

Basel III – Pillar 3 Disclosures as on Sept 30, 2023

Utkarsh Small Finance Bank Limited (hereafter referred as the “Bank” or “USFBL”), is a wholly owned subsidiary promoted by Utkarsh Core Invest Limited (formerly known as Utkarsh Micro Finance Limited) incorporated on April 30, 2016 under the provision of the Companies Act, 2013. The Bank is licensed by the Reserve Bank of India to operate as a Small Finance Bank under the Banking Regulation Act, 1949 on November 25, 2016. As per the Business Transfer Agreement, the entire balance sheet of Utkarsh Micro Finance Ltd. (now known as Utkarsh Core Invest Limited) was transferred to Utkarsh Small Finance Bank Limited as at the close of business on January 21, 2017. Subsequently, banking operations commenced on January 23, 2017, with the opening of five branches in Delhi, Patna, Nagpur, and Varanasi. The Bank has entered its 6th year of business operations. It was included in the second schedule of the RBI Act, 1934 vide notification dated November 16, 2017 and was accorded the status of a Scheduled Commercial Bank.

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

USFBL has prepared this disclosure document in compliance with the directions of Reserve Bank of India (RBI) vide its circular RBI/2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. The document provides a review of key observations pertaining to the Bank’s capital adequacy, credit quality, key business highlights and a review of its key risks as of 30th Sept, 2023.

I. Disclosure Framework (DF) – 1: Scope of Application

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

II. DF – 2: Capital Adequacy

1) Qualitative Disclosure:

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

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

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

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

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

2) Quantitative Disclosure

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

(₹ in Crores)

Sl.	Particulars	Amount as on 30th Sept 2023
(b)	Capital Requirement for Credit Risk:	
	Portfolios subject to Standardized Approach	1,635.95
	Securitization exposures	-
(c)	Capital Requirement for Market Risk:	
	Standardised duration approach	
	i) Interest Rate Risk	-
	ii) Foreign exchange Risk (including Gold)	-
	iii) Equity Risk	-
(d)	Capital Requirement for Operational Risk:	
	Basic Indicator Approach	-
(e)	Total Capital Requirement (b+c+d)	1,635.95
(f)	Total Risk Weighted Assets	10,906.32
(g)	Total Capital Fund	2,706.88
(h)	Capital Adequacy Ratio	
	Common Equity Tier-1	23.04%
	Tier-1	23.04%
	Tier-2	1.78%
(i)	Total CRAR	24.82%

3) Risk Exposure and Assessment

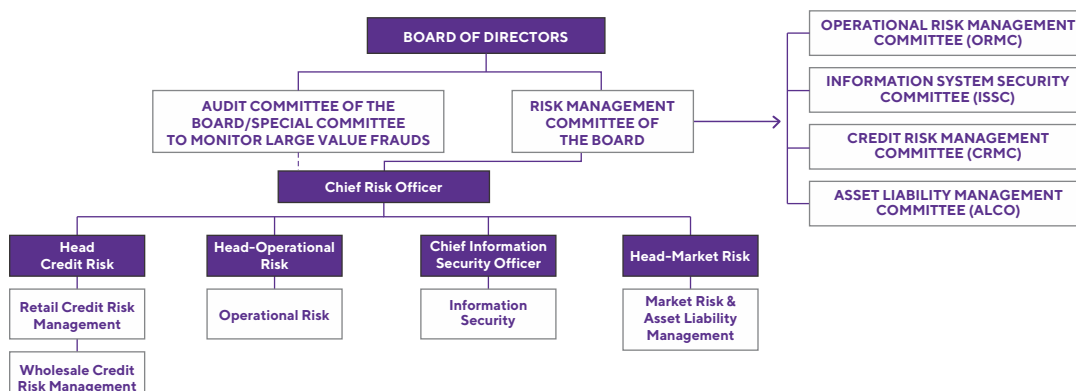
The Bank is exposed to certain broad risks, which are being monitored and mitigated on an ongoing basis. Credit Risk, Operational Risk, Information Security and Market & Liquidity Risk are the Risks that are being monitored based on Board Approved policies of the Bank. These are reviewed at annual intervals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

4) Risk Governance Model

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

5) Risk Governance Framework

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



6) Governance Committees

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

i. Board of Directors- the Board of Directors ("the Board") is the ultimate authority in the Bank to lay down the policies. The Board can however form committees to oversee the risk management processes, procedures and systems in the Bank.

ii. Risk Management Committee of Board (RMC)- The Risk Management Committee of the Board will be a Board level sub-committee including MD & CEO. The primary role of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to Risk Management. The Role of RMC is enlisted as under:

- Overseeing Credit Risk Management and obtaining assurance that the principal credit risks facing the Bank have been identified and are being appropriately managed.
- Approving and periodic review of the Bank's overall risk appetite and setting limits for individual risks such as credit, market, operational and liquidity, before submission to the Board.
- Approving credit risk management and measurement policies and guidelines before submission to the Board
- Determining prudential limits for individual, group, portfolio, or other exposures of the Bank, within the ceilings fixed by RBI and the Board
- Monitoring the Bank's risk profile, including risk trends and concentrations, loan impairment experience and key performance indicators for risk
- Approval of new Credit Risk Assessment (CRA) system and classification as acceptable and unacceptable category and periodic changes needed to such classification.
- Assessing effectiveness and performance of rating system validation and approving the results before model is used or a part of model validation exercise.
- Reviewing industry/sector/portfolio view of the Bank
- Approving product-pricing strategy for advances
- Ensuring balance sheet and capital adequacy management with due regard to various risks impacting the balance sheet
- Reviewing and approving the Internal Capital Adequacy Assessment Process (ICAAP) document at least on a yearly basis
- Deciding appropriate MIS system and framework for risk management.
- Approve credit risk limits at the Bank level for various portfolios such as industry, product, geography, risk types etc., which include approval of material changes to credit risk limits.
- Discuss the findings of the Audit Committee of the Board (ACB) and issue directions for corrective actions.
- Approve results of credit risk stress tests
- Identification, evaluation, and mitigation of all risks applicable to the Bank, including operational risk.
- Approving the Operational Risk policies and proposed framework modifications and recommending it to the Board
- Overseeing the activities, annual review, and independent reviews of the ORMC
- Ensuring coverage of Internal Audit oversight over implementation
- Ensure that adequate policies are in place to manage and mitigate Market Risk
- Evaluate the adequacy of the Bank's Market Risk management systems with management, internal and external auditors, and ensure adherence to Regulatory guidelines.

iii. Audit Committee of the Board- Audit shall provide an independent assurance to the Board through Audit Committee on the effectiveness of implementation of risk management framework, including the overall adequacy of the internal control system and the risk control function and compliance with internal policies and procedures. Responsibilities of the Internal Audit Department include:

- Annual review of the processes and controls related to rating system design and operations.
- Review on an annual basis that validation processes are implemented as designed, validations are conducted in a timely and effective manner, model inventory and documentation standards are accurate and complete.
- Review the Bank's compliance with RBI guidelines and established risk related policies and procedures.
- Review of individual loan accounts on a sample basis based on the defined sampling process.
- Review the adequacy of the IT infrastructure and data maintenance. For portfolios where statistical models are being used, conduct tests to check data input processes.
- Provide notice to RMC through the Audit Committee of the Board of any material deviations from established policies which may impact Bank's rating system or processes; and verify that details with respect to collateral and credit risk mitigants have been captured in the Bank's systems.

iv. Credit Risk Management Committee (CRMC)

Specific responsibilities of the Credit Risk Management Committee are to:

- Ensure implementation of credit risk management policy and strategy approved by the Board.
- Monitor quality of loan portfolio at periodical intervals, identifying problem areas and issuing directions for rectifying deficiencies.
- Monitor credit risk on a bank wide region wise basis and ensure compliance with the approved risk parameters/prudential limits and monitor risk concentrations.
- Report any credit risk issues brought to its notice to the Risk Management Committee / Board
- Incorporate regulatory compliance in Bank's policies and guidelines regarding credit risk.
- Review and approve the use of internal risk rating for eligible accounts for business and risk management purposes and placing before RMC.
- Review all rating validation results to assess efficacy and effectiveness of model performance and placing recommendations before RMC.
- Review and approve the credit risk stress testing scenarios, results, and analysis.

v. Operation Risk Management Committee (ORMC)

Specific responsibilities of the Operation Risk Management Committee are to:

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

vi. Asset Liability Management Committee (ALCO)

Specific responsibilities of the Asset Liability Management Committee are to:

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

1) Qualitative Disclosure:

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

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

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

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

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

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

2) Quantitative Disclosure:

a) Total Gross Credit Risk Exposure by Facility:

(₹ in Crores)

Facility Type	Credit Exposure
Fund Based	10,906.32
Non-Fund Based	0.00
Total	10,906.32

b) Total Gross Credit Risk Exposure by Geography:

(₹ in Crores)

Category	Fund Based	Non-Fund Based	Total Credit Exposure
Domestic	10,906.32	0.00	10,906.32
Overseas	0.00	0.00	0.00
Total	10,906.32	0.00	10,906.32

c) Industry wise Distribution of Gross Advances:

Industry	Fund Based	Non-Fund Based	Total Credit Exposure
Agriculture and Allied Activities	5,993.36	-	5,993.36
Micro and Small	725.49	-	725.49
Professional Services	0.01	-	0.01
Wholesale Trade (other than Food Procurement)	26.33	-	26.33
Retail Trade	733.76	-	733.76
NBFCs	1,211.86	-	1,211.86
Banking & Finance other than NBFCs and DFIs	35.29	-	35.29
Other Services	948.59	-	948.59
Housing Loans (incl. priority sector Housing)	604.49	-	604.49
Consumer Durables	0.23	-	0.23
Credit Card Receivable	0.11	-	0.11
Vehicle/Auto Loans	164.11	-	164.11
Education Loans	0.12	-	0.12
Advances against Fixed Deposits (incl. FCNR(B), etc.)	105.08	-	105.08
Other Retail Loans	3,793.49	-	3,793.49
Other Non- Food Credit	-	-	-
Total	14,342.30	0.00	14,342.30

d) Residual Contractual Maturity Breakdown of Assets:

(₹ in Crores)

Time Buckets	Amount as on 30th Sept 2023						
	Cash and Balances with RBI	Balance with Banks and Money at Call and Short Notice	Investments	Advances	Fixed Assets	Other Assets	Total
1 day	207.1	149.1	556.5	98.0	-	45.0	1055.7
2 to 7 days	418.0	0.0	84.5	129.1	-	0.9	632.5
8 to 14 days	0.0	25.0	22.1	138.7	-	1.5	187.3
15 to 30 Days	33.2	0.2	46.6	338.6	-	129.8	548.4

31 Days to 2 months	13.6	50.0	116.7	659.8	-	10.9	851.0
Over 2 months to 3 months	18.5	102.7	91.3	613.8	-	18.2	844.5
Over 3 months to 6 months	74.7	3.1	368.1	1801.4	-	26.9	2274.2
Over 6 months to 1 year	113.7	0.0	560.3	3117.1	-	62.0	3853.1
Over 1 year to 3 years	403.4	2.2	1248.7	4506.4	-	107.1	6267.8
Over 3 years to 5 years	20.0	0.0	98.5	772.1	-	5.1	895.7
Over 5 years	2.2	0.0	11.0	1905.4	299.8	29.1	2247.5
Total	1304.4	332.3	3204.3	14080.4	299.8	436.5	19657.7

e) Position of Non-Performing Assets (NPA):

(₹ in Crores)

Particulars	Amount as on 30th Sept 2023
Gross Advances*	14,342.30
Net Advances	14,080.45
Gross NPA	
Sub-standard	348.28
Doubtful 1	49.63
Doubtful 2	5.55
Doubtful 3	0.06
Loss	0.00
NPA Provision	261.85
Floating Provision	120.03
Net NPA	21.64
NPA Ratios:	
Gross NPA to Gross Advances (%)	2.81%
Net NPA to Net Advances (%)	0.16%

*Gross advances numbers are audited

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

(₹ in Crores)

Particulars	Amount as on 30th Sept 2023
Opening Balances (As on 1st Apr 2022)	431.50
Additions	222.29
Write Offs	173.70
Reductions	76.56
Closing Balances	403.53

g) Movement of Specific & General NPA Provisions:

(₹ in Crores)

Particulars	Amount as on 30th Sept 2023	
	Specific Provisions	General Provisions
Opening Balances (As on 1st Apr 2023)	288.34	70.33
Add: Provisions made during the period	186.07	4.55
Less: Write offs	173.70	-
Less: Write Back of excess provision	36.96	5.12
Closing Balances	261.85	69.76

*Specific Provisions represents provisions for NPAs.**General Provisions represents provisions excluding NPAs.***h) Movement of Specific & General NPA Provisions:**

(₹ in Crores)

Particulars	Amount as on 30th Sept 2023
Amount of Non-Performing Investments (NPI)	0.00
Amount of Provisions held for NPI	0.00

i) Position of Non-Performing Investments (NPI) as on Sept 30, 2023:

(₹ in Crores)

Particulars	Amount as on 30th Sept 2023
Opening Balance (As on 1st Apr 2023)	0.00
Add: Provisions made during the period	0.00
Less: Write offs	0.00
Less: Write Back of excess provision	0.00
Closing Balance	0.00

IV. DF - 4: Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach**1) Qualitative Disclosure:**

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

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

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

2) Quantitative Disclosures:

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

(₹ in Crores)

Category	Amount as on 30th Sept 2023
Below 100% Risk Weight	9,456.18
100% Risk Weight	1,372.01
More than 100% Risk Weight	78.13
Deducted	0.00
Closing Balance	10,906.32

Both Fund & Non-Fund Based Exposure

1) Qualitative Disclosure:

Borrower's financial strength and debt-servicing capacity shall be the primary consideration while granting credits and bank shall not rely, solely on collateral or guarantees as the primary source of repayment or as a substitute for evaluating the borrower's creditworthiness. Nevertheless, collateral and guarantees, if properly taken and managed, serve a few important functions in credit risk management. These include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank complies with the statutory exposure limits set by RBI for individual counterparties, group of counterparties, geography / region, industry / sector etc. The Bank has established internal exposure limits that may be more conservative than the statutory limits stipulated by RBI, commensurate with capital base and balance sheet size. Appropriate justification shall be recorded for enhancement of such limits. The Bank shall carry out analysis of the credit portfolio, including estimates of its trends and use results in setting internal limits. Aggregate exposure in NBFC should not be more than 10% of the credit exposure of the Bank as per the last quarter balance sheet. Factors like the perceived risk of a certain sector or region, the nature of the product, maturity/tenor, and purpose of credit and sources of payment may also be considered while fixing internal exposure limits.

2) Quantitative Disclosures:

Exposure covered by Credit Mitigants

(₹ in Crores)

Particulars	Amount as on 30th Sept 2023
Total exposure covered by eligible financial collateral	5,159.87
Total exposure covered by guarantees	0.04

GECL to be included under sovereign guarantee

VI. DF – 6: Securitisation Exposures: Disclosure for Standardized Approach

As on Sept 30, 2023, the Bank does not have any Securitization Exposures.

VII. DF – 7: Market Risk in Trading Book:

Qualitative Disclosures:

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

Structure and Organization

The organizational structure for Market Risk Management is as follows:

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

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

Strategies and Processes

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

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

Market Risk Measurement

Adverse movements in interest rates can affect both interest earnings and the 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 the 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 the 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 the market risk framework also covers specific risk charge, therefore, to assess the credit risk in the trading book, an external rating-based approach is used, and risk weighted assets so computed are included under credit risk.

Quantitative Disclosures:

(₹ in Crores)

Capital Requirement	Amount as on 30th Sept 2023
Risk Weighted Assets for Market Risk:	
Standardized Duration Approach	0.00
Interest Rate Risk	0.00
Equity Position Risk	0.00
Foreign Exchange Risk	0.00

VIII. DF - 8: Operational Risk

1) 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 employees and customers are dependent on the efficacy with which operational risk is managed by the bank. The goal is to keep operational risk at appropriate levels, considering the bank's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment in which it operates.

a. Structure and Organization

The operational risk management governance structure is as follows:

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

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

b. Strategies and Processes

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

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

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

The Bank also has a Whistle blower policy, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event. The Bank has a separate Risk Containment Unit (RCU) to pre-empt and weed out undesirable prospective customers at the on-boarding stage itself. The Bank also has Fraud Risk Management Unit to detect and prevent frauds as also address fraud risk related issues and conduct investigations wherever frauds have been detected or potential frauds are flagged.

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

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

IX. DF - 9: Interest Rate Risk in the Banking Book (IRRBB)

1) Qualitative Disclosure

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

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

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

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

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

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

2) Quantitative Disclosure:

Earning at Risk (EAR):

(₹ in Crores)

Change in interest rate	Amount as on 30th Sept 2023
EaR @ 100 bps	3.94%
EaR @ 200 bps	7.88%
EaR @ 300 bps	11.81%

Market Value of Equity (MVE):

	Amount as on 30th Sept 2023
% Change in MVE when there is 100 bps change in interest rates	4.16%
% Change in MVE when there is 200 bps change in interest rates	8.32%
% Change in MVE when there is 300 bps change in interest rates	12.48%

X. DF – 10: General Disclosure for Exposure Related to Counterparty Credit Risk

As on Sept 30, 2023, the Bank does not have any Counterparty Credit Risk and Derivative exposure.

XI. DF – 11: Composition of Capital

(₹ in Crores)

Particulars		Amount
Common Equity Tier 1 Capital: Instruments and Reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	1,096.99
2	Retained earnings	791.33
3	Accumulated other comprehensive income (and other reserves)	793.16
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	2,681.48
Common Equity Tier 1 Capital: Regulatory Adjustments		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Intangibles (net of related tax liability)	74.67
10	Deferred tax assets	93.71
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitization gain on sale	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financial entities	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments (26a+26b+26c+26d)	-

Particulars		Amount
26 a	Of which: Investments in the equity capital of unconsolidated insurance subsidiaries	-
26 b	Of which: Investment in the equity capital of unconsolidated nonfinancial subsidiaries	-
26 c	Of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the Bank	-
26d	Of which: Unamortized pension funds expenditures	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common equity Tier 1	168.38
29	Common Equity Tier 1 Capital (CET 1)	2,513.10
Additional Tier 1 Capital: Instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) [31+32]	-
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	0.00
Additional Tier 1 Capital: Regulatory Adjustments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of Banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of Banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments (41a + 41b)	-
41a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-
41b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1 = CET1 + AT1) (row 29 + row 44)	2,513.10
Tier 2 Capital: Instruments and Provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	120.00

Particulars		Amount
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions (including Investment Reserve Account and Revaluation Reserve) (1.25% of Creditrisk RWA)	73.78
51	Tier 2 capital before regulatory adjustments	193.78
Tier 2 Capital: Regulatory Adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital Banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments (56a+56b)	-
56a	Of which: Investments in the Tier II capital of unconsolidated subsidiaries	-
56b	Of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the Bank	-
57	Total regulatory adjustments to Tier 2 capital	0.00
58	Tier 2 capital (T2)	193.78
59	Total capital (TC = T1 + T2) (row 45+row 58)	2,706.88
60	Total risk weighted assets (row 60a +row 60b +row 60c)	10,906.32
60a	of which: total credit risk weighted assets	10,906.32
60b	of which: total market risk weighted assets	0.00
60c	of which: total operational risk weighted assets	0.00
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	23.04%
62	Tier 1 (as a percentage of risk weighted assets)	23.04%
62a	Tier 2 (as a percentage of risk weighted assets)	1.78%
63	Total capital (as a percentage of risk weighted assets)	24.82%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	-
65	of which: capital conservation buffer requirement	-
66	of which: Bank specific countercyclical buffer requirement	-
67	of which: G-SIB buffer requirement	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-
71	National total capital minimum ratio (if different from Basel III minimum)	-

Particulars		Amount
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardized approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017, and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Notes to Template

Row No. of the Template	Particular	₹ in crores
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	93.71
	Total as indicated in row 10	93.71
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26 b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-

Row No. of the Template	Particular	₹ in crores
44 a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	-
50	Eligible Provisions and reserves included in Tier 2 capital (1.25% of Creditrisk RWA) Min(D1+D1a+ D2a,60a*1.25%)	73.78
	Total of row 50	73.78

XII. DF – 12: Composition of Capital – Reconciliation Requirements

(₹ in Crores)

Step 1 & 2		
S. No.	Particulars	Balance Sheet as in financial statements (As on reporting date)
A	Capital & Liabilities	
I	Paid-up Capital	895.90
	Reserves & Surplus	1,214.28
	of which:	
	Statutory Reserve	215.81
	Capital Reserve	9.02
	Revenue & Other Reserves	0.00
	Share Premium	547.27
	Investment Fluctuation Reserve	5.98
	Investment Reserve	0.00
	Additional Reserve	0.00
	General Reserve	0.00
	Balance in Profit & Loss Account	791.34
	of which: Balance in Profit & Loss Account as per last financial Year	569.41
	of which Proposed dividend reduced from CET1	0.00
	of which current year profit not reckoned for Capital adequacy purpose	0.00
	Foreign Currency Translation Reserves	0.00
	Other Reserves	21.05
	Minority Interest	0.00
	Share application money pending allotment	0.00
	Total Capital	2,687.46
ii	Deposits	13,964.59
	of which: Deposits from Banks	3,346.39
	of which: Customer deposits	10,618.20
	of which: Other deposits (pl. specify)	-

S. No.	Particulars	Balance Sheet as in financial statements (As on reporting date)
iii	Borrowings	1,902.26
	of which: From RBI	150.00
	of which: From Banks	-
	of which: From other institutions & agencies	1,534.33
	of which: Capital instruments	-
	of which: Subordinated Innovative Perpetual Debt Instruments	-
	of which: Subordinated Debt - Upper Tier II Capital	217.93
	of which: Subordinated Debt - Tier II Capital	-
	of which: Subordinated Debt - Tier II Basel III Capital	-
	of which: Subordinated Innovative Perpetual Debt Instruments-AT1 CAPITAL BASEL III COMPLIANT	-
iv	Other liabilities & provisions	1,103.40
	Of which General Provision considered for tier II	67.80
	Total	19,657.71
B Assets		
i	Cash and balances with Reserve Bank of India	1,304.50
	Balance with Banks and money at call and short notice	332.32
ii	Investments:	3,204.20
	of which: Government securities	3,154.50
	of which: Other approved securities	-
	of which: Shares	-
	of which: Debentures & Bonds	-
	of which: Subsidiaries / Joint Ventures / Associates	-
	of which: Others (Commercial Papers, Mutual Funds etc.)	49.70
	Less: Provision for Depreciation on Investment	-
iii	Loans and advances	14,080.45
	of which: Loans and advances to Banks	35.30
	of which: Loans and advances to customers	14,045.15
iv	Fixed assets	299.84
v	Other assets	436.40
	of which: Goodwill and intangible assets	51.94
	of which: Deferred tax assets	93.71
vi	Goodwill on consolidation	-
vii	Debit balance in Profit & Loss account	-
	Total Assets	19,657.71

XIII. DF – 13: Main Features of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
		Equity Shares
1	Issuer	Utkarsh Small Finance Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE735W01017 (for Unlisted Equity Shares of the Bank)
3	Governing law(s) of the instrument	Companies Act, 2013, SEBI (SAST) Regulations & Banking Regulation Act, 1949 (for subscription to equity shares equivalent to 5% or more of the paid-up share capital by any single investor)
	Regulatory treatment	
4	Transitional Basel III rules	-
5	Post-transitional Basel III rules	-
6	Eligible at solo/group/ group & solo	-
7	Instrument type	Equity Shares
8	Amount recognised in regulatory capital (₹ in crore, as of most recent reporting date)	₹109.70 crore (as on September 30, 2023 – for fully paid-up equity shares)
9	Par value of instrument	₹10/- per equity share
10	Accounting classification	Share Capital
11	Original date of issuance	Equity: (Face/Nominal Value of Equity raised) i) At the time of Incorporation ₹5,00,000/- ii) Allotment date 07.10.2016 – ₹99,95,00,000/- iii) Allotment date 20.01.2017 – ₹200,050,00,00/- iv) Allotment date (through conversion of CCDs) 21.09.2017 – ₹120,00,00,000/- v) Allotment date 26.03.2018 – ₹50,00,00,000/- vi) Allotment date (through conversion of CCDs) 13.06.2018 – ₹267,00,00,000/- vii) Allotment date 18.09.2019 – ₹22,22,22,220/- viii) Allotment date 08.03.2021 – ₹89,06,16,470/- ix) Allotment date 02.08.2021 – ₹23,58,49,050/- x) Allotment date 13.08.2021 – ₹12,57,86,160/- xi) Allotment date 18.08.2021 – ₹3,14,46,540/- xii) Allotment date 01.09.2021 – ₹3,45,91,190/- xiii) Allotment date 29.09.2021 – ₹4,40,25,150/- xiv) Allotment date 22.01.2022 – ₹1,78,440/- xv) Allotment date 31.10.2022 – ₹19,80,250/- xvi) Allotment date 17.02.2023 – ₹1,701,160/-

		Equity Shares
		xvii) Allotment date 09.03.2023- ₹1,50,000/- xviii) Allotment (Public Issue - IPO) date 18.07.2023 - ₹2,000,000,000/- xix) Allotment (pursuant to exercise of ESOPs) date 27.09.2023 - ₹10,847,500/-
12	Perpetual or dated	Perpetual
13	Original maturity date	N.A.
14	Issuer call subject to prior supervisory approval	N.A.
15	Optional call date, contingent call dates and redemption amount	N.A.
16	Subsequent call dates, if applicable	N.A.
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N.A.
18	Coupon rate and any related index	N.A.
19	Existence of a dividend stopper	RBI norms/guidelines as issued from time-to-time
20	Fully discretionary, partially discretionary or mandatory	Discretionary (subject to approval of the Board of Directors)
21	Existence of step up or other incentive to redeem	N.A.
22	Noncumulative or cumulative	N.A.
23	Convertible or non-convertible	N.A.
24	If convertible, conversion trigger(s)	N.A.
25	If convertible, fully or partially	N.A.
26	If convertible, conversion rate	N.A.
27	If convertible, mandatory or optional conversion	N.A.
28	If convertible, specify instrument type convertible into	N.A.
29	If convertible, specify issuer of instrument it converts into	N.A.
30	Write-down feature	N.A.
31	If write-down, write-down trigger(s)	N.A.
32	If write-down, full or partial	N.A.
33	For write down instrument, specifies whether write down is permanent or temporary. Helps to assess loss absorbency.	N.A.
34	If temporary write-down, description of write-up mechanism	N.A.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Last (under Co. Act, 2013)
36	Non-compliant transitioned features	-
37	If yes, specify non-compliant features	-

XIV. DF – 14: Full Terms and Conditions of Regulatory Capital Instruments – Debt instruments

Disclosure template for main features of regulatory capital instruments			
		Debt instrument	Debt instrument
1	Issuer	Utkarsh Small Finance Bank Limited	Utkarsh Small Finance Bank Limited
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	INE735W08020	INE735W08038
3	Governing law(s) of the instrument	Indian Laws	Indian Laws
	Regulatory treatment		
4	Transitional Basel III rules	Tier II	Tier II
5	Post-transitional Basel III rules	Eligible	NA
6	Eligible at solo/group/ group & solo	Solo	Solo
7	Instrument type	Non-Convertible Debentures in the nature of Sub debt qualifying for Tier II	Non-Convertible Debentures in the nature of Sub debt qualifying for Tier II
8	Amount recognised in regulatory capital (₹ in crore, as of most recent reporting date)	INE735W08020 – ₹3 crores	₹117 Crore
9	Par value of instrument	₹100,000/- Per NCD	₹10,00,000/- Per NCD
10	Accounting classification	Borrowings	Borrowings
11	Original date of issuance	INE735W08020 – August 30, 2018	June 26, 2020
12	Perpetual or dated	Dated	Dated
13	Original maturity date	INE735W08020 – August 30, 2025	June 26, 2027
14	Issuer call subject to prior supervisory approval	NA	Yes
15	Optional call date, contingent call dates and redemption amount	NA	June 26, 2025
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	Coupon – 10.577% p.a.	Coupon – 12.50% p.a.
19	Existence of a dividend stopper	-	-
20	Fully discretionary, partially discretionary or mandatory	-	-
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-Cumulative	Non-Cumulative
23	Convertible or non-convertible	Non- Convertible	Non- Convertible

		Debt instrument	Debt instrument
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory, or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	-	-
31	If write-down, write-down trigger(s)	-	-
32	If write-down, full or partial	-	-
33	If temporary write-down, description of write-up mechanism	-	-
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All other depositors and creditors of the Bank	All other depositors and creditors of the Bank
35	Non-compliant transitioned features	-	-
36	If yes, specify non-compliant features	-	-

¹ The Board of Directors of the Bank, in its meeting dated July 24, 2023, has approved early redemption of subordinated NCD (ISIN INE735W08012) of Rs.25 crore in accordance with requisite approval received from SEBI and RBI as applicable. The Bank has commenced procedures as required for early redemption and the same is likely to be completed in this quarter.

XV. DF – 15: Disclosure Requirements for Remuneration

1) Qualitative Disclosure:

a. Information relating to the bodies that oversee remuneration:

- **Name, composition, and mandate of the main body overseeing remuneration.** – Nomination & Remuneration Committee Composition – Mr. Kajal Ghose, Mr. Muralidharan Rajamani and Mr. Parveen Kumar Gupta.
- External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process – None.
- Scope of the bank's remuneration policy, including the extent to which it is applicable to foreign subsidiaries and branches. Not Applicable.
- Type of employees covered and number of such employees- The Nomination & Remuneration Policy is applicable to all directors, KMPs and SMPs and other employees of the Bank, as may be specified.

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

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

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

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

The NRC and the board reviewed the compensation policy of the bank in its meetings held on 22nd March 2022 and no changes were made in the same.

- **How the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.**

- The remuneration of employees in control functions such as Risk and Compliance depends solely on their individual and overall functional performance and is not linked to any business outcomes. The same is also reflected in their KRA’s. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk and Compliance staff.

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

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

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

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

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

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

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

The measures listed above impact the immediate total CTC computation based on the overall performance measurement of an individual role holder for a given FY. In case of non-performance the variable component for an individual role holder is not given and for the rest it is computed on a sliding scale of performance review which is approved by the board and the NRC annually. Also caps of cash component of variable as well as deferment of both cash and non-cash bonuses is applied as per the guidelines issued by the Reserve Bank of India.

- **How the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration** The NRC and the board reviewed the compensation policy of the bank in its meetings on **22nd March 2022** respectively and no changes were made in the same.

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

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

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

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

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

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

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

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

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

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

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

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

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

The fraction of deferral to be considered is dependent upon –

- 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.

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

- **An overview of the forms of variable remuneration offered.**
- The variable remuneration is offered in the form of annual performance bonus. The same is determined on the basis of comprehensive performance appraisal system wherein the performance of each employee is evaluated on the basis of defined Goal Sheet and KRA at the beginning of year and achievement against them.
- **The use of different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, along with a description of the factors that determine the mix and their relative importance.**
- The variable remuneration is offered in the form of annual performance bonus, ESOPs & Monthly / Quarterly Variable Pay. The same is determined on the basis of comprehensive performance appraisal system wherein the performance of each employee is evaluated on the basis of defined Goal Sheet and KRA and achievement against them.

2) Quantitative Disclosures:

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

a. Number of meetings held by the NRC during the Q2 of FY 23-24 and remuneration paid to its members: Three meetings held during the Q2 of FY2023-2024 and a total of ₹5,40,000 was paid as sitting fee to its members.

b. Number of employees having received a variable remuneration award during the Q2 of FY 23-24: Annual Bonus payment during the Q2 of FY 2023-24 ₹23,04,64,790

- A total of ₹11.83 lacs has been paid to MD & CEO during April'23 to Jun' 23. Bifurcation is as follows:
- 1/3 of deferred bonus amounting ₹5.17 lac for FY20-21 and 1/3 of deferred bonus amounting ₹6.66 lac for FY21-22 totaling to 11.83 lac is paid in the month of April'23.
- **Total No. of ESOPs granted to all 7 MRT's- NO ESOP Granted.**

c. Number and total amount of sign-on/joining bonus awards made during the Q2 of FY 23-24: No Sign-on bonus awards during Q2 of FY 23-24.

d. Number and total amount of guaranteed bonuses awarded during the Q2 of FY 23-24: NIL (no new joining of Whole Time Directors / Chief Executive Officer / Other Risk Takers- MD & CEO, SVP & Above)

e. Details of severance pay, in addition to accrued benefits, if any: No severance pays, in addition to accrued benefits given.

f. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms:

- A total of ₹11.83 lacs has been paid to MD & CEO during April'23 to Jun' 23. Bifurcation is as follows:
- 1/3 of deferred bonus amounting ₹5.17 lac for FY20-21 and 1/3 of deferred bonus amounting ₹6.66 lac for FY21-22 totaling to ₹11.83 lac is paid in the month of April'23.

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

h. Breakdown of amount of remuneration awards for the Q2 of FY 23-24 to show fixed and variable, deferred and non-deferred, different forms used:

- Salary including perquisites for amounting ₹3,95,16,029 to all MRTs during the Q2 of FY23-24.
- The annual bonus paid to MRTs during Q2 of FY23-24 is ₹66,07,082 excluding MD & CEO.
- Apart from this, A total of 11.83 lacs has been paid to MD & CEO during April'23 to June'23.

i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments: NIL

- j. Total amount of reductions during the Q2 of FY 23-24 due to ex- post explicit adjustments: NIL
- k. Total amount of reductions during the Q2 of FY 23-24 due to ex- post implicit adjustments: NIL
- l. Number of MRTs identified – 7 (6 MRTs & 1 WTD)
- m. Number of cases where malus has been exercised – NIL.
- n. Number of cases where claw back has been exercised – NIL.
- o. Number of cases where both malus and claw back have been exercised – NIL.

3) General Quantitative Disclosures:

The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay. ₹0.02 crores & 59 times.

XVI. DF - 16: Equities – Disclosure for Banking Book Positions

As on Sept 30, 2023, the Bank does not have any Equity Exposures.

XVII. DF - 17: Summary Comparison of accounting assets vs. leverage ratio exposure measure

(₹ in Crores)

Sl. No.	Particulars	Amount as on 30th Sept 2023
1	Total consolidated assets as per published financial statements	19,657.71
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	168.37
4	Adjustments for derivative financial instruments	0.00
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	68.77
7	Other adjustments	-
8	Leverage ratio exposure	12.85%

XVIII. DF - 18: Leverage ratio

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

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

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

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

(₹ in Crores)

Sl. No.	Items	Amount as on 30th Sept 2023
On-Balance sheet exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	19,489.34
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	0.00
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	19,489.34

(₹ in Crores)

Sl. No.	Items	Amount as on 30th Sept 2023
Derivative exposure		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0.00
5	Add-on amounts for PFE associated with all derivatives transactions	0.00
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	Total derivative exposures (sum of lines 4 to 10)	0.00
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	0.00
15	Agent transaction exposures	0.00
16	Total securities financing transaction exposures (sum of lines 12 to 16)	0.00
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	68.77
18	(Adjustments for conversion to credit equivalent amounts)	0.00
19	Off-balance sheet items (sum of lines 17 and 18)	68.77
Capital and total exposures		
20	Tier 1 capital	2,513.10
21	Total exposures (sum of lines 3, 11, 16 and 19)	19,558.11
Leverage ratio		
22	Basel III leverage ratio	12.85%