shareholder protection and maximisation of their long-term values.

The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability, etc. serve as the means for implementing the philosophy of corporate governance in letter and spirit. The Bank's governance framework is based on the following principles:

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

2. THE BOARD OF DIRECTORS

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

a) Composition and Category of Directors:

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

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

Sr. No.	Name of Director	Category
1.	Mr. Puranam Hayagreeva Ravikumar	Part Time Non – Executive Chairman and Independent Director
2.	Mr. Ajay Kumar Kapur	Independent Director
3.	Ms. Anita Ramachandran	Nominee Director of Utkarsh CoreInvest Limited
4.	Mr. Govindasamy Sampath Kumar	Nominee Director of SIDBI
5.	Mr. Kajal Ghose	Independent Director
6.	Ms. Kalpana Prakash Pandey	Independent Director
7.	Mr. Muralidharan Rajamani	Non-Executive Non-independent Director
8.	Mr. Nagesh Dinkar Pinge	Independent Director
9.	Mr. Govind Singh	Managing Director and Chief Executive Officer

During the FY 2020-21, the Board of Directors in their meeting held on April 29, 2020, appointed Ms. Kalpana Prakash Pandey as an Additional Independent Director. Her appointment was regularised by Shareholders in the Annual General Meeting of the Bank held on July 20, 2020. The Board in their meeting held on July 20, 2020 appointed Mr. Nagesh Dinkar Pinge as an Additional Independent Director. His appointment was regularised pursuant to the approval of Shareholders in the Extra-Ordinary General Meeting held on March 03, 2021. In terms of Board of Directors' Circular Resolution dated March 02, 2021, Mr. Muralidharan Rajamani was appointed as Non-Executive Non Independent Director and Mr. Ajay Kumar Kapur was appointed as Additional Independent Director on the Board of Bank. Further, their appointments were regularised by Shareholders in the Extra-Ordinary General Meeting of the Bank held on March 03, 2021.



In terms of RBI regulations, as per extant RBI norms at the time of his appointment, the tenure of Mr. Puranam Hayagreeva Ravikumar expires on July 19, 2021 on attaining the age of 70 years. Accordingly, based on the recommendation of the Nomination and Remuneration Committee and the approval of the Board of Directors; the Bank submitted an application to RBI vide its letter dated March 08, 2021 for prospective appointment of another person as part time Non-Executive Chairman for a period of 3 years effective July 20, 2021, post completion of the term of Mr. Puranam Hayagreeva Ravikumar. However, in light of the recently issued RBI guidelines dated April 26, 2021 on "Corporate Governance in Banks – Appointment of Directors and Constitution of Committees of the Board", whereby the upper age limit of Non-Executive Directors has been increased to 75 years, based on recommendation of the Nomination and Remuneration Committee and the approval of the Board of Directors, the Bank, vide its letter dated May 07, 2021 has submitted a fresh application to RBI seeking its approval for continuation of the incumbent Chairman Mr. Puranam Hayagreeva Ravikumar as the Part Time Non-Executive Chairman of the Bank for a further period of 5 years i.e. until his attaining the age of 75 years, for the period July 20, 2021 to July 19, 2026. The Bank has also requested RBI to treat its earlier application submitted vide letter dated March 08, 2021 for alternate appointment as Part Time Non-Executive Chairman, as withdrawn.

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

b) Profile of Board of Directors:

Mr. Puranam Hayagreeva Ravikumar

Independent Director and Part Time Non-Executive Chairman

Mr. Puranam Hayagreeva Ravikumar is an Independent Director and Part Time Non-executive Chairman of our Bank. He holds a Bachelor's degree in Commerce and a Senior Diploma in French from Osmania University. He is a Certified Associate of the Institute of Bankers, London, Certified Associate of the Indian Institute of Bankers and a fellow of the Securities & Investments Institute, London. He has over 49 years of experience in the field of financial services. He has worked at the Bank of India and ICICI Bank Limited and served as the Managing Director of National Commodity & Derivatives Exchange Limited, Invent Assets Securitisation and Reconstruction Private Limited and Capri Global Capital Limited. Prior to joining our Bank, he has also been associated with Fedbank Financial Services Limited, Bharat Financial Inclusion Limited, Vastu Housing Finance Corporation Limited, Eveready Industries India Limited, I G Petrochemicals Limited, The Federal Bank Limited, IDBI Federal Life Insurance Company Limited and L&T Investment Management Limited.

Mr. Ajay Kumar Kapur

Independent Director

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

Ms. Anita Ramachandran

Nominee Director of Utkarsh CoreInvest Limited

Ms. Anita Ramachandran is a nominee Director of our Bank. She holds a Bachelor's degree in Commerce and a Master's degree in Management Studies from the University of Mumbai. She has previously worked with A.F. Ferguson & Co. She founded Cerebrus Consultants in 1995.

Mr. Govindasamy Sampath Kumar

Nominee Director of SIDBI

Mr. Govindasamy Sampath Kumar is the nominee Director of our Bank. He holds a Master's degree in Business Administration from Punjab Technical University. He holds post-graduate diplomas in Business Administration and Financial Management from Annamalai University and in computer applications from Bharathiar University. He has been associated with Future Financial Services Private Limited, Andhra Pradesh State Financial Corporation, APITCO Limited, Hyderabad Information Technology Venture

Enterprises Limited, Cyberabad Trustee Company Private Limited and MPCON Limited. He currently serves as the chief general manager of SIDBI.

Mr. Kajal Ghose

Independent Director

Mr. Kajal Ghose is an Independent Director of our Bank. He holds a Bachelor's degree in Commerce from Ranchi University and a Diploma in Human Resources development from All India Institute of Management Studies, Chennai. He is a certified associate of the Indian Institute of Bankers. He previously worked as the chief general manager at State Bank of India, as a consultant with PayU Payments Private Limited and at Stratosphere IT Services Private Limited and Kovid Group Analytics India Private Limited. He has also been a member of the board of advisors of Datawise Management Services India Private Limited and a Senior Advisor to PayU India. He currently is a member of the investment committee of New Leaf Investment Advisors LLP.

Ms. Kalpana Prakash Pandey

Independent Director

Ms. Kalpana Prakash Pandey is an Independent Director of our Bank. She holds a Bachelor's degree in Science (Chemistry, Physics and Mathematics) and Master's Degree in Science (Physics) from Garhwal University and a Master's degree in technology (computer science and technology) from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She also holds a Post-Graduate Diploma in Electronics and Communication Engineering from the University of Roorkee (now known as Indian Institute of Technology, Roorkee). She has previously served as the Managing Director and Chief Executive Officer of CRIF High Mark Credit Information Services Private Limited, an RBI licensed credit bureau. Additionally, she was also associated with IDBI Principal Asset Management Company, State Bank of India and HDFC Bank Limited.

Mr. Muralidharan Rajamani

Non-Executive Director

Mr. Muralidharan Rajamani is a non-executive Director of our Bank. He holds a bachelor's degree in science (mathematics) from the University of Madras and a master's degree in arts (branch III-economics) from the University of Madras. He has completed the management of managers programme from Stephen M. Ross School of Business, University of Michigan and is a certified associate of the Indian Institute of Bankers. He was previously associated with Edelweiss Tokio Life Insurance Company Limited, Leadership Centre Private Limited, ICICI Bank Limited, Dhanlaxmi Bank Limited and L&T Finance Limited.

Mr. Nagesh Dinkar Pinge

Independent Director

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

Mr. Govind Singh

Managing Director & CEO

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

2.2 Board Meetings

The Board assembles at regular intervals to discuss and decide crucial matters and strategies to attain the goal in efficient manner and to cope up with the dynamic and competitive environment. During the FY 2020-21, the Board met 15 (Fifteen) times and the gap between two consecutive meetings did not exceed 120 days. The meetings of the Board were held on following dates:



Sr. No.	Day and Date of the Meeting
1	Friday, April 03, 2020
2	Wednesday, April 29, 2020
3	Friday, May 22, 2020
4	Tuesday, June 02, 2020
5	Saturday, June 20, 2020
6	Monday, July 20, 2020
7	Thursday, July 23, 2020
8	Friday, August 21, 2020
9	Wednesday, September 09, 2020
10	Friday, November 06, 2020 extended to November 9, 2020
11	Wednesday, January 06, 2021
12	Saturday, January 30, 2021
13	Tuesday, February 16, 2021
14	Wednesday, March 03, 2021
15	Tuesday, March 23, 2021

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

The details of attendance of the Directors at the Board Meetings during the FY 2020-21 and at the last Annual General Meeting held on July 20, 2020 together with the number of other Directorships, and Committee Memberships/Chairmanships as on March 31, 2021 are as follows:

Sr. No.	Name of Director	Board meeting attendance during the year	Attendance at last AGM held on July 20, 2020	No. of other directorships in other companies as on 31.03.2021 ⁵	No. of Committee Memberships and Chairmanship in Companies as on 31.03.2021 ⁶		Inter-se relations hip between Directors	No. of Shares held by Directors
					As member	As Chairperson		
1.	Mr. Puranam Hayagreeva Ravikumar	15	Present	7	5	3	Nil	-
2.	Mr. Ajay Kumar Kapur ¹	2	NA	-	-	-	Nil	-
3.	Ms. Anita Ramachandran	15	Present	12	7	1	Nil	-
4.	Mr. Govindasamy Sampath Kumar	7	Absent	-	-	-	Nil	-
5.	Mr. Kajal Ghose	15	Present	1	1	-	Nil	-
6.	Ms. Kalpana Prakash Pandey ²	13	Present	-	1	1	Nil	-
7.	Mr. Muralidharan Rajamani ¹	1	NA	1	1	-	Nil	-
8.	Mr. Nagesh Dinkar Pinge ³	9	NA	8	10	6	Nil	-
9.	Mr. Govind Singh	15	Present	1	1	-	Nil	1

Notes:

¹ Appointed w.e.f. March 02, 2021

² Appointed w.e.f. April 29, 2020

³ Appointed w.e.f. July 20, 2020

⁵ Excluding directorship in Private Limited Companies and Section 8 Companies

⁶ The Chairpersonship and membership of only Audit Committee and Stakeholders' Relationship Committee have been considered

2.4 Familiarisation Programme for Independent Directors

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

2.5 Skills/Expertise/Competencies of the Board of Directors

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

2.6 Access to Information and Updation to Board

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

2.7 Meeting of Independent Directors

The Independent Directors, in their meeting held on June 04, 2021, transacted all the businesses cited under Regulation 25(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Clause VII(3) of the Schedule IV of the Companies Act, 2013 which includes Board's performance, performance of Part Time Non-Executive Chairman and other non-Independent Directors.

2.8 Appointment of Director

In terms of Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a brief resume of the Directors, proposed to be appointed/reappointed, nature of their expertise in specific functional areas, their other Directorships and Committee memberships, their shareholdings and inter-se relationship with other Directors are provided in the annexure to notice convening the ensuing Annual General Meeting of the Bank.

3. AUDIT COMMITTEE

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



a) Recent Composition, names of members and Chairperson

Audit Committee was constituted by a resolution of our Board dated September 27, 2016 and was last reconstituted pursuant to the meeting of our Board held on May 31, 2021.

As on May31, 2021

Sr. No.	Name of Director	Category
1.	Mr. Nagesh Dinkar Pinge (Chairman)	Independent Director
2.	Mr. Ajay Kumar Kapur	Independent Director
3.	Mr. Kajal Ghose	Independent Director
4.	Ms. Kalpana Prakash Pandey	Independent Director
5.	Ms. Anita Ramachandran	Nominee Director

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

Sr. No.	Name	Designation	May 19, 2020	Aug 20, 2020	Sep 07, 2020	Oct 06, 2020	Nov 04, 2020	Dec, 24, 2020	Feb 15, 2021	March, 22, 2021	March 27, 2021
1.	Mr. Nagesh Dinkar Pinge*	Chairperson	NA								
2.	Mr. Kajal Ghose	Member									
3.	Ms. Kalpana Prakash Pandey**	Member	NA	NA	NA	NA					
4.	Ms. Anita Ramachandran	Member									
5.	Mr. Puranam Hayagreeva Ravikumar***	Member					NA	NA	NA	NA	NA
6.	Mr. Govindasamy Sampath Kumar****	Member		LOA	LOA	LOA	LOA	LOA	LOA	LOA	LOA

: Present

LOA: Leave of Absence

NA: Not Applicable

Notes:

*Mr. Nagesh Dinkar Pinge was appointed as Independent Director w.e.f. July 20, 2020.

** Ms. Kalpana Prakash Pandey was appointed as member of Audit Committee w.e.f. October 23, 2020.

*** Mr. Puranam Hayagreeva Ravikumar ceased to be the Chairperson and member of the Committee w.e.f. October 23, 2020.

**** Mr. Govindasamy Sampath Kumar ceased to be the member of the Audit Committee w.e.f. March 03, 2021.

c) Terms of Reference of Audit Committee

- i. Recommendation for appointment, remuneration and terms of appointment of auditors of the Bank.
- ii. Review and monitoring the auditor's independence and performance, and effectiveness of audit process.
- iii. Examination of the financial statement and the auditors' report thereon.
- iv. Approval or any subsequent modification of transactions of the Bank with related parties.
- v. Scrutiny of inter-corporate loans and investments.
- vi. Valuation of undertakings or assets of the Bank, wherever it is necessary.
- vii. Evaluation of internal financial controls and risk management systems.
- viii. Monitoring the end use of funds raised through public offers and related matters.

- ix. Providing direction and to oversee the operation of the audit function.
- x. Review of the internal audit system with special emphasis on its quality and effectiveness.
- xi. Review of internal and concurrent audit reports of large branches with a focus on all major areas of housekeeping, particularly inter branch adjustment accounts, arrears in the balancing of the books, unreconciled entries in inter-company accounts and frauds.
- xii. Discussion on the matters related to frauds.
- xiii. Discussion and follow up for the audit observations relating to long form audit report.
- xiv. Discussion and follow up for the observations relating to inspection report / risk assessment report of the RBI.
- xv. Review the system of appointment of concurrent auditors and external auditors.
- xvi. Review of our Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- xvii. Approval of payments to statutory auditors for other services rendered by them.
- xviii. Review with the management, the annual financial statements and auditor's report thereon before submission to our Board for approval with particular reference to modified opinion(s) in the draft audit report.
- xix. Review and approval of matters required to be included in the Director's responsibility statement in our Board's report in terms of clause (5) of Section 134 of the Companies Act and changes, if any, in accounting policies and practices and reasons for the same.
- xx. Review of major accounting entries involving estimates based on the exercise of judgment by the management.
- xxi. Review of significant adjustments made in the financial statements arising out of audit findings.
- xxii. Review of compliance with statutory and legal requirements relating to financial statements.
- xxiii. Review of disclosure of any related party transactions.
- xxiv. Review and discuss qualifications in the draft audit report.
- xxv. Review, with the management, the quarterly financial statements before submission to our Board for approval.
- xxvi. Review, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to our Board for taking steps in the matter.
- xxvii. Review with the management, performance and independence of statutory and internal auditors, adequacy of the internal control systems and effectiveness of audit process.
- xxviii. Obtain and review quarterly / half-yearly reports of the Compliance Officer.
- xxix. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing, seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- xxx. Discuss with internal auditors any significant audit findings and follow up thereon.
- xxxi. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to our Board.
- xxxii. Discuss with statutory auditors, before the commencement of audit, the nature and scope of audit as also conduct post-audit discussion to ascertain any area of concern.
- xxxiii. Analysis of the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- xxxiv. Review of the functioning of the whistle blower-cum-vigil mechanism.



- xxxv. Approval of the appointment of the head of internal audit / chief internal audit officer before finalisation of the same by the management. While approving the appointment, Audit Committee shall assess the qualifications, experience, background etc. of the candidate.
- xxxvi. Approval or any subsequent modification of transactions of the company with related parties.
- xxxvii. Evaluation of internal financial controls and risk management system. Valuation of undertakings or assets of the Bank, wherever it is necessary.
- xxxviii. Review of information system audit and cyber security audit reports.
- xxxix. Discussion and follow up for audit observations relating to Information System audit and Cyber Security Audit.
- xl. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to our Board for approval, with particular reference to modified opinion(s) in the draft audit report.
- xli. Approving the appointment of the Chief Financial Officer or any other person heading the finance function or discharging that function after assessing the qualifications, experience and background, etc. of the candidate.
- xlii. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by our Board and/or specified/provided under the Companies Act or the Listing Regulations or by any other applicable law.
- xliii. Reviewing the utilisation of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 Crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.

The Audit Committee shall mandatorily review the following information:

- i. Management's discussion and analysis of financial condition and results of operations;
- ii. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management;
- iii. Management letters/ letters of internal control weaknesses issued by the statutory auditors;
- iv. Internal audit reports relating to internal control weaknesses;
- v. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and
- vi. Statement of deviations:
 - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of the Listing Regulations; and
 - b) annual statement of funds utilised for purposes other than those stated in the document/prospectus/notice in terms of the Listing Regulations.

4. NOMINATION AND REMUNERATION COMMITTEE

a) Recent Composition, names of Members and Chairperson

Nomination and Remuneration Committee was constituted by a resolution of our Board dated September 27, 2016 and was last reconstituted pursuant to the meeting of our Board held on May 31, 2021. The Nomination and Remuneration Committee consists of two (3) Non-executive, Independent Directors and one (1) Nominee Director, they are as under:

Sr. No.	Name of Director	Category
1.	Mr. Kajal Ghose (Chairman)	Independent Director
2.	Mr. Ajay Kumar Kapur	Independent Director
3.	Mr. Puranam Hayagreeva Ravikumar	Part Time Non Executive Chairman & Independent Director
4.	Ms. Anita Ramachandran	Nominee Director

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

Sr. No.	Name of Director	Designation	29-Apr-20	21-May-20	20-Jul-20	20-Aug-20	09-Sep-20	22-Sep-20	28-Oct-20	15-Feb-21	24-Feb-21	20-Mar-21
1.	Mr. Kajal Ghose	Chairperson										
2.	Ms. Anita Ramachandra	Member										
3.	Mr. Puranam Hayagreeva Ravikumar	Member										
4.	Dr. Veeravalli Sundaram Sampath*	Member						NA	NA	NA	NA	NA

Note:

* Dr. Veeravalli Sundaram Sampath* ceased to be the member of the Nomination and Remuneration Committee w.e.f. September 10, 2020 post his retirement from the Board.

c) Terms of Reference

- i. Review the structure, size, composition, diversity of our Board and make necessary recommendations to our Board with regard to any changes as necessary and formulation of policy thereon.
- ii. Evaluate the skills that exist, and those that are absent but needed at our Board level, and search for appropriate candidates who have the profile to provide such skill sets.
- iii. Examine vacancies that will come up at our Board on account of retirement or otherwise and suggest course of action.
- iv. Advise criteria for evaluation of Independent Directors and our Board and carry out evaluation of every Directors' performance.
- v. Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a Director on our Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
- vi. Review the composition of Committees of our Board, and identify and recommend to our Board, the Directors, who can best serve as members of each Board Committee.
- vii. Review and recommend to our Board for approval of the appointment of Managing Director and Chief Executive Officer and other whole-time Directors and the overall remuneration framework and associated policy of our 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 our Bank including the Managing Director and CEO, other whole time Directors and senior managers one level below our Board.
- viii. Review and recommend to our Board for approval of the total increase in manpower cost budget of our Bank as a whole, at an aggregate level, for the next year.
- ix. Recommend to our Board the compensation payable to the Chairman of our Bank.
- x. Review the code of conduct and human resources strategy, policy and performance appraisal process within our Bank, as well as any fundamental changes in organisation structure, which could have wide ranging, or high-risk implications.
- xi. Review and recommend to our Board for approval of the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of Managing Director and chief executive officer, the other whole time Directors, senior managers one level below our Board and other key roles and their progression to our Board.



- xii. Review and recommend to our Board for approval:
 - a. the creation of new positions one level below Managing Director and CEO ; and
 - b. appointments, promotions and exits of senior managers one level below the Managing Director and chief executive officer.
- xiii. Set the goals, objectives and performance benchmarks for our Bank and for Managing Director and CEO , the other whole time directors for the financial year and over the medium to long term.
- xiv. Review the performance of the Managing Director and CEO and other whole time Directors at the end of each year.
- xv. Review organisation health through feedback from employee surveys conducted on a regular basis.
- xvi. Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, RBI or by any other regulatory or statutory body.
- xvii. Formulating the criteria for determining qualifications, positive attributes and independence of a Director and recommending to our Board a policy, relating to the remuneration of the Directors, key managerial personnel and other employees.
- xviii. Formulating of criteria for evaluation of the performance of the Independent Directors and our Board.
- xix. Devising a policy on Board diversity.
- xx. Identifying persons who qualify to become Directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to our Board their appointment and removal, and carrying out evaluations of every Director's performance.
- xxi. Determining whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- xxii. Performing such functions as are required to be performed by the Committee under the SEBI SBEB Regulations.
- xxiii. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
 - a. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
 - b. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
- xxiv. Performing such other activities as may be delegated by our Board and/or specified/ provided under the Companies Act or the Listing Regulations, or by any other regulatory authority.
- xxv. Recommend to our board, all remuneration, in whatever form, payable to senior management.
- xxvi. Performing such other functions as may be required for the performance of any of the above duties.

d) Performance Evaluation Criteria for Independent Directors:

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

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

5. RECENT COMPOSITION OF OTHER COMMITTEES OF THE BANK, TERMS OF REFERENCE AND ATTENDANCE

1.1) IT Strategy Committee:

The Board has reconstituted IT Strategy Committee pursuant to the resolution passed in the meeting of Board held on May 31, 2021. Currently IT Strategy Committee consists of the following:

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

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

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	21-Apr-20	01-Jun-20	25-Jun-20	19-Aug-20	27-Oct-20	15-Dec-20	13-Feb-21
1.	Mr. Kajal Ghose	Chairperson							
2.	Ms. Kalpana Prakash Pandey	Member	NA						
3.	Mr. Govindasamy Sampath Kumar	Member		LOA	LOA	LOA	LOA	LOA	LOA
4.	Mr. Govind Singh	Member							
5.	Mr. Nagesh Dinkar Pinge**	Member	NA	NA	NA	NA			

Note:

*Ms. Kalpana Prakash Pandey was appointed as member of the Committee w.e.f October 23, 2020.

**Mr. Nagesh Dinkar Pinge became member of Committee w.e.f October 23, 2020.

1.2) Terms of Reference of IT Strategy Committee:

- I. Approving IT strategy and policies;
- II. Ensuring that management has an effective strategic planning process in place;
- III. Ensuring that the business strategy is aligned with the IT strategy;
- IV. Ensuring that the IT organisational structure serves business requirements and direction;
- V. Oversight over implementation of processes and practices that ensures IT delivers value to businesses;
- VI. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- VII. Ensuring proper balance of IT investments for sustaining Bank's growth;
- VIII. Assess exposure to IT risks and its controls and evaluating effectiveness of management's monitoring of IT risks;
- IX. Assessing management's performance in implementing IT strategies;



- X. Assessing if IT architecture has been designed to derive maximum business value;
- XI. Reviewing IT performance measurement and contribution to businesses;
- XII. To approve capital and revenue expenditure in respect of IT procurements;
- XIII. To ensure that IT resources and infrastructure is available to meet required strategic business objectives and that a process is in place to record the resources available/ potentially available to the bank;
- XIV. To monitor performance of IT function towards ensuring delivery on time and within budget, with appropriate functionality and with intended benefits.

2.1) Risk Management Committee (“RMC”)

The Board has reconstituted Risk Management Committee pursuant to the resolution passed in the meeting of Board held on May 31, 2021. Currently RMC Committee consists of the following:

Sr. No.	Name	Category	Designation
1.	Mr. Ajay Kumar Kapur	Independent Director	Chairperson
2.	Ms. Kalpana Prakash Pandey	Independent Director	Member
3.	Mr. Muralidharan Rajamani	Non-Executive Director	Member
4.	Mr. Puranam Hayagreeva Ravikumar	Part Time Non Executive Chairman & Independent Director	Member
5.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee meets once in a quarter, which may be extended to six meetings in a year, if required.

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

Sr. No.	Name of Director	Designation	21-May-20	19-Aug-20	28-Oct-20	22-Mar-21
1.	Dr. Veeravalli Sundaram Sampath*	Chairperson			NA	NA
2.	Ms. Kalpana Prakash Pandey#	Chairperson				
3.	Mr. Nagesh Dinkar Pinge**	Member	NA	NA		
4.	Mr. Puranam Hayagreeva Ravikumar	Member				
5.	Mr. Govind Singh	Member				

Note:

* Dr. Veeravalli Sundaram Sampath ceased to be the member of Committee w.e.f October 23, 2020.

**Mr. Nagesh Dinkar Pinge was appointed as the member of Committee w.e.f October 23, 2020.

Ms. Kalpana Prakash Pandey was appointed as the Chairman of the Risk Management Committee w.e.f. October 23, 2020.

2.2) Terms of Reference of Risk Management Committee:

- I. To perform the role of Risk Management in pursuance of the Risk Management Guidelines issued periodically by RBI and Board;
- II. To oversee and advise to the Board on:
- III. defining risk appetite, tolerance thereof and review the same, as appropriate;
- IV. the systems of risk management framework, internal control and compliance to identify, measure, aggregate, control and report key risks;

- V. the alignment of business strategy with the Board's risk appetite;
- VI. the maintenance and development of a supportive culture, in relation to the management of risk, appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organisation of their actions and decisions.
- VII. To advise the Board on all high level risk matters;
- VIII. To require regular risk management reports from management which enable the Committee to assess the risks involved in the Bank's business and how they are controlled and monitored by management; and give clear focus to current and forward-looking aspects of risk exposure;
- IX. To review the effectiveness of the Bank's internal control and risk management framework, in relation to its core strategic objectives, and to seek such assurance as may be appropriate;
- X. To review the asset liability management (ALM) of the Bank on a regular basis;
- XI. To consider any major regulatory issues that may have bearing on the risks and risk appetite of the Bank;
- XII. To provide to the Board with such additional assurance as it may require regarding the quality of risk information submitted to it;
- XIII. To decide the policy and strategy for integrated risk management containing various risk exposures of the Bank including the credit, market, liquidity, operational and reputation risk.

3.1) Corporate Social Responsibility Committee

The Board has reconstituted Corporate Social Responsibility Committee pursuant to the resolution passed in the meeting of Board held on May 31, 2021. The Corporate Social Responsibility Committee is in compliance with Section 135 of the Companies Act 2013. Currently, Corporate Social Responsibility Committee consists of:

Sr. No.	Name	Category	Designation
1.	Mr. Puranam Hayagreeva Ravikumar	Part Time Chairman & Independent Director	Chairperson
2.	Ms. Kalpana Prakash Pandey	Independent Director	Member
3.	Mr. Muralidharan Rajamani	Non-Executive Director	Member
4.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee meets once in a quarter, which may be extended to six meetings in a year, if required.

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

Sr. No.	Name of Director	Designation	21-May-20	04-Nov-20
1.	Dr. Veeravalli Sundaram Sampath*	Chairperson		NA
2.	Mr. Puranam Hayagreeva Ravikumar**	Chairperson	NA	
3.	Ms. Kalpana Prakash Pandey	Member		
4.	Mr. Govind Singh	Member		

Note: * Dr. Veeravalli Sundaram Sampath ceased to be the member and Chairperson of Committee w.e.f September 10, 2020.

**Mr. Puranam Hayagreeva Ravikumar was appointed as the member and Chairperson of Committee w.e.f October 23, 2020.

Terms of Reference of Corporate Social Responsibility

- I. Formulation and recommendation to our Board, the Corporate Social Responsibility (CSR) strategy of the Bank including the CSR Policy and its implementation;
- II. Formulation and recommendation to our Board, the CSR activities to be undertaken by our Bank, either directly or through Utkarsh Welfare Foundation or through any other entity working for the welfare of society and determining the CSR projects / programmes which our Bank plans to undertake



- during the year of implementation, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same;
- III. Recommendation to our Board, the amount of expenditure to be incurred on the CSR activities;
 - IV. Review and monitoring the compliance of initiatives undertaken and evaluate performance of the activities against the agreed targets;
 - V. Conducting an impact-assessment of the various initiatives undertaken in terms of the CSR Policy at periodic intervals;
 - VI. Instituting a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by our Bank;
 - VII. Reviewing and recommending the annual CSR report for our Board's approval and for public disclosure;
 - VIII. Performing such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, RBI or by any other regulatory or statutory body;
 - IX. Our Corporate Social Responsibility Committee shall:
 - a. formulate, review and recommend to our Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by our Bank as specified in Schedule VII;
 - b. recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
 - c. monitor the Corporate Social Responsibility Policy of our Bank from time to time.
 - X. To consider and review the CSR Initiatives of our Bank with as per Section 135 of the Companies Act, 2013, Schedule VII of the Act and related circulars issued by the Ministry of Corporate Affairs from time to time;
 - XI. To review annual CSR policy of our Bank and suggest changes within the purview of section 135 of the Companies Act, schedule VII of the act and related circulars issues by Ministry of corporate affairs;
 - XII. To undertake the CSR activities to be undertaken by our Bank through Utkarsh Welfare Fund/ Identified CSR Implementing Partner;
 - XIII. To undertake CSR programmes/ projects with the approval of our Boards on the recommendations of their CSR Committees. Changes, if any, in the programme / project should also be undertaken only with the approval of the Committee / Board;
 - XIV. Performing such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations, notifications etc. enacted or issued by Ministry of Corporate Affairs, Government of India, RBI or by any other regulatory or statutory body applicable to Bank;
 - XV. To consider and review the thematic areas under CSR initiatives of our Bank which currently comprises of Financial Awareness, Primary education, Health Camps, Health Awareness Programme, Skill development and Vocational Training, Supporting Orphanages and Support to Elderly Care.





4.1) Special Committee to Monitor Large Value Frauds

The Board has reconstituted Special Committee to Monitor Large Value Frauds pursuant to the resolution passed in the meeting of Board held on October 23, 2020. Currently Special Committee to Monitor Large Value Frauds consists of the following:

Sr. No.	Name	Category	Designation
1.	Mr. Govind Singh	Managing Director & CEO	Chairperson
2.	Ms. Anita Ramachandran	Nominee Director	Member
3.	Mr. Govindasamy Sampath Kumar	Nominee Director	Member
4.	Mr. Nagesh Dinkar Pinge	Independent Director	Member
5.	Mr. Kajal Ghose	Independent Director	Member

Frequency of the meeting: The Committee meets half yearly and as and when a fraud involving an amount of ₹ 10.00 Lakh and above comes to light.

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	02-June-2020
1.	Mr. Govind Singh	Chairperson	
2.	Mr. Govindasamy Sampath Kumar*	Member	
3.	Mr. Puranam Hayagreeva Ravikumar	Member	
4.	Dr. Veeravalli Sundaram Sampath	Member	
5.	Ms. Anita Ramachandran	Member	LOA

Note:

Dr. Veeravalli Sundaram Sampath ceased to be the Member of Committee w.e.f October 23, 2020.

Mr. Govindasamy Sampath Kumar was appointed as member of the Committee w.e.f. May 7, 2020

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

- I. The major function of the Special Committee is to monitor and review all the frauds of ₹ 10.00 Lakh and above;
- II. Identify systemic lacunae, if any that allowed perpetration of the
- III. fraud; and put in place measures to plug the same;
- IV. Identify reasons for delay, if any, in detection and reporting to top management of the Bank and RBI;
- V. Monitor progress of CBI/Police investigation and recovery position;
- VI. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff related action, if required, is completed quickly;
- VII. Review efficacy of the remedial action taken to prevent recurrence of frauds, such as, strengthening of internal controls;
- VIII. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds preventive measures against frauds.

5.1) Customer Service Committee

The Board has reconstituted Customer Service Committee pursuant to the resolution passed in the meeting of Board held on May 31, 2021. Currently Customer Service Committee consists of the following:

Sr. No.	Name	Category	Designation
1.	Ms. Kalpana Prakash Pandey	Independent Director	Chairperson
2.	Mr. Govindasamy Sampath Kumar	Nominee Director	Member
3.	Mr. Muralidharan Rajamani	Non-Executive Director	Member
4.	Mr. Govind Singh	Managing Director & CEO	Member

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

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	19-May-20	19-Aug-20	27-Oct-20	09-Feb-21
1.	Mr. Puranam Hayagreeva Ravikumar*	Chairperson			NA	NA
2.	Ms. Kalpana Prakash Pandey#	Chairperson				
3.	Mr. Kajal Ghose**	Member	NA	NA		
4.	Mr. Govindasamy Sampath Kumar###	Member		LOA	LOA	LOA
5.	Mr. Govind Singh	Member				

Note: * Mr. Puranam Hayagreeva Ravikumar ceased to be the member and Chairperson of Committee w.e.f October 23, 2020.

**Mr. Kajal Ghose was appointed as the member of the Committee w.e.f October 23, 2020.

Mr. Govindasamy Sampath Kumar ceased to be member of the Committee w.e.f September 10, 2020.

#Ms. Kalpana Prakash Pandey was appointed as Chairperson of the Committee w.e.f. October 23, 2020.

5.2) Terms of Reference of Customer Service Committee:

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


















6.1) Capital Structuring & Fund Raise Committee

The Board has reconstituted Capital Structuring & Fund Raise Committee pursuant to the resolution passed in the meeting of Board held on October 23, 2020. Currently Capital Structuring & Fund Raise Committee consists of the following:

Sr. No.	Name	Category	Designation
1.	Mr. Puranam Hayagreeva Ravikumar	Part Time Non Executive & Independent Director	Chairperson
2.	Mr. Nagesh Dinkar Pinge	Independent Director	Member
3.	Mr. Govind Singh	Managing Director & CEO	Member

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

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	14-Apr-20	14-Jul-20	04-Nov-20	19-Dec-20	15-Feb-21	04-Mar-21
1.	Mr. Puranam Hayagreeva Ravikumar	Chairperson						
2.	Mr. Nagesh Dinkar Pinge*	Member	NA	NA				
3.	Mr. Govind Singh	Member						
4.	Ms. Kalpana Prakash Pandey**	Member	NA		NA	NA	NA	NA

Note: *Mr. Nagesh Dinkar Pinge was appointed as the member of Committee w.e.f October 23, 2020.

** Ms. Kalpana Prakash Pandey became member of the Committee w.e.f. May 7, 2020 and ceased to be the Member of Committee w.e.f October 23, 2020.

Terms of Reference of Capital Structuring & Fund Raise Committee

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



- VII. To open and operate bank accounts in terms of the escrow and sponsor bank agreement and to authorise one or more officers of our Bank to execute all documents/deeds as may be necessary in this regard.
- VIII. To open and operate bank accounts of our Bank in terms of Section 40(3) of the Companies Act, and to authorise one or more officers of our Bank to execute all documents/deeds as may be necessary in this regard.
- IX. To authorise and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer.
- X. To accept and appropriate the proceeds of the Offer in accordance with the Applicable Laws.
- XI. To approve code of conduct as may be considered necessary by the CSFR Committee or as required under Applicable Laws, regulations or guidelines for our Board, officers of our Bank and other employees of our Bank.
- XII. To approve the implementation of any corporate governance requirements that may be considered necessary by our Board or the CSFR Committee or as may be required under the Applicable Laws or the Listing Regulations and listing agreement(s) to be entered into by our Bank with the relevant stock exchanges, to the extent allowed under law.
- XIII. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of our Bank with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more recognised stock exchanges in India, with power to authorise one or more officers of our Bank to sign all or any of the aforesaid documents.
- XIV. To authorise and approve notices, advertisements in relation to the Offer in consultation with the relevant intermediaries appointed for the Offer.
- XV. To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLMs.
- XVI. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and/ or modify, as the case maybe, agreements and/ or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorise one or more officers of our Bank to execute all or any of the aforesaid documents.
- XVII. To make applications for listing of the Equity Shares in one or more recognised stock exchanges in India for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of our Bank, where necessary.
- XVIII. To settle all questions, difficulties or doubts that may arise with regard to the Offer, including such issues or allotment, terms of the IPO, utilisation of the IPO proceeds and matters incidental thereto as it may deem fit.
- XIX. To submit undertaking/certificates or provide clarifications to the SEBI, the RoC, RBI and the Stock Exchanges.
- XX. To negotiate, finalise, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the CSFR Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the CSFR Committee shall be conclusive evidence of the authority of the CSFR Committee in so doing.
- XXI. To delegate any of its powers set out under (i) to (xx) hereinabove, as may be deemed necessary and permissible under Applicable Laws to the officials of our Bank.

- XXII. To approve suitable policies, including any amendments to existing policies, on insider trading, whistleblowing, risk management, and any other policies as may be required under the Listing Regulations or any other Applicable Laws.
- XXIII. To approve the list of 'group of company (ies)' of our Bank, identified pursuant to the materiality policy adopted by our Board, for the purposes of disclosure in the DRHP, RHP and Prospectus.
- XXIV. Deciding, negotiating and finalising the pricing and all other related matters regarding the Pre-IPO Placement, including the execution of the relevant documents with the investors in consultation with the BRLMs and in accordance with Applicable Laws;
- XXV. Taking on record the approval of the Selling Shareholder(s) for offering their Equity Shares in the Offer.
- XXVI. To withdraw the draft red herring prospectus or the red herring prospectus or to decide to not proceed with the Offer at any stage in accordance with Applicable Laws and in consultation with the BRLMs.
- XXVII. To appoint, in consultation with the BRLMs, the registrar and other intermediaries to the Offer, in accordance with the provisions of the SEBI Regulations and other Applicable Laws including legal counsels, banks or agencies concerned and entering into any agreements or other instruments for such purpose, to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc. and to terminate any agreements or arrangements with such intermediaries/ agents.
- XXVIII. To act in a non-executive role to take action in order to report to, and assist, our Board in fulfilling its responsibilities relating to capital structure and fund raise management;
- XXIX. To obtain outside legal or other professional advice/services. Matters to be considered in relation to the above including but not limited to below:
- Capital restructuring strategy and execution;
 - Rights issue, Pre-IPO and IPO;
 - IPO allocation to domestic & international market and market timing;
 - Appointment of financial advisor, investment bankers and book running lead manager(s)
 - Appointment of legal and other advisors;
 - Appointment of tax, regulatory & accounting advisors;
 - Appointment of rating agencies;
 - Valuation report from registered valuer;
 - Offer document preparation and verification process;
 - Legal documentation finalisation and sign off process; and
 - Employee stock option scheme of our Bank.
- XXX. To call any member of our Bank personnel, or outsiders with relevant experience and expertise, if it considers this necessary.
- XXXI. To select the stock exchange for listing of securities.
- XXXII. To authorise personnel to represent our Bank before regulatory bodies and filing/signing/execution of necessary application/documents.
- XXXIII. To engage with our Board of holding company including its committees and investors at the holding company in connection with capital restructuring/capital raising.
- XXXIV. To take other actions considered necessary or prudent to fulfil the responsibilities of the committee, provided that no other action is taken without the approval of our Board.
- XXXV. To act in a non-executive role to take action in order to:
- Be a forum to consult and report in relation to the capital structure and ongoing financing strategy;
 - Review and recommend to our Board in relation to setting strategy for capital structuring management, equity fund raise and debt financing;
 - Review and monitor the company's financing strategy and advise our Board whether the financing arrangements have been entered into on appropriate terms, at an appropriate cost and are appropriate financing arrangements for their purpose;



- d. Advise our Board of any matters identified during the course of carrying out its duties that might have a significant impact on the ability of our Bank to raise financing in the future or place restrictions on equity;
- e. Appointment of advisors as required for advice and /or execution of our Bank’s capital structuring and fund raise strategy;
- f. Review and recommend to our board regarding terms of debt financing proposals/offers.

7.1) Credit Approval Committee

The Board has reconstituted Credit Approval Committee pursuant to the resolution passed in the meeting of Board held on May 31, 2021. Currently Credit Approval Committee consists of the following:

Sr. No.	Name	Category	Designation
1.	Mr. Kajal Ghose	Independent Director	Chairperson
2.	Mr. Ajay Kumar Kapur	Independent Director	Member
3.	Mr. Puranam Hayagreeva Ravikumar	Part Time Non Executive Chairman & Independent Director	Member

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

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	19-May-20	07-Jul-20	30-Jul-20	26-Sep-20	29-Sep-20	29-Oct-20	26-Nov-20	11-Feb-21	20-Feb-21	12-Mar-21	26-03-2021
1.	Mr. Kajal Ghose	Chairperson											
2.	Mr. Puranam Hayagreeva Ravikumar	Member											
3.	Mr. Nagesh Dinkar Pinge*	Member	NA	NA	NA	NA	NA						
4.	Mr. Govind Singh**	Member						NA	NA	NA	NA	NA	NA

Note: *Mr. Nagesh Dinkar Pinge was appointed as the Member of the Committee w.e.f October 23, 2020.

**Mr. Govind Singh ceased to be the Member of the Committee w.e.f October 23, 2020.

7.2) Terms of Reference of Credit Approval Committee

- I. To provide approvals for loans above certain stipulated limits, discuss strategic issues in relation to credit policy, and deliberate on the quality of credit portfolio;
- II. To monitor credit exposures of the Bank.







8.1) Special Committee for Corporate Office Building Project

The Board has reconstituted Special Committee for Corporate Office Building Project pursuant to the resolution passed in the meeting of Board held on October 23, 2020. Currently Special Committee for Corporate Office Building Project consists of the following:

Sr. No.	Name	Category	Designation
1.	Mr. Kajal Ghose	Independent Director	Chairperson
2.	Mr. Puranam Hayagreeva Ravikumar	Part Time Non-Executive Chairman & Independent Director	Member
3.	Mr. Govind Singh	Managing Director & CEO	Member

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

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	19-May-20	07-Sep-20
1.	Mr. Kajal Ghose	Chairperson		
2.	Mr. Puranam Hayagreeva Ravikumar	Member		
3.	Mr. Govind Singh	Member		

8.1) Terms of Reference of Special Committee for Corporate Office Building Project:

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



9.1) Review Committee for Identification of Wilful Defaulters

The Board has reconstituted Review Committee for Identification of Wilful Defaulters pursuant to the resolution passed in the meeting of Board held on October 23, 2020. Currently Review Committee for Identification of Wilful Defaulters consists of the following:

Sr. No.	Name	Category	Designation
1.	Mr. Govind Singh	Managing Director & CEO	Chairperson
2.	Mr. Nagesh Dinkar Pinge	Independent Director	Member
3.	Mr. Govindasamy Sampath Kumar	Nominee Director	Member

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

Attendance and meetings of the Committee held during the year:

Sr. No.	Name of Director	Designation	11-Feb-2021
1.	Mr. Govind Singh	Chairperson	
2.	Mr. Nagesh Dinkar Pinge	Member	
3.	Mr. Govindasamy Sampath Kumar	Member	LOA

9.2) Terms of Reference of Review Committee for Identification of Wilful Defaulters:

- I. To review, confirm and take decision with regard to classifying a borrower as "Wilful Defaulter" based on the inputs / decisions of Wilful Defaulters Identifying Committee, classifying a borrower as Willful Defaulter;
- II. To set-up and review the policies and process of the Bank vis-à-vis regulatory guidelines with regard to identification of "wilful defaulter."

10.1 STAKEHOLDERS' RELATIONSHIP COMMITTEE




Stakeholders' Relationship Committee was last reconstituted pursuant to the meeting of our Board held on May 31, 2021. The Stakeholders' Relationship Committee is in compliance with Section 178 of the Companies Act 2013 and Regulation 20 of the Listing Regulations. The Stakeholders' Relationship Committee currently consists of:

Sr. No.	Name	Category	Designation
1.	Mr. Muralidharan Rajamani	Non-Executive Director	Chairperson
2.	Ms. Kalpana Prakash Pandey	Independent Director	Member
3.	Mr. Govind Singh	Managing Director & CEO	Member

Frequency of the meeting: The Committee meets meet at least once in a year.

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

The Stakeholders' Relationship Committee consists of 2 (Two) Non-Executive Independent Directors and 1 (One) Executive Director. The composition of the Committee is in accordance with Regulation 20 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 178 of the Companies Act, 2013.

Sr. No.	Name of Director	Designation	Category	08-Mar-21
1.	Ms. Kalpana Prakash Pandey	Chairperson	Non- executive, Independent Director	
2.	Mr. Nagesh Dinkar Pinge	Member		
3.	Mr. Govind Singh	Member	Executive Director	

- a) During FY 2020-21, 1 (one) meeting of Stakeholders' Relationship Committee was held on March 08, 2021, which was attended by all the members of the Committee.
- b) Ms. Nutan Rane, the Company Secretary & Compliance Officer of the Bank, is the Secretary of the of Stakeholders' Relationship Committee.
- c) No complaint was received as well as pending during the year under review.
 - I. Terms of Reference of Stakeholders' Relationship Committee Considering and resolving grievances of shareholder's, debenture holders and other security holders.
 - II. Redressal of grievances of the security holders of our Bank, relating to non-receipt of dividend/ interest, refund order/redemption, transfer/ transmission, non-receipt of annual report and all other grievances as may arise.
 - III. Allotment of Equity Shares, approval of transfer or transmission of Equity Shares, debentures or any other securities.
 - IV. Issue of duplicate certificates and new certificates on split/consolidation/renewal etc.
 - V. Overseeing requests for dematerialisation and rematerialisation of securities.
 - VI. Spreading awareness amongst security holders for protection of their rights and interest(s).
 - VII. Carrying out any other function as assigned by our Board from time to time related with security holders of our Bank.
 - VIII. Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures or any other securities.
 - IX. Review of measures taken for effective exercise of voting rights by shareholders.
 - X. Review of adherence to the service standards adopted by our Bank in respect of various services being rendered by the Registrar and Share Transfer Agent.
 - XI. Review of the various measures and initiatives taken by our Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of our Bank.
 - XII. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time.
 - XIII. Ensure proper and timely attendance and redressal of investor queries and grievances.

- XIV. Carrying out any other functions contained in the Companies Act, 2013, the Listing Regulations and/ or equity listing agreements (if applicable), as and when amended from time to time.
- XV. To further, delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s).

6 REMUNERATION OF DIRECTORS KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

a) Remuneration Policy:

The Board of Directors of the Bank duly approves the Bank's Remuneration Policy for Directors, key managerial personnel and other employees.

The Bank strives to provide fair compensation to the Directors, taking into consideration industry benchmarks, Bank's performance vis-a-vis the industry, responsibilities shouldered, performance/ record of accomplishment and macro- economic review on remuneration packages of heads of other organisations.

The remuneration payable to the Directors of the Bank shall, at all times, be determined in accordance with the provisions of the Companies Act, 2013.

Apart from the Directors, the remuneration of all the other KMPs such as the Chief Financial Officer, Company Secretary or any other officer that may be prescribed under the statute from time to time and "Senior Management" of the Bank defined in the Regulation 16 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, shall be determined as per the Bank's remuneration policy and in consultation with the Managing Director and/ or the whole-time director-finance.

- b) There are no pecuniary relationships or transactions between the Non-Executive Directors (including Independent Directors) and the Bank, except for sitting fees drawn by them for attending the meeting of the Board and Committee(s) thereof.

c) Criteria for making payment to Non-Executive Directors

The remuneration payable to Non-Executive Directors is paid in the form of sitting fees for attending Board & Committee meetings as approved by the Board from time to time.

The Bank has formulated the criteria for making payment to Non-Executive Directors of the Bank.

d) Details of Remuneration to the Directors

i) Remuneration of Executive Director:

The Bank has paid remuneration to Executive Director for the year ended March 31, 2021 as per following manner:

Particulars	Mr. Govind Singh Managing Director and CEO
Fixed Pay (including perquisites)	₹ 1,91,02,385
Variable Pay	-
Total Remuneration	₹ 1,91,02,385

ii) Remuneration of Non- Executive Director:

Sr. No.	Name of Director	Sitting Fees (in ₹)	Commission/ Monthly Honorarium (in ₹)
1.	Mr. Kajal Ghose	31,80,000	-
2.	Mr. Puranam Hayagreeva Ravikumar	31,05,000	6,66,667#
3.	Ms. Anita Ramachandran	-	-
4.	Mr. Govindasamy Sampath Kumar	-	-



Sr. No.	Name of Director	Sitting Fees (in ₹)	Commission/ Monthly Honorarium (in ₹)
5.	Ms. Kalpana Prakash Pandey*	21,50,000	-
6.	Mr. Nagesh Dinkar Pinge**	19,65,000	-
7.	Dr. Veeravalli Sundaram Sampath***	11,25,000	3,20,000#
8.	Mr. Ajay Kumar Kapur****	1,60,000	-
9.	Mr. Muralidharan Rajamani*****	80,000	-

Note:

* Appointed as Independent Director w.e.f. April 29, 2020.

** Appointed as Independent Director w.e.f. July 20, 2020.

*** Ceased to be Part Time Non- Executive Chairman and Independent Director w.e.f. September 10, 2020.

**** Appointed as Independent Director w.e.f. March 02, 2021.

***** Appointed as Non-Executive Non Independent Director w.e.f March 02, 2021

the monthly honorarium is paid to part -time Non- Executive Chairman of the Bank

- e) None of the Independent Directors of the Bank holds shares of the Bank.
- f) The Bank has adopted two different ESOP Schemes and options granted to Managing Director & CEO under those schemes are pending for approval of RBI.
- g) The Bank has not entered in any service contracts with Managing Director or any other Director.

7 GENERAL BODY MEETING

a) Location and time where last three Annual General Meetings were held:

Financial Year	Location	Date and Time	Special Resolutions Passed
2019-20	S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi UP 221002	Monday, July 20, 2020 at 11:00 A.M.	<ul style="list-style-type: none"> • Appointment of Ms. Kalpana Prakash Pandey as an Independent Director.
2018-19	S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi UP 221002	Monday, August 5, 2019 at 03:00 P.M.	<ul style="list-style-type: none"> • Appointment of Mr. Puranam Hayagreeva Ravikumar as an Independent Director. • Appointment of Mr. Prakash Kumar as a Non-Executive Director (Nominee Director). • Appointment of Mr. Govind Singh as Managing Director of the Bank. • Approval for borrowing powers as per section 180 (1) (c) of the Companies Act, 2013. • Approval for issue of debt securities on private placement basis.
2017-18	S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi UP 221002	Tuesday, June 26, 2018, at 4:00 P.M.	<ul style="list-style-type: none"> • Appointment of Mr. Arup Kumar as a Nominee Director of the Bank. • Appointment of Mr. Govind Singh as a Nominee Director of the Bank. • Approval for borrowing powers as per section 180 (1) (c) of the Companies Act, 2013.

8 MEANS OF COMMUNICATION

The Board believes that effective communication of information is an essential component of corporate governance. The Bank regularly interacts with Shareholders through multiple channels of communication such as Bank's website and stipulated communications to Stock Exchanges where the Bank's shares/other instruments are listed for announcement of Financial Results, Annual Report, Bank's policies, notices and outcome of meetings etc.

a) Half Yearly/Annual Results:

The Bank being debt listed is required to submit the half-yearly/annually unaudited/ audited financial results to the Stock Exchange. The financial results of the Bank were submitted to the Stock Exchanges and were published in one English daily newspaper circulating Nationally and other daily newspaper published in the vernacular language, where the registered office of the Bank is situated. Currently these are not sent individually to the Shareholders.

b) Newspapers wherein results are normally published:

The Financial Results are generally published in daily newspapers – Financial Express (English Newspaper) and other newspapers circulating widely in whole of India.

c) Website:

The Bank has a website addressed as <https://www.utkarsh.bank/>. It contains the basic information about the Bank – details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Bank who are responsible for assisting and handling investor grievances and such other details as may be required under regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 from time to time. The Bank ensures that the contents of this website are periodically updated.

d) The details of news released by the Bank during the year is addressed on the website. The link of the website is <https://www.utkarsh.bank>

9 GENERAL SHAREHOLDERS INFORMATION

Sr. No.	Particulars	Details
a.	Annual General Meeting, Date and Time	5 th Annual General Meeting Friday, July 30, 2021 at 1.00 p.m. through Video Conferencing / Other Audio-Visual Means as set out in the Notice convening the Annual General Meeting.
b.	Financial Year	The Bank follows the financial year starting from 1 st April to ending on 31 st March every year.
c.	Stock Code	BSE (Debt): 955541; 958095; 958226; 959644
d.	ISIN	(Equity): INE735W01017 (Debt): INE396P08066; INE735W08012; INE735W08020; INE735W08038
e.	Listing on Stock Exchange (for Debt Securities)	BSE Limited (BSE) P J Towers, Dalal Street, Fort, Mumbai – 400001 Bank has deposited the annual listing fees to the stock exchange(s) where the securities of the Bank are listed.
f.	Dematerialisation of Shares	All shares of the Bank are held in dematerialised form.
g.	Address of Correspondence and Contact Detail	The Company Secretary & Compliance Officer Utkarsh Small Finance Bank Limited First Floor, Om Prakash Arcade, Central Avenue, Chembur (East) Mumbai-400 071



Sr. No.	Particulars	Details
h.	Credit Rating Details	For Tier-II NCDs : Rating as per ICRA is ICRA A (Stable Outlook) and as per CARE is CARE A (Stable Outlook) For Certificate of Deposit: ICRA A1+
i.	Share Transfer System	The Bank's shares are under compulsory dematerialised mode and the Registrar and Share Transfer Agent of the Bank monitor the entire share transfer process.
j.	Registrar and Share Transfer Agent	<p>For Equity Shares M/s. KFIN Technologies Private Limited Selenium Building, Tower-B, Plot No 31 & 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddi, Telangana – 500032</p> <p>For Listed Debentures M/s. NSDL Database Management Limited 4th Floor, Trade World A Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 Maharashtra</p>

10 OTHER DISCLOSURES

a) Materially Significant Related Party Transactions

A related-party transaction is a deal or arrangement between two parties who are joined by a pre-existing business relationship or common interest. All Related Party Transactions entered during the year were in ordinary course of the business and on arm's length basis. The Bank presents a statement of all related party transactions before the Audit Committee on a quarterly basis, specifying the nature, value, terms, and conditions of the transactions.

Transactions with related parties includes, monetary transactions or relationships between the Bank and its Directors, the management or relatives is disclosed in the Note No. 18.13 of financial statements of this report for the year ended March 31, 2021.

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

https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Related-Party-Transactions-Policy.pdf

b) Whistle Blower Policy

The Board has adopted Whistle Blower Policy, as a part of Vigil Mechanism to provide appropriate avenues to the Directors and employees to bring to the attention of the management any issue, which is perceived to be in violation of or in conflict with the Code of the Company. This Policy has been adopted by the Bank pursuant to the provisions of Section 177(9) of the Companies Act, 2013 and the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 22 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, The Chief Compliance Officer of the Bank is designated as the Vigilance Officer to hear the grievances of employees and to take necessary steps to resolve the issues, if any, arising during the period under review. In cases of grave nature, the employee can make protected disclosures directly to Mr. Nagesh Dinkar Pinge, Chairman of the Audit Committee of the Bank.

The Whistle Blower Policy & Vigil Mechanism is hosted on the website of the Bank at:

https://www.utkarsh.bank/uploads/pdf/our-policy/template_ten/Whistle-Blower-Policy.pdf

c) Compliance with Mandatory / Non-mandatory requirements

The Bank has complied with all the mandatory corporate governance requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The non-mandatory requirements have been adopted to the extent and in the manner as stated at the appropriate positions in this report.

d) Total fees paid to Statutory Auditors of the Bank

Total fees of ₹ 1.30 Crore (includes remuneration and certification fees) was paid by the Bank for FY 2020-21 for the services rendered by the Statutory Auditors.

e) Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of this Annual Report.

f) CEO and CFO Certification

The Managing Director and Chief Executive Officer (MD & CEO) and the Chief Financial Officer (CFO) of the Bank have certified on the correctness and completeness of the Financial Statements including the Cash Flow Statement for FY 2020-21, and compliances with Bank's Code of Conduct, effectiveness of internal controls etc. The certificate is forming the part of the Annual Report of the Bank.

g) Postal Ballot

During the FY 2020-21, no resolutions were passed by means of postal ballot.

h) Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

The Bank has not dealt in commodity for FY 2020-21 or hedging commodity activities for FY 2020-21 and therefore, there was no need to take forward cover in respect of its foreign currency exposure for import of raw materials and traded goods during the financial year ended March 31, 2021.

i) The Bank has not issued any Global Depository Receipt / American Depository Receipt / Warrant or any convertible instrument, which is likely to have impact on the Company's equity.

j) Plant Locations

The Bank does not have ambit in any manufacturing sector and hence does not have any manufacturing plant. Therefore, this clause is not applicable on the Bank.

k) Corporate Benefits to Investors

Considering the banks to conserve its capital to retain their capacity to support the economy and absorb losses, the Directors of the Bank do not recommend any dividend for FY 2021.

l) Risk Management

Risk management is embedded in your Bank's operating framework. Your Bank believes that managing risks helps in maximising returns. The Bank's approach to addressing business risks is comprehensive and includes periodic review of such risks and a framework for mitigating controls and reporting mechanism of such risks. The Board, the Audit Committee and Risk Management Committee review the risk management framework periodically. The Bank has laid down procedures to inform the Board about the risk assessment and minimisation procedures, to ensure that executive management controls risk through means of properly defined framework.

m) Code of Conduct for Prevention of Insider Trading

In compliance with the Securities and Exchange Board of India (Prevention of Insider Trading) Regulations, 2015 as amended till date, the Bank has a comprehensive code of conduct and the same is being strictly adhered to by the Directors, senior management and other persons covered by this code. The Bank regularly follows closure of trading window prior to the publication of price sensitive information. The Bank has been informing the Directors, senior management and other persons covered by the code about the same and advising them not to trade in Bank's Securities, during the closure of trading window period. Currently the Bank has listed its Debts on the BSE Limited and filed the Draft Red Herring Prospectus with the SEBI and the Stock Exchanges.



n) Non-compliance of any requirement of Corporate Governance Report

The Bank has complied with applicable requirements of Corporate Governance Report for the FY 2020-21.

o) Details of Adoption of non - mandatory requirement

The Board of Directors consisting of persons with considerable professional expertise and experience provides leadership and guidance to the management. More than half of Directors in the Board are Non-Executive Independent Directors to ensure integrity, transparency and proper conduct in the interest of stakeholders.

p) Disclosures of Compliance

The Bank has complied with the provisions specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the FY 2020-21 to the extent is applicable due to filing of Draft Red Herring Prospectus of the Bank with SEBI.

ANNEXURE- B

Particulars of Employees

Details of Employees drawing remuneration more than the limits specified in Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, during the FY 2020-21.

Sr. No.	Name of the Employee	Designation of the Employee	Remuneration received by the Employee (In ₹)	Nature of Employment	Qualifications and Experience	Date of Commencement of Employment	Age of Employee (Years)	Last Employment Held	Percentage of Equity Shares held by the Employee in the Company	Whether any such Employee is a relative of any Director or Manager of the Company and if so, name of such Director or Manager
1	Govind Singh	Managing Director & CEO	1,91,02,385	Permanent	B.Com, CAIIB (33 years)	September 21, 2018	56	ICICI Bank Ltd.	0.00%	-
2	Mukund Barsagade	Chief Financial Officer	1,06,63,267	Permanent	CA (27 years)	June 11, 2018	51	Fino Payments Bank Ltd.	0.00%	-
3	Birendra Kumar Sahu*	Head - Corporate Centre	99,00,932 [#]	Permanent	Post Graduate Diploma in Management (30 years)	July 15, 2019	55	IDFC FIRST Bank Ltd.	0.00%	-
4	Sachin Shamkant Patange	Chief Compliance Officer	95,56,495	Permanent	MBA (30 years)	January 01, 2019	53	DCB Bank Ltd.	0.00%	-
5	Hitain Sharma	Chief Human Resource Officer	92,63,644	Permanent	MBA (20 years)	December 09, 2019	45	Aditya Birla Capital Ltd.	0.00%	-
6	Alok Pathak	Chief Risk Officer	85,86,142	Permanent	B.Sc. (23 years)	May 05, 2016	45	Yes Bank Ltd.	0.00%	-
7	Trilok Nath Shukla	Head- Micro Banking	83,10,588	Permanent	M.A. (24 years)	September 05, 2009	47	Cashpor Micro Credit	0.00%	-
8	Rahul Sinha	Business Head- MSME	67,74,945	Permanent	Master of Management Studies (25 years)	April 12, 2017	50	Bajaj Finance Ltd.	0.00%	-
9	Manish Gupta	Head- Mortgages	64,77,270	Permanent	MMS (22 years)	September 09, 2019	50	Axis Bank Ltd.	0.00%	-
10	Amit Acharya	Head Credit	64,25,000	Permanent	Post-Graduate in Physics (20 years)	March 16, 2020	46	Axis Bank Limited	0.00%	-

Sr. No.	Name of the Employee	Designation of the Employee	Remuneration received by the Employee (In ₹)	Nature of Employment	Qualifications and Experience	Date of Commencement of Employment	Age of Employee (Years)	Last Employment Held	Percentage of Equity Shares held by the Employee in the Company	Whether any such Employee is a relative of any Director or Manager of the Company and if so, name of such Director or Manager
11	Peeush Jain	Head Liabilities	58,64,697	Permanent	B.Sc. in Computer Science (25 years)	April 20, 2020	46	Laxmi Vilas Bank	0.00%	-
12	Adhip Ranjan Syamroy**	Chief Operating Officer	58,32,715#	Permanent	Bachelor of Engineering (Civil) (27 years)	May 16, 2016	54	Axis Bank Ltd.	0.00%	-

* date of relieving January 15, 2021;

** date of relieving October 08, 2020;

#includes full and final payment at the time of relieving.

For Utkarsh Small Finance Bank Limited

Govind Singh
Managing Director & CEO
DIN - 02470880

Place: Varanasi
Date: June 09, 2021

Annual Report of Corporate Social Responsibility of Utkarsh Small Finance Bank Limited for FY 2020-21

1. BRIEF OUTLINE ON CSR POLICY OF THE COMPANY.

Policy Statement

The Bank's CSR Policy aims to contribute to the social and economic development of the underprivileged and underserved community in low income geographies. Through impact-oriented interventions, the Bank seeks to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment. Initiatives will largely focus on education, health, promoting livelihoods through skill building and vocational training. The Bank shall also promote initiatives that preserve, restore and enhance environment, ecological balance, and natural resources, and improve sanitation and hygiene. All the projects or programmes activities shall be as per areas or subjects as specified in Schedule VII under Section 135 of the Companies Act, 2013.

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

CSR Philosophy & Guiding Principles

CSR Policy covers the entire process by which the organisation approaches, defines and develops its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate strategies and projects. Thus CSR is not charity or mere donations but a way of giving back to society by going beyond business as usual, creating shared value and contributing to social and environmental good. The Bank's CSR philosophy is based on cardinal principle to make a meaningful and measurable impact in the lives of economically, physically and socially challenged communities of the country.

The Bank is in its continuous efforts to positively impact the society particularly, unserved and under-served communities in the area of its operations. The Bank has formulated policies for social development based on following guiding principles:

- To be the most trusted, digitised bank that is financially and socially inclusive, and creates value across social strata through insightful and viable solutions
- Adopt an approach that aims at achieving a greater balance between social and economic development
- Adopt new measures to accelerate and ensure the basic needs of all people
- Work towards elimination of barriers for the social inclusion of disadvantaged groups- such as the poor and the disabled
- Support underprivileged and underserved segments by providing financial and non-financial services through a socially responsible, sustainable and scalable institution

Organisation set up

For the purpose of various development and welfare interventions, your Bank carries out CSR activities through Utkarsh Welfare Foundation, a Group Company, which was incorporated as a Section 25 company under Companies Act, 1956. This Company is the subsidiary of 'Utkarsh CoreInvest Limited (Erstwhile Utkarsh Micro Finance Ltd.)'. Utkarsh Welfare Foundation ("UWF") registration number is CSR00000763 (registered with Ministry of Corporate Affairs (MCA) for carrying CSR activities- registration certificate is uploaded on the website) aims to make a meaningful and sustainable impact in the lives of the community through a multi-pronged service oriented market led approach. UWF initiatives are focussed on range



of issues such as education, financial literacy, health initiatives, skill and entrepreneurship development programmes, and supported elderly care centres and orphanages. Bank's all CSR activities are implemented through Utkarsh Welfare Foundation.

The Bank has reconstituted a CSR Committee of the Board in its Board Meeting held on May 31, 2021 consisting of three Directors and majority of them are Non Executive Director. The Committee meets at least two times in a year. Currently Corporate Social Responsibility Committee consists with the following members:

- a. Mr. Puranam Hayagreeva Ravikumar (Chairperson)
- b. Ms. Kalpana Prakash Pandey (Member)
- c. Mr. Muralidharan Rajamani (Member)
- d. Mr. Govind Singh (Member)

Following are the functions of the CSR Committee

- i. Formulation and recommendation to our Board, the Corporate Social Responsibility (CSR) strategy of the Bank including the CSR Policy and its implementation.
- ii. Formulation and recommendation to our Board, the CSR activities to be undertaken by our Bank, either directly or through Utkarsh Welfare Foundation or through any other entity working for the welfare of society and determining the CSR projects / programmes which our Bank plans to undertake during the year of implementation, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same.
- iii. Recommendation to our Board, the amount of expenditure to be incurred on the CSR activities.
- iv. Review and monitoring the compliance of initiatives undertaken and evaluate performance of the activities against the agreed targets.
- v. Conducting an impact-assessment of the various initiatives undertaken in terms of the CSR Policy at periodic intervals.
- vi. Instituting a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by our Bank.
- vii. Reviewing and recommending the annual CSR report for our Board's approval and for public disclosure.
- viii. Performing such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, RBI or by any other regulatory or statutory body.
- ix. Our Corporate Social Responsibility Committee shall:
 - a) formulate, review and recommend to our Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by our Bank as specified in Schedule VII;
 - b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
 - c) monitor the Corporate Social Responsibility Policy of our Bank from time to time.
- x. To consider and review the CSR Initiatives of our Bank with as per Section 135 of the Companies Act, 2013, Schedule VII of the Act and related circulars and amendments issued by the Ministry of Corporate Affairs from time to time.
- xi. To review annual CSR policy of our Bank and suggest changes within the purview of section 135 of the Companies Act, schedule VII of the act and related circulars issues by Ministry of corporate affairs.
- xii. To undertake the CSR activities to be undertaken by our Bank through Utkarsh Welfare Fund/ Identified CSR Implementing Partner.
- xiii. To undertake CSR programmes/ projects with the approval of our Boards on the recommendations of their CSR Committees. Changes, if any, in the programme / project should also be undertaken only with the approval of the Committee / Board.
- xiv. Performing such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations, notifications etc. enacted or issued by Ministry of Corporate Affairs, Government of India, RBI or by any other regulatory or statutory body applicable to Bank.
- xv. To consider and review the thematic areas under CSR initiatives of our Bank which currently comprises of Financial Awareness, Primary education, Health Camps, Health Awareness Programme, Livelihoods promotion through Skill development and Vocational Training, Supporting Orphanages and Support to Elderly Care.

Scope of Activities

Identified CSR activities are in line with the CSR Rules (Sec.135 of Companies Act, 2013). Under CSR activities the identified thematic areas of interventions are health, financial literacy, environment protection, water, sanitation, skill & vocational training activities. The Bank initiated many such programmes through Utkarsh Welfare Foundation ("UWF"). The Bank will provide not less than 2% of average profit before tax for preceding three financial years to UWF to carry out the programmes as listed below.

During the FY 2020-21, CSR Activities were primarily focussed around financial awareness, health initiatives, primary education, skill and vocational training, supporting orphanage and old age homes, village development programmes and other initiatives.

Impact Based Approach

There is a shift from outreach to outcome based approach in CSR intervention. For better impacts and sustainability, Community Resource Person (CRP) model was experimented. The objective is to enhance the learning curve at grassroots level by appointing suitable trained resource from local communities and groom them to promote key messages and learnings on financial literacy, health and enterprise development themes with the digital support (such as tablets, smart phones etc.). It strengthened the narratives of ideas moving to action and further leading to behavioural change and peer-to-peer learning.

Updates on activities under CSR on behalf of Utkarsh Small Finance Bank Limited (USFB) during FY 2020-21 (April 01, 2020 to March 31, 2021)

The Bank over achieved its target outreach across all key thematic interventions such as Financial Literacy, Health and Skill & vocational training. A total of 74,142 beneficiaries were covered through various CSR initiatives against target outreach of 64,796 as on March 31, 2021.

During the financial year 2021, COVID-19 Pandemic has adversely affected all and sundry but the impact has been severe for the section at the bottom of the pyramid in terms of both health and economic hardships. For the current year, CSR initiatives were focused around economic recovery and livelihood restoration for migrants, low-income households and vulnerable communities, besides focussing on key thematic areas such as education, health & hygiene initiatives undertaken.

In this direction, UWF collaborated with Indian Red Cross Society, United Nations Development Programme, and Uttar Pradesh State Rural Livelihood Mission to intensify the COVID-19 response mechanisms.

The Programme wise break-up of Outreach Plan and Achievement is as under:

Partner / Programs	Activity	Annual Outreach	Annual Achievement	%age Achieved
		Target for FY 2020-21	Outreach FY 2020-21	
Educational & Health initiatives		49,796	57,785	116.0
Digital Financial Literacy	DFL	8,640	9,889	114.5
Financial Literacy - Class Room Training	FL	17,856	22,227	124.5
Mobile Polyclinic	Polyclinic Camp	10,800	12,810	118.6
Health Awareness Training	Health Awareness	12,500	12,859	102.9
Mahila Udhyaami Sashaktikaran Program- Skill & Enterprise development		200	200	100.0
Credit Linkage & Business Formalisation process	Skill & Enterprise	200	200	100.0
Collaborative Project on Micro-Enterprise Promotion Programme with SIDBI		800	726	90.8



Partner / Programs	Activity	Annual Outreach	Annual Achievement	%age Achieved
		Target for FY 2020-21	Outreach FY 2020-21	
Enterprise Training	Skill & Enterprise	600	616	102.7
Credit Linkage and Business development support	Skill & Enterprise	200	110	55.0
Collaborative Projects on Economic Recovery and Livelihoods post COVID with UNDP		14,000	15431	110.2
UNDP – Social Protection for migrants / vulnerable communities	COVID-19 Initiative	12,000	12671	105.6
UNDP – Economic recovery of artisans and micro-entrepreneurs	Skill & Enterprise	2,000	2760	138.0
Grand Total		64,796	74,142	114.4

A. Financial Education initiatives

Financial awareness initiatives are aligned with the Bank’s mission to support underprivileged and underserved segments of the population by providing financial and non-financial services in a socially responsible, sustainable and scalable manner. Financial awareness programmes are aimed at building financial decision making and enhancing capabilities of the targeted beneficiaries through right information, instructions and advice. As a part of CSR initiative, the total beneficiary outreach under financial awareness since its inception is 2,17,105.

For the FY 2020-21 total beneficiary outreach achieved through corporate social responsibility initiative under financial awareness programmes is 32,116 against the annual target of 26,496 beneficiaries.

i. Financial Literacy – Classroom Training Initiatives:

This adopts Intensive approach towards the delivery of financial literacy to target population. Trainings are organised in small batch sizes of 20-25 and around 12 hours of inputs are given covering modules on financial planning, budgeting, savings, borrowings, investments, insurance, banking services and targeted govt. schemes. The methodology of training adopted is participatory & interactive. Audio-visuals, poster, banners, group discussion, role plays, exercises, games, and other participatory training tools and aides used. Trainers effectively communicate and transmit the key messages to the participating women/men beneficiaries. Financial literacy training provided to achieve the desired objectives are delivered in 12 hours’ session spread across 3 days for each class room training for each batch.

The programme was conducted across 4 districts in Bihar, 1 district in Madhya Pradesh, 3 districts in Jharkhand and 5 districts in Uttar Pradesh. During FY 2020-21, total 22,227 beneficiaries have successfully completed the 3 days’ class room training in 2,557 batches against the annual target of 17,856 beneficiaries.

USFBL’s CSR contribution has helped to strengthen the Financial Literacy programme, replicate, and scale up the model with the support of new partnerships.

ii. Digital Financial Literacy Initiative:

Total 9,889 beneficiaries attended the digital financial literacy programme in 687 batches during FY 2020-21, against the annual target of 8,640 beneficiaries.

B. Health Initiatives:

Health initiatives are intended to provide free Primary Health Services and awareness to the low income households in the targeted geographies. Outpatient diagnostic services with free medicine are being provided as a part of the initiative. Program is implemented in collaboration with select hospitals, ensuring quality health service under the strict supervision of healthcare professionals and practitioners. Two approaches have been adopted to deliver Polyclinics (OPD services) in the underserved and underprivileged geography such as Regular Polyclinics through locations and Mobile Polyclinics with route plan for extending primary health care services.

i. Polyclinics (OPD Services):

During FY 2020-21, the programme ran across 5 states i.e. Bihar, Madhya Pradesh, Jharkhand, Uttarakhand and Uttar Pradesh, covering 3 districts in Bihar (Bhojpur, Rohtas and Kaimur), 2 districts in Jharkhand (Koderma and Hazaribagh), 4 districts in Madhya Pradesh (Satna, Jabalpur, Katni and Rewa), 5 districts in Uttar Pradesh (Varanasi, Mirzapur, Gorakhpur, Maharajganj and Kushinagar) and 1 district in Uttarakhand (Roorkee). Total beneficiaries outreach under health initiative is 12,810 beneficiaries through 76 mobile van polyclinics against the annual target of 10,800 beneficiaries.

ii. Health Awareness:

In addition to the Polyclinics, Health Awareness sessions have been conducted with an objective to promote the concept of "Prevention is better than cure"; highlighting preventive measures across range of health issues concerning local areas such as Malnutrition, Anaemia, Diarrhoea, Hygiene, Malaria, Menstrual health, AYUSH remedies and other locally prevalent diseases. During FY 2020-21, total **1,139** Health Awareness sessions was organised and attended by **12,859** beneficiaries against the target of 12,500 beneficiaries. The SOP / guidelines were designed to organise OPD and health awareness camps complying with the COVID 19 related protocols.

iii. Highlights- AYUSH:

The Foundation has developed flash cards containing the essential points of Ayurveda, Yoga, Unani, Naturopathy, Siddha and Homoeopathy. The awareness classroom training was organised and run in three states viz. Bihar, Madhya Pradesh and Uttar Pradesh.

iv. Guidelines followed at Polyclinics and Health Awareness Programs under prevailing COVID-19 situation:

- a) The site / location identification for organising health should not be under any restriction for organising such activities by the district administration.
- b) Regular interaction with local village panchayat and its representatives and apprising them about the camp and schedule.
- c) All the three counters namely registration counter, counselling and medicine distribution counter should have minimum five (5) meters of distance between them.
- d) In front of all counters (registration counter, doctor's counter and medicine distribution counter) should have minimum eight (8) to 10 circles for managing Queue waiting for their turns.
- e) The UWF staff & partnering hospital to continuously educate the gathering on importance of maintaining social distancing and ensure that all the beneficiaries get free counselling and medicine.
- f) The time slab for OPD camps has been increased from morning 09 am to evening 04 pm in-order to avoid mass gathering. At the venue gathering is discouraged and patients in a batch size of 25 to 30 allowed at a time.
- g) During the entire period of the camp the entry is allowed in batch mode only.
- h) It is mandatory that patients coming/visiting should either have face mask or cover their face with towel or any suitable cloth etc. It is ensured that hands are properly sanitised / washed with soap.
- i) Partnering hospital & UWF staff to continuously wear mask and regularly sanitize their hands during the entire camp. Specially, the doctor at the counselling desk should wear PPE kit during the entire camp.
- j) Special precaution to be taken in registration counter while getting patients sign for registration in register. The person in charge should wear glove & face mask during registration process.



- k) Patients with COVID-19 symptoms are advised / refer to visit government hospital or nearby COVID checkup facility.
- l) Villagers and hospital / organisation staff, in the periphery of health camp, were not allowed to have any edibles.
- m) Regular announcement by hospital / organisation staff for migrant workers attending the health camp to show enough proof / evidence of their complete check-up else to return.

C. Skill and Enterprise Development Initiative – Collaborative Projects

i. **Micro Enterprise Promotion Programme (MEPP):**

Micro Enterprise Promotion Programme (MEPP) aims to identify, motivate and guide the entrepreneurs in setting up micro enterprises leading to employment generation in semi urban/ rural India. SIDBI is currently implementing MEPP in 126 districts in 26 States promoting about 43,000 enterprises. UWF has partnered with SIDBI under USFBL CSR support for the promotion of two Micro Enterprise Promotion Centres launched in December 2018 in the districts of Ghazipur & Varanasi (Uttar Pradesh). The programme is being implemented with the support of four (4) project staffs, two each in Ghazipur & Varanasi (Uttar Pradesh).

For the FY 2020-21 the project targeted to train 600 beneficiaries and facilitate credit linkages for 200 entrepreneurs for setting up enterprise. During FY 2020-21 and up till March 31, 2021, total 110 entrepreneurs, were credit linked for amount of ₹ 274 Lakh and 616 entrepreneurs were trained and supported on Business Development Services.

ii. **United Nations Development Programme – Social Protection for migrants and vulnerable communities:**

Utkarsh Welfare Foundation bid the UNDP project on Social Protection Scheme in May 28, 2020 and the bid was awarded on June 14, 2020. The project period timeline was 6 months (June 2020 to November 2020). There were 3 collaborating institutions in the project namely United Nations Development Programme, Uttar Pradesh State Rural Livelihood Mission and Utkarsh Welfare Foundation. The programme is to facilitate social protection and crisis response under COVID-19 rapid response facility programme in the State of Uttar Pradesh.

The project was implemented in 6 districts (Chandauli, Deoria, Gorakhpur, Mirzapur, Sonbhadra, and Varanasi).

Utkarsh Welfare Foundation, in coordination with Uttar Pradesh State Rural Livelihoods Mission, selected 120 community cadres that are mostly women leaders associated with self-help groups and federations to work as the messengers and champions of the cause. Ready reckoner and manual comprising of more than 100 social protection schemes launched by central and state government have been prepared by the technical agency for wider circulation.

The community leaders for the purpose of training and knowledge dissemination at the grass-root level have printed a booklet on 20 selected and targeted social protection schemes for circulation and use. Technology platforms like GEET (GPS enabled) were leveraged and other digital platforms for information dissemination were used for awareness generation at the last mile.

Against target of 12,000 beneficiaries (migrant workers/ women, and families affected by COVID-19) total 12,761 are benefited from this project and 1202 of them have been linked to at least one of the Social Protection Schemes. Moreover, a knowledge repository is also prepared to enhance the impact of the project. One of the critical achievements of the project was the sensitisation of 565 Panchayati Raj Representatives (PRI) across 362 villages in 6 selected districts of Uttar Pradesh on key aspects of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

iii. **United Nations Development Programme – Building Economic Resilience of Artisans and Micro-Entrepreneurs post COVID-19 (Non-Farm Project):**

UWF successfully bid for second project towards COVID-19 recovery efforts in the state of Uttar Pradesh. The project period was for six months from July 2020 to December 2020. The project was successfully completed as on December 31, 2020 with the following major key deliverables.

- Total 2,760 artisans and micro-entrepreneurs were mobilised and on-boarded during the UNDP Non-Farm project period from both Mirzapur and Varanasi districts.
- Total 40 community cadres received 50 hours of TOT in 10 days; 24 community cadres from Varanasi and 16 community cadres from Mirzapur district.
- All 40 community cadres successfully delivered training to 2761 beneficiaries.
- An initiative for online linkage with digital on-boarding of identified 520 weavers with e-platform has been successfully done with Banarsee.in.
- Annual business plan of 200 micro-entrepreneurs was successfully completed.
- Total 10 buyer-seller meets were organised in which more than 600 artisans and micro-entrepreneurs participated in Mirzapur and Varanasi district.
- Human stories of 15 successful artisans and micro-entrepreneurs were completed.
- An event for formally handing over process of APC was organised on December 11, 2020. Chief Guest Mr. Kuranakar Adeeb (DC-UPSRLM) and Mr. Govind Singh (MD & CEO, Utkarsh Small Finance Bank Limited) inaugurated the event. The other dignitaries present during the event were Mr. Akhori Manish (Director – Rural Self Employment Training Institute, Varanasi) and Mr. Nitesh Dhawan (Asst. Commissioner – Department of Handloom and Textile). Total 55 weavers participated from other blocks Kashi Vidyapeeth, Arajiline, Harahua and Pindra block.

iv. Mahila Udyami Sashaktikaran Program (MUSP) Project:

The project being implemented as a Legacy project of SIDBI supported Mahila Udyami Sashaktikaran in five locations (Ashok Vihar, Harahua, Panchkoshi, Sigra & Kakkarmatta) of Varanasi district (Uttar Pradesh). The profiling and onboarding of 200 women micro entrepreneurs on digital platform were completed

The handholding of 200 women entrepreneurs as on-going process is in continuation. Hand-holding such as credit linkage facilitation support, book keeping, business formalisation and registration.

Stock Register maintained by all 200 beneficiaries. Total 112 credit linkages has been facilitated with formal financial institutions. Inventory management register of 200 women entrepreneurs have been updated, Baseline data of 200 micro-entrepreneurs have been completed and uploaded online. The progress out of poverty index and client index has been covered in Baseline survey. As on March 31, 2021 under business development services and hand-holding support, facilitated issuance of 33 PAN card, 6 GST, 113 ITR, 78 Udyam Adhar and 11 FSSAI License.

D. Village Development Program (VDP):

Village adoption plan envisages integrated and holistic development of identified villages in consultation with village community. Emphasis under this programme is on participatory planning amid convergence of various development programmes for overall development of the selected villages. Five Villages namely Bhimchandi, Deendaspur, Dholapur, Karnadadi, Mehmedpur, under Arajiline block in Varanasi district have been identified for the intensive development programmes.

i. Learning Enhancement Program for School Children:

Total 130 children in the age group of 5-12 years were identified and enrolled for the programme under which UWF was organising tutorial classes on Language skills (English and Hindi), Numeracy skills, Science and Drawing with the use of various creative learnings tools, audio-visuals, games and participatory tools. Currently, the programme is extended to four (4) village's viz. Bhimchandi, Deendaspur, Karnadadi and Mehmedpur of Arajiline Block in Varanasi with the support of Community Resource Persons (CRPs) at field level.

ii. Financial Literacy:

During FY 2020-21, total 2,844 beneficiaries attended the financial literacy training through 336 batches, under Village Development Program.

iii. Financial Inclusion Initiative through BC:

Efforts towards deepening financial inclusion was facilitated in the Villages under model village development programme. Individual BC (Business Correspondent) has started working from December 08, 2020 with the support of Micro ATM device. Total transaction of ₹ 22,000, has been done till March 31, 2021.



iv. Health Awareness:

Health Awareness sessions have been conducted in VDP villages with an objective to promote the concept of "Prevention is better than cure"; highlighting preventive measures across range of health issues concerning local areas such as Malnutrition, Anaemia, Diarrhoea, Hygiene, Malaria, Menstrual health, AYUSH remedies and other locally prevalent diseases. During FY 2020-21 total 3,524 beneficiaries attended the Health Awareness Training programme in 368 batches. The programme implemented in five (5) VDP Villages viz. Bhimchandi, Deendasapur, Dholapur, Karnadadi and Mehmedpur of Arajiline Block in Varanasi. The training mechanism also included necessary safety COVID-19 protocols to be followed in daily life.

E. Other Welfare Initiatives

i. Mask Distribution at Health Camps: In view of COVID-19 Pandemic, as UWF initiative of Mask distribution is in process; the masks have been distributed in scheduled health camps organised in States i.e. Jharkhand, Bihar, Madhya Pradesh and Uttar Pradesh. Utkarsh Welfare Foundation has distributed a total of 24,550 masks which includes masks with Utkarsh Logo during the FY 2020-21.

ii. Supporting homes for Orphanages for children and Old age homes for elderly, destitute and poor: The Company continued its support to special homes for children and elderly persons. The company sponsored meals and provided them with some items for their daily needs. For better engagements and understanding needs, monthly visits by volunteers are organising for the orphanages and old age homes on a regular time-to-time basis, necessary and required needs have been provided to the homes of special children and elderly person.

F. Web Portal MIS- In continuation to previous progress, the Online MIS management on pilot basis is in progress and already on progressive stage in both Financial Literacy and Health Initiative. Total 4,292 data on financial literacy have been uploaded during the FY 2020-21. Similarly, in health OPD camps and training health awareness camps also, the online data uploading is also under process. As on March 31, 2021 total 53,581 beneficiaries' data and 4,905 trained beneficiaries' data have been uploaded in M2I application.

G. CSR initiatives with Utkarsh Welfare Foundation (UWF) activity in UPCERA Newsletter by UNDP:

Foundation's COVID-19 relief initiatives regularly featured in the newsletter of Uttar Pradesh COVID-19 economic recovery alliance (UPCERA) initiatives of UNDP.

Geographical Span

During the FY 2020-21, the CSR activities were spread across various districts in six states namely Bihar, Himachal Pradesh, Jharkhand, Madhya Pradesh, Uttarakhand, and Uttar Pradesh.

2. ATTENDANCE AND MEETINGS HELD DURING THE YEAR:

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Puranam Hayagreeva Ravikumar*	Part Time Non - Executive Chairman / Independent Director	2	1
2.	Ms. Kalpana Prakash Pandey	Independent Director	2	2
3.	Mr. Govind Singh	Managing Director and Chief Executive Officer	2	2
4.	Dr. Veeravalli Sundaram Sampath*	Part Time Non - Executive Chairman	2	1

* Mr. Puranam Hayagreeva Ravikumar appointed as the member of the Committee w.e.f. October 23, 2020 and Dr. Veeravalli Sundaram Sampath ceased to be the member of the Committee on his retirement w.e.f. September 10, 2020.

3. PROVIDE THE WEB-LINK WHERE COMPOSITION OF CSR COMMITTEE, CSR POLICY AND CSR PROJECTS APPROVED BY THE BOARD ARE DISCLOSED ON THE WEBSITE OF THE COMPANY.

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

4. PROVIDE THE DETAILS OF IMPACT ASSESSMENT OF CSR PROJECTS CARRIED OUT IN PURSUANCE OF SUB-RULE (3) OF RULE 8 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014, IF APPLICABLE (ATTACH THE REPORT).

Not Applicable for FY 2020-21.

5. DETAILS OF THE AMOUNT AVAILABLE FOR SET OFF IN PURSUANCE OF SUB-RULE (3) OF RULE 7 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014 AND AMOUNT REQUIRED FOR SET OFF FOR THE FINANCIAL YEAR, IF ANY

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
Not Applicable			

6. AVERAGE NET PROFIT OF THE COMPANY AS PER SECTION 135(5).

₹ 1,01,47,09,730

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

₹ 2,02,94,190

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

₹ 1,91,566 (Interest earned on SB Account).

c) Amount required to be set off for the financial year, if any

Not Applicable

d) Total CSR obligation for the financial year (7a+7b- 7c).

₹ 25,191,566 (CSR Contribution for Activities + PMCARES Fund +Interest Earned)

8. a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹ 2,16,51,518 Correct figure given in below table 1,16,51,518	₹ 35,40,048	April 19, 2021	NA	NA	NA



b) Details of CSR amount spent against ongoing projects for the financial year:

(1) Sr. No	(2) Name of the Project.	(3) Item from the list of activities in Schedule VII to the Act.	(4) Local area (Yes/ No).	(5) Location of the project.		(6) Project duration	(7) Amount allocated for the project (in ₹).	(8) Amount spent in the current financial Year (in ₹)	(9) Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	(10) Mode of Implementation Direct (Y/N)	(11) Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number.
1	Financial Literacy, Digital Financial Literacy, women empowerment, supporting orphanage and old age homes	Schedule VII (ii) & (iii)	Yes	Bihar; Uttar Pradesh; Madhya Pradesh; Jharkhand	Bihar (Patna, Kaimur Rohtas & Darbhanga); UP (Deoria, Varanasi, Sonbhadra, Mirzapur, Chandauli, Gorakhpur); MP (Satna); Jharkhand (Koderma, Barahi & Giridih)	12 months	42,36,507	42,36,507		N	Utkarsh Welfare Foundation	CSR00000763
2	Healthcare initiative and COVID-19 relief support	Schedule VII (i) & (xii)		Bihar, Jharkhand, Madhya Pradesh, Uttar Pradesh and Uttrakhand	Bihar (Bhojpur, Rohtas & kaimur); Jharkhand (Koderma & Hazaribagh); MP (Satna Jabalpur, Katni & Rewa); UP (Varanasi, Mirzapur, Gorakhpur, Maharajganj & Kushinagar); UK (Roorkee)	12 months	71,17,890	49,92,890	21,25,000	N	Utkarsh Welfare Foundation	CSR00000763
3	Skill & Enterprise development initiative for enhancing livelihoods and rural development	Schedule VII (ii) & (x)		Uttar Pradesh;	UP (Varanasi, Mirzapur, Deoria, Gorakhpur, Sonbhadra, Chandauli & Ghazipur)	12 Months	38,37,169	24,22,121	14,15,048	N	Utkarsh Welfare Foundation	CSR00000763
TOTAL							15,191,566	11,651,518	3,540,048			

c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1) Sl. No.	(2) Name of the Project	(3) Item from the list of activities in schedule VII to the Act.	(4) Local area (Yes/ No).	(5) Location of the project.		(6) Amount spent for the project (in ₹).	(7) Mode of implementation on-Direct (Yes/ No).	(8) Mode of implementation - Through implementing agency.	
				State	District			Name.	CSR Registration number.
Not Applicable									

d) Amount spent in Administrative Overheads

NIL

e) Amount spent on Impact Assessment, if applicable

Not Applicable

f) Total amount spent for the Financial Year (8b+8c+8d+8e)

It is ₹ 1,16,51,518

g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	NA
(ii)	Total amount spent for the Financial Year	NA
(iii)	Excess amount spent for the financial year [(ii)-(i)]	NA
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NA
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	NA

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer.	
1.	2020-21	35,40,048	2,16,51,518	NA	NA	NA	35,40,048
2.	2019-20	-	1,00,00,000	NA	NA	NA	-
3.	2018-19	-	40,50,000	NA	NA	NA	-
	TOTAL	35,40,048	3,57,01,518	NA	NA	NA	35,40,048

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1) Sl. No.	(2) Project ID.	(3) Name of the Project.	(4) Financial Year in which the project was commenced.	(5) Project duration.	(6) Total amount allocated for the project (in ₹)	(7) Amount spent on the project in the reporting Financial Year (in ₹)	(8) Cumulative amount spent at the end of reporting Financial Year. (in ₹)	(9) Status of the project- Completed /Ongoing
					NA			
					NA			

10. IN CASE OF CREATION OR ACQUISITION OF CAPITAL ASSET, FURNISH THE DETAILS RELATING TO THE ASSET SO CREATED OR ACQUIRED THROUGH CSR SPENT IN THE FINANCIAL YEAR (ASSET-WISE DETAILS).

- Date of creation or acquisition of the capital asset(s). - Not Applicable
- Amount of CSR spent for creation or acquisition of capital asset. - Not Applicable
- Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. - Not Applicable
- Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). - Not Applicable

11. SPECIFY THE REASON(S), IF THE COMPANY HAS FAILED TO SPEND TWO PER CENT OF THE AVERAGE NET PROFIT AS PER SECTION 135(5):

Out of the total CSR expenditure of ₹ 2.50 Crore meant for the FY 2020-21, an amount of ₹ 35,40,048/- remained unspent due to the unprecedented COVID-19 Pandemic situation. On account of devastating COVID Pandemic, project in health, skill and livelihoods were suitably redesigned and repurposed in the ongoing project with the approval of the Board, on recommendations of the CSR Committee to the Board. The ongoing project shall be implemented within the specified timeline as allowed and prescribed under section 135 of Companies Act pertaining to the CSR rules and Amendments 2021 issued by the Ministry of Corporate Affairs. The Bank is in the process of spending the same in the current Financial Year.

Sd/-

Govind Singh
DIN: 02470880
Managing Director & CEO

Sd/-

Mr. Puranam Hayagreeva Ravikumar
DIN: 00280010
Chairman CSR Committee

10/25-26, 2nd Floor, Brindaban, Thane (W) - 400 601
T: +91 22 25345648 | +91 22 25432704
E: snaco@snaco.net | W: www.snaco.net
ICSI Unique Code: P1991MH040400

Form No. MR- 3 Secretarial Audit Report For the Financial Year Ended March 31, 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804
S-24/1-2, First Floor,
Mahavir Nagar, Orderly Bazar,
Varanasi - 221002

We have conducted the Secretarial Audit of the compliance with applicable statutory provisions and the adherence to good corporate practices by **Utkarsh Small Finance Bank Limited** (hereinafter called the "Bank") for the Financial Year ended **March 31, 2021**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Banks books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorised representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on **March 31, 2021**, complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on **March 31, 2021** according to the provisions of:

- i. The Companies Act, 2013 („the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 („SCRA) and the rules made thereunder;
- iii. The Depositories Act, 2018 and the Regulations and Bye-laws framed thereunder;
- iv. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings. - **Not Applicable to the extent of Overseas Direct Investment as there was no reportable event during the period under review**
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 („SEBI Act):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- **Not applicable as the Securities covered in the regulations were not listed on any stock exchange;**
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - d. Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 - **Not applicable as the Securities covered in the regulations were not listed on any stock exchange.**

- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client- **Not applicable as the Bank is not registered as Registrars to an Issue and Share Transfer Agents during the year under review;**
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - **Not applicable as the Equity shares of the Bank were not listed on any stock exchange;**
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - **Not applicable as the Securities covered in the regulations were not listed on any stock exchange**
- vi. The Management has informed that following laws are specifically applicable to the Bank: -
- a. The Banking Regulations Act, 1949;
 - b. Reserve Bank of India Act, 1934 and guidelines made there under;
 - c. Master circulars, directions, guidelines issued to Small Finance Banks by the Reserve Bank of India from time to time;
 - d. The Negotiable Instruments Act, 1881;
 - e. The Bankers Book Evidence Act, 1891;
 - f. The Unlawful Activities (Prevention) Act, 1967;
 - g. The Payment and Settlement Systems Act, 2007;
 - h. The Deposit Insurance and Credit Guarantee Corporation Act, 1961;
 - i. The Prevention of Money Laundering Act, 2002 and The Prevention of Money- Laundering (Maintenance of Records, etc.,) Rules, 2005;

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with regard to Meeting of the Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Listing Agreements entered into by the Bank with BSE Limited. - **To the extent applicable to the listed debt securities of the Bank.**

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above

We further report that: -

- The Board of Directors of the Bank is duly constituted with proper balance of Executive Director, Non-Executive Directors, Independent Directors and Woman Director(s). The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act
- Adequate notice is given to all Directors to schedule the Board / Committee Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except where consent of directors was received for receiving notice of meetings, circulation of the Agenda and notes on Agenda at a shorter notice. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting
- As recorded in the minutes, all decisions of the Board and Committees thereof were carried through with requisite majority

We further report that based on a) review of compliance mechanism established by the Bank, b) basis the Compliance Certificate(s) issued by the Managing Director & CEO and Chief Financial Officer and taken on record by the Board of Directors at their meeting(s) and c) efforts made by the Bank to further strengthen the compliance mechanism, we are of the opinion that the Bank has systems and processes that commensurate with the size and operations of the Bank, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines;

- as informed, the Bank has responded appropriately to notices received from various statutory/regulatory authorities including initiating actions for corrective measures, wherever found necessary

We further report that during the financial year ended March 31, 2021 following events have occurred which has a major bearing on the Banks affairs in pursuance of the laws, rules, regulations, guidelines, standards, etc.:



- The Bank has pursuant to RBIs approval and the approval of Members obtained at the Extra Ordinary General Meeting held on May 01, 2020 by way of Ordinary Resolution, amended its Memorandum of Association to Increase and reclassify its Authorised Share Capital to ₹ 1500,00,00,000/- (Rupees One Thousand Five Hundred Crore only) divided into: (a) 130,00,00,000 (One Hundred and Thirty Crore only) equity shares of ₹ 10/- (Rupees Ten only) each aggregating ₹ 1300,00,00,000/- (Rupees One Thousand Three Hundred Crore only) and (b) 20,00,00,000 (Twenty Crore only) preference shares of ₹ 10/- (Rupees Ten only) each aggregating ₹ 200,00,00,000/- (Rupees Two Hundred Crore only)
- The Bank has issued, allotted and listed on stock exchange, 1950 (One Thousand Nine Hundred and Fifty) unsecured, subordinated, redeemable, Tier II Bonds in the nature of Non-Convertible Debentures of face value of ₹ 10,00,000/- (Rupees Ten Lakh only) each, aggregating to ₹ 195,00,00,000 (Rupees One Hundred and Ninety Five Crore) only on a private placement basis on June 26, 2020
- The Bank has, pursuant to the decision taken by Board of Directors on August 26, 2020, withdrawn the application submitted to National Company Law Tribunal for the sanctioning the Composite Scheme of Arrangement between Utkarsh Small Finance Bank Limited ("USFBL") and Utkarsh CoreInvest Limited ("UCL") and their respective shareholders, under Section 230 of the Companies Act 2013
- Members of the Bank have at the Extra-Ordinary General Meeting held on December 28, 2020 approved Utkarsh Small Finance Bank Limited (USFBL) - Employee Stock Option Plan 2020 to grant, vest and allot, from time to time, and in one or more tranches, Options to or to the benefit of Eligible Employees (as defined in the Plan), to subscribe to such number of equity shares of the face value of ₹ 10/- (Rupees Ten only) of the Bank ("Equity Shares") but not exceeding in aggregate of 6,07,41,778 Equity Shares across all Notified Schemes (as defined in the Plan), at such price or prices, and on such terms and conditions, as may be determined by the Board in accordance with the provisions of the Notified Scheme(s) read with the Plan and in due compliance with the Act, and other applicable laws, rules and regulations
- The Bank has pursuant to RBI approval and approval obtained from members by way of special resolution at the Extraordinary General Meeting held on February 01, 2021, approved and adopted the restated Articles of Association consisting of Part A and Part B, as the Articles of Association of the Bank in total exclusion and substitution of the existing Articles of Association of the Bank in order to align the Articles of Association with the extant statutory and regulatory provisions and business requirements of the Bank.
- The Bank has pursuant to necessary approvals from Board and Shareholders, issued and allotted 89,061,647 Equity Shares at an issue price of ₹ 27/- per share (including premium of ₹ 17/- per share) aggregating to ₹ 2,404,664,469 on March 08, 2021 by way of preferential allotment on Private Placement basis
- The Bank has at the Extraordinary General Meeting held on March 03, 2021 revised the limit permitted for investment by Non Resident Indians and Overseas Citizen of India in the Bank from 10% to 24 % of the total paid up capital of the Bank both on repatriation and non-repatriation basis, provided however that the shareholding of each NRI or OCI in the Bank shall not exceed 5% of the equity share capital or such other limit as may be stipulated by RBI in each case, from time to time
- The Bank has filed Draft Red Herring Prospectus with Securities Exchange Board of India on March 05, 2021 for the purpose of making Initial Public Offer of its equity shares of face value of ₹ 10 each for cash, aggregating up to ₹ 13,500 million comprising a fresh issue of up to ₹ 7,500 million and an offer for sale aggregating up to ₹ 6,000 million by its Promoter, at a price to be determined as per applicable Regulations

This Report is to be read with our Letter of even date which is annexed as Annexure A and forms an integral part of this Report.

For **S. N. ANANTHASUBRAMANIAN & CO.**

Company Secretaries

ICSI Unique Code: P1991MH040400

Peer Review No.: 606/2019

Aparna Gadgil

Partner

ACS: 14713 | COP No. 8430

UDIN: A014713C000413276

Place: Thane
Date: June 02, 2021

ANNEXURE- D (A)

To,
The Members,
Utkarsh small Finance Bank Limited
CIN: U65992UP2016PLC082804
S-24/1-2, First Floor,
Mahavir Nagar, Orderly Bazar,
Varanasi – 221002.

Our Secretarial Audit Report for the Financial Year ended March 31, 2021, of even date, is to be read along with this letter.

Management's Responsibility

1. It is the responsibility of the management of the Bank to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditor's Responsibility

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Bank with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Banks management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the managements representation about the compliance of laws, rules and regulations and happening of events etc.

Disclaimer

5. Due to the pandemic caused by COVID-19 and prevailing lockdowns/ restrictions on movement of people imposed by the Government, for the purpose of issuing this report we have conducted our audit remotely based on the records and information made available to us by the Bank electronically.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

For **S. N. ANANTHASUBRAMANIAN & CO.**
Company Secretaries
ICSI Unique Code: P1991MH040400
Peer Review No.: 606/2019

Aparna Gadgil

Partner

ACS: 14713 | COP No. 8430

UDIN: A014713C000413276

Place: Thane
Date: June 02, 2021

Independent Auditor's Report

To the Members of Utkarsh Small Finance Bank Limited Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Utkarsh Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2021, the Profit and Loss Account and the Cash Flow Statement for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2021, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and Rules thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Emphasis of Matter

We draw attention to Note 18.47 of Schedule 18 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank's operations and financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matter
<p>Information Technology (IT) Controls Framework</p> <p>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</p>	<p>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.</p> <p>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</p>

Key Audit Matters

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.

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 ₹ 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.

How our audit addressed the key audit matter

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 documentation/record/reports, observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our tests.

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.

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 those guidelines by the Bank.



Key Audit Matters

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

How our audit addressed the key audit matter

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.

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.

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";
- h. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act;

In our opinion and to the best of our information and according to the explanations given to us, requirements prescribed under section 197 of the Act is not applicable by Virtue of section 35B (2A) of the Banking Regulation Act, 1949.

- i. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- (i) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 18.44 of Schedule 18 and Schedule 12 on Contingent Liabilities to the financial statements;
- (ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 18.42 of Schedule 18 to the financial statements in respect of such items as it relates to the Bank;
- (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Sd/-

Purushottam Nyati

Partner

Membership No. 118970

UDIN: 21118970AAAADB1587

Place: Mumbai

Date: April 25, 2021



Corporate Overview



Statutory Reports



Financial Statements

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.103523W/W100048

Sd/-

Purushottam Nyati

Partner

Membership No. 118970

UDIN: 21118970AAAADB1587

Place: Mumbai

Date: April 25, 2021



Corporate Overview



Statutory Reports



Financial Statements

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	1,19,23,882
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 Firm Registration No. 103523W/W100048

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

Sd/-
Purushottam Nyati
Partner
Membership No. 118970

Kajal Ghose
Director
DIN : 07702190

**Mr. Puranam Hayagreeva
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

Profit and Loss Account

for the year ended 31 March 2021

	Schedule	For the year ended 31 March 2021	For the year ended 31 March 2020
(₹ in '000s)			
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	54,50,572	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. 103523W/W100048

Sd/-
Purushottam Nyati
Partner
Membership No. 118970

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

Kajal Ghose
Director
DIN : 07702190

Govind Singh*
Managing Director & CEO
DIN : 02470880

Nutan Rane
Company Secretary
ACS 20260

Mr. Puranam Hayagreeva Ravikumar
Director
DIN : 00280010

Mukund Barsagade
Chief Financial Officer
FCA 048560

Place : Mumbai
Date : 25 April 2021

Place : Mumbai / *Gurugram
Date : 25 April 2021



Cash Flow Statement

for the year ended 31 March 2021

		(₹ in '000s)	
Sl. 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	15,14,366	25,04,150
	Adjustments for:-		
	Depreciation on fixed assets	2,95,770	2,54,078
	Depreciation on investments, net	1,93,011	616
	Amortization of premium on Held to Maturity Investment	1,05,630	74,694
	Profit on sale & Redemption of HTM portfolio	(1,50,264)	(6,886)
	Unrealised loss on external commercial borrowings	(18,475)	9,131
	Write-off of non performing advances	3,52,368	5,59,577
	Provision for standard advances and other contingencies	6,01,561	7,39,447
	Provision for non performing advances (net of reversal)	17,14,530	(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	(2,14,19,513)	(1,63,93,048)
	Increase in deposits	2,27,23,556	1,44,38,257
	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)	(18,30,251)
	Payment of direct taxes	(iii) (9,63,008)	(8,90,497)
	Net cash flow (used in) / generated from operating activities (A)	(8,34,629)	11,52,069
II	Cash flow from/(used in) investing activities		
	Addition to Premises		
	Purchase of fixed assets including capital work in progress	(7,93,685)	(4,55,907)
	Proceeds from sale of fixed assets	173	140
	Purchase of held to maturity securities	(45,30,968)	(27,65,661)
	Net cash flow (used in) investing activities (B)	(53,24,480)	(32,21,428)

Cash Flow Statement

for the year ended 31 March 2021

		(₹ in '000s)	
Sl. No	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
III	Cash flow from/(used in) Financing Activities		
	Proceeds from issue of share capital (net of share issue expenses)	23,70,384	6,00,000
	Net Proceeds / (repayments) from borrowings	(6,53,641)	1,24,43,564
	Net cash flow generated from financing activities (C)	17,16,743	1,30,43,564
IV	Net (decrease)/increase in cash and cash equivalents (A) + (B) + (C)	(44,42,366)	1,09,74,205
V	Cash and cash equivalents at the beginning of the period	1,61,40,526	51,66,321
VI	Cash and cash equivalents at the end of the period	1,16,98,160	1,61,40,526
	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)	27,49,383	19,16,581
(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)	83,00,000	1,40,50,000
	Cash and cash equivalents at the end of the year	1,16,98,160	1,61,40,526

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 - Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

As per our report of even date attached for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

Sd/-
Purushottam Nyati
Partner
Membership No. 118970

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

Kajal Ghose
Director
DIN : 07702190

Govind Singh*
Managing Director & CEO
DIN : 02470880

Nutan Rane
Company Secretary
ACS 20260

Mr. Puranam Hayagreeva Ravikumar
Director
DIN : 00280010

Mukund Barsagade
Chief Financial Officer
FCA 048560

Place : Mumbai
Date : 25 April 2021

Place : Mumbai / *Gurugram
Date : 25 April 2021

Schedules Forming Part of the Balance Sheet

as at 31 March 2021

SCHEDULE 1 – CAPITAL

(₹ in '000s)

	As at 31 March 2021	As at 31 March 2020
Authorised Capital		
1,300,000,000 Equity shares of ₹ 10/- each (31 March 2020: 1,000,000,000 Equity shares of ₹ 10/- each)	1,30,00,000	1,00,00,000
200,000,000 Preference shares of ₹ 10/- each (31 March 2020: Nil)	20,00,000	-
Issued, subscribed and fully paid-up capital		
848,333,869 Equity shares of ₹ 10/- each (31 March 2020: 759,272,222 Equity shares of ₹ 10/- each)	84,83,339	75,92,722
Total	84,83,339	75,92,722

SCHEDULE 2 – RESERVES AND SURPLUS

(₹ in '000s)

	As at 31 March 2021	As at 31 March 2020
1. Statutory Reserve		
Opening balance	7,13,664	2,46,807
Addition during the year	2,79,538	4,66,857
Deduction during the year	-	-
Total	9,93,202	7,13,664
2. Investment Fluction Reserve		
Opening balance	52,414	13,172
Addition during the year	1,36,658	39,242
Deduction during the year	-	-
Total	1,89,072	52,414
3. Share Premium		
Opening balance	3,77,778	-
Addition during the year	15,14,048	3,77,778
Deduction during the year	34,281	-
Total	18,57,545	3,77,778
4. Capital Reserve[#]		
Opening balance	3,588	-
Addition during the year	84,297	3,588
Deduction during the year	-	-
Total	87,885	3,588
5. Balance in Profit and Loss Account	20,72,483	14,54,825
TOTAL (1+2+3+4+5)	52,00,187	26,02,269

[#]Amount transferred to capital reserve represents gain on sale of HTM investments Schedule 2 – Rese

SCHEDULE 3 – DEPOSITS

	(₹ in '000s)	
	As at 31 March 2021	As at 31 March 2020
A. 1. Demand Deposits		
i) From banks	60,164	78,254
ii) From others	15,37,561	11,13,372
Total	15,97,725	11,91,626
2. Savings Bank Deposits	1,16,72,199	58,75,021
3. Term Deposits		
i) From banks	2,22,61,621	1,83,90,201
ii) From others	3,95,44,136	2,68,95,277
Total	6,18,05,757	4,52,85,478
TOTAL (1 to 3)	7,50,75,681	5,23,52,125
B. i. Deposits of branches in India	7,50,75,681	5,23,52,125
ii. Deposits of branches outside India	-	-
TOTAL	7,50,75,681	5,23,52,125

SCHEDULE 4 – BORROWINGS

	(₹ in '000s)	
	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	10,00,000
iii) Other institutions and agencies *		
a) Government of India	-	-
b) Financial institutions	2,10,19,900	2,25,15,000
iv) Capital instruments		
a) Borrowing in the form of bonds and debentures (subordinated debt included in Tier 2 capital)	23,50,000	4,00,000
v) Other borrowings**	1,46,964	1,66,205
Total borrowings in India	2,44,86,864	2,50,61,205
2. Borrowings outside India #		
i) Capital instruments		
a) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	15,00,000	15,00,000
ii) Debentures	-	-
iii) Other borrowings	91,388	1,89,163
Total borrowings outside India	15,91,388	16,89,163
TOTAL (1 + 2)	2,60,78,252	2,67,50,368
Secured borrowings included in 1 and 2 above	9,81,388	12,13,963

*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 Debenture

**Represents payable under lease obligation

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

	(₹ in '000s)	
	As at 31 March 2021	As at 31 March 2020
1. Bills payable	3,87,406	85,592
2. Inter office adjustments (net)	-	-
3. Interest accrued	28,81,992	23,29,727
4. Provision against standard assets	3,83,459	3,10,671
5. Others (including provisions)	28,88,807	20,19,687
TOTAL (1 to 5)	65,41,664	47,45,677

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

	(₹ in '000s)	
	As at 31 March 2021	As at 31 March 2020
1. Cash in hand	6,27,425	4,12,741
2. Balances with Reserve Bank of India		
i) In current account	21,21,958	15,03,840
ii) In other accounts	-	-
TOTAL (1 + 2)	27,49,383	19,16,581

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

	(₹ in '000s)	
	As at 31 March 2021	As at 31 March 2020
1. In India		
i) Balances with banks		
a) In current accounts	6,20,204	1,38,122
b) In other deposit accounts	28,573	35,823
ii) Money at call and short notice		
a) With banks	83,00,000	1,40,50,000
b) With other institutions	-	-
Total (i+ii)	89,48,777	1,42,23,945
2. Outside India		
In current accounts	-	-
In other deposits accounts	-	-
Money at call and short notice	-	-
Total	-	-
TOTAL (1 + 2)	89,48,777	1,42,23,945

SCHEDULE 8 – INVESTMENTS

	(₹ in '000s)	
	As at 31 March 2021	As at 31 March 2020
1. Investments in India (net of provisions)		
i) Government securities *	2,14,87,347	1,19,23,882
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	11,68,299	-
v) Subsidiaries / joint ventures	-	-
vi) Others (certificate of deposits and mutual funds)	4,83,710	-
Total	2,31,39,356	1,19,23,882
2. Investments Outside India (net of provisions)		
i) Government securities	-	-
ii) Subsidiaries / joint ventures	-	-
iii) Others (equity shares and bonds)	-	-
Total	-	-
TOTAL (1 + 2)	2,31,39,356	1,19,23,882
3. Investments		
i) Gross value of investments		
a) In India	2,33,32,982	1,19,24,498
b) Outside India	-	-
	2,33,32,982	1,19,24,498
ii) Provision for depreciation		
a) In India	1,93,626	616
b) Outside India	-	-
	1,93,626	616
iii) Net value of investments		
a) In India	2,31,39,356	1,19,23,882
b) Outside India	-	-
	2,31,39,356	1,19,23,882

* Include securities of ₹ 647.86 crore (31 March 2020: ₹ 30.41 crore) pledged for clearing facilities and margin requirement

SCHEDULE 9 – ADVANCES (NET OF PROVISIONS)

	(₹ in '000s)	
	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	6,68,320	3,91,303
iii) Term loans	8,15,00,255	6,24,24,657
Total	8,21,68,575	6,28,15,960
B.		
i) Secured by tangible assets (includes advances against fixed deposits and book debts)	1,13,55,939	52,36,407
ii) Covered by Bank/Government guarantees	1,512	-
iii) Unsecured	7,08,11,124	5,75,79,553
Total	8,21,68,575	6,28,15,960

(₹ in '000s)

	As at 31 March 2021	As at 31 March 2020
C.1 Advances in India		
i) Priority sector*	7,05,92,070	5,73,69,462
ii) Public sector	-	-
iii) Banks	-	39,072
iv) Others	1,15,76,505	54,07,426
Total	8,21,68,575	6,28,15,960
C.2 Advances Outside India		
i) Due from banks	-	-
ii) Due from others	-	-
a) Bills purchases and discounted	-	-
b) Syndicated loans	-	-
c) Others	-	-
Total	-	-
TOTAL (C.1 + C.2)	8,21,68,575	6,28,15,960

SCHEDULE 10 - FIXED ASSETS

(₹ in '000s)

	As at 31 March 2021	As at 31 March 2020
1. Premises		
i) At cost at 31 March of the preceding year	1,21,202	1,21,202
ii) Additions during the year	-	-
iii) Deductions during the year	-	-
iv) Accumulated depreciation to date	-	-
Total	1,21,202	1,21,202
2. Other Fixed Assets (including furniture and fixtures)		
i) At cost at 31 March of the preceding year	13,37,171	9,17,013
ii) Additions during the year	4,40,607	4,64,734
iii) Deductions during the year	1,047	44,576
iv) Accumulated depreciation to date	7,64,202	5,02,266
Total	10,12,529	8,34,905
3. Leased Assets		
i) At cost at 31 March of the preceding year	2,26,984	2,08,977
ii) Additions during the year	11,074	18,007
iii) Deductions during the year	-	-
iv) Accumulated depreciation to date	1,19,032	85,862
Total	1,19,026	1,41,122
4. Capital Work in Progress	5,58,955	2,16,952
TOTAL (1 to 4)	18,11,712	13,14,181

SCHEDULE 11 – OTHER ASSETS

(₹ in '000s)

	As at 31 March 2021	As at 31 March 2020
1. Inter-office adjustment (net)	-	-
2. Interest accrued	7,43,578	8,18,828
3. Tax Paid in advance/tax deducted at source (net of provision)	3,25,082	95,366
4. Stationery and stamps	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-
6. Deferred Tax Asset (net)	5,79,709	3,75,142
7. Others	9,12,951	5,59,276
TOTAL (1 to 7)	25,61,320	18,48,612

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	2,13,050	-
ii) Outside India	-	-
6. Acceptances, endorsements and other obligations	-	-
7. Other items for which the bank is contingently liable	4,07,677	1,99,445
TOTAL (1 to 7)	6,20,727	1,99,445

SCHEDULE 13 – INTEREST EARNED

(₹ in '000s)

	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Interest / discount on advances / bills	1,38,57,437	1,19,22,724
2. Income on investments	14,86,918	9,47,580
3. Interest on balance with Reserve Bank of India and Other inter bank funds	4,65,184	2,05,550
4. Others	334	1,013
TOTAL (1 to 4)	1,58,09,873	1,30,76,867

SCHEDULE 14 – OTHER INCOME

(₹ in '000s)

	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Commission, exchange and brokerage	3,66,230	2,84,491
2. Profit/(Loss) on sale/redemption of Investments (net)	1,51,626	7,500
3. Miscellaneous Income	9,23,645	6,93,562
TOTAL (1 to 3)	14,41,501	9,85,553



SCHEDULE 15 – INTEREST EXPENDED

	(₹ in '000s)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Interest on deposits	47,95,455	41,36,774
2. Interest on Reserve Bank of India / Inter-bank borrowings	64,174	58,165
3. Others	25,57,778	15,99,687
TOTAL (1 to 3)	74,17,407	57,94,626

SCHEDULE 16 – OPERATING EXPENSES

	(₹ in '000s)	
	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Payments to and provisions for employees	32,62,041	26,21,609
2. Rent, taxes and lighting	3,54,994	3,49,112
3. Printing and stationery	91,725	1,09,186
4. Advertisement and publicity	17,703	55,443
5. Depreciation on Bank's property	2,95,770	2,54,078
6. Director's fees allowances and expenses	13,721	9,774
7. Auditors' fees and expenses	13,033	13,364
8. Law charges	1,00,457	1,45,370
9. Postage, telegrams, telephones, etc.	1,11,203	89,347
10. Repairs and maintenance	92,891	1,22,834
11. Insurance	52,664	28,313
12. Other expenditure*	10,44,370	9,66,411
TOTAL (1 to 12)	54,50,572	47,64,841

* Includes professional charges, service charges for core banking software and ATM, traveling and other expenses

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICY

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

N Cash and cash equivalents

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

O Cash Flow Statements

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

P Segment reporting

The disclosures relating to segment reporting is done 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 April 07, 2016 trades in Priority Sector portfolio by selling or buying Priority Sector Lending Certificates (PSLCs). There is no transfer of risk on loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received for the sale of PSLCs is treated as 'Miscellaneous Income'.

R Impairment of Assets

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

S Corporate Social Responsibility

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



SCHEDULE 18 – SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

18.1.1 Capital

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

Particulars	(₹ in '000s)	
	As at 31 March 2021	As at 31 March 2020
i) Common Equity Tier 1 (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:

- The Bank has followed Basel II Capital Regulations dated 01 July 2015 and amended thereafter for the purpose of Capital Adequacy Ratio in accordance with the operating guidelines for small finance banks as issued by RBI on 08 October 2016.
- The Bank has followed Master Circular No. DBR.No.BP.BC.4/21.06.001/2015-16 on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) issued by RBI dated 01 July 2015 for the purpose of computing Capital Adequacy Ratio as at 31 March 2021.
- 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 '000s)					
Particulars	Nature of Security	Date of Issue	Coupon Rate %	Tenure	Amount
Nil					
Total					-

Note: On 20 June 2020, the Bank issued “12.50% Non Convertible Debentures (NCDs)” to IDFC First Bank Limited aggregating ₹ 195 crores. Necessary RBI reporting was done on 29 June 2020. Department of Regulation, RBI Central Office, vide its letter dated 13 January 2021 has advised us that the offer document of the NCDs not being in compliant with relevant RBI instructions, these instruments do not qualify for inclusion in Tier II capital. The Bank, basis the legal opinion obtained in the matter and having reviewed the relevant documentation, is of the view that the said issue of NCDs is in compliance with RBI guidelines. The Bank, vide its letter dated 10 March 2021 has made a detailed submission 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 ₹ 599,999,994 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

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	1,192.45
(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	1,192.39
(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	0.81	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	1,272.43
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 05 November 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 31 March 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)

	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)

Sl. No.	Particular	For the year ended 31 March 2021			Interest rate derivatives
		Currency 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	-	-	-	-

(₹ in crore)

Sl. No.	Particular	For the year ended 31 March 2021			Interest rate derivatives
		Currency derivatives			
		Forward Contract	Currency Option	Currency Swap	
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	-	-	-
		Nil	-	-	-
	b) on trading	Nil	-	-	-
		Nil	-	-	-

* Pertains to cross currency swap

(₹ in crore)

Sl. No.	Particular	For the year ended 31 March 2020			Interest rate derivatives
		Currency 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	-	-	-
		Nil	-	-	-
	b) on trading	Nil	-	-	-
		Nil	-	-	-

* Pertains to cross currency swap

Strategic Debt Restructuring

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

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as 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)

(₹ in crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March 2020		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
-	-	-	-	-	-	-	-	-

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 structuring of stressed assets (S4A) is implemented.

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:

Particulars	(₹ in crore)	
	As at 31 March 2021	As at 31 March 2020
Provisions on Standard Assets	38.35	31.07

Technical Write-off:

Sl. No.	Particulars	(₹ in crore)	
		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

18.4.2 Particulars of Restructured Accounts:

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

(₹ 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 invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan #
Personal Loans	60,289.00	171.03	-	-	34.21
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	38,186.00	112.60	-	-	22.52
Total **	98,475.00	283.63			56.73

Offer 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 31 March 2021 Out of above, restructured loans amounting to ₹ 20.39 crores, has been pre-closed or classified as NPA and accordingly restructuring provision as on 31 March 2021 is amounting to ₹ 52.65 crores

#Provision has been made over and above the extant RBI guidelines

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

Particulars	(₹ in crore)	
	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	-	-
(i) (b) Aggregate Outstanding	-	-
(ii) (a) Of these, number of accounts restructured during the year	-	-
(ii) (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 securitised including loans placed as collateral	-	-
(iv) Sale consideration received for loans securitised	-	-
(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 crore)

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 ⁴ (Working funds ¹)	1.04%	2.47%
(v) Business ³ (Deposit plus Net Advance) per employee ⁵	1.47	1.26
(vi) Profit per employee ^{5*}	0.01	0.02

Notes:

- Working funds represents the monthly average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
- Operating profit is net profit/ (loss) for the year before provisions and contingencies.
- “Business” is the total of net advances and deposits (net of inter-bank deposits).
- Return on Assets is net profit/ (loss) after tax divided by working funds.
- Productivity ratios are based on average employee number.

*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	1,253.99	-	-
(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	195.54	-	-
Total	8,216.86	2,313.94	7,507.57	2,607.82	-	9.14

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	16.45	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	50.67	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 ₹ 9.14 crore (31 March 2020: ₹ 18.92 crore)

Note:

- 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.
- 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.
- 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

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	-	-

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(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.

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.

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.

(₹ in crore, except per share data)

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.

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, except per share data)

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	2.66	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 15.



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 asset	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

(₹ in crore)

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.



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 DBR.BP. BC No.23/21.04.018/2015-16 dated 01 July 2015 and amendments thereto, the following business segments have been disclosed:

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

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

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

Other Banking Operations: Till March 2020, it Includes other activities like sale of PSL certificates, para 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	1,459.86	213.38	-	1,725.14
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue	51.90	1,459.86	213.38	-	1,725.14
Segment Results	(43.84)	168.20	27.08	-	151.44
Unallocated expenses					-
Operating Profit/(Loss)	(43.84)	168.20	27.08	-	151.44
Income Tax expense (including deferred tax)					39.62
Net Profit	(43.84)	168.20	27.08		111.82
Segment Assets	503.74	7,798.90	3,533.89	-	11,836.54
Unallocated Assets					301.38
Total Assets					12,137.91
Segment Liabilities	3,634.22	4,491.45	2,628.30	-	10,753.98
Unallocated Liabilities					15.58
Capital & Reserves					1,368.35
Total Liabilities					12,137.91
Capital expenditure	-	-	-	-	45.17
Depreciation	-	-	-	-	29.58

(₹ in crore)

Particulars	For the year ended 31 March 2020				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	37.40	1,235.40	116.09	17.35	1,406.24
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue					1,406.24
Segment Results	(105.58)	295.22	43.44	17.35	250.43
Unallocated expenses					0.02
Operating Profit/(Loss)					250.41
Income Tax expense (including deferred tax)					63.67
Net Profit					186.74
Segment Assets	310.08	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	-	-	-	-	48.27
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 as per MIS for internal reporting purpose and relied upon by the auditors

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

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.

(₹ in crore)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Nutan Rane (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 31 March 2021	31.54	1.83	0.09	1.25	0.23	0.00*	0.00*	34.94
Amount deposited during the year (excluding CASA deposit)	19.52	-	-	0.00*	-	-	-	19.52
Amount repaid during the year (excluding CASA deposit)	13.60	-	-	0.00*	-	-	-	13.60
Maximum deposit outstanding during the year	31.61	2.40	1.85	1.47	0.28	0.03	0.00*	37.64
Interest paid	2.11	0.07	0.00*	0.04	0.01	0.00*	0.00*	2.23
Remuneration to KMP	-	-	-	2.38**	1.05	0.33	-	3.76
Equity shares issued	-	-	-	-	-	-	-	-
Contribution towards CSR & CER	-	2.30	-	-	-	-	-	2.30
ESOP cost cross charged (Refer Schedule 17.1)	1.40	-	-	-	-	-	-	1.40
Service charge for collections	0.01	-	-	-	-	-	-	0.01
Rent for office space	0.08	-	-	-	-	-	-	0.08
ESOP granted	-	-	-	-	0.55	-	-	0.55
Transactions (collection and payment) carried out on behalf of Bank	0.88	-	-	-	-	-	-	0.88
Amount Payable/ (Recoverable)	0.62	-	-	-	-	-	-	0.62

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

** Includes provision for annual bonus for FY 2019-20 of ₹ 0.25 crore and salary increment for FY 2020-21 of ₹ 0.29 crore

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 2020.

(₹ in crore)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Nutan Rane (CS)	KMP: Vinay Prakash Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 31 March 2020	23.73	1.15	0.06	0.02	0.06	0.00*	-	0.00*	25.02
Amount deposited during the period (excluding CASA deposit)	208.59	-	-	0.00*	-	-	-	-	208.59
Amount repaid during the period (excluding CASA deposit)	262.12	-	-	0.00*	-	-	-	-	262.12
Maximum deposit outstanding during the year	74.00	1.38	2.34	0.15	0.17	0.04	-	0.00*	78.08
Interest paid	3.66	0.05	0.05	0.00*	0.01	0.00*	-	0.00*	3.77
Service charges collected	-	-	-	-	-	-	-	0.00*	-
Remuneration to KMP	-	-	-	2.16	1.01	0.14	0.15	-	3.46
Equity shares issued**	59.99	-	-	-	-	-	-	-	59.99
Contribution towards CSR	-	1.00	-	-	-	-	-	-	1.00
ESOP cost cross charged (Refer Schedule 17.1)	1.74	-	-	-	-	-	-	-	1.74
Service charge for collections	0.03	-	-	-	-	-	-	-	0.03
Rent for office space	0.08	-	-	-	-	-	-	-	0.08
ESOP granted	-	-	-	-	0.73	-	-	-	0.73
Transactions (collection and payment) carried out on behalf of Bank	2.35	-	-	-	-	-	-	-	2.35
Amount Payable/ (Recoverable)	0.70	-	-	-	-	-	-	-	0.70

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

** during the year Nil (31 March 2020: 2,22,22,222 upon conversion of CCD into common equity) equity shares of ₹ 10 each on 18 September 2019.

Note:

- As the provisions for gratuity and leave benefits are made for the Bank as a whole, the amounts pertaining to the Key Management Personnel are not specifically identified and included above.
- Refer note 18.10 on ESOP grant to MD & CEO

18.14 Leases
Operating Lease

Lease payments made under cancellable operating lease amounting to ₹ 35.50 crores (31 March 2020 : ₹ 34.91 crores) disclosed as rent under Schedule 16 and the same have been recognized as an expense in the Profit and Loss Account. There are one sublease agreement with Utkarsh CoreInvest Limited ("the Holding Company").

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

(₹ in crore)

Particulars	As at 31 March 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:

(₹ in crore)

Particulars	Future MLP	Interest not due	Present Value of MLP
Due within one year	5.30	1.56	3.74
Due later than one year and not later than five years	12.74	2.32	10.42
Due later than five years	0.60	0.06	0.54
Total	18.64	3.94	14.70

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	4.69	1.70	2.99
Due later than one year and not later than five years	16.15	3.20	12.95
Due later than five years	0.77	0.08	0.69
Total	21.61	4.98	16.63

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	37.45	22.31
Unamortised processing fees on advances	14.95	11.02
Finance lease	3.36	4.18
Provision against Lease Equalisation	2.58	1.83
Provision on Casual Leave	0.82	0.72
Others	0.20	-
	59.36	40.06

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Deferred tax liabilities:		
Depreciation on fixed assets	0.66	1.76
Gain on mark to mark on external commercial borrowings	-	0.04
Unamortised processing fee on borrowings	0.73	0.75
	1.39	2.55
Net deferred tax assets / (liability)	57.97	37.51

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. Payment made to suppliers (other than interest) beyond the appointed day during the year	5.02	-
d. Interest paid to suppliers under MSMED Act (Section 16)	-	-
e. Interest due and payable towards suppliers under MSMED Act for payments already made	0.07	-
f. Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (including interest mentioned in (e) above)	0.07	-

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	280
2	Number of complaints received during the year	25,170	27,632
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.

18.17.2 Top five grounds of complaints received by the bank from customers:

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
As at 31 March 2021					
Ground - 1 (Internet/ Mobile/Electronic Banking)	10	5617	24%	33	0
Ground - 2 (ATM/Debit Cards)	15	2720	(33%)	40	1
Ground - 3 (Loans and advances)	0	1372	(58%)	1	0
Ground - 4 (Account opening/difficulty in operation of accounts)	7	390	286%	13	0
Ground - 5 (Staff behaviour)	0	201	(41%)	1	0
Others	19	14870	(3%)	169	0
Total	51	25170	(9%)	257	1
As at 31 March 2020					
Ground - 1 (Internet/ Mobile/Electronic Banking)	28	4537	86%	10	0
Ground - 2 (ATM/Debit Cards)	8	4072	344%	15	3
Ground - 3 (Loans and advances)	53	3230	(0.31%)	0	0
Ground - 4 (Staff behaviour)	0	342	11300%	0	0
Ground - 5 (Mis-selling/ Para-banking)	0	166	774%	0	0
Others	191	15285	70%	26	0
Total	280	27632	77%	51	3

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

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-

Particulars	(₹ in crore)		
	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 pervious 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.	-	-

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	



(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
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	107.59
xii) Technical write off	35.24	55.96
xiii) Provision for fixed assets	-	-
xiv) Provision of other assets >180 days outstanding	-	-
Total	326.52	163.55

18.24 Drawdown 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 31 March 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	(2.01)
AFS portfolio reduced from ₹ 362.8 crores (30 September 2019) to ₹ 262.0 crores as on 31 March 2020 and therefore draw down on ₹ 100.7 crores @ 2%	
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 deposits	26.99%	36.26%

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 on 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



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)	7,249.75	303.42	4.19%
B	Non Priority Sector			
1	Agriculture and allied activities	1.39	0.01	0.00%
2	Industry	4.07	0.07	0.01%
	All Engineering	0.44	0.00	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	1.02%
	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	0.30	0.01%
	Wood and wood products	39.96	0.33	0.01%

(₹ 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
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)	5,761.04	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	499.45	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.

18.29 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

Particulars	(₹ in crore)	
	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.

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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 to securitisation transactions other than MRR	-	-
a) Off-balance sheet exposures	-	-
i) Exposure to own securitizations	-	-
* First loss	-	-
* loss	-	-
ii) Exposure to third party securitizations	-	-
* First loss	-	-
* Others	-	-

(₹ in crore)

Particulars	As at 31 March 2021	As at 31 March 2020
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. Puranam Hayagreeva Ravikumar and one Nominee Director viz Ms. Anita Ramachandran

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 his/her specialisation commensurate with the proposed role and responsibility as Director, KMP or SMP and shall have the ability to manage the responsibility assigned to him/her.
- ii) To ensure that the Bank appoints or continues the employment of any person as Managing Director / Whole-time Director subject to the conditions laid down under Part I of Schedule V of the Companies Act, 2013 and in line with extant RBI guidelines and relevant provisions of the Banking Regulation Act 1949.
- iii) To ensure that the Bank shall appoint or continue the service of any person as Independent Director subject to the provisions of Section 149 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and Banking Regulation Act 1949.
- iv) Appointment for any Senior Management Personnel (Executives one level below the MD & CEO) shall be approved by the Committee, subject to the candidate having been interviewed by at least two (2) members of the Committee. Basis the recommendation of the panel members, the Committee may approve the appointment. Appointment of any executive whose fixed salary exceeds ₹ 0.7 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 directors' performance.
5. To formulate the criteria for determining qualifications, positive attributes and independence of a director.
6. To recommend to the Board a policy, relating to the remuneration for directors, Key Managerial Personnel, Senior Management Personnel and other employees.



7. To formulate criteria for payment to Key Managerial Personnel and Senior Management Personnel performance based incentives / rewards based on Bank's performance.
8. Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
9. Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
10. Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
11. Review and recommend to the Board for approval the appointment of Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the Bank (including remuneration policy for directors and key managerial personnel) the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Bank including the Managing Director & CEO, other Whole-time Directors and senior managers one level below the Board.
12. Review and recommend to the Board for approval the total increase in manpower cost budget of the Bank as a whole, at an aggregate level, for the next year.
13. Recommend to the Board the compensation payable to the Non-Executive Chairman of the Bank.
14. Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any material changes in the organization structure which could have wide ranging implications.
15. Review and recommend to the Board for approval of various other HR related policies including the Talent Management Policy and Succession Policy in the Bank for ensuring business continuity, especially at the level of Board, MD & CEO, other Whole Time Directors, Senior Management Personnel (one level below the MD & CEO and other key roles).
16. Review and recommend to the Board for approval:
 1. the creation of new positions one level below MD & CEO, wherever required
 2. appointments, promotions and exits of senior managers one level below the MD & CEO"

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

The Bank has engaged M/s Aon 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 meritocracy and performance based on a prudent risk management framework.

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

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

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 at an organizational / Functional / Individual the bank decided on percentage of salary increments to be given at various levels of performance.

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

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

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

The fraction of deferral to be considered is dependent upon –

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

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

The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. This policy deals with the deferred payment of variable pay and claw back rule. In the year ended 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 (sitting fees)	0.11	0.06
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.	<p>For MD & CEO Annual Cash Bonus of 0.45 crores for FY 19 -20 has been split into the following In FY 19 -20 - 0.25 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 Apart from that the UCL ESOPs offered to VP and above employees have deferral clauses as per the existing UCL - ESOP scheme</p>	
3(ii)	Total amount of deferred remuneration paid out in the year.	-	-
4	Breakdown of amount of remuneration awards for the year *	-	-
	Fixed	Fixed : 7.12	Fixed CTC: 13.73
	Variable	Variable: 0.76	Variable: 1.52
	Deferred	Deferred: Nil	Deferred: Nil
	Non-deferred	Non-deferred: 7.88	Non-deferred: 15.25
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.	-	-

(₹ in crore, except numbers)

Sr. No.	Particulars	As at 31 March 2021	As at 31 March 2020
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
7(i)	Number of cases where malus has been exercised.	-	-
7(ii)	Number of cases where clawback has been exercised.	-	-
7(iii)	Number of cases where both malus and clawback have been exercised.	-	-
8	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	0.03 crores & 55 times	0.03 crores & 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.23/29.67.001/2019-20 dtd 04 November 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

1. 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 channelizes various business segments of the Bank to target good quality asset and liability profile to meet the Bank's profitability as well as Liquidity requirements with the help of robust MIS and Risk Limit architecture of the Bank.

The Bank has been maintaining HQLA (Level 1) primarily in the form of Excess CRR, excess SLR investments over and above mandatory requirement.

Quantitative Disclosures

Following is the quantitative disclosures relating to LCR for the year ended 31 March 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)		3,067.22		3,205.44		3,091.52		2,574.50
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	3,240.53	318.25	2,783.47	274.84	2,438.16	241.03	2,027.60	199.61
(i) Stable Deposits	116.15	5.81	70.04	3.50	55.69	2.78	63.14	3.16
(ii) Less Stable Deposits	3,124.38	312.44	2,713.43	271.34	2,382.47	238.25	1,964.46	196.45
3 Unsecured wholesale funding, of which:	1,851.36	1,294.60	1,388.55	933.62	1,348.67	855.10	1,165.63	711.71
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	755.49	198.73	609.13	154.20	576.09	82.52	551.26	97.34
(iii) Unsecured debt	1,095.87	1,095.87	779.42	779.42	772.58	772.58	614.37	614.37
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	320.34	16.02	303.14	15.16	276.29	13.81	242.31	12.12
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	320.34	16.02	303.14	15.16	276.29	13.81	242.31	12.12



(₹ in crore)

	Three months ended 31 March 2021		Three months ended 31 December 2020		Three months ended 30 September 2020		Three months ended 30 June 2020	
	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount
6 Other contractual funding obligations	559.55	559.55	472.71	472.71	252.57	252.57	129.37	129.37
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 TOTAL CASH OUTFLOWS		2,188.42		1,696.33		1,482.84		1,052.81
Cash Inflow								
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	481.02	240.51	459.50	229.75	164.11	82.06	-	-
11 Other cash inflows	128.24	128.24	219.85	219.85	217.85	217.85	71.69	71.69
12 TOTAL CASH INFLOWS	609.26	368.75	679.35	449.60	381.96	299.91	71.69	71.69
13 TOTAL HQLA		3,067.22		3,205.44		3,091.52		2,574.50
14 Total Net Cash Outflows (8-12)		1,819.67		1,246.73		1,182.93		981.12
15 25% of Total Cash outflows [8*0.25]		547.10		424.08		370.71		263.20
16 Total Net Cash Outflows [Higher of 14 or 15]		1,819.67		1,246.73		1,182.93		981.12
Liquidity Coverage Ratio (%)		168.56%		257.11%		261.34%		262.41%

Following is the quantitative disclosures 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)		1,555.86		1,286.38		1,214.61		967.85
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	1781.38	175.02	1544.06	138.17	1283.73	114.83	1016.75	90.82
(i) Stable Deposits	62.34	3.12	324.64	16.23	270.86	13.54	217.06	10.85
(ii) Less Stable Deposits	1719.04	171.90	1219.42	121.94	1012.87	101.29	799.69	79.97
3 Unsecured wholesale funding, of which:	1544.32	901.41	1166.91	630.32	1106.69	597.81	976.34	532.99
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	881.42	238.51	705.46	168.87	703.66	194.78	630.34	186.99
(iii) Unsecured debt	662.90	662.90	461.45	461.45	403.03	403.03	346.00	346.00

(₹ 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
4 Secured wholesale funding		-		-		20.09		12.10
5 Additional requirements, of which	202.58	10.13	207.09	10.36	190.72	9.54	158.44	7.92
(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	202.58	10.13	207.09	10.36	190.72	9.54	158.44	7.92
6 Other contractual funding obligations	28.50	28.50	14.50	14.50	9.83	9.83	80.00	57.56
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 TOTAL CASH OUTFLOWS		1115.06		793.35		752.10		701.39
Cash Inflow								
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	463.85	231.92	425.29	212.64	388.46	194.23	360.19	180.10
11 Other cash inflows	177.43	177.43	286.65	286.65	387.69	387.69	560.19	560.19
12 TOTAL CASH INFLOWS	641.28	409.35	711.94	499.29	776.15	581.92	920.38	740.29
13 TOTAL HQLA		1555.86		1286.38		1214.61		967.85
14 Total Net Cash Outflows (8-12)		705.71		294.06		170.18		(38.90)
15 25% of Total Cash outflows [8*0.25]		278.77		198.34		188.03		175.35
16 Total Net Cash Outflows [Higher of 14 or 15]		705.71		294.06		188.03		175.35
Liquidity Coverage Ratio (%)		220.48%		437.47%		645.99%		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 run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors

18.37 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-20 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:

Particulars	(₹ in crore)	
	As at 31 March 2021	As at 31 March 2020
Number of frauds reported	30	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.

Particulars	(₹ in crore)	
	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.

Particulars	(₹ in crore)	
	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

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.

Particulars	₹ in crore)	
	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	13.53
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 Utkarsh Small Finance Bank (Bank) and Utkarsh 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 25 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 21 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 03 September 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 crore)
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.4/21.04.048/2021-22 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 19 April 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 31 March 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.

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 the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN:U65992UP2016PLC082804

Sd/-

Purushottam Nyati
Partner
Membership No. 118970

Kajal Ghose
Director
DIN : 07702190

Mr. Puranam Hayagreeva 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

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

We, Govind Singh, Managing Director & Chief Executive Officer and Mukund Barsagade, Chief Financial Officer of Utkarsh Small Finance Bank Limited (“the Bank”), hereby certify to the Board that:

- We have reviewed financial statement and the cash flow statement of the year and that to the best of our knowledge and belief:
 - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the Bank’s affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of our knowledge and belief, no transactions entered into by Bank during the year which are fraudulent, illegal or violative of the Bank’s Code of Conduct.
- We are responsible for establishing and maintaining internal controls for financial report in Bank and we have evaluated the effectiveness of the internal control systems of the Bank pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- We have indicated to the Auditors and the Audit committee.
 - Significant changes in internal control over financial reporting during the year;
 - Significant changes in accounting policies during the year and the same have been disclosed in the Notes of the financial statements; and
 - Instances of significant fraud of which we have become aware and involvement therein; if any, of the Management or an employee having a significant role in the Bank’s internal control system over financial reporting.
- We affirm that we have not denied any personnel access to the Audit Committee of the Bank (in respect of matters involving alleged misconduct, if any).

Sd/-

Govind Singh

Managing Director & CEO

Sd/-

Mukund Barsagade

Chief Financial Officer



Corporate Overview



Statutory Reports



Financial Statements

Partners in Progress

PUBLIC SECTOR BANKS



DEVELOPMENT FINANCIAL INSTITUTIONS



PRIVATE SECTOR BANKS



FINANCIAL INSTITUTIONS



FOREIGN INSTITUTIONAL INVESTORS



*Shareholder at our Holding Company Utkarsh CoreInvest Limited

AUDITORS



CREDIT BUREAU PARTNERS



SYSTEM PARTNERS



DEBIT CARDS



MICRO ATM



CORPORATE INTERNET BANKING



CARD PAYMENT AND DIGITAL BANKING



INSURANCE



Partners in Progress

उत्कर्ष बैंक ने आपदा कोष में दिए डेढ़ करोड़ रुपये

वाराणसी। कोरोना जैसी महामारी से निपटने के लिए हर कोई प्रधानमंत्री और मुख्यमंत्री आपदा कोष के साथ ही जितने स्तर पर बने कोष में मदद कर रहा है।

लाख की धनराशि दी गई है। बैंक के प्रबंध निदेशक और मुख्य कार्यकारी अधिकारी गोविंद सिंह ने बताया कि बैंक की ओर से हमेशा ही वॉचिंग और जागरूकताओं की मदद के लिए

सपा एमएलसी ने दिया एक करोड़ का अनुदान कोरोना वायरस जैसी महामारी से निपटने के लिए सपा एमएलसी शतरुद्र

पुलिस ने दिए 39.48 लाख रुपये कोरोना वायरस के संक्रमण से रोकथाम, बचाव कार्य और

UFSBL opens a new branch at Salt Lake Sector 3

EOI CORRESPONDENT

KOLKATA, FEB 8/-/Utkarsh Small Finance Bank Limited (USFBL), one of the leading Small Finance Bank, announced the inauguration of its branch in Sector 3, Salt

banking capabilities and ATM network, the Bank offers integrated customer service.

The Bank provides access to financial assistance and credit to the underprivileged, while serving other segments of society. The launch of this branch in Salt Lake, is aligned

उत्कर्ष बैंक ने कोरोना से जंग को दिए डेढ़ करोड़ रुपये



जासं, वाराणसी : कोरोना संक्रमण से युद्ध में सरकार का सहयोग करते हुए उत्कर्ष स्मॉल फाइनेंस

कोविड मरीजों में सरकारी सुरक्षा योजनाओं की जागरूकता के लिए चलाया समावेशी कार्यक्रम



Raised Rs 195 cr to enhance capital adequacy: USFBL

Utkarsh Small Finance Bank Limited (USFBL) has raised Tier-II capital worth Rs 195 crore to enhance capital adequacy and support business growth, a statement issued by the USFBL Sunday said. "The money raised is expected to increase capital adequacy ratio (CAR) by more than 300 basis point. The CAR stood at 22.19 per cent at end of March 2020. The USFBL intends to maintain capital adequacy above than 20 per cent at all times," the statement added.

According to the USFBL, this has been done af

Utkarsh Small Finance Bank ties up with Mastercard

TSN/New Delhi:

Utkarsh Small Finance Bank Ltd (USFBL) today announced the launch of a debit card with Mastercard. The card will offer International benefits and features to Utkarsh Small Finance Bank's customers and will

now empowered to transact sans borders at his or her favorite destination, backed by best in class offers and state of the art security features. The customized solutions offered, keeping in mind the demographics, segments and our customer

उत्कर्ष स्माल फाइनेंस बैंक ने किया मास्टरकार्ड के साथ टाईअप

प्राथमिक समाचार सेवा। नई दिल्ली

उत्कर्ष स्मॉल फाइनेंस बैंक लिमिटेड (उत्कर्ष) ने आज मास्टरकार्ड के साथ टाईअप कर देना का कार्यक्रम भी पूरा किया है। इस लॉन्च के साथ ही बैंक ने सफलतापूर्वक अपना चार साल का कार्यक्रम भी पूरा किया है।

इस लॉन्च के साथ ही बैंक ने सफलतापूर्वक अपना चार साल का कार्यक्रम भी पूरा किया है।

Utkarsh Small Finance Bank files for IPO

Ravindra N Sonavane
ravindras@livemint.com
MUMBAI

Utkarsh Small Finance Bank has filed draft share sale documents with the Securities Exchange

sale. The lender said that it may consider a pre-IPO placement of shares of up to ₹250 crore after consultations with the investment banks managing the

The lender has filed draft share sale documents

For the fiscal year 2020, the total income of the lender was ₹1,406.24 crore against ₹958.25 crore a year ago. Net profit for the period was ₹186.74 crore against ₹110.87

gross non-performing assets (NPAs) were at 0.64% and provision coverage ratio at 101.99%. The lender has warned that its NPAs may increase because of several factors, including increased competition, adverse

ई-क्लीनिक स्वास्थ्य सेवाओं का उपयुक्त माध्यम

वारणसी (बनारस)। देश में डॉक्टर और मरीज के बीच का अस्थायी अंतराल को दूर करने के लिए ई-क्लीनिक सेवाओं का उपयोग करना एक उपयुक्त माध्यम है। कोरोना के बाद के समय में स्वास्थ्य सेवाओं को प्रदान करने के लिए ई-क्लीनिक सेवाओं का उपयोग करना एक उपयुक्त माध्यम है।

उपरोक्त बातें उक्तर्ष क्लिनिकल परामर्शदाता डॉ. अशोक कुमार शर्मा ने कहा।



उक्तर्ष क्लिनिकल परामर्शदाता डॉ. अशोक कुमार शर्मा ने कहा।

उक्तर्ष क्लिनिकल परामर्शदाता डॉ. अशोक कुमार शर्मा ने कहा।

Never miss an opportunity to grow during a crisis", says Mr. Govind Singh, MD & CEO, Utkarsh Small Finance Bank

Interview | Sat 08, 2020 03:00:07



Utkarsh Small Finance Bank Limited (USFBL) received its 4th anniversary recently with a positive outlook for the bank. The bank is now gearing up to meet an 8x FY20 year of banking operations with equal fervor.

From being a niche Finance institution to BFCF to gaining license as a Small Finance Bank, USFBL has come a long way. It has been able to strike a balance between its focus on its core expertise of financial inclusion as well as serving the new age urban segments with ease and agility.



Mr. Govind Singh, MD & CEO, Utkarsh Small Finance Limited
Mr. Govind Singh, MD & CEO, Utkarsh Small Finance Bank attributes the success to a strong team, who according to him have been able to steer the bank in the right direction despite the gloomy pandemic situation.

While speaking exclusively with Finews India, he said, "The year 2020 has been unprecedented. It was a year of reimagining, rebranding and redefining many aspects of life as we had known earlier. Having said that, we view it as a position to quickly get on our feet with a dynamic yet focused approach to address the challenges."



The same vision known for its financial inclusion initiatives is also cognizant of the banking needs of urban India when questioned on how the bank is tackling this competitive space, "we are results in our approach" says a confident Mr. Singh.

उक्तर्ष स्मॉल फाइनेंस बैंक की खुली नयी शाखा

कोलकाता. उक्तर्ष स्मॉल फाइनेंस बैंक लिमिटेड ने साल्लेट सेक्टर तीन में अपनी नयी शाखा खोली है। इससे क्षेत्र में रहने वाले लोगों के साथ वी आसपास की आबादी की बैंकिंग संबंधी जरूरतों भी पूरी होंगी। यह शाखा बैंक के उत्पादों और सेवाओं की पूरी श्रृंखला लोगों तक पहुंचाएगी। नयी शाखा का उद्घाटन उक्तर्ष स्मॉल फाइनेंस बैंक लिमिटेड के एमडी और सीओ गोविंद सिंह ने किया। इस अवसर पर श्री सिंह ने कहा कि पश्चिम बंगाल एक ऐसा राज्य है, जिस पर हमारा अधिक ध्यान केंद्रित है। यहां ग्राहकों को बुनियादी बैंकिंग सेवाएं जैसे बचत खाता एवं चालू खाता, सार्वधि एवं आवर्ती खाता, ऋण जैसी सेवाएं उपलब्ध होंगी।

Sun, 07 February 2021
<https://epaper.prabhatkhabar.cc>

Food cell to distribute ration, food packets in Varanasi: DM

PIONEER NEWS SERVICE | VARANASI

District Magistrate Kanubhai Raj Sharma has cancelled all passes issued by the district administration in various organisations and individuals to distribute food packets and ration to the needy persons during the lockdown.

He said from now, food and ration would be distributed through the administration's food cell. The organisations and individuals, interested in helping the poor and needy persons are required to contact the helpline number 0542-283306 to get food and ration supplied to the needy persons.

The district magistrate also said that there would be only two persons at community kitchen besides the cook and the person making food packets and directed the in-charge of police stations to ensure no gathering of people at community kitchen.

Sharma said the food cell was making food available to thinners persons through five vehicles.

He said families and individuals who did not have resources to cook food were required to contact the helpline number 0542-283306 for help.

The district magistrate received a WhatsApp number

7518102812 — on which message of details received on both helpline numbers would be received to know about the location and phone number.

Varanasi Development Authority vice chairman has been made in-charge of this WhatsApp number. He will ensure availability of food and other commodities to the persons who contact the helpline number.

Meanwhile, Sharma inspected the wholesale vegetable and food grain markets in Viheswarganj and held a meeting with the wholesale traders. He asked the traders to put up the price list of goods at their business establishments as there were complaints about black marketing.

DONATED: Utkarsh Small Finance Bank Ltd. (USFBL) contributed Rs 1.50 crore to fight against the global pandemic of COVID-19. It includes the bank's (USFBL) contribution of Rs 1 crore to the Prime Minister Cares Fund in 300+ banking outlets across 173 districts of 18 states & 2 union territories manned by over 8,700 employees, he said adding that the bank has been consistently contributing through Corporate Social Responsibility initiatives.

Risk Management: BCP Flies High

Managing risks with clear implications and proven solutions for risk mitigation in a static environment, which were the established risk management practices in the pre-covid era, no longer remain valid in an increasingly uncertain, complex, and interconnected world. These needed to be recalibrated to ensure the resilience and sustainability of the business in today's volatile, uncertain, complex and ambiguous (VUCA) environment.

Law Chattervedi shares 3 risks faced by the company during the pandemic: "In addition to the risks that are inherent to the business, we also faced 3 critical risks specific to the pandemic, which had to be addressed immediately by staying relevant. We witnessed extreme volatility on account of the uncertainty caused by the extended period of the lockdown, which also led to severability issues, besides posing a risk to our employees' health and safety."

For Reliance Securities, business continuity was achieved through time-tested practices. Leveraging on the robust technology platform, the entire organization could switch from hybrid (Physical) to fully digital mode seamlessly and quickly, without having to compromise on the service quality. Extreme volatility could be addressed through robust risk management strategies and practices supported by efficient risk management tools.



Govind Singh believes the pandemic gave a perfect opportunity for many of the less tech-sovy employees to upskill their proficiency through the e-learning platform.

the customer perspective. Meanwhile, peak margin resulted in a reduction in leverage and higher transparency from a regulatory perspective.

Jaldeep Honraj maintains that because of the regulatory changes, the margin calls that used to be triggered in the past due to temporary bearish sentiments are better managed and indices now have become more resilient, says he, adding: "Overall, SEBI regulations have turned to be beneficial for the entire industry as it increased the level of trust in the system and brought about further transparency."

RISK MANAGEMENT NETWORK
 Upfront margin, plug-in-to-pledge and peak margin on the 3 regulatory changes that influenced risk management practices in the recent past in the security market. Upfront margin negatively affected cash market turnover to the tune of 20% in the second quarter of FY2021, which has recovered back to the original level since September 2020. Similarly, plug-in-to-pledge has made the client aware that no stockbroker can pledge their shares without their approval and helped in regaining the trust of the industry, although the process needs more effort from

systems for loan collections and delivery of credit. Relevant policies, processes and systems were put in place and those were working well till March 2020.

The bank has in place a business continuity management policy, which helped to manage the business continuity during the covid period effectively. It released its BCP document for covid in March 2020 and its modified version in October 2020. Says Paul Thomas: "Business continuity risk could be managed well with situationally appropriate plans spearheaded by the crisis management and quick response teams across geographies. On the liability business side, we had developed a wide branch network and could use the same for mobilization of deposits and to build up the savings bank book."

Future Generali General Insurance has institutionalized a well comprehensive and robust risk management framework. Anup Han says: "We have a BCP always in place. This enabled us to quickly leverage our technology ecosystem, empower people and align processes to continue functioning under the new normal situation. However, going forward, we need to increase the scope of the plan system more to accommodate tail risks and redesign the BCP to have more agility."

POLICIES & PRACTICES

Finance Small Finance Bank's management policies and practices are always focused on proactively monitoring the risk emanating from various business activities and taking necessary mitigation measures. The bank has been conscious about building adequate liquidity. Moreover, during the pandemic, it focused on reducing reliance on bank deposits and generating sticky retail deposits and low-cost CASA, says Rajeev Yadav.

Utkarsh Small Finance Bank was progressing well on its planned growth strategy when the pandemic struck. In anticipation of the disruption on account of the lockdown, the bank's BCP was stepped up in advance to address any possible situations, says Govind Singh. BCP

Banking Frontiers February 2021 21

महिला बुनकरों ने बनाई कंपनी, हुई सम्मानित



वस्त्राईल वावर प्रोड्यूसर कंपनी लिमिटेड का
वस्त्राईल वावर प्रोड्यूसर कंपनी लिमिटेड का
 वस्त्राईल वावर प्रोड्यूसर कंपनी लिमिटेड का
 वस्त्राईल वावर प्रोड्यूसर कंपनी लिमिटेड का

Raised Rs 195 cr to enhance capital adequacy: USFBL

Lucknow: The Utkarsh Small Finance Bank Limited (USFBL) has raised Tier-II capital worth Rs 195 crore to enhance capital adequacy and support business growth, a statement issued by the USFBL Sunday said.

The money raised is expected to increase capital adequacy ratio (CAR) by more than 300 basis points. The CAR stood at 22.19 per cent at end of March 2020. The USFBL intends to maintain capital adequacy at more than 20 per cent at all times," the statement added.

According to the USFBL, this has been done after a gap of almost two years. "The ICR has rated this Tier-II issuance as [ICRA] A (Stable) and highlighted the bank's experienced management team, strong investor base at the Holding Company and adequate systems and processes in the bank," added the statement. **BNB**

The Indian EXPRESS

Branding & Marketing

Marketing and Branding forms an integral part of any organization today and the Bank is no exception. It is one of the significant medium implemented by the Bank to communicate to its customers and stakeholders, effectively.

The department instituted in 2017 in the Bank has been strategically conveying the Bank's core message and the various products and services that it has been initiating for the convenience of its customers from time to time.

In the year FY 2020-21, both ATL and BTL activities were undertaken by the Bank to reach its target audience. The year witnessed a thrust in BTL activities, keeping in mind the sensitivity of the Pandemic situation

The Digital space was extensively used to roll out time relevant campaigns for visibility, engagement and Lead generation.

MAJOR HIGHLIGHTS

MasterCard Launch

The Bank has partnered with MasterCard for International Debit Card offering. The launch was disseminated by Online and offline Marketing Activities. While the Branches received unique branding with Sanitizer dispensers, Buzz was created at Zonal and Regional offices and Head office with Standee and Dangers. Apart from it, Digital Media was used to create maximum awareness about this partnership and for lead generation with static creatives and videos.

New IBMB App Launch

The upgraded version of IBMB App launch was supported with online campaign, videos and creatives.

Visibility Campaigns

To create maximum visibility apart from the regular Branch Branding, Arch Gates with all product details have been installed at all General Banking Branches. Visibility was created through digital platforms, where display advertisements about our brand and products were released at relevant sites to capture maximum eyeballs.

Micro Atm Branding for Micro Banking Branches

This was a new product and awareness was created at MB Branches with attractive, creative installation to increase the transactions at Micro-ATM.

Creating awareness for PM SVANidhi Yojna

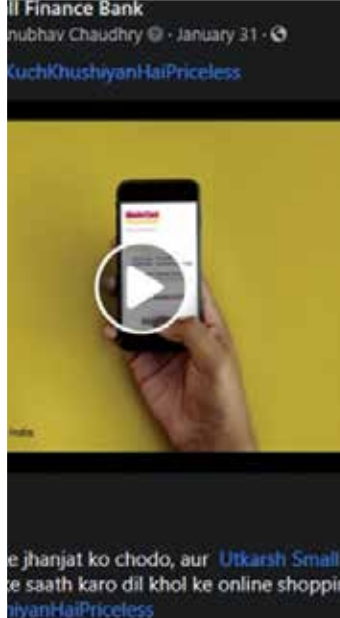
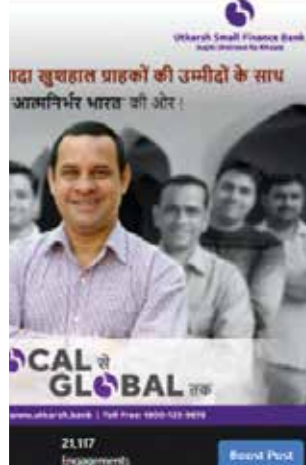
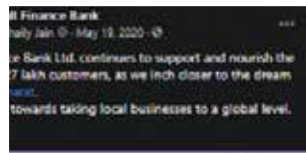
We created relevant Marketing Collaterals for Micro Banking Branches.

Lead Generation Campaigns

Massive BTL Activations have been done at all Branches to create awareness in the vicinity of Branches and to generate leads for Business Teams. Similarly Hyper Local Digital lead generation activities have been done for generating leads through digital mediums. All these leads supported Business Teams to acquire New Businesses.

Community Connect Events

To create visibility among Target audiences, Bank has participated in Community events like Magh Mela Branding, Branding for Devotees on the occasion of Magh Purnima, Divyang Cricket association sponsorship etc.



Branding & Marketing

Corporate Information

BOARD OF DIRECTORS

Mr. Puranam Hayagreeva Ravikumar¹

Independent Director and
Part Time Non-Executive Chairman

Ms. Anita Ramachandran

Nominee Director

Mr. Govindasamy Sampath Kumar

Nominee Director

Mr. Kajal Ghose

Independent Director

Ms. Kalpana Prakash Pandey²

Independent Director

Mr. Nagesh Dinkar Pinge³

Independent Director

Mr. Muralidharan Rajamani⁴

Non-Executive Director

Mr. Ajay Kumar Kapur⁵

Independent Director

Mr. Veeravalli Sundaram Sampath⁶

Independent Director and
Part Time Non-Executive Chairman

Mr. Govind Singh

Managing Director and Chief Executive Officer

KEY MANAGERIAL PERSONNEL

Mr. Mukund Barsagade

Chief Financial Officer

Ms. Nutan Anand Rane

Company Secretary

¹ Appointed as Part Time Non - Executive Chairman w.e.f. September 11, 2020

² Appointed as an Independent Director w.e.f. April 29, 2020

³ Appointed as an Independent Director w.e.f. July 20, 2020

⁴ Appointed as Non-Executive Director w.e.f. March 02, 2021

⁵ Appointed as an Non-Executive Director w.e.f. March 02, 2021

⁶ Cessation as a Part Time Non - Executive Chairman and Independent Director w.e.f. September 10, 2020

STATUTORY AUDITORS

M/s Haribhakti & Co. LLP
Chartered Accountants
705, Leela Business Park,
Andheri-Kurla Road, Andheri (E),
Mumbai - 400059, Maharashtra

SECRETARIAL AUDITORS

M/s S. N. Ananthasubramanian & Co.
Company Secretaries
10/25-26, 2nd Floor, Brindaban,
Thane - 400601, Maharashtra

REGISTRAR & SHARE TRANSFER AGENT

For Equity Shares

M/s. KFin Technologies Private Limited
Selenium Building, Tower-B,
Plot No 31 & 32, Financial District,
Nanakramguda, Serilingampally,
Hyderabad, Rangareddi, Telangana - 500032

For Listed Debentures

M/s. NSDL Database Management Limited
4th Floor, Trade World, 'A' wing,
Kamala Mills Compound, Lower Parel (West),
Mumbai - 400013, Maharashtra

DEBENTURE TRUSTEE

Catalyst Trusteeship Limited

(*Erstwhile GDA Trusteeship Limited*)
Office No. 83-87, 8th Floor, Mittal Tower,
"B Wing", Nariman Point,
Mumbai - 400021, Maharashtra

IDBI Trusteeship Services Limited

Ground Floor, Asian Building,
17, R Kamani Rd, Ballard Estate, Fort,
Mumbai - 400001, Maharashtra

REGISTERED & CORPORATE OFFICE

S-24/1-2, First Floor, Mahavir Nagar
Orderly Bazar,
Varanasi - 221 002
Uttar Pradesh

CIN: U65992UP2016PLC082804
Website: www.utkarsh.bank
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