

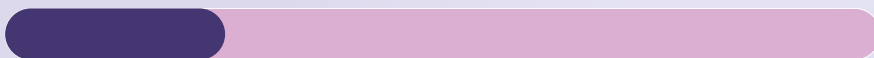


Utkarsh Small Finance Bank



**ANNUAL
REPORT
FY 2016-17**

Loading Smiles...



Aap Ummeed Kijiye, Banking Hum Kareng.

UTKARSH JOURNEY

- from a Micro Finance Institution (NBFC-MFI) to a Small Finance Bank (SFB)

Year 8

2016-17

- Outreach spread to 110 Districts of 10 States.
- Client base of more than 11.70 lakh.
- CARE assigned Rating of A (A stable) on Bank Loan Rating.
- Received Final Licence for Small Finance Bank from RBI.
- Commencement of Banking Operations on January 23, 2017.
- Received Skoch (Gold) – 2016 Award for Inclusive Insurance.

Year 7

2015-16

- Expanded in the region of Chhattisgarh and Jharkhand.
- Started Pilot of Affordable Housing Loan Product.
- Client base of more than 8.50 lakh.
- Grading upgraded to M1 (Highest) from M2+ by ICRA Ltd.
- Received In - Principle Licence for Small Finance Bank from RBI.
- Received CIMSME's MSME Banking Excellence Award.

Year 6

2014-15

- Further expanded outreach in existing States.
- Client base of more than 6.00 lakh.
- Received Smart Campaign Client Protection Certification.

Year 5

2013-14

- Expanded in the region of Maharashtra.
- Started operating through Mobile Technology.
- Upgraded RBI Licence to NBFC-MFI.
- Client base of more than 3.00 lakh.
- Received Mix STAR (Socially Transparent And Responsible) Award.

Year 4

2012-13

- Expanded in new districts of Uttar Pradesh, Bihar, Uttarakhand and Madhya Pradesh.
- Started National Pension System Services.
- Client base of more than 1.97 lakh.
- Received Microfinance India Organization of the Year (Small and Medium Category) Award.

Year 3

2011-12

- Expanded outreach in Uttarakhand and Madhya Pradesh.
- Launched the second loan product- Micro Enterprise Loan.
- Client base of more than 1.06 lakh.

Year 2

2010-11

- Expanded outreach in Bihar.
- Client base of more than 55,000.

Year 1

2009-10

- First Loan disbursed on Sep 21, 2009.
- Client base of more than 8,000 in Uttar Pradesh.



Index



01 Corporate Information **001**



02 From the Desk of Chairman **002**



03 From the Desk of MD & CEO **004**



04 Board of Directors **007**



05 Committees of the Bank **010**



06 Senior Management **011**



07 Management Discussion & Analysis **017**



08 Directors' Report **043**



09 Corporate Governance Report **053**



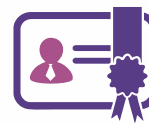
10 Audited Financial Statement **070**



11 Independent Auditors' Report **116**



12 Secretarial Audit Report **121**



13 CEO & CFO Certificate **125**



14 Extract of Annual Return **126**



15 Annual CSR Report **133**



16 Basel Pillar II Disclosures **138**



17 Partners in Progress **154**



18 Utkarsh Presence **158**



19 Utkarsh in News **159**

CORPORATE INFORMATION

Corporate Identification No.

U65992UP2016PLC082804

Website

www.utkarsh.bank

e-mail

shareholders@utkarsh.bank

Statutory Auditors

M/s BSR & Associates

Reliance Humsafar, 8-2-618/2,

4th Floor, Road No.11, Banjara Hills,

Hyderabad – 500034

Telangana

Secretarial Auditors

M/s Anubhav Srivastav & Associates

S 26/46 M-7 Ashok Puram Colony,

Meerapur Basahi,

Varanasi

Uttar Pradesh

Company Secretary

Mr. Anang Shandilya

Registrar & Share Transfer Agent

M/s Karvy Computershare Private Ltd

Unit: Utkarsh Small Finance Bank

Karvy Selenium Tower B,

Plot No 31 & 32, Gachibowli,

Financial District,

Nanakramguda, Serilingampally,

Hyderabad - 500 032

Telangana

Registered & Corporate Office

S-24/1-2, First Floor, Mahavir Nagar

Orderly Bazar,

Varanasi – 221 002

Uttar Pradesh

From the Desk of Chairman

Dr. V. S. Sampath

Dear Shareholders,

It gives me immense pleasure and satisfaction in sharing my first message to the shareholders of Utkarsh Small Finance Bank Limited, as Chairman of the Board of Directors. I have been associated with the Bank, in the capacity of Chairman since last fiscal and was fortunate enough to witness the memorable start of operations of the Bank.

As you must be aware that during the year 2016-17, we have been able to get the necessary regulatory permission from Reserve Bank of India (RBI) to start the Banking operations in the month of November, 2016 and effective from January 23, 2017. We started our journey with the firm commitment of building an Institution with specialized range of affordable banking services for the people of India, particularly in our core area of operation. The launch of the Bank is done at a time when the Government of India has started various initiatives to increase the digital banking usage post the demonetization.

The Bank is a wholly owned subsidiary of Utkarsh Micro Finance Limited. The holding Company is in the process of converting itself into an NBFC – Core Investment Company. Our holding Company has played a significant role in servicing low-income clients and their families, providing them access to financial services that are client focused, designed to enhance their well-being, and delivered in a manner that is ethical, dignified, transparent, equitable and cost effective. The holding company in the recent years has been working effectively on integrating social values into business operations with the firm commitment of injecting high standards of governance in participative management model in all activities with untiring efforts to serve its clients and to uphold core social values.

As we now embark on the historical journey of building a bank, we continue our agenda of nation building and develop an institution that serves, protects and promotes the interest of all segments of society with a specific focus on the unserved and underserved populace. The year gone by was truly historic for us which witnessed the incorporation of Bank on April 30, 2016 and saw launch of its banking operations. We see an opportunity to redefining banking and delivering state-of-the-art solutions across segments. In the coming days, our activities would be centered around calibrated organic growth of branch network across India. As of the last financial year, our Bank has 5 General Banking and 350 Micro Banking branches, with a mix of geographies spread in the urban, underbanked and unbanked areas of the Country.

The Bank during the year has invested on trained manpower and technology to enable banking services for all. We have developed an easy access Internet banking & Mobile Banking facilities to enable customers to carry out transactions in a seamless manner. The Bank is also enabling customer acquisition through e KYC model through Aadhaar enablement.



While a significant step has been taken in the last year to start banking business, we are motivated by the challenge to set in motion the customer acquisition in line with our business ambitions. I am sure with your continued support, we would be in a position to deliver banking services in an effective manner and also realize shareholders' value. Our customers can now speak to trained bankers 24x7, through our Call center facility. Our Internet Banking & Mobile Banking facilities enable all customers of the bank to carry out transactions any time anywhere. Customers' response to our products and offerings in the last few months has been very motivating for us as an organisation. Feedback on our internet portal for corporate banking customers, branch design, banking on call, seamless opening of savings account - based on Aadhaar and many other products and services has been very positive.

Such feedback and response gives us the confidence that we are on the right path to fulfil our vision. On behalf of the Board of Directors, I want to assure you that we are committed to providing the highest standards of governance and to ensure this, all the systems, procedures and structures of corporate governance have been put in place.

Your Board comprises of eminent members drawn from diverse professional backgrounds, skill-set and experience; requisite Board Committees have been constituted; and policy framework and operating procedures needed for smooth banking operations have been laid down. The Bank is extremely well placed to take utmost advantage of available opportunities in the banking industry. The Executive Committee of the Bank with the active participation of senior management under the proven and dedicated leadership of the Managing Director & CEO has developed a robust strategy for building a premier banking institution. Your Bank is fully committed to its endeavour of Corporate Social Responsibility in letter and spirit within the regulatory framework. It will continue to focus on sustainable and impactful programmes through the platform of Utkarsh Welfare Foundation.

I thank you all for extending your support during the initial stage of setting up of the Bank. I look forward to your continued support, patronage and guidance in the coming years.
Thanking you.

Yours faithfully,

V. S. Sampath
Chairman

Date : May 29, 2017
Place : Mumbai

From the Desk of MD & CEO

Govind Singh

It gives me immense pleasure and a sense of pride to present you with the first Annual Report of your Bank. The Bank started the journey with its incorporation on April 30, 2016. The Bank applied for a Banking Licence to RBI. Subsequently, the final licence numbered MUM : 125 was received from RBI on November 25, 2016.

In line with the conditions to the final licence, the existing businesses of our Holding Company, Utkarsh Micro Finance Limited was transferred through a Business Transfer Agreement (BTA) as at the close of business hours on January 21, 2017. Your Bank started operations with 5 new branches on January 23, 2017. We received the RBI approvals and various certifications within a short span of time and I take this opportunity to congratulate all employees on your behalf for their focused approach.

Our holding company has provided a strong base for starting the Bank with capacity and capability to understand the needs of society at large in this geographical belt. Through our Micro Finance, Micro Small Medium Enterprises and Affordable Housing operations, we had catered to more than 12 lakh clients in 110 districts of 10 states. The legacy of the holding company for transparent and fair practices towards all stakeholders, clients, employees is being reflected in every endeavor of the group. Our group has always maintained an approach in its endeavors which is process centric and is equipped with upgraded technology and people friendly environment to maintain an institution which adheres to the principles of Reliability, Sustenance Scalability and encourages Socio-economic change.

Your Bank had 5 Banking branches, 23 MSME Loan offices, 3 Housing Loan offices and 350 Micro Finance Branches as at the close of business on March 31, 2017. We are planning to launch around 50 General Banking Branches and also to convert our existing 350 JLG Branches into Micro Banking Branches in next one year. Our operational area which was earlier divided into three hubs (Hub 1, Hub 2 and Hub 3) is now being reframed as four Zones viz. Varanasi, Patna, Delhi and Nagpur. Our main focus area will remain Uttar Pradesh and Bihar in immediate future as per our existing expansion plan.

As a Bank, our branches will provide whole gamut of banking services ranging from Savings & Current Accounts, Fixed and recurring deposits to retail loan products and also insurance and investment products. The customers can access banking services through multiple channels like branches, 24x7 ATMs, Internet Banking, Mobile Banking and would also have a Call Center to track and manage customer complaints (if any).



While we have started with the basic banking products, we would expand our product suite to cater the agricultural, commercial vehicle loan segment and other requirements of the society at large.

The Bank has taken significant steps in the Infrastructure and Information technology space and has a Core Banking Software that takes care of the entire banking requirements including the Microfinance business. Though there were issues on the migration of data, these were solved proactively by the management and team and now the CBS is performing to the expected levels. We have a dynamic CRM module that would cater the entire customer lifecycle such as On boarding, Customer Service, Field Service, Project Service Automation and Marketing. Going forward, TAB banking solutions would be provided for customer onboarding.

Considering that we have entered a new business, the Bank has various system and procedures in place to address the Compliance requirements and the Risk Management practices are in line with the regulatory requirement. Additionally during the last year, employee training was imparted to give employees an update on the Utkarsh Journey and Basic Banking training. As against a total staff of 3,845 as on March 31, 2017 3,020 were trained on Basic Banking.

People are the most important assets of any organization. Succeeding through the 'Talent of People' is one of the fundamental need of any successful institution. At Utkarsh, we always believe in empowering people, by nurturing their talents and by providing them adequate training in the right direction. In this transition phase there were many changes in organizational structure as per the Banking business requirements. In order to fulfill the same, a number of employees joined the Senior Management. The new joinees across all levels went through a week long induction programmes that ensured alignment to the overall philosophy and culture of the group.

Your Bank is adequately capitalized with a CAR of 25.87% and in the last year has made profits (PBT) to the extent of 6.52 crore. The profit is based on the business carried out from January 23, 2017 and March 31, 2017. The details of the financials are given in the ensuing pages and I request you to kindly go through the same.



During the last year, the Government demonitised Specific Bank Notes (₹500 and ₹1,000) which initially had an impact on the collections and disbursements. There has been significant improvement in collections towards the later part of the FY. The demonitisation took place while the businesses were housed in the holding company. However, the collection impact was passed on to the Bank due to the Business Transfer that took place on January 21, 2017.

With demonitisation, the focus has now moved to the digital banking space and the government has laid a lot of emphasis on increasing the transactions flow under digital banking. The Reserve Bank of India, our regulator has also taken concerted efforts to understand the challenges of Small Finance Banks and are taking necessary steps to address the same. With the focus of the government on Digital Banking and Financial Inclusion coupled with our approach to serve the underserved and unserved populace we are entering an exciting era in the Banking space. I am sure that with your continued support, we can bring a significant impact to the business.

Your Bank has also adopted a new Logo during the last year and our positioning is based on "Ummeed". The new logo was launched by the chairman (designate) Dr. V. S. Sampath in the presence of all Directors and Investors on January 9, 2017.

Our logo is the Sun Logo connotation, culminating into a Symbol, which translates the 'Intent of Utkarsh'. It highlights a new beginning, a new day, symbol of hope and progress. It powerfully represents the energy on which every life thrives. The logo artistically reflects the Hindi letter 'U' which stands for Utkarsh. The Hindu letter 'U' also forms a silhouette of a Bird which denotes 'flight', rising, moving ahead towards Utkarsh Progress. Awareness programmes were conducted to ensure that employees imbibe the elements of logo and its meaning.

I thank the Boards of the Holding Company and the Bank for their continued guidance. Your Bank took the support of Dr. P. J. Nayak and team to steer the initial strategy of the Bank and I take this opportunity to thank Dr. P. J. Nayak and his team on your behalf. The team has laid a strong foundation that would benefit the Bank in realizing the long term objectives. Your Bank appointed KPMG as the consultant for the Bank migration, IT migration and also to manage the project management office. I place sincere thanks to the entire team of KPMG who had stood with us during tiring times and have realized a common goal of setting up of a Bank. I also thank our Core Banking Software partner- Intellect Design Arena Limited, ATM partner - AGS Transact Technologies Limited, Branding partner- Focus 360 Degree Media Pvt. Ltd. and PR partner - Adfactors PR Pvt. Ltd. for their dedicated efforts during this important and critical transition phase. I also thank the Clients in particular for reposing their faith in our products and services and their continued patronage.

I look forward to the cooperation of our stakeholders and wish to sincerely thank the entire staff on your behalf for the sustained efforts displayed during this significant and critical year.

Regards,

Govind Singh
Managing Director & CEO

Place : Mumbai
Date : May 29, 2017

BOARD OF DIRECTORS

Dr. V. S. Sampath



Dr. V. S. Sampath is a 1973 Batch IAS Officer retired from the prestigious post of Chief Election Commissioner of India and held several important postings in Central Government including a stint in the Union Ministry of Rural Development. As Chief Election Commissioner, Dr. Sampath pioneered several reforms in poll management, the primary among them being Expenditure monitoring, setting up of flying squads and surveillance teams.

Dr. Sampath had also been appointed as Director General, National Institute of Rural Development. Subsequently, he held the post of Secretary, Chemicals and Petrochemicals where he was pivotal in conceptualizing and implementing the Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) policy to help the growth of the Petrochemical sector in India by facilitating massive investments in the identified Regions.

Dr. Sampath has also served as Secretary, in the Central Power Ministry, where he was instrumental in implementing several forward-thinking policies which aided the sector. Among them was Restructured - Accelerated Power Development and Reforms Programme (R-APDRP), a mega-package for the renovation and modernization of Indian power utilities to help them improve their performance.

Mr. Kajal Ghose



Mr. Kajal Ghose is a career banker with more than 38 years of banking experience with SBI. He has rich experience in State Bank of India and had retired as the CGM. During his career, he had varied experience including heading retail operations at Branches. He has also handled key positions in Planning assignments, Inventory Management, Information Technology.

During the last decade of his career he had experiences in managing ATM Operations of the Bank and had worked in the Rural Business Group. He was looking after the Debit and Prepaid card and Mobile Banking Services at the Bank during the last few years. He headed Lucknow LHO and Delhi LHO of State Bank of India. Mr. Ghose also led the Business Intelligence Department of SBI in addition to running the biggest Banking Data Warehouse.

BOARD OF DIRECTORS

Mr. Somnath Sengupta



Mr. Somnath Sengupta joined the State Bank of Bikaner & Jaipur in December 1976 as a Probationary Officer and worked in various roles over the next 19 years. In January 1996 he joined UTI Bank (which became Axis Bank in 2007) as Head of Treasury Operations. In 2003 he became the Head of Finance & Accounts and the CFO of the Bank thereafter. At the time of his retirement from the Axis Bank in September 2014, he was Executive Director, Corporate Centre heading the finance, risk, operations, IT, law, compliance, inspection and investor relations functions.

Mr. Sengupta was a whole-time Director on the Board of the Axis Bank, a Nominee Director on the Board of Axis UK (the Bank's subsidiary in London) and a member of the Axis Foundation (the Bank's CSR arm) Board. After working as a banker for nearly 38 years, he has been working in the social sector in Kolkata.

Mr. Tantra Narayan Thakur



Mr. Tantra Narayan Thakur has over 32 years of extensive experience, as a Member of the Indian Audit & Accounts Services, he has provided services related with treasury management, financial management (including resource mobilisation, investment decisions and appraisal of projects for project lending), accounts, cash management, budgeting and budgetary control, and human resource management. He was also the Chairman of PTC India Limited.

BOARD OF DIRECTORS

Ms. Anita Ramachandran



Ms. Anita Ramachandran heads Cerebrus Consultants and has about 35 years of consulting experience in corporate strategy and Human Resource consulting. She is an alumni of Jamnalal Bajaj Institute of Management Studies, Mumbai and began her career with AF Ferguson & Co. where she spent 19 years in the area of management consulting.

Ms. Ramachandran has set up Cerebrus Consultants in 1995 with a passion of making a difference in the HR environment and making a significant impact on the focus on diversity and women's relevance in the workplace. Ms. Ramachandran is an expert in the rewards area in the country and has worked with a large number of multinationals and major Indian companies across a wide range of sectors. She was the first to bring in several new thoughts in the area including the concept of total compensation, innovative ways of incentive design and the focus on performance.

Mr. Govind Singh



Mr. Govind Singh has an overall experience of more than 30 years in Banking & Finance Sector (from year 1986 to till date) with wide range of experience at all levels of Banking and Finance.

Presently, as the MD & CEO of Utkarsh Small Finance Bank Ltd, he looks after all the management activities including compliance, risk, social performance management, expansion strategy, management of funds, management of personnel, maintaining relationship with Bankers, funders, investors and members on the Board of the Bank. He is involved in day to day management of the Bank and is responsible for framing new policies and procedure to be adopted by the Bank in consultation with the Board members & other Heads of department.

He was previously the business head for Rural and Agri Liabilities, and the Trust, Associations, Societies and Clubs (TASC) segment at ICICI Bank. He also has extensive experience with the Retail Liabilities group and Retail Infrastructure Group at ICICI Bank. He had worked previously with State Bank of Patiala, Surya Roshni group (Financial services), Bank Internasional Indonesia, Axis Bank and Allahabad Bank.

COMMITTEES OF THE BANK

S.No.	Name of The Committee	Members	Frequency
01	Audit Committee	Mr. Tantra Narayan Thakur Mr. Somnath Sengupta Ms. Anita Ramachandran	Quarterly
02	Nomination & Remuneration Committee	Mr. Somnath Sengupta, Ms. Anita Ramachandran Dr. V. S. Sampath	Minimum Once a Year (as and when required)
03	Stakeholders Relationship Committee	Ms. Anita Ramachandran Mr. Somnath Sengupta Mr. Govind Singh, MD & CEO	As and when required
04	Risk Management Committee	Dr. V. S. Sampath Mr Somnath Sengupta Mr. Govind Singh, MD & CEO	Quarterly
05	Corporate Social Responsibility Committee	Dr. V. S. Sampath Mr. Tantra Narayan Thakur Mr. Govind Singh, MD & CEO	Half Yearly
06	IT Strategy Committee	Mr. Kajal Ghose Mr. Tantra Narayan Thakur Mr. Govind Singh, MD & CEO	Quarterly
07	Review Committee for Identification of Wilful Defaulters*	Mr. Govind Singh, MD & CEO Mr. Kajal Ghose Mr. Tantra Narayan Thakur	As and when required
08	Customer Service Committee	Mr. Somnath Sengupta Mr. Kajal Ghose Mr. Govind Singh, MD & CEO	Half Yearly
09	Special Committee to Monitor Large Value Fraud**	Dr. V. S. Sampath Ms. Anita Ramachandran Mr. Govind Singh, MD & CEO Mr. Somnath Sengupta Mr. Tantra Narayan Thakur	Half Yearly
10	Credit Approval Committee	Ms. Anita Ramachandran Mr. Kajal Ghose Mr. Govind Singh, MD & CEO	As and when required

* All members are required for Review Committee for Identification of Wilful Defaulters due to the sensitivity linked to it.

** All Frauds above the monetary value of ₹10 Lakh would be placed to Committee

SENIOR MANAGEMENT

GOVIND SINGH



MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr. Govind Singh has an overall experience of more than 30 years in Banking & Finance Sector (from year 1986 to till date) with wide range of experience at all levels of Banking and Finance.

Presently, as the MD & CEO of Utkarsh Small Finance Bank Ltd, he looks after all the management activities including compliance, risk, social performance management, expansion strategy, management of funds, management of personnel, maintaining relationship with Bankers, funders, investors and members on the Board of the Company. He is involved in day to day management of the company and is responsible for framing any new policy and procedure to be adopted by the company (in consultation with the Board members & other Heads of department).

He was previously the business head for Rural and Agri Liabilities, and the Trust, Associations, Societies and Clubs (TASC) segment at ICICI Bank. He also has extensive experience with the Retail Liabilities group and Retail Infrastructure Group at ICICIBank. He had worked previously with State Bank of Patiala, Surya Roshni group (Financial services), Bank International Indonesia, Axis Bank and Allahabad Bank.

ADHIP SYAMROY



CHIEF OPERATING OFFICER

He has over 25 years of experience in Banking and Financial sectors. Prior to joining Utkarsh, he worked with Axis Bank for nearly 21 years and held senior leadership roles in Customer Service, Corporate Real Estate, and Employee Experience & HR Operations. He has also worked with SBI Home Finance Ltd. handling housing loans to individuals and real estate developers. He is an engineer from the Indian Institute of Engineering, Science and Technology, Shibpur (erstwhile Bengal Engineering & Science University).

S. S. RAMANATHAN



CHIEF COMPLIANCE OFFICER

He has 19 years of banking experience spread across Branch Banking, Operations, Branch Sales Management, Governance and Compliance. Prior to joining Utkarsh, he was heading the compliance functions relating to Retail Banking, Control Functions and additionally handled the Subsidiary Governance in Axis Bank. He is a founding member of UBL Sales Ltd. (Now Axis Securities Ltd.,) a subsidiary of Axis Bank and has been instrumental in setting up of the various departments of the subsidiary. He has been involved in implementation of projects of high importance in Axis Bank. Prior to Axis Bank, he has worked with IDBI Bank and ICICI Bank in various capacities in branch banking. He is graduate from University of Madras and ICWAI (Inter) and has also completed a certificate course from The Strategy Academy.

ABHISHEKA KUMAR**CHIEF FINANCIAL OFFICER**

Mr. Abhisheka Kumar has around 15 years experience in Banking Sector, Finance, Social Sector & Media. He is in-charge of Finance and Accounts function at Utkarsh (since inception) which cover Fund planning & mobilization, Accounting, Taxation & Regulatory reporting, Management Reporting, Business Planning & Analysis, ALM and Capital planning, and shareholder / investor relations and dealing with the RBI. He was the Regional Head - Microfinance Division, for North Region of ICICI Bank before he moved to Utkarsh. In ICICI Bank, he handled various responsibilities in Microfinance Division, both in Product & Relationship Management function. Prior to ICICI Bank, he has worked with Friends of Women's World Banking (India) (FWWB), Ahmedabad. He has also worked with Times of India. He has sound financial knowledge, understanding of financial reporting, and various statutory and regulatory compliance. He has done his graduation from St. Xavier's College, Kolkata and Post Graduate Diploma in Rural Management from Institute of Rural Management, Anand (IRMA).

ALOK PATHAK**CHIEF RISK OFFICER**

He has over 19 years of Banking experience in the domain of Risk Management, Corporate Lending, Liabilities, Forex and Treasury area. Prior to joining Utkarsh he was with Yes Bank Ltd. as Executive Vice President and in various capacities with Axis Bank handling various roles at Risk Department for more than 8 years. Prior to that, he has worked in various fields of Banking including Retail Lending, Corporate Lending, Liabilities, Forex in State Bank and Oriental Bank of Commerce. He has also worked as a Dealer at State Bank of Mysore for more than 4 years handling Domestic Treasury. He is a Science Graduate from Kanpur University, PGDCA from Aptech Computers, JAIIB & CAIIB from IIBF, Mumbai and he is also a Certified Banking Compliance Professional (a course conducted by Indian Institute of Banking Finance & Institute of Institute of Company Secretaries jointly).

ARUP KUMAR DUTTA**HEAD - LIABILITIES**

He has been associated with the banking and financial sector all throughout his career, spanning 25 years. Prior to joining Utkarsh, he has worked with Axis Bank in the corporate as well as retail banking verticals in senior leadership roles. He has handled responsibilities in the areas of Retail Branch Banking, Corporate Liabilities, Cash Management Services and Government Business including Financial Inclusion initiatives. Earlier, he was with Unit Trust of India, handling assignments related to Sales & Marketing (strategic planning), Accounts and Operations. He is an Economics graduate from Visva - Bharati University, standing First in the Order of Merit and holds post graduate degree from Himachal Pradesh University, PGDBM (IISWBM, Kolkata), PGCHRM (Gold Medallist, XLRI, Jamshedpur) and JAIIB (IIB&F, Mumbai).

TRILOK NATH SHUKLA



HEAD - MICRO BANKING

He heads Micro Banking business of the Bank, has an experience of more than 20 years in microfinance sector especially in the northern part of the country. He is a Postgraduate from Purvanchal University, UP and holds Advance Diploma in Rural Technology Development and Management from IERT Allahabad. He joined Cashpor in September 1997 and as his last assignment, was as General Manager - HRD there and was part of head office operation team. During his stay at CASHPOR he handled almost all functions of MFI in lead role. He has attended several training programs in and outside India, including visit to Grameen Bank, ASA, BRAC in Bangladesh, MFI Program held at Torino in Italy conducted by Boulder University, Colarado, USA and different MDPs delivered at IIM Ahmedabad, Banglore & Lucknow. He also attended several conferences / seminars as panelist organized by BIRD / UPMA based at Lucknow. As part of his training, he got exposure to different MFIs in south east Asia.

MALKIT SINGH DIDYALA



HEAD – MSME

He holds a Post Graduate Diploma in Rural Management (PGDRM) from IRMA. He is a seasoned finance & banking professional with over 13 years of experience across various roles and organizations. He also brings a deep understanding of the rural/informal economy due to his stint in the co-operative dairy sector. He started his career in Banking at ICICI Bank Ltd. With the microfinance business of the Bank and handled roles across product and credit. He graduated to a larger role in ICICI Bank in the Financial Institutions Group handling relationships with domestic financial institutions and undertaking credit sell-down of underwritten loans. Post ICICI Bank he joined Bajaj Finance Ltd. as Zonal Head for Infrastructure Finance and also handled large ticket mortgage and LRDs. In the last role at BFL he set-up the Financial Institutions Group engaged in lending to other domestic financial institutions.

VIVEK KASHYAP



HEAD – HOUSING LOAN

He is a Rural Management Graduate (PGDRM) from Institute of Rural Management, Anand. He has over 11 years of experience in microfinance, housing finance, sales and marketing. Prior to Joining Utkarsh, he was with Swarna Pragati Housing Microfinance Private Limited as an Assistant Vice President, responsible for Maharashtra state Credit and Operations related activities. Apart from this, he has also worked in various capacities with SKS Microfinance and had started SKS operations in Vidharbha Region of Maharashtra. He has also headed the process training department at SKS for a brief period of time. His last assignment at SKS was as Zonal Manager, responsible for Maharashtra and Gujarat state. He has also worked with TATA Motors and FINO Ltd.

VINAY JADHAV



HEAD - ADMINISTRATION

He is having more than 18 years of experience in Banking and Service Industry, directed full spectrum of facility program encompassing response planning and implementation, life, safety, security, transportation, and energy conservation. Prior to joining Utkarsh, he was with Axis Bank for nearly 15 years handling various responsibilities in Administration, HR Operations, IR, Talent Acquisition, Protocol & Liaisoning, Safety & Security, Vendor & Facility Management. He is a Commerce Graduate from Mumbai University and currently pursuing Masters in Human Resources and Development Management from Mumbai University.

RAHUL DEY



HEAD – INFORMATION TECHNOLOGY

He has over 13 years on experience in Banking and Microfinance. Prior to joining Utkarsh, he was with Ujjivan Financial Services Pvt. Ltd. as Regional Business Manager, responsible for their Individual lending business in East. Apart from this, he has worked in various capacities with organizations like, Ballarpur Industries Ltd, ICICI Bank Ltd, Spandana Spoorthy Financial Ltd. and Anjali Microfinance Pvt. Ltd. In ICICI Bank, as Regional Manager West Bengal and North East, he was responsible for the Bank MFI business in the region for more than 3 years. He holds Post Graduate Diploma in Rural Management from Xavier Institute of Management, Bhubaneswar.

HARESH R WADHWA



HEAD - OPERATIONS

He has been associated with the banking sector for over 22 years. Prior to joining Utkarsh, he was with IndusInd Bank Ltd. as Vice President and Head – Process and Projects in General Banking Operations and has domain expertise of processes and policy documentation, vetting and internal controls. He was also instrumental in setting up currency chests for the bank. Prior to IndusInd Bank, he was with ICICI Bank as Chief Manager – Process Reengineering at Corporate Office, holding various roles covering retail operations, innovations, currency management including a stint for over a year in ICICI Bank Plc, UK- London office handling Retail, Trade Finance and Corporate Operations. He had also worked with UTI Bank Ltd. (Axis Bank) and Shamrao Vithal Co-operative Bank at various branches handling retail operations. He is a Commerce Graduate from Mumbai University and also holds LLB Degree from Mumbai University, ICFAI – MBA (Diploma) and CAIIB (Certified Associate of Indian Institute of Bankers).

VINOD TIWARI



HEAD – PROJECTS

He is having more than 14 years of experience in providing leadership to infrastructure projects (CRES – Corporate Real Estate Strategic Services) & Administration at national and international level with specialization in formulating administrative policies & processes, infrastructure management, functional strategy, budget planning, vendor management, stakeholder management, procurement, facility management, security management, travel management, functional statutory compliances & liaison with Government. He has worked with companies in the domain of BPO / KPO / IT, banking, government embassy, infrastructure, real estate, hotels and travel. Prior to joining Utkarsh, he was associated with IHG Group, Kuoni Group – VFS Global, Logix Group, ICICI Bank & Carlson Group - Radisson. He is graduate from Delhi University and studied Hotel Management from BVB, German from BVB & pursuing IFM (Masters in International Facilities Management).

ASHWANI KUMAR



HEAD - TRAINING

He is a Rural Management Graduate (PGDRM) from Institute of Rural Management, Anand (IRMA) and has over 12 years of industry experience. Prior to joining Utkarsh, he served NABARD Financial Services Ltd. (NABFINS) as AGM (Finance) for over 2 years. Prior to that he was with Canara Bank as Manager for over 5 years and 8 months at its Priority Credit Wing, Head Office, and Bangalore, handling Agri-Business, Priority Small Loan NPA Management and Consultancy Services with active involvement in setting up of Bank's Financial Inclusion Wing. Out of his interest, he has taken several sessions on PSL, Agri-business and NPA Management at Banks, Colleges, CAB-RBI (Pune) and NIBM (Pune). He has publications in CAB-RBI's annual book and 'Farm Digest'. He started his career as a Research Associate with Locus Research and Consultants Pvt. Ltd, New Delhi and undertook projects for Ministry of Rural Development, Gol and other agencies. He has also done CFA from ICFAI (India) and CAIIB with other Diplomas and Certifications from IIBF. He has UGC Net certification in Management and is a lifetime member of CFA Council (CCFA, India) and IIBF (India).

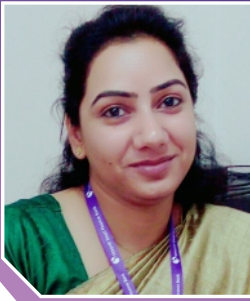
G. SRINIVASA REDDY



HEAD - TREASURY

He has over 3 decades of experience in treasury operations domain. Prior to Utkarsh, he was with Kotak Mahindra Bank in the capacity of Senior Vice President, Treasury Operations. Earlier he worked with ICICI Bank in Forex and Domestic Treasury Operations and was on deputation to Clearing Corporation of India Ltd. during this tenure. He started his career with Corporation Bank and gained expertise in general banking while working at Mumbai and Bangalore, subsequent to which he also laid his hands on treasury operations in back and front office. He is an M. Sc. (Bio Sciences) from Nizam College, Hyderabad with a Post Graduate Diploma in Advanced Bank Management from NMIMS, Mumbai.

DR. PRIYANKA SINGH



AVP - HUMAN RESOURCE & MDS

She is doctorate from Udai Pratap Autonomous College and MBA from Institute for Integrated Learning and Management, Gurgaon. She has around 11 years of professional experiences in the domain of human resource and various other related domain. Prior to joining Utkarsh, she has worked with Bharti Axa Life Insurance. She has been awarded with Women Super Achiever Award by Femina World Women Leadership Congress in 2017.

PANKAJ KUMAR SINGH



DVP - INTERNAL AUDIT MICRO BANKING

He is a Rural Management Graduate (PGDRM) from Institute of Rural Management, Anand (IRMA). He has more than 11 years of exposure across Microfinance, Relationship Management, Corporate Banking, and Business Development & Direct Sales. Prior to joining Utkarsh, he was Area Head - TASC (Direct Sales) at HDFC Bank Ltd. Prior to that, as Relationship Manager in Microfinance Division at HDFC Bank, he was responsible for pre-sanction credit appraisal, post disbursement monitoring & compliance and handling relationship of North and East based MFI for Bank. He was also responsible for sales & business development, key account management, new account acquisition, people management and building healthy professional relationship with clients.

ANANG SHANDILYA



COMPANY SECRETARY

He has around 11 years of professional experiences in the domain of Secretarial, Legal, Compliance and Corporate Governance framework of Companies while working with big corporate houses like Tata Group, Delhi Stock Exchange and Times of India Group. He is a Commerce and Law Graduate, Fellow Member of the Institute of Company Secretaries of India (ICSI), New Delhi and an MBA (Finance) from Symbiosis University, Pune.

Management Discussion & Analysis

Introduction

The year has seen landmark change in the organisation's setup. Post receiving the in-principle approval for Small Finance Bank licence from Reserve Bank of India, our holding company 'Utkarsh Micro Finance Pvt. Ltd.' was converted into as 'Utkarsh Micro Finance Ltd.', a Public Limited Company to raise domestic equity to the tune of minimum 51% of total equity. Subsequently, our holding company - 'Utkarsh Micro Finance Ltd.' promoted 'Utkarsh Small Finance Bank Ltd.' by holding 99.99% of the equity.

Starting the Microfinance operations, back in September 2009; Utkarsh Micro Finance Ltd. was the youngest in the batch (in terms of vintage) of 8 NBFC-MFIs securing the in-principle licence for Small Finance Bank (SFB) operations from Reserve Bank of India.

During the FY 17, Utkarsh expanded in geographies of all its 10 States viz. Uttar Pradesh, Bihar, Jharkhand, Delhi-NCR, Uttarakhand, Haryana, Himachal Pradesh, Maharashtra, Madhya Pradesh and Chhattisgarh. As a Bank, the General Banking Branches are being launched and the Micro Finance Branches are being converted into Micro Banking Branches in a phased manner. Simultaneously, the Micro Enterprises Loans (MEL) and Affordable Housing Loans (AHL) Branches also being converted into Micro, Small and Medium Enterprise Loan (MSME) Branches and Housing Loan (HL) Branches for covering even newer client segments with even larger ticket size.

As at the close of March 31, 2017, Utkarsh had Micro Finance Business at 351 locations, MSME Business at 23 locations, Housing Loan Business at 3 locations and 4 General Banking Branches with a total of 3,845 employees pan 110 districts of 10 States in the country.

The Net Worth of the Company was ₹675.4 crore as on March 31, 2017 and the Assets Under Management (AUM) were ₹1,613.6 crore. The Total Business was ₹1,632.3 crore, including the deposits of ₹18.7 crore.

Technology has been envisaged as the key driver for ensuring delight customer experience. Already the Bank has upgraded from Mobile Banking to Tab Banking at grassroots levels. Bringing in efficiency through introduction of technology would stand us out in delivering banking services to under and un-banked segments of society. Simultaneously, focus would also be on serving the semi-urban, urban and select metro locations for securing maximum liabilities business and to have greater credit delivery in low CD geographies at affordable and accessible rates.

Macro Environment – Economy and the Banking Sector

India has emerged as one of the fastest growing economies in recent times. The global growth prospects also look positive with the main economies gradually ascending the growth ladder. The key triggers of growth being witnessed is increased government spending in infrastructure, pick up in private investment, good monsoon, expected surge in consumer spending with pent up demand being satiated and the recent teaser being the Goods and Services Tax (GST), which is likely to be implemented from July 1, 2017, having the potential to spur the economy further. According to IMF "The Indian economy is growing strongly and remains a bright spot in the global landscape."

In the Banking sector, it is observed especially in context of Small Finance Banks that the sectoral credit off-take (credit growth in FY17) continues to be driven by the services and retail segments. For FY18, CARE expects bank deposits to grow at 11-12% as it will continue to be the major avenue of saving for individuals. As per CARE estimates, the bank credit is to grow at 7-8%.

This growth will be majorly sourced from the retail sector with mortgages benefiting from RERA in particular.

The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of the major efforts made in the last five decades include - nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc. The fundamental objective of all these initiatives is to reach the large sections of the hitherto financially excluded Indian population.

With 8 NBFC-MFIs securing Small Finance Bank licence, 2 IPOs of NBFC-MFIs over-subscribed this year, a projected growth for the Micro Finance industry of 200-300% by 2020; the FY 17 had been a very successful year for Indian Microfinance Industry.

Macro Environment, the context of a new entrant – the Small Finance Banks

In this context the setup of first ever Small Finance Banks is to take the financial inclusion initiatives to higher levels. SFBs are full-fledged banks (albeit subject to certain restrictions) meant to further financial inclusion by provision of savings vehicles and supply of credit to small business units, small and marginal farmers, MSMEs and other unorganized sector entities unlike payment banks, which aren't authorized to lend. Consequently, not just are SFBs subject to all regulations pertaining to commercial banks, they are also required to extend 75% of credit to sectors classified as priority sector lending by RBI. Also, at least 50% of their loans portfolio should constitute small-ticket loans of up to ₹25 lakh.

In a country where financial inclusion statistics are dismal, the opportunity for SFBs, many of whom (8 out of 10) are also experienced MFI players, is massive. According to an RBI report, 43.9% of all rural households rely on non-institutional sources of cash credit like professional moneylenders, who charge predatory interest rates. The Committee on Financial Inclusion headed by C Rangarajan notes, "...despite the vast network of bank branches, only 27% of total farm households are indebted to formal sources..." There are also large regional discrepancies, with the northeastern, eastern and central parts of the country losing out in particular. The Fourth Census of the MSME Sector in 2009 also noted that only 5.2% of all MSME units availed of credit through institutional sources. Hence, there lies a huge potential, especially for the SFBs in the hinterland and under or unbanked geographies of the country.

SFBs will have to compete with established public sector and regional rural banks. These banks enjoy higher trust in the community, are well placed in the rural markets, and are aggressively trying to enhance their market share. Their existing infrastructure, reputation, business correspondent network, and expertise in deposit mobilization will be a threat for SFBs – particularly after the efforts they have put in to open accounts as part of Jan Dhan Yojana (JDY) and the government subsidized add-ons that are part of this account, such as accident and life insurance. However, the company believes that in the long run Payment Banks may well provide even fiercer competition for SFBs.

Second, the cost of deposit mobilization will be higher for SFBs considering the rural/underserved segment they will be catering to. In the past, such segments have had low average deposit sizes. The total balance in Pradhan Mantri Jan Dhan Yojana accounts as on March 29, 2017 has been close to ₹630 billion. Thus, on an average the net deposit balance of a customer from the target segments is approximately ₹2,200 per account. While this might be increased with recurring deposit products and broadening the client base, the cost of deposit mobilization will still be higher than scheduled commercial banks that have 30-40% Current-Account-Savings-Account (CASA) deposits.

For a bank, there should be a healthy mix of current accounts and savings accounts as they are low cost funds that increase the net interest margin. In case of SFBs, considering the target segment they will cater to, it is expected that majority of the deposit mobilization will be through savings accounts and term deposits.

However, since the yields are much higher for SFBs (most of them have significant micro finance portfolio), and the alternate cost of fund is between 10%-12% from whole sale lenders, SFBs can still be profitable. The deposit build up will take around 5 years and therefore, the cost of fund will take time to come down. But SFBs can manage NIM through higher yields at least for next few years till the time microfinance product dominates the product mix.

Utkarsh Small Finance Bank – the Positioning

Utkarsh Small Finance Bank would continue to focus on its micro finance business as it is a high yield and negligible delinquency product. The Bank will remain primarily an 'inclusion player'. As a bank there are opportunities to offer other loan products, especially retail products like Micro Enterprise loan, Two Wheeler Loan, Personal loan and used /new commercial vehicle loan. The bank has already started working towards launching these products.

In the market, the competition will be from other SFBs as well as NBFC-MFIs. The competition landscape will not change much as most of the SFBs have been already in this business. However, the company sees definite advantage with respect to NBFC-MFI. SFBs, by definition, will cater to the low-income segment and can offer a comprehensive product suite. Thus, SFBs will have an opportunity for vertical penetration with an expanded range of products, unlike the MFIs/NBFCs that expand horizontally with limited number of products. This will also allow SFBs to create a judicious mix of high and low value customers, thus strengthening the business case. A holistic product suite is likely to lead to both improved customer loyalty and reduced delinquency as customers will not want to compromise their access to high quality and secure savings services.

Operational Performance

Microfinance under JLG Model

The Bank is operating in 10 states viz. Uttar Pradesh (with its headquarter at Varanasi), Bihar, Madhya Pradesh, Uttarakhand, Chhattisgarh, Maharashtra, Delhi-NCR, Haryana, Jharkhand and Himanchal Pradesh covering 110 districts through 351 Micro Finance business branches and serving 12 lakh active loan clients with total portfolio outstanding of ₹1,613.6 crore as on March 31, 2017.

During the year, the ticket size of Micro Finance (JLG) Loans was increased from ₹40,000 to ₹50,000, the minimum continued to be ₹6,000.

In its Banking avatar, the Micro Finance Branches are being augmented with facilities of Micro Liability products and being re-christened as Micro Banking (MB) Branches.

The Micro Banking journey has been exciting throughout the year. The journey experienced some hiccups post demonetization. Though it has an overall impact on the business of the company, some pockets had witnessed more specific local concerns. The company's On-Time Repayment Rate (OTRR) dropped down to 12% for November 9, 2016. However, the energetic team Utkarsh with full zeal worked towards the gradual improvement on this front. For Q4, it was brought back to 90%.

From Branch banking operations point of view, the company also upgraded its CBS software and moved from BR.Net software to Intellect's CBS Solution.

The software upgrade took considerable engagement from all employees' front, well supported by the internal IT Team and Software Partners. Today, the company is fully functional on CBS of Bank for the Micro Finance Lending. This is a big leap in conversion of MF Branches into MB branches.

Utkarsh plans to convert all its 351 Micro Finance Branches into Micro Banking Branches (with few cases of merged branches) over a maximum span of 2 years to complete. The current employees of Micro Finance Branches eagerly look forward onto the opportunities of doing additional business of micro banking which will not only include credit services but liabilities business also at such locations where banking penetration is either not present or on a low supply levels.

The Bank aims to grow its Micro Banking business by ₹1,000 crore in terms of portfolio outstanding by FY18 as compared to FY17. Most of the portfolio growth will come from the existing and even new branches in current geographies as Bank does not intend to go to any new geography in this FY. To take care of the portfolio growth, Bank is in the process of launching two new loan products of ₹60,000 and ₹1,00,000 for the JLG segment.

The existing clients are much excited on being associated with Utkarsh, which is now a Bank, thereby serving as a single window to address all their financial needs. It is easy for the clients to have credit line with single institution to save their time from attending several center meetings and also to cater all kinds of other non-credit requirement like savings, insurance & remittance products.

Micro, Small and Medium Enterprises (MSME) Loan

The MSME (erstwhile MEL) business performance for the financial year 2017 can be viewed from two time slots point of view. One being the pre-demonetization period i.e. from April 1, 2016 to October 31, 2016 and secondly the demonetization and post-demonetization period from i.e. November 8, 2016 to March 31, 2017.

The MSME business stood at ₹95.91 crores with 17,123 active clients as on October 31, 2016. This was an increment of 2,797 clients and ₹8.81 crores of portfolio outstanding compared to the same as on March 31, 2016. The active base has increased by 16.33% and the portfolio outstanding by 10.11 % over March 31, 2016.

The period from November 8, 2016 onwards marks the impact of the demonetization on the MSME business. The business was halted during the demonetization period starting November 8, 2016 to focus the efforts of the team on the collection activity so as to minimize the impact of the event. This led to a decline in the portfolio outstanding and the portfolio stood at ₹87.96 crores with 16,855 active clients as on December 31, 2016, marking the end of the demonetization period.

The business activity was planned for restart after January 23, 2017 marking the soft-launch of the Utkarsh Small Finance Bank considering the changes in IT systems and processes that the launch entailed. During the interim period, the team focused on the collection activity. The stabilization of the IT systems took a little longer than anticipated and the business could commence only from March 1, 2017 effectively resulting in a stagnant period of 4 months during which no fresh business was booked. As a result of this the MSME portfolio decreased during this period and the portfolio outstanding stood at ₹78.26 crores with 16,911 active clients as on March 31, 2017.

The demonetization event had an expectedly negative impact on the portfolio quality of the MSME business due to both unavailability of cash for repayment as well as negative impact on the borrower's financial profile.

This negative impact was contained to the extent of the collection efforts of the team during the period. The portfolio quality metrics for the period and prior to it are as following:

Particulars	As on October 31, 2016		As on October 31, 2016		As on March 31, 2016	
	No. of Loans	Portfolio Outstanding	No. of Loans	Portfolio Outstanding	No. of Loans	Portfolio Outstanding
Above 90 Days	541	₹2.12 crore	669	₹2.67 crore	671	₹2.75 crore
Total	17,123	₹95.91 crore	16,855	₹87.96 crore	16,911	₹78.26 crore

The branch network of MSME business has increased from 21 to 23 locations in FY 2017. During the year, the ticket size of for MEL segment had been enhanced from ₹3 lakh to ₹25 lakh as MSME Loans. The average outstanding ticket size for the MSME business was around ₹46,000 as at the close of financial year. The business sourcing for MSME is done through both existing JLG clients by upgrading them to higher ticket individual loans as well as open market sourcing. The distribution of JLG based sourcing to open market sourcing for FY 17 was 20: 80 respectively.

MSME business plan for FY 18 envisages a significant jump in branch footprint of 30 new branches taking the total number of branches to 53 by Q3 FY 2018. This will significantly increase the geographical coverage and business sourcing capability. With 53 branches the MSME business will be present across 10 states in FY 2018. Further, the business shall focus on creating a balanced mix of secured: unsecured loans by focusing on increased sourcing of secured loans (the secure: unsecured mix at end of FY 2017 was 3:97). This shall also improve the average ticket size to around ₹2.5 lakhs.

Housing Loan

In India, shelter is still beyond the reach of millions and lack of financial resources is one of the major reasons behind this. Driven by the belief that housing is a productive asset and a better living condition further improves the productivity of an individual / family, ultimately leading to the greater economic development, the company forayed into the affordable housing loan segment by starting pilot at 2 location i.e. at Varanasi and Nagpur.

The portfolio outstanding as on March 31, 2016 was ₹52.5 Mn. Total loans of ₹63.9 Mn have been sanctioned till date whereas ₹60.6 Mn has been disbursed to a total of 172 clients. In FY 18, the company is planning to launch the product in Bihar, Jharkhand, Haryana, Uttarakhand, Madhya Pradesh and Uttarakhand.

During the year, the ticket size for Housing Loan Segment was envisaged for upto ₹1 crore as against its earlier format of Affordable Housing Loans of upto ₹5 lakh. This was done with inclusion of varied housing loan products. With the learning and inputs taken from the customers during the pilot phase, product has been modified to meet the need of the customer.

Post transition to a bank, the loans from ₹1 lakh upto ₹1 crore shall be given to purchase/construct houses as well as for repair and renovation. Customers having good repayment track can also avail Home Loan Plus to meet their consumption related needs. Bank has designed products to meet the requirement of all types of customers, however, the focus shall remain on the affordable housing segment where customer has ability and willingness to pay the loan but due to the lack of valid income proof documents they are not able to get finance.

Recently bank has signed MOU with NHB to implement the Pradhan Mantri Awas Yojana for both EWS / LIG segment and MIG segment. The beneficiary would be eligible for interest subsidy on purchase/construction of a house as per government norms.

The Company started its operations as a Bank from January 23, 2017 with four General Banking (GB) branches, one in each of the four zones. Besides, one of the erstwhile Joint Liability Group (JLG) branches in Varanasi was converted into a Micro Banking Branch.

Initially, the four branches focused on stabilizing the systems and processes and opening of employees' salary accounts. Later, the branches extended their activities to opening savings and term deposit accounts of close relatives of employees as well as term deposit accounts of external customers. With 5 branches having stabilized by April 2017, another 12 branches (6 GB and 6 MB) were operationalized by the first week of May 2017 taking the total number of operational branches to 17. By the end of Q1FY18, a total of 59 branches (37 GB and 22 MB) are expected to be operational. The network expansion target for FY 18 is 400 branches that includes 50 General Banking branches and 350 Micro Banking branches.

The Bank proposes to have ATMs in each of its General Banking branches and select Micro Banking branches. During the year, around 40 offsite ATMs are also proposed.

Besides, the retail customer segment, the Bank has been able to commence banking relationship with some important Institutions and Banks as well. Every branch of the Bank has also successfully created a sizable database of potential customers (retail and Institutional) and a steady lead funnel which will help in deeper penetration in respective catchments.

The Bank's customer acquisition strategy is based on the five pillars of Technology, Services, Products, Smart Banking and Utkarsh Approach. There is a big thrust on digital channels (Internet Banking and Mobile Banking) to provide real-time banking solutions and services to the customers.

The Bank has plans to offer e-KYC based account opening through hand held TABS, whereby customers with Aadhaar cards can open savings accounts seamlessly and get all pre-generated kits on the spot. This will enhance the customer onboarding experience.

The Bank has a fully functional Customer Relationship Management (CRM) tool in place that helps in getting a complete 360 degree view of the customer and tracking all service requests put in by across all delivery channels. Besides, the CRM tool aims to provide the complete functionalities for generation and conclusion of sales, including Lead Management, Lead Closure, Incentive Calculation for the sales channel and planning marketing campaigns.

The products that the Bank proposes to launch during the year include Insurance (Life & General), Mutual Funds, Online Trading, Money Remittance (Inward), POS, UPI, Bharat QR, Cash Management, etc.

Financial Performance and Resource Mobilisation

Analysis of Balance Sheet and Profit & Loss account is as follows

Summarized Balance Sheet (Consolidated) of Utkarsh:

Particulars	FY 2017	FY 2016*	% Growth
(₹ in Crore)			
Liabilities			
Networth	675.5	252.6 [#]	167.4%
Deposits	11.0	-	
Borrowings	1,901.8	1,217.0	56.3%
Others	62.9	69.2	-9.1%
Total	2,651.2	1,538.8	72.3%
Assets			
Cash and Bank	73.1	35.5	105.9%
CRR	41.4	-	
SLR	729.7	-	
Advances	1,593.9	1,201.3	32.7%
Others	213.1	302.0	-29.4%
Total	2,651.2	1,538.8	72.3%

*FY 2016 figures of Utkarsh Micro Finance Ltd. are being compared to FY 2017 figures of Utkarsh Small Finance Bank to know the growth at group level

[#]It includes CCD of ₹60.54 crore

Deposits

As on March 31 2017, total deposits (post intercompany adjustments) stood at ₹11.04 crore. This was due to commencement of banking operations in the last quarter of FY.

Borrowings

Borrowing has increased to ₹1,901.83 crore as on March 31 2017 from ₹1,217.0 crore as on March 31 2016. During the FY 2017 the bank has raised ₹1,311 crore debts, out of which ₹877 crore was unsecured. Currently the bank maintains diversified funding profile. The funding profile, however, will change in next 2-3 years with borrowing to be replaced by deposits. As on March 31 2017 funding mix are as per table below:

Nature	%
Term Loans	44.3%
NCDs	34.3%
Refinance	10.5%
Sub-debt	8.3%
ECB	1.7%
Deposits	1.0%
Total:	100.0%

Cash & Balances in current account

Cash & Bank has shown increase of 105.9%.

Investments

Average interest-earning investments in FY 17 was ₹409.3 crore. This was primarily due to requirement of SLR investment and also deployment of surplus liquidity in Government securities & T Bills. Average interest-earning non-SLR investments primarily include investments in Mutual Funds.

Advances

The advances of the Bank has shown a growth of 32.7% in FY 2017 as compared to FY 2016. The Bank has closed its book at ₹1,593.9 crore as compared to ₹1,201.3 crore in FY 2016. The advances consists of 95% from group lending and 5% from MSME.

The growth in H-1 of FY 17 was 24.2%. However, the portfolio has degrown post demonetization announced by the Government. The collections have come down post demonetization due to slowdown in business activities of the borrowers and dispensation provided by RBI (earlier by 60 days and later increased to 90 days) to financial institutions in terms of recognizing NPAs. This special consideration was misrepresented to the borrowers by local influential individuals and thus resulted in fall in collection efficiency in few areas of states like Maharashtra, Uttarakhand and Madhya Pradesh.

A total portfolio of ₹60.8 crore has been written off in the books of Utkarsh Micro Finance Ltd.

The summarized Profit & Loss Statement of Utkarsh is as follows:

Particulars	FY 2017	FY 2016	% Growth
			(₹ in Crore)
Interest Income	393.0	241.5	62.8%
Interest Expense	183.6	111.6	64.5%
Net Interest Income	209.4	129.9	61.3%
Non-Interest Income			
Fee Income	14.8	10.2	45.5%
Treasury	11.2	-	
Other	3.7	2.0	85.5%
Operating Income	239.0	142.0	68.3%
Operating Expense	121.4	72.0	68.6%
Operating Profit	117.7	70.0	68.1%
Provisioning	4.0	8.6	-53.6%
Write Off	60.8	0.3	20156.7%
PBT	52.9	61.1	-13.4%
Tax	18.5	24.3	-23.7%
PAT	34.4	36.8	-6.6%

Interest Income

The interest income has increased to ₹393 crore in FY 2017 from ₹241.5 crore in FY 2016, reflecting a growth of 62.8%. The increase is mainly due to increase in average advances. Average advances has increased to ₹1,662.3 crore as on March 31 2017 from ₹1,017.9 crore as on March 31, 2016, showing an increase of 63.3%.

Interest Expense

Interest expenses has increased by 64.5% mainly due to higher borrowing during FY 2017. The average borrowing in FY 17 has shown an increase of 91.2% over FY 16. However overall cost of fund has reduced to 12.3% from 13.6% showing a reduction of 120 bps. The marginal cost of borrowing for H-2 of FY 2017 has come down to 10.9%.

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of non-interest income.

Non-Interest Income	FY 2017	FY 2016	%
Fee Income	14.8	10.2	45.5%
Treasury Income	11.2	-	--
Other Income	3.7	2.0	85.5%
Total	29.6	12.2	

Fee income (processing fees) has increased by 45.5% mainly on account of growth in advances and write back of unamortized portion of written off portfolio.

The Bank has started its banking operation on January 23, 2017. Hence, there is no treasury income in FY 2016.

Operating Expenses

Operating expenses has increased by 68.6% to ₹121.4 crore as on March 31, 2017 from ₹72.0 crore as on March 31, 2016. The increase is mainly due to increase in SFB related cost. However if positive write back on provisioning is excluded, operating cost increased by 90.6%.

Profit After Tax (PAT)

PAT has reduced by 6.6% to ₹34.4 crore in FY 2017 from ₹36.8 crore in FY 2016. The reduction in profit is because of writing off of ₹60.8 crore mainly due to demonetization.

Treasury

With the advent of Banking operations, the company has setup suitable treasury function in place. The Treasury function encompasses the Reserve Management, Liquidity Management, and Trading with suitable Risk Management. The primary role of treasury department is to ensure maintenance of regulatory reserves namely CRR and SLR, while managing Asset Liability Gaps and Ensuring liquidity to the Bank at optimum cost. Under the trading role, it initiates proprietary positions with a view to trade for booking profits for being a profit center. All these is done keeping in mind the risks associated to its role and ways to manage with suitable control measures in place.

The Treasury governance structure include the Board of Directors, which is the reviewing authority of the performance of Treasury, at periodic intervals and the final approval authority for treasury policies; the Asset Liability Management Committee (ALCO), comprising of senior management responsible for balance sheet management, pricing of products of assets and liabilities to optimize NIM and NII, measuring liquidity and interest risk, planning for contingency liquidity funding; and the Investment Committee, which issues suitable operational guidelines in the backdrop of regulatory / management requirements and periodical review of treasury operations.

Currently the Bank Treasury participates in Call / Notice / Term Money Markets, Interbank Fixed Deposits and Short-term debt schemes of Mutual Funds, apart from G-Sec Markets to actively manage short term surplus funds in the system and to meet credit disbursement requirements in a timely manner while optimizing the yields on short term parking of the funds.

Since the Bank is subject to CRR and SLR requirements, the Treasury ensures adherence to the regulatory stipulations on day to day basis. Treasury classifies the investment portfolio comprising of Central Government Securities, State Development Loans, T-Bills and Short Term Debt Schemes of Mutual Funds into HTM and AFS. The accounting treatment of the holding and revaluation is as per regulatory prescription.

The Bank is in the process of obtaining membership to CCIL settlement segment, NDS OM, NDS Call, Demat operations for Non-SLR investments which enables to expand the investment and trading activities, including Repo / Reverse Repo, Bonds / Debentures, PTC, CP, CD etc.

The Bank's Treasury is considering raising resources by issue of Certificate of Deposits, availing refinance available, participating in Inter Bank participation markets and other instruments during the FY18.

However, the Bank is not currently looking at the exposure to capital market instruments and may consider participating in IPO markets, loans against shares after gaining confidence and experience in stability of processes, systems and enhancing people skills.

Audit and Internal Control

The Internal Audit Department (IAD) at Utkarsh Small Finance Bank is responsible to review and monitor the risk framework within the company. The roles and responsibilities of the Internal Audit Department is to provide independent assurance 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. It is also targeted to highlight early warning signals and adding value and efficiency within the company by mitigating the possibilities of malpractices. IAD helps to improve the operations by bringing a systemic, disciplined approach and improving the operations and control process. It is the role of Internal Audit to provide independent, objective assurance to the management that will add value and improve Utkarsh's operations.

All departments of Utkarsh are subjected to a strong internal audit scrutiny every quarter. Audit is carried out at Micro Banking branches (JLG branches), MSME branches (MEL and HL branches) and Head office (for non-operation i.e. all support departments) to evaluate the internal controls of the organization and adherence to the policy and process of the company.

Micro Banking branches (JLG branches) are audited based on two important tools i.e. Short and Comprehensive audit. As per policy both short and comprehensive audit are carried out at a branch once in a quarter for a duration of 2-3 days & 5-6 days respectively. However due to various reasons, short audit could not be conducted at all the branches during the year. During FY 16 -17, total 1421 audits (1257 Comprehensive Audit and 164 Short Audit) were conducted at 346 Micro Banking branches (JLG branches). During FY 2016-17, 15754 center meetings were covered by the IAD team which amounts to 20.76% of total center meetings of the company. IAD team also visited 30,925 Active Loan Clients (ALCs) during the course of audit which amounts to 2.57% of the total ALC of the company.

Comprehensive audit format and Branch Audit Score Sheet were fine-tuned during the FY 16-17 to incorporate the learnings from the field and also to incorporate changes in the Utkarsh's policies and processes. Audit synopsis, to highlight critical observations during the audit, is prepared and brought to

the notice of concerned Regional Managers on a weekly basis for a quick resolution. Observations and its resolutions provided by Regional Managers are compiled and presented to Senior Management twice a month.

MSME branch (MEL and HL branch) audit is also conducted on quarterly basis and lasts for 3-4 days. During the FY 16-17, all MEL and HL branches were audited once in each quarter.

Audit team scrutinizes the Non Operations Departments on quantitative as well as qualitative aspects including engagement quality, Target Resolution Time (TRT) adherence and resolution quality. Audit of Non-Operations Department is conducted on quarterly basis at the Head Office of the company. During FY 16-17, 33 audit of Non Operations Departments were conducted.

In FY 15-16, IAD started quarterly meeting with JLG operations team (Regional Manager & Divisional Heads) at Regional level for quick resolution of audit observations. It continued in FY 2016-17 and all regions were covered during the FY 16-17. Monthly meeting and training of Auditors were conducted at Hub level throughout the year. In FY 17-18, IAD plans to further strengthen its team with intense focus on training and developments of auditors to meet out the audit requirement of Bank branches. IAD also plans to introduce a laptop/tab-based Audit approach in order to digitise the Audit process and to integrate it with overall MIS structure of the Bank. It will bring in efficiency, will ensure proper maintenance of MIS with smooth functioning of Audit department.

Post withdrawal of the legal tender status of the ₹500 and ₹1,000 notes (SBN), clients faced shortage of legal currency which affected repayments of all MFIs including Utkarsh. RBI's notification dated Nov 21, 2016, (DBR.No.BPBC.37/21.04.048/2016-17) on providing additional 60 days beyond what is applicable for recognition of a loan account as substandard, was misconstrued as a repayment holiday for 60 days. This further impacted the collection across all MFIs. Rumors of Loan waiver and other such local concerns in some areas further aggravated the situation. Western UP, Gorakhpur region, Uttarakhand, NCR and Maharashtra were majorly impacted due to loan waiver rumours. Local elections in Nagpur, Amravati and Yavatmal saw local concerns for not repaying Utkarsh does not have any exposure in Western UP and collection in Gorakhpur region has improved substantially in last quarter of FY 2016-17. In Uttarakhand and Maharashtra, situation is still sticky and will take some more time to improve.

Risk Management

The Bank has an evolving risk management model, aligned with regulatory standards and best practices, and proportional to the scale and complexity of its activities. The Bank is exposed to various risks that are an inherent part of any banking business. The major risks are Operational Risk, Credit Risk, Market Risk and Liquidity Risk. Bank has policies and procedures in place to measure, assess, monitor and manage these risks systematically across all its portfolios.

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. This framework visualizes empowerment of Business Units at the operating level, with technology being the key driver, enabling identification and management of risk at the place of origination itself.

The various risks across Bank are monitored and reviewed through the Executive Level Committees and the Risk Management Committee of the Board (RMCB) which meets regularly. In terms of RBI Guidelines for Small Finance Bank, the Bank is adequately capitalized as per the current requirements.

Operational Risk:

A dedicated team within the risk management function is responsible for assessment, monitoring and reporting of operational risk exposures across the Bank. A Board approved Operational Risk Management Framework has been put in place.

Processes have been put in place to collect the operational risk loss/event data from all the Units and analyse the same to ascertain the process gap and take steps to avoid the recurrences of these events. Key Risk Indicators are employed to alert the Bank on impending problems in a timely manner to ensure risk mitigation actions. A bottom up Risk Control Self-Assessment (RCSA) process identifies high risk areas so that the Bank can initiate timely remedial measures. Control measures are suggested for implementation to mitigate the residual risk wherever required.

Risk review of new products, processes and geographical areas

Risk Management team reviews all the new products, processes to assess risks and suggest suitable controls for risk mitigation.

Integration of Risk Management team with Internal Audit and Vigilance team:

Risk Management team works closely with the internal audit and vigilance team to identify trends in the key audit findings and trigger points identified during various investigations. Risk team also prompts request to the Internal Audit or Vigilance team to investigate the issue based on the output of key risk indicators.

Information Security Risk

The Bank has put in place IT Policy and Information Systems Security Policy, in line with the industry best practices. Information Systems Security Committee and the IT Strategy Committee of the Board meet at periodical intervals to monitor and review the implementation of these policies.

Initiatives in Risk Management

- Bank is in the process of adoption of an IT platform for credit appraisal process through a Loan Originating Software/Loan Lifecycle Management system (LOS/LLMS). This is steadily being augmented to cover the entire credit portfolio, which are interfaced with CIBIL's and RBI's defaulters list.
- Behavioral models for monitoring and scoring the retail borrower performance is being developed and shall be hosted on Credit Risk Data Mart.
- Internal loss data, external loss data, RCSA (Risk and Control Self-Assessment) KRIs (Key Risk Indicators) and Scenario analysis is an integral part of Bank's Operational Risk Management.
- Risk Awareness Workshops are being conducted for all the staff across the Bank by the Risk Management department.
- Bank will strengthen its internal control environment around pre-screening and post sanction compliance, through digitized and centralized monitoring. Risk culture will be embedded through training of staff at all levels through e-learning lessons.
- Various controls have been implemented to control the probable fraud on various liabilities product including second factor validation for transaction processing on Internet Banking, near real time monitoring of high value and suspicious transactions.

Credit Risk

Credit Risk is defined as the possibility of losses associated with the diminution in the credit quality of borrowers or counter-parties from outright default or from reduction in portfolio value. Credit Risk emanates from a bank's dealings with an individual, non-corporate, corporate, Bank, financial institution or sovereign.

Mitigation Measures

- The Bank has strong credit appraisal and risk assessment practices in place for identification, measurement, monitoring and control of the credit risk exposures.
- The Bank uses internal Credit Risk Assessment Models and score cards for assessing credit risk under different exposure segments.
- Bank's business units are armed with inputs on the developments, prospects and risks in the industries and sectors.
- Industry-wise exposure ceilings are defined in the Credit Policy and is regularly monitored by the Risk team.
- The monitoring of Prudential Exposure norms for Single and Group borrowers, Substantial Exposure Norms and unsecured Exposures is being done regularly.
- The Bank has also developed early warning indicators to identify the higher risk exposure in the initial stages itself to take prompt action.

Liquidity Risk:

Liquidity risk is the risk that the Bank may not be able to fund increases in assets or meet obligations as they fall due without incurring unacceptable losses. Interest rate risk is the risk where changes in market interest rates affect the Bank's earnings through changes in its net interest income (NII) and the market value of equity through changes in the economic value of its interest rate sensitive assets, liabilities and off-balance sheet positions. The policy framework for liquidity and interest rate risk management is established in the Bank's ALM policy which is guided by regulatory instructions. The Bank has established various Board approved limits for liquidity risk. The Bank's Asset Liability Committee (ALCO) is responsible for adherence to liquidity risk and interest rate risk limits. The Liquidity Coverage Ratio (LCR) is a global minimum standard for Bank 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 day liquidity stress scenario. Processes have been made to ensure that the Bank is following these regulatory requirements.

Market Risk Management

Market Risk is the possibility of loss, a Bank may suffer on account of changes in values of its trading portfolio, due to change in market variables, such as exchange rates, interest rates and equity price, among others.

Bank is having a Board approved policy for Market Risk Management which covers the identification, measurement, controls to mitigate the identified market risks and processes related to monitoring and reporting of the same. Market risks are controlled through various risk limits, such as Modified duration, Stop loss, Notional limits, Tenor limits and Exposure limits. All these limits are monitored by the Mid-Office unit on a regular basis.

Bank computes mark to market on a quarterly basis and the Mid-Office unit is responsible for monitoring the valuations of Bank's investment portfolio.

Chief Information Security Officer

Chief Information Security Officer (CISO) is responsible for ensuring that the Information System Security Policies and Cyber Security Policies are current, reflecting the requirements of the Bank and for ensuring development of underlying standards, procedures and roles for managing security.

CISO is responsible to articulate and enforce the policies that the Bank uses to protect their information assets and coordinate for the security related issues / implementations within the organization as well as the relevant external agencies.

CISO is responsible for disseminating the policies and ensuring compliance with the policies. CISO reports directly to the Chief Risk Officer (CRO).

Responsible Finance

Utkarsh from day one of its existence had its focus on “**conducting business responsibly**”. This was in the DNA of all the employees, beginning from the Board and Senior Management. There is a cost attached to any business if one has to do it more responsibly but Utkarsh recognized the long term benefits in terms of reputation, client satisfaction, client retention, portfolio quality and hence perceived this as not as an additional cost but a “Must Do” if one has to avoid potential risk. This approach is well integrated in all the systems and operations.

Utkarsh has variations in its loan products ranging from income generation to micro-enterprise loan, insurance and pension products. The options are given for weekly, fortnightly and monthly repayments.

Utkarsh has fared very well and successfully integrated Social Performance Management (SPM) into systems and processes from day one of existence. The thought process with which Utkarsh goes is that, the responsibilities towards Clients, Staff, Society and environment ensures better credit discipline and leads to profitability and sustainability. The Responsible Finance initiative at Utkarsh, takes care of all these four components. In fact, the organization itself was initiated with this thought process. Utkarsh has clear emphasis on transparency and relationship with clients.

Utkarsh follows a double bottom line approach: both social and financial. The Board is closely involved in devising policies and monitoring the functioning of JLG operations in terms of setting up targets and measuring social and financial performance reviewing internal audit reports and ensuring satisfactory closure of client grievance.

The organization has developed the systems at every step to be in line with the specified RBI guidelines as applicable on JLG clients and the Unified Code of Conduct (UCOC).

Balance Financial and Social Performance

Utkarsh is very clear about the benefits of implementing has talked about costs and benefits of the SPM practices which they follow,

- The compulsory Credit Bureau (CB) check of each clients (reporting to High Mark and Equifax) prior to disbursement which involves costs to be paid to the CB for each client but the long term benefit of it is mainly to avoid over indebtedness leading to credit risk.
- Multiple channel disclosure of terms and condition, Regular client meet, toll free no builds up expenses on meetings etc. and staff time but it saves the organization from credit and operational risk and also client awareness thus leading to client satisfaction.
- Regular training to staff is extremely beneficial not only in reduction of credit and operation risk but also improving quality of service to clients and client satisfaction. The expenses on salary and operations cost increase but the long term benefits outweigh them.
- Transparency and appropriate collection practices are followed, which has impact on operational costs but there is also reduction in risk and client satisfaction and reduction in credit and operational risk.
- Fair pricing helps in reduction in regulatory risk and client satisfaction though it costs to the company as there is reduction in the earnings.
- In Grievance Redressal Mechanism, again costs are attached in terms of staff time, complaint box installation and toll free charges (operational cost), but the benefits are high; client satisfaction, quality service to the clients, reduction in credit and operational risk.

Commitment by Senior Management

There is a designated person who takes care of Social Performance Management (SPM) at Utkarsh. He ensures that all the systems and processes are aligned with SPM. He is accountable for making progress toward the social goals of the institutions. The institutions' social performance goals are integrated into business planning, making strategic and operational decisions by aligning policy and procedure. MIS captures all the data required for analysis of social performance which is done on a regular basis to ensure that SPM indicators are in line with the social values of the organization.

- Staff satisfaction is important to ensure their commitment which is critical in achieving the double bottom line

Portfolio growth is important, but more important is its quality, sustainability in the long run and the appropriate process.

Vigilance and Security

Today Financial Institutions play a significant role in the economic as well as social development of the country. Since these institutions hold 'Public Faith' bankers need to be Prudent, cautious and circumspect while taking decisions. System work more than individuals. Transparent, ethical and watchful eye ensures public faith and trust. It is not only to remain alert against external threats, but to remain vigilant internally.

Keeping these all ethical value of Vigilance in mind Utkarsh has set up an independent Vigilance and Security Department in FY 16. A "Vigilance Manual" with the object to enhance transparency, accountability and efficiency in the organization has also been enforced. A prudent Whistle Blower Policy has been drafted and circulated to encourage the minute and sensitive input from the employees and public. Provisions for protection of whistle blowers have been incorporated in the policy.

Now, with the banking operations i.e. with start of accepting deposits from public, the role of vigilance has gained further importance. The company is further strengthening Vigilance system among its employees to establish internal system and controls which would act as a defense against malafide activities. The company has also implemented to encourage stake holders i.e. Employees, customers etc. to bring in to the notice of organization any issue involving compromise / violation of ethical norms, legal or regulatory provisions etc. without any fear of reprisal, retaliation, discrimination or harassment of any kind whatsoever.

Irregularities reflecting adversely on the integrity of the public servant, or Lapses involving Gross or willful negligence; Recklessness; Failure to report to competent authorities, exercise of discretion without or in excess of powers/ jurisdiction; and Cause of undue loss or a concomitant gain to an individual or a set of individuals/a party or parties; and Flagrant violation of a systems and procedures, are closely monitored and are brought to the notice of MD & CEO and Board Committees from time to time.

Compliance

The Compliance function of the Bank houses the Compliance, Company Secretary and also the AML monitoring functions. The department independently ensures that the various operating & business units are in compliance with the guidelines issued for Small Finance Banks by various regulators & statutory bodies from time to time.

The Compliance department co-ordinates closely with Businesses/operations/Control departments to ensure that the guidelines & its requirements are understood and addressed properly.

The Compliance department plays a critical role in ensuring implementation of compliance requirements in accordance with the directives issued by the regulators. Bank's Board is apprised at quarterly intervals on the important regulations that impact the Bank and the action taken against each of these requirements along with its status.

All the new instructions/guidelines issued by the regulatory authorities were disseminated across the Bank to ensure that the business, operations & functional units operate within the set boundaries by the regulators and that compliance risks are suitably monitored and mitigated in course of their activities and processes. The function also ensures that internal policies address the regulatory requirements, besides vetting processes. The department is the point of contact with RBI and other regulatory entities.

The compliance department has a dedicated vertical to manage Know Your Customer/Anti Money laundering/Controlling Financing of Terrorism guidelines. This vertical looks at Know Your Customer (KYC) at policy level and issues guidelines to branches/operating units for adherence to KYC requirements of the regulator & the Bank. This vertical also takes care of Transaction Monitoring function and ensures that transactions are monitored in line with the requirements of regulators and IBA. Any suspicious transactions are reported to the Financial Intelligence Unit (FIU)-India at required intervals. All the guidelines scenario's provided by Indian Banks Association (IBA) and industry best practices are factored in, while preparing the thresholds for monitoring of transactions. As a matter of abundant precaution and considering that the Bank is new, the limits are fixed at a lower level, these would be reviewed at quarterly intervals.

The Department ensures that all policies, as applicable to the bank are vetted before the same being approved by the Board. The Department acts as a single point of contact for all regulatory guidelines and its interpretation to the Management.

Technology Initiatives

With the organization transiting from NBFC-MFI to a Small Finance Bank, the organization had a clear focus on upgrading its IT systems & processes and set up new delivery channels for the customer. This prompted the bank to take a number of new initiatives in the domain of Information Technology and IT enabled services. Apart from the upgradation of existing core banking solution to a full spectrum core banking solution the bank commissioned a number of high end solutions to automate its Human Resources, Information Management, Customer Relationship Management, Data processing and Credit Quality Management.

Core Banking Solution by Intellect

The transition from NBFC-MFI to Small finance Bank demanded that the Core Banking Solution adopted by the bank be versatile enough to cater to existing as well as new business environment. With this philosophy Intellect Core Banking solution was selected to provide quantum leap to the organization's business aspirations. Intellect Digital Core harmonizes the power of digital 360 with customer-centric architecture thereby ensuring superior customer experience at all touch points like Branch, ATM, Tablet, Internet Banking, Mobile Banking, Kiosks etc. With a Single Source of Touch on Customer Data, Efficient Business Processes as well as Business Agility, Intellect Digital Core enables digital banking transformation.

Adrenalin HRMS

With substantial increase in the number of employees and also keeping in mind great diversity in job roles, key result areas and reporting hierarchy, the Human Resource Management of the organization was completely automated on Adrenalin HRMS platform.

Adrenalin is a transformative digital HR software which can automate the HR process from hire to retire. It catalyzes the smooth functioning of the organization through streamlining employee data and processes, structured management of complete employee information, compensation and payroll management, employee lifecycle management, workforce administration, talent acquisition and performance management.

Microsoft Dynamics 365 Customer Relationship Management

Servicing customers coming from different geographies, demography and socio-economic segments can be a challenge to any organization. To overcome this challenge, the bank got associated with Microsoft Dynamics 365 customer relationship management suite to streamline processes in sales, marketing and service divisions. Dynamics 365 delivers the full spectrum of CRM through five individual apps - Sales, Customer Service, Field Service, Project Service Automation, and Marketing that work seamlessly together. This way marketing campaigns, data analysis, sales lead management, customer care, grievance redressal and much more can all happen simultaneously.

StrategyOne Business Rules Management Platform

Informed decisions spanning across different stages of customer lifecycle like new customer acquisition, customer portfolio management and debt collection is a key element of business performance. To address this critical aspect the organization has StrategyOne as its business rules management platform. StrategyOne supports all customer segments across various business processes like application evaluation, credit underwriting, on-going credit risk management and collections.

GIEOM Digital Blue Print

One of the most critical driving factors of organizational sustainability and scalability is standardization of processes. A large and diverse organization requires robust management of its Standard Operating Policies and corresponding manuals. GIEOM offers digitization of Standard Operating Procedures by interconnecting and assembling all operational processes. The unique Intelligent Linking Technology used by GIEOM helps in maximizing bank's functional efficiency.

Central Processing Center

The organization has an aspiration to go “beyond core” and explore new opportunity for information management, improved customer service and better risk management. This culminated in the organization setting up a full-fledged Central Processing Center (CPC) that is capable of catering to multiple processes with reduced TAT and stricter policy adherence. The CPC enables the customer facing outlets to conduct only front end activities and focus on customer service and delight. It also houses a highly robust in-bound call center which responds to customer queries and service requests.

Centralised Operations

The Operation department of the Bank is the backbone of the Bank and supports centralized Operations for the business sourced and services the clientele thereafter. Banking operations make sure Bank processes and transactions are executed correctly, which minimize risk and maximize quality of service. Operations support all businesses such as Liabilities, Assets, Treasury and micro banking with dedicated centralized processing center (CPC) for business and other units for all business such as contact center, Clearing of instruments, NEFT, RTGS, AEPS, ATMs, etc. Operations unit also ensures documentation and review of processes and policies for the Bank and supports the training team in content building for various operational procedural guidelines. The Operations unit operates from Central office having the process and policies functions, customer grievance redressal and access controls. CPC of the Bank is located at Sarnath, Varanasi. Treasury Back office function operates from Mumbai and Zonal operations operate from respective zones.

Operations categorizes its functions under the following broad heads:

1. Centralised Processing Center (CPC)

1.1 CPC Liabilities

Liabilities Business Team sources accounts and further all the customer request right from opening of account and servicing the customer for its account is done by CPC Unit. CPC Liabilities team encompassing the functions of Account Opening (Savings, Current, Term Deposits and Recurring Deposits Accounts in Paper Based (AOF), Paperless and Aadhaar based modes; performing Dedupe checks, negative screening, PAN validation, document verification, signature uploading, CIF and Account creation & Deliverables) and Post Account Opening activities such as statements delivery ; Account modification requests such as add holder, name change, address change, Mobile number change, email change, KYC Updation; Customer's Debit card request processing such as issuance, re-issuance, charge reversal, inventory management PAN India; Customer's account closure, cheque book issue, Deceased claims management etc. Delivery of customer's deliverables are processed and monitored by the department once the account is opened.

1.2 CPC Assets

CPC Assets currently focuses the assets products of MSME (both secured and unsecured) and Housing Loans. The main activities under this are Account Opening Process (Checking proposal file and performing Dedupe for existing clientele records, Internal Rejection list, Negative and AML checklist, Credit Bureau Report, PAN Validation, Disbursement check list, Verification of property and ownership documents, Accounts and CIF in system, CERSAI Registry, List of documents dispatch to customers, NACH SI Registration, Rejection letters, CKYC uploads and RCU Checks) and Post Disbursal Activities (Archival / Retrieval of documents, Change in EMI dates, Change in Tenure, Statement of Account, Loan Closure, Loan Pre-closure, Takeover of Loan, Top-up of Loan, Tranche disbursement and Installment collections). Further provide support to sales staff for CIBIL check and PDC management and banking of customer's PDC, ACH clearing and running of SI instructions etc.

1.3 Critical support units for Clearing, NEFT, RTGS, IMPS, NACH, AEPS, CMS, DCMS, ATMs and Reconciliations

Clearing function would cover the Cheque Truncation System (CTS – both Inward and Outward) or Image-based Clearing System (ICS). Further, Operation Team also support the Standalone branches (non CTS location) for getting their clearing account opened and start the clearing activity from non CTS location.

Operation team has centralized support cells covering National Electronic Funds Transfer (NEFT), Real time Gross Settlement (RTGS), National Automated Clearing House (NACH), Aadhaar Enabled Payment Systems (AEPS), IMPS and ATM support. Operations team ensures Cash Management Services (CMS) for branches & ATM through correspondent banking arrangements and load balancing between branches to reduce idle cash holdings.

Debit Card Management Systems (DCMS) issuance, reissuance, usages, reportings, etc. are done centrally at the CPC.

On ATMS and reconciliations activities covered are monitoring of cash loading & balancing Switch Reports; refunds, charge back, card disputes; Suspense Accounts Reconciliations; Settlements with various other banks for card usage transactions; Fees and Charges Reconciliation and Settlement; Retained cards at ATMs and Card Limit Maintenance.

2. Process, Policies and related operational functions:

2.1 Process and Policies

Processes are documented and are reviewed at stipulated intervals covering the operations of the bank and encompass the standard operating procedures to be followed within the bank and are duly disseminated to stakeholders. Policies are documented and duly approved by Board within the broad framework of RBI Guidelines for all the Departments of the Bank and covers various internal and external workings of the bank. Some of the customer centric policies put up in the website are

- Grievance Redressal Policy
- Cheque Collection Policy of the Bank and Frequent Cheque Dishonour
- Compensation Policy
- Comprehensive Deposit Policy
- Customer Rights Policy

2.2 Access Control

Central Operation Team manages access controls for all the Bank staff for the Core Banking application (CBS) Utkarsh training portal.

2.3 Customer's Grievance Redressal

Operation Head is the overall in charge for Customer's Grievance Redressal and has to minimize instances of customer complaints and grievances through proper service delivery and review mechanism and to ensure prompt redressal of customer complaints and grievances. There are various internal machinery created to handle Customer complaints/ grievances such as Customer Service Committee of the Board which formulate policies on improved customer experience, assess the service governance structure effect ongoing improvements in the quality of service provided by the Bank. Customers are also invited to share their experience and feedback with the Committee. Similarly there are other committee such as Standing Committee on Customer Service and Branch Level Customer Service Committees to ensure proper Customer's Grievance Redressal. Branch Manager has the responsibility for the resolution of complaints / grievances in respect of Customer's service by the branch and would be responsible to ensure that the complaint is resolved completely to the satisfaction of the customer and ensure closure of all complaints received at the branches within a week. Escalation matrix will be as follows:

Escalation Levels	Escalation TAT	Branch	Call Centre	MSME Location	Micro Banking Branches
Level 1	10 Days	Zonal Operations Head (ZOH)	Head Call Centre	Regional Head	Divisional Head
Level 2	15 Days	Principal Nodal Officer			
Level 3	30 Days	Banking Ombudsman			

3. Zonal Operations

Zonal Operations supported by Branch Monitoring Team is responsible for operations support to all branches. It extends support for all transactions and queries relating to operations at branches and give approvals for exceptional transactions. It also does remote monitoring of transactions and activities of the branches bucketed into Daily, Weekly, Fortnightly lists through various reports and co-ordination with branches. The Monthly / Quarterly Branch Visits and Grading of Branches on various parameters planned also ensures smooth operations. Zonal Operations Heads are the escalation level for complaints / grievances at Branches and nodal complaint officers for the region within their jurisdiction.

4. Call Center

Call Center would have a Toll Free number for customers and non-customer calls with facilities of Interactive Voice Response (IVR) based Inbound calling teams.

This will support all customers including Liabilities and Assets as well as non-customers or potential customers. Call Center will handle customer calls and service requests and provide instant or deferred resolutions (requests forwarded to CPC). The Call Center would liaise with the respective teams within the bank for timely resolutions.

5. Treasury Back Office

The Treasury Back office Operations team supports the front office Treasury dealings with confirmation, payments and settlements and accounting of various dealings pertaining to SLR, Non-SLR and other dealings. It would also monitor the inflow / outflow of funds such as maturity collections and obligations for principal and interest / coupons through the various reports. It would be further reconciling various accounts and ensure timely payments / receipts and forecasting the funds flow for the future periods. This is located at Chembur, Mumbai.

Human Resource and Training

The goal of the Human Resources Department is to strive for Utkarsh achieving its strategic Mission, while ensuring employees are engaged and motivated to help the Bank succeed. HR's success is measured by the company's ability to align and integrate processes with the strategic mission.

The FY 2016-17 has been strategically very important for Utkarsh. As the company was in the transition phase a Micro Finance Institution to a Small Finance Bank, the responsibilities of HR department increased many folds and the most challenging assignment at hand was the alignment of Utkarsh Culture for the new joining in large numbers. This challenge was meticulously handled by Team HR and all the employees were personally addressed by MD and CEO of the company through 7 Town Hall Meetings covering all the then employee base of over 2,400 pan all the operational regions of the company. The Town Hall Meetings focused on cultural alignment, future prospects and role of every individual in Utkarsh. At the same time, opportunities were given to employees to raise and clarify any doubt regarding the transition and their future career prospects.

The second most important aspect of any transition is managing the Change and getting pulse about the readiness and preparedness of Employees for accepting change. For this, HR took a proactive role and a survey on Employee Engagement and Change Readiness was conducted in consultation with KPMG. The result of both the surveys were very encouraging. It stated that 92% of the respondents were excited and felt engaged in the transition employees and they were forthcoming for all the initiatives for change.

During the year, Utkarsh accomplished its stated Vision in 2009 for the year 2016. The same was the result of all out efforts of all Utkarsh employees with due support from their families and stakeholders all across. In consultation with KPMG, the new Vision and Mission was also framed for year 2021 in banking context. It provided a very clear picture of the business, the target clients and the culture on which the company wants to build itself. In brief, the new Mission and Vision of Utkarsh gets its inspiration from the philosophy, the company inherits from beginning and i.e. Culture, Process and Growth.

Recruiting trained and qualified human resource was another big assignment for the FY 2016-17 and the team HR through its planned and continuous recruitment drives recruited approx. 1,200 employees during the financial year.

As part of the transition and to align with the Banking sector the Organizational Structure was revised to suit the standards of Banking Sector and subsequently the Compensation & Benefit Structure was also revised and restructured. Job description and HR policies as per the bank standards were also reviewed and restructured during the year.

Beside this, Behavior Competency Frame Work and Assessor Assessment was also designed during the year and the same was facilitated by Microfinanza, an Italian consultant with support from Norwegian Microfinance Initiative (NMI). Software development for HR (Adrenalin) is under different phases of implementation for meeting all HR regular administration and management requirements of employees.

Moving forward, HR has targeted its operational initiatives to align to the Utkarsh Small Finance bank Strategic Plan by initially identifying ways to leverage and develop technology as a means to cut costs and improve internal efficiencies. PMS, Assessment Framework for ensuring suitable role fitment, establishing HR software and Creating Learning and Development Frame work will be the major activities for the FY 2017-18. In the coming year, HR will focus its resources for becoming the best place to work for.

Performance Management System

The Bank has a proper Performance Management System in place, but the same is compiled manually, which takes considerable effort. Going forward, the Bank has started the process of incorporating it in our HRMS system. Especially in the banking context, the Scorecards are being revisited and being defined for employees. The KRA's and KPI's are being reviewed based on the strategy and the workshop inputs from the Top Management. The Performance Evaluation forms, Tools which captures KRAs and self-development goals are also being reviewed accordingly to close on the formats and process for goal setting, performance measurement and feedback.

Subsequently, suitable on the PMS Model shall be conducted to sensitize the employee on the new system. Workshops shall be specifically conducted for Leaders and PMS Champions. There would be a dedicated PMO, which shall assist smooth transaction of PMS Cycle.

360 Degree Feedback Mechanism

The work has also started on 360 degree Feedback Mechanism. The context of it is being finalized by identifying the relevant roles / stakeholders and by closing on the structured questionnaires for finalizing the right fit mechanism. The mechanism is proposed to be hosted online along with the HRMS.

Competency Framework

During the FY 17, one round of initial workshops were conducted to define and identify the basic element of Competency Framework. It was done in association with Microfinanza, an Italy based consulting Firm. This project was supported by Norwegian Microfinance Initiative.

This year, it is proposed to take it further and design the assessment framework, define the assessment process and competency wise mapping levels and tools. In the first phase, it is proposed to have face to face Competency Mapping for Top Management and Senior Leadership, whereas it would be an online process for Middle & Junior Management.

The initiatives of HR Department was especially recognized at an international forum, where Dr. Priyanka Singh, who leads the HR Team at Utkarsh, has been recognized with 'Women Super Achiever Award' at the 4th World Women Leadership Congress 2017.

Capacity Development and Management

For smooth transition of Utkarsh from an NBFC-MFI into a Small Finance Bank, it was required to have a comprehensive action plan to upskill and to especially create awareness among employees on banking domain. To sensitize and enhance the employees' Banking Skills in different sub domains, the training vertical planned and executed suitable modules for all the existing as well as new incoming employees.

Training Team further strengthened its capacity by inducting new Trainers. Few ex-bankers (superannuated / VRS opted bankers) also joined the team to focus on banking training planning and execution across all the Zones of Utkarsh.

A glimpse on few of the Banking Transition Training Modules during the FY17 is as below:

1. Basic Banking Training (phase-1): A 6 days module covering the basics of banking for a novice bankers.
2. Basic Banking Training (phase-2): A 3 days module covering the advanced level for employees who covered Basic Banking Training 1.
3. Combo Banking Training - A combined module of phase 1 and 2 to cover the trainees not covered till date.
4. Micro Banking Training (MBT) – A 5 days module especially designed with inclusion of New Banking Products, Processes and CBS for Micro Banking Branches. (upgraded MFI branches)

During the programs, suitable books on 'Basic Banking' were also distributed to all employees and altogether 3,500+ employees covered under the same.

These programs/modules proved effective in infusing information and helped in alignment of their role in banking. The bank also experimented the Model of posting 'Branch Banking Trainer (BBTs)' along with each Area Manager of Micro Finance Business. Utkarsh partnered with NIBF, Raipur for this project. The BBTs who align themselves with Area Managers, handhold and train their Branch Employees on the following 3 areas:

1. Branch Banking Operations
2. Branch Banking Compliance (Statutory and Regulatory)
3. Core Banking Solutions (CBS) implementation

Apart from this, they also handhold the employees on soft skills of Customer Service and Life Sciences.

Likewise for the General Banking Branch employees, a program captioned 'Technology Orientation Training Program for GB Branches' was rolled out for readiness of the employees before launching the Branch. It is a 5 day compressive program under Branch banking scope with hands-on exposure on IT architecture.

Apart from the regular Induction and Refresher trainings, focus was more on external training for senior, middle and junior management as well as front level officers to acquaint themselves with new banking reforms / compliances / policies / processes.

Few of the external engagements are as below:

Sl.No.	Name of Training Programs
1	Financial Analysis
2	Workshop on HR

3	Leadership for the Front Line Officers (LFTF)
4	Effective Communication and Leadership Skills
5	Woman Empowerment
6	Housing Finance Summits
7	Prevention of Cyber Crimes and Frauds in Banks
8	Retail Credit Risk Management
9	International Exposure Visits

For the coming year, the team is already up for taking the next level training focused on banking operations from the point of view of all the business, support and control teams.

The company proposes to further strengthen and decentralized some of its regular training activities, which were being held at Head Office hitherto. Also, the company is looking up for more Industry engagements and collaboration to stay abreast and have an effective capacity development and management approach.

Marketing, Branding, PR & Corporate Communication

Utkarsh in its earlier avatar of NBFC-MFI was not marketing itself, except for the recruitment advertisements. Now, in the new avatar of Banking, Utkarsh has further strengthened its Corporate Communications team to further take up the Marketing, Branding and PR activities.

Utkarsh strives for being a technology driven Bank with focus on customer delight experience. Marketing is the key to establish a successful Banking relation with customers. Traditional banking method is changed to digital banking. It is the era of digitalization and social media also started existence in marketing. There are lot of changes happened in the Banking sector. So as the company is also transforming towards establishing itself into a Bank, which is customer centric in terms of the products and services offered to customers, it was need of the hour to establish a Marketing and Branding Department.

The Marketing Department primarily focuses on two aspects, creating a Brand Identity and communicating about the Brand and varied products and Services to the targeted audience. The Brand identity creation was started with the launch of new Logo and tagline for the Bank. The Market positioning has also been decided and the communication has been defined in terms of the customer centric approach and being a Bank that fulfills customer hopes.

Communication is the key and it is the most important objective of Marketing Department to communicate about the New Bank, its ideology and about all the offerings in a creative and understandable manner to the targeted audience. For the same Marketing Department is developing the various Brand and Product collaterals describing about the new Bank and giving details about the Products and Services.

Marketing Department is also developing Branch and ATM Branding objects to communicate about the Brand and Products to maximum target customers. For reaching to the mass the company will also plan ATL (Above the Line) advertising in TV, Radio & Newspapers and for reaching to direct audience the company will plan different activities like Activations, Outdoor and other activities. The company has already started Outdoor campaign in Varanasi.

In the Digital Space also the company has started activities in Social Media and other on-line advertising. Also the company's Website is getting transformed in a more dynamic and user friendly way.

PR & Corporate Communication is also a Part of Marketing Communication. Good Public relation helps in Positive Brand Building. Different Newspapers, News Channels and Radio Channels are regularly covering the Bank's activities and communicating about the launches, future plans and other aspects.

Corporate communication is working towards giving correct and timely communication to all stakeholders, shareholders, all employees through its various publications like Utkarsh Voice and Share Holder Communication. Also this departments updates all stakeholders about any development happening in the company and industry with its regular communication. The Website is also updated by this Department on a regular basis for giving correct and updated information to all stakeholders and to General Public.

Corporate Social Responsibility

Utkarsh Small Finance Bank collaborates with Utkarsh Welfare Foundation for all its Corporate Social Responsibility (CSR) activities. The area of interventions are broadly under Education (Financial Awareness) and Health (Poly Clinics). It also undertakes other Goodwill Activities on regular basis and organizes Blood Donation Camps in association with local hospitals.

During the FY 17, CSR contribution from Utkarsh Small Finance Bank supported initiatives for strengthening collaboration & partnerships for the promotion of financial awareness & philanthropic activities such as charitable homes and blood donation camps.

Financial Awareness

Financial awareness initiatives are aligned with Utkarsh'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 education program is aimed at building financial decision making and capabilities of the targeted **beneficiaries** through right information, instructions and advices. As a part of credit plus initiative the total **beneficiaries** outreach under financial awareness initiatives of Utkarsh Welfare Foundation since its inception has been 1,23,523 beneficiaries.

For the Financial Year 2016 – 2017 total outreach achieved through corporate social responsibility initiative under financial awareness programs were 63,633 beneficiaries.

Projects supported under USFB- Corporate Social Responsibility in collaboration with other funding & technical partners

- a. FMO (Dutch Entrepreneurial Development Bank) and ACCION - Financial Education for Beneficiaries:** The project aims to provide financial literacy to 23,200 rural beneficiaries. Two approaches have been adopted for providing financial literacy. It is proposed to cover 13,200 target beneficiaries through class room trainings and 10,000 additional beneficiaries shall be reached through mass awareness program.

Total outreach as at March 31, 2017 through class room training approach has been 13,214 beneficiaries and through mass awareness program has been 10,142 beneficiaries.

- b. SIDBI - Poorest States Inclusive Growth Programme (PSIG) - Financial Literacy and Women Empowerment Initiatives:** Currently, the project is in scale-up phase and the program extended to 30 new branch locations across Bihar & Uttar Pradesh State through 30 Master Trainers in 15 months timeline upto July 31, 2017. Each of the MTs are expected to undergo 15 days TOT and Refresher Trainings. Web based MIS system is used for effective monitoring and evaluation of the project.

The project entails collection of baseline data and training of 22,500 new beneficiaries and end line data collection of 15,000 beneficiaries from the pilot project through open data kit based mobile handsets.

Total outreach as at March 31, 2017 through class room training approach has been 19,456 beneficiaries.

c. Swiss Capacity Building Facility (SCBF) and ACCION - Financial Education for underserved beneficiaries: This project is being implemented in two phases. In the first phase of project implementation (April 2015 to December 2015), project aimed to cover 13,000 beneficiaries through Class Room Trainings and Mass Awareness Programs. At the completion of first phase, 11,689 beneficiaries outreach was achieved including both the intervention approaches. Under Banks CSR collaboration the project has been able to enhance its outreach during the second phase of the project.

In the ongoing second phase (January 2016 to December 2016), the project aimed to cover 15,000 beneficiaries, of which, 11,000 were expected to be covered through Class Room Trainings and 4,000 through Mass Awareness Programs.

Total outreach as at March 31, 2017 through class room training approach has been 11,809 beneficiaries and through Mass Awareness Programs, the outreach has been 4,175 beneficiaries.

d. Dialogue on Business (DOB) for Micro enterprise beneficiaries - Knowledge collaboration with ACCION: Dialogue on Business (DOB) is an award-winning business skills training program developed by the knowledge partner, ACCION. It is based on adult learning principles, which draws from the knowledge and experience of program participants. It uses interactive games and role-playing tools to help participants solve real-life business challenges. DOB is found to be an interesting and engaging activity for people, even with little formal education, who may not learn effectively in a traditional classroom setup.

Program has started in June 2016 and aims to cover 1,000 micro entrepreneurs till March 2017. The total outreach under DOB program as at March 31, 2016 has been 919 beneficiaries.

Goodwill Projects

Demonstrating ethos of charity Utkarsh Welfare Foundation has established regular engagements with the initiatives of Missionaries of Charity such as Nirmala Shishu Bhawan and Nirmal Hriday. Voluntary participation is encouraged and visits are organized on monthly basis. As a token of goodwill gesture employees distribute snacks, small gifts and food items.

Blood Donation Camps

A blood donation camp was organized in association with Pandit Deen Dayal Upadhyay Government Hospital Varanasi on March 04, 2017. 42 Volunteers from Utkarsh successfully donated the blood. The event strengthened the noble cause that blood donation saves life.

Rating and Grading

Rating

CARE (Credit Analysis & Research Ltd.) has revised the ratings from 'Care A –'(Single A Minus) to 'Care A; Stable (Single A; Outlook: Stable)' for Long Term Bank Facilities and Non-Convertible Debentures. It has also assigned 'Care A; Stable (Single A; Outlook: Stable)' rating for proposed Non-Convertible Debentures and Long-term Tier – II Bonds. Further, it has reaffirmed 'Care A1 (A One)' rating for the Commercial Paper (CP).

As per the rating rationale given by CARE, the long – term rating takes into account, the improvement in business and earnings profile, significant infusion of equity of ₹395 crore in view of setting up of the Small Finance Bank (SFB) which has improved the capitalization levels is expected to support the growth plans. The ratings continue to derive strength from experienced promoters and management team, strong investor profile, diversified resource base, moderate geographic concentration, good asset quality and comfortable liquidity position of UMFL.

The ratings also take note of the structural changes in its operational framework including creation of various divisions and formation of management team along with strengthening of IT systems for migration to SFB.

The rating is, however, constrained by lack of diversity in earnings profile, short track record in Micro Enterprises Loans and Home Loan segments, and the inherent risk involved in the microfinance industry including socio political intervention risk and regulatory uncertainty.

Going forward, successful transition from an NBFC – MFI to a SFB while continuing to grow its loan portfolio, geographically diversify its operations, maintains its profitability and healthy asset quality and capital adequacy would remain the key rating sensitivities.

Grading

ICRA has assigned an MFI grading of M1 (pronounced M One) to Utkarsh Micro Finance Limited (UMFL). The grading indicates that in ICRA's current opinion, the MFI's ability to manage its microfinance activities in a sustainable manner is the highest. The grading is valid till July 2017.

The rationale behind the highest MFI grading for UMFL is supported by its good Loan Origination, Internal Audit, MIS, Risk Management and COLLECTION Mechanisms, its experienced Board, Management Team and strong Investor profile which have been strengthened further over the last one year. These positives, coupled with UMFL's good financial flexibility arising out of relationships with a large number of lenders as well as its ability to raise equity in a timely manner have helped the company to scale up operations (portfolio of ₹1,593 crore as on June 30, 2016 with 66% growth in client base) while expanding and diversifying across 10 states while reducing its concentration in the state of Uttar Pradesh from 44% as on March 31, 2015 to 33% as on June 30, 2016 and maintaining good asset quality (0+ delinquencies of 0.18% as on June 30, 2016) and profitability indicators (ROE of 15.8% in 2015-16).

Awards

During the Year, the Bank also received Skoch Award (Gold) – 2016 for maximum Inclusive Insurance, especially for the Micro Finance client. The industry recognitions on a year-to-year basis, reaffirms the commitment of Team Utkarsh in serving the different client segments.

DIRECTORS' REPORT

To,
The Members,
Utkarsh Small Finance Bank Limited

Your Directors have pleasure in presenting herewith their First Annual Report on the business and operation of the Utkarsh Small Finance Bank ("Bank") together with the Audited Financial Statements of the Bank for the year ended on 31st March, 2017.

Financial Performance

Particulars	As on March 31, 2017 (Amount in ₹ Crore)
Deposits	18.72
Investments	729.23
Advances (Net)	1,593.91
Net worth	304.88
Net interest income	31.37
Other income	14.04
Net total income	45.41
Operating expenses	34.89
Provisions and contingencies	3.99
Profit Before Tax	6.52
Tax	1.69
Net Profit	4.83
Gross NPA ratio	0.0% [#]
Net NPA ratio	0.0% [#]
Capital Adequacy Ratio	25.87%
Business Per Employee	0.44
Business Per Branch	4.52

Appropriations:	
Transfer to Statutory Reserve	1.21
Transfer to Capital Reserve	NIL
Transfer to Revenue and Other Reserves	NIL
Transfer to Investment Reserve	NIL
Dividend for the year, including tax thereon	NIL
No. of Branches :	
General Banking Branch	005
Micro Finance Branch	350
Assets Branch	023
No. of Employees	3845
No. of Clients	Over 12 Lakh

#The GNPA and the NNPA are NIL due to the RBI Guideline and dispensation issue for provisioning post demonetization.

Assets Business

Presently, the Assets Products of the Bank include Micro Banking (Joint Liability Group), Micro, Small and Medium Enterprises Loan and Affordable Housing Loans. Below are the details of the Asset Business Verticals of the Bank:

Micro Banking

Our Micro Banking operations are spread in 10 states namely; UP, Bihar, MP, Uttarakhand, Chhattisgarh, Maharashtra, Delhi, Haryana, Jharkhand and Himachal Pradesh covering 110 districts through 351 branches and serving over 12 lakh loan clients with total portfolio outstanding of ₹1,536.25 Cr. as on March 31, 2017.

Micro, Small & Medium Enterprises Loan

The Micro Small & Medium Enterprises Loan business of the Bank has presence across 7 states of Bihar, Uttar Pradesh, Jharkhand, Delhi, Haryana, Uttarakhand & Maharashtra through 23 branches. The states of Bihar & Uttar Pradesh having 14 branches account for more than 50% of the total branches. Your Bank is planning to open another 20 new branches concentrated in the Delhi-NCR & Haryana Region, Uttar Pradesh, Jharkhand, Madhya Pradesh & Maharashtra.

The MSME Loan portfolio was ₹72.11 Crore with 16,911 active clients as on March 31, 2017. The total loan amount disbursed under the MSME business till March 31, 2017 was ₹178.01 Crore across 22,968 clients. The average ticket size is ₹0.52 lakhs and the lending rates range from 22% - 28% p.a.

Housing Loan

Housing Loan business focus mainly on low-cost and affordable housing segment targeting self-employed/Salaried customers in the low-middle income segment, who are typically unable to otherwise avail loans from the formal channels in the absence of proper income documents. The target customers typically have an average credit profile. The Housing Loan portfolio is ₹5.25 crore as on March 31, 2017, predominantly representing loans for construction of houses for self-occupation on owned property. The total loan amount sanctioned till March 31, 2017 is ₹6.36 crore whereas total amount disbursed is ₹5.99 crore.

Liabilities Business

The branches currently are primarily involved in opening salary accounts of employees, savings accounts of close relatives of employees and term deposit from external customers. The Bank has been able to commence banking relationship with some important Institutions / Banks as a result of sustained efforts of the branches. The branches have also created a sizable database of potential customers (retail and Institutional) and a steady lead funnel which will help the branches in deeper penetration in their catchment.

A. Financial Disclosures

Dividend

In view of the fact that Bank has started operations from this year only, your Directors do not recommend any dividend during the year under review.

Net Worth

The Bank's net worth, as on March 31, 2017 is ₹304.88 Crore. It comprises paid-up equity capital of ₹300.05 Crore and Reserves of ₹4.83 Crore (excluding Revaluation Reserve, Investment Reserve and Intangible assets).

B. Corporate Governance

The Bank's philosophy

The Bank's philosophy on corporate governance is aimed at supporting the top management to efficiently conduct its business operations and meet its obligations towards its stakeholders. The Bank is committed to transparent, merit-based organisation and ensure fairness, transparency and responsiveness in all transactions / engagements.

Constitution of the Board of Directors

The Board of Directors is constituted in accordance with the provisions of the Companies Act, 2013 (CA 2013), 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 Banking, Finance, Administration, HR, Technology and other related fields. Their experience and professional credentials have helped the Bank to gain insights for strategy formulation and direction setting for the Bank, thus adding value to its growth objectives.

The Board comprises of six (6) Directors of which Four (4) are Independent, One (1) is Non-Executive and One (1) is Managing Director & CEO.

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

Committee 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 10 Committees of Directors. These Committees monitor activities falling within their terms of reference.

Composition of the Committees and attendance of the Directors at the Board and Committee Meetings held during the year under review have been given as an annexure to this report.

Board Evaluation and Remuneration Policy

The Independent Directors of the Bank carried out an annual performance evaluation of the performance of the entire Board, performance of the Chairman, the directors individually as well as the evaluation of the working of its Committees.

The Board has framed a Corporate Governance Policy which inter alia deals with remuneration structure and criteria for selection and appointment of directors.

C. Statutory Disclosure

Extract of Annual Return to be mandatorily attached to the Directors' Report

As required by the provisions of Sections 92(3) and 134(3)(a) of the CA 2013 read with the rules framed thereunder, the extract of the annual return of the Bank in the Form MGT-9 is attached as Annexure to this Report.

Conservation of energy and technology absorption

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

Foreign exchange earnings / outgo

The Bank has not carried out any activities relating to the export and import during the financial year. There are no foreign exchange expenses and foreign income during the financial year.

Changes in Directors and Key Managerial Personnel

The details about the changes in the Directors and Key Managerial Personnel (KMP) by way of appointment, re – designation, resignation, death or disqualification, variation made or withdrawn etc are as follows:

S.No.	Name of Director / KMP	Designation	Date of Appointment	Date of Resignation
01	Mr. Govind Singh	MD & CEO*	30.04.2016	
02	Mr. T. N. Thakur	Director	30.04.2016	
03	Mr. Vishal Mehta	Director	30.04.2016	
04	Dr. V. S. Sampath	Director	24.08.2016	
05	Mr. Somnath Sengupta	Director	24.08.2016	
06	Ms. Anita Ramachandran	Director	24.08.2016	
07	Mr. Kajal Ghose	Director	16.01.2017	
08	Mr. Abhisheka Kumar	Chief Financial Officer	01.10.2016	
09	Mr. Anang Kr. Shandilya	Company Secretary	01.10.2016	

(* Appointment as MD & CEO approved by RBI on January 20, 2017 and took charge as MD & CEO of the Bank w.e.f. 21st January, 2017)

Whistle Blower Policy (Vigil Mechanism)

The Bank, as a part of prudent practice, established Vigilance Department as essential pillar in developing and executing a comprehensive strategy to deal with instances of fraud and mismanagement, if any, and for a holistic and smooth operations of the Bank. The department is fully functional to take overview of the related matter.

Pursuant to provisions of Section 177(9) of the Companies Act, 2013 and RBI Guidelines and other application laws, the Bank has established the Vigil Mechanism, as part of the Whistle Blower Policy, for the Directors and Employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Bank's Code of Conduct or ethics policy. Additionally, the Bank places zero tolerance for dis-integrity and corruption. Towards this end, all employee after joining are trained to maintain high standards of integrity of their work area. The Bank also has a Whistle Blower policy enabling the staff to escalate any perceived dis-integrity and corruption issue. It also provides adequate safeguards against the victimization of employees who avail this mechanism and allows direct access to the Chairperson of the Audit Committee in exceptional cases. No personnel has been denied access to the Audit Committee.

The Audit Committee oversees the Vigil Mechanism. The Whistle Blower Policy has been periodically communicated to the employees and is also posted on the Bank's website: www.utkarsh.bank.

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.

Auditors

Pursuant to the provisions of Section 139 and 141 of the companies Act, 2013, M/s. BSR and Associates, LLP was appointed as Statutory Auditor of the Bank for to hold office till conclusion of first Annual General Meeting of the Bank.

The Statutory Auditor has confirmed their willingness and eligibility to continue as Statutory Auditor of the Bank, as required under Section 141 of the Companies Act, 2013.

The Board recommends the appointment of M/s. BSR and Associates, LLP as Statutory Auditor of the Bank at the ensuing Annual General Meeting.

Pursuant to Section 204 of the Companies Act, 2013, your Bank had appointed M/s. Anubhav Srivastav & Associate, Practicing Company Secretaries, Varanasi as its Secretarial Auditors for FY2016-17. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for the FY2015-16 is annexed to this report.

Employees Stock Option Plan (ESOP)

During the year under review Bank has not issued any employees stock options to any of its employees. However, the holding of the Bank, Utkarsh Micro Finance Limited has issued certain employees stock option plan shares to the employees of the Bank as a part of the group policy 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 employee and was approved by the Nomination and Remuneration Committee of the Board of the Bank.

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.

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.

Other Statutory Disclosures:

- The Bank has not changed its nature of business during FY16-17.
- Pursuant to Section 186(11) of the CA 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 FY16-17 were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Bank with Directors, Key Managerial Personnel 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 the purpose of identification and monitoring of any potential related party transactions.
- There were no significant/ material orders passed by the Regulators / a Court/ Tribunal etc. during FY 17 which would impact the going concern status of the Bank and its future operations.
- The details of Risk Management Policy & its framework are separately provided in Management Discussion and Analysis Report.
- Our Bank is the subsidiary company of Utkarsh Micro Finance Limited.
- There are no adverse observations / qualifications in the Auditors' Report.
- There are no audit qualifications in the Secretarial Audit report.
- All recommendations of the Audit Committee were approved by the Board.
- Proper internal financial controls were in place and that the financial controls were adequate and were 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. March 31, 2017 and the date of the Directors' report i.e. May 29, 2017.

D. Other Disclosures

Code of Conduct

In the current era of transparency and highest standards of corporate governance, for a financial institution, confidence of stakeholders and public at large is one of the pre-requisite for establishing as a market player. Towards this end, the Bank endeavors to ensure that all its activities are fairly aligned with the highest standards of personal and professional integrity and highest level of ethical conduct. The Bank has adopted a Code of Conduct and norms for avoidance of Conflict of Interest which all Directors and employees have to adhere to. All the Directors and Employees have to conduct duties according to the aforesaid Code and avoid even the appearance of improper behaviour. Some of the areas which are covered by the Code of Conduct are fairness of employment practices, protection of intellectual property, integrity, customer confidentiality and conflict of interest.

Vigilance

We have a responsibility both to the members and to the communities in which we conduct business to be transparent in all our dealings. Our Code of Conduct requires that we do not engage in unethical practices or corruption in any form and explicitly mentions that the Bank will not pay or procure the payment of a bribe or unlawful fee to encourage the performance of a task or one which is intended or likely to compromise the integrity of another. The Bank will not accept any payment, gift or inducement from a third party which is intended to compromise our own integrity. The Code of Conduct also includes procedures dealing with Gifts & Entertainment, conflicts of interest and other important matters. The Bank has a Zero tolerance on unethical practices and corruption.

Corporate Social Responsibility (CSR)

The Board of Directors in its meeting held on March 19, 2017 had approved the CSR Policy of the Bank. Being the 1st year of operations, the provision relating to contribution towards CSR as per Section 135 of the Companies Act, 2013 was not applicable to the Bank for FY17.

Pursuant to the Business Transfer Agreement between Bank and Utkarsh Micro Finance Ltd (Holding Company), the lending, borrowing and existing businesses of UMFL was transferred to the Bank as at the close of business on January 21, 2017. Accordingly, the CSR spend would be applicable to the Bank from the next financial year based on the profits of March 31, 2017. The CSR spends would be carried out in line the Board approved policy with the approval of the Corporate Social responsibility Committee of the Bank.

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/IBA (Indian Banks' Association) guidelines. Various regulatory reporting requirements, as set out by the Financial Intelligence Unit (FIU) of the Government of India, are complied with by the Bank. The Bank has a transaction monitoring process with automated system solution closely monitored by the centralised AML team. Further, a dedicated team carries out the transaction monitoring process in line with the regulatory requirement. Bank's employees are being imparted training on KYC/AML aspects on a regular basis. Executives of the Bank also attend periodic workshops/seminars organised by FIU, RBI, IBA and NIBM (National Institute of Bank Management) to enhance their awareness in these aspects.

E. Directors' Responsibility Statement

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

- a) in the preparation of the annual accounts for financial year ended 31st March, 2017, the applicable accounting standards have been followed and there is no material departures from the same;
- b) 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 true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss of the Bank for that year;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts for the financial year ended March, 31, 2017 on a going concern basis;
- e) the directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

F. Prospects

Despite the challenges faced by the economy and the banking industry, the Directors expect a sustained level of growth of business of the Bank in the coming year. Your Directors feel that there is immense opportunity to cater the unserved and underserved section of client base in the country particularly the area in which your Bank is currently operating. Your Bank in the coming years would serve this segment with the innovative products and services aligned with the needs of the prospective clients of the area.

G. Logo of the Bank

Bank has decided to come up with its new logo effective from January 9, 2017. Our logo has the Sun Logo connotation, culminating into a symbol, which translates the 'Intent of Utkarsh'. It highlights a new beginning, a new day, symbol of hope and progress. It is the most powerful representation of the energy on which every life thrives. The logo also artistically reflects the Hindi letter 'U' which stands for Utkarsh. The Hindi letter 'U' also forms a silhouette of a Bird which denotes 'flight', rising, moving ahead towards Utkarsh Progress.

H. Human Resources

The Bank has formulated a sound HR policy and adopted HR strategy to effectively align business requirements with various HR activities pertaining to recruitment, deployment, training, talent retention and motivational strategies so as to seamlessly support 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 endeavour to provide a better work life balance through various staff welfare activities. Total head count of the Bank as on March 31, 2017 stood at 3,845 which consist 240 female employees and 3,605 male employees.

I. Technology

In this era of cut throat competition, technology has become key differentiators and your Bank is constantly working to improve simplicity, speed and security with respect to technological advancement in all our service to customers. In the journey of transformation to bank, we have been able to implement of our technological upgradation enabling our customers, employees and other stakeholder to have a hassle freeway of technologically advanced working.

Acknowledgment

Your Directors place on record their sincere thanks to the Central and State Governments, employees of the Bank, all stakeholders of the Bank for their continuous support and contribution to the Bank. Your Board of director also like to place on record sincere gratitude towards customers for reposing their faith in us. We would also like to thank our associates and other partners of the Bank for their assistance and co-operation extended. The Directors also express their gratitude to the Shareholders for extending their support

For and on behalf of the Board of Directors

**Sd/-
Kajal Ghose
Director
DIN - 07702190**

**Sd/-
Govind Singh
MD & CEO
DIN - 02470880**

**Place : Mumbai
Date : May 29, 2017**

ANNEXURE

Number of meetings of the board of directors

A total of seven (7) Board Meetings were held during the financial year 2016-17. The particulars of meetings are summarized as below:

S.No.	Date of Meetings	No. of Directors present	No. of Directors eligible to attend	Percentage of attendance
01	May 23, 2016	3	3	100%
02	August 24, 2016	4	4	100%
03	September 27, 2016	4	5	80%
04	December 26, 2016	2	5	40%
05	January 09, 2017	4	5	80%
06	January 16, 2017	4	6	75%
07	March 20, 2017	6	6	100%

Details regarding committees

In due compliance of various Companies Act, 2013 requirements and RBI Guidelines, the Board has constituted following Board Committees. Details of the Committees existing as on March 31, 2017 are as follows:

S.No.	Name of The Committee	Members	No. of meetings held during the FY
01	Audit Committee	Mr. Tantra Narayan Thakur, Chairman Mr. Somnath Sengupta Ms. Anita Ramachandran	1
02	Nomination & Remuneration Committee	Mr. Somnath Sengupta, Chairman Dr. V. S. Sampath Ms. Anita Ramachandran	2
03	Stakeholders' Relationship Committee	Ms. Anita Ramachandran, Chairperson Mr. Somnath Sengupta Mr. Govind Singh	3
04	Risk Management Committee	Dr. V. S. Sampath, Chairman Mr Somnath Sengupta Mr. Govind Singh	1
05	Corporate Social Responsibility Committee	Dr. V. S. Sampath, Chairman Mr. Tantra Narayan Thakur Mr. Govind Singh	1

S.No.	Name of The Committee	Members	No. of meetings held during the FY
06	IT Strategy Committee	Mr. Kajal Ghose, Chairman Mr. Tantra Narayan Thakur Mr. Govind Singh	1
07	Review Committee for Identification of Wilful Defaulters	Mr. Govind Singh, Chairman Mr. Kajal Ghose Mr. Tantra Narayan Thakur	Committee meetings are need based, no meeting held during the FY 16-17
08	Customer Service Committee	Mr. Somnath Sengupta Mr. Kajal Ghose Mr. Govind Singh	Meetings with Half yearly frequency, no meeting held during the FY 16-17
09	Special Committee to Monitor Large Value Fraud	Mr. Govind Singh, Chairman Dr. V. S. Sampath Ms. Anita Ramachandran Mr. Somnath Sengupta Mr. Tantra Narayan Thakur	Committee meetings are need based, no meeting held during the FY 16-17
10	Credit Approval Committee	Mr. Kajal Ghose Ms. Anita Ramachandran Mr. Govind Singh	Committee meetings are need based, no meeting held during the FY 16-17

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

At Utkarsh, we are of the firm belief that Corporate Governance is a process that aims to meet Stakeholder's aspirations and societal expectations. It is a culture that guides the Board, Management and Employees to function towards best interest of Stakeholders.

Corporate Governance philosophy at our Bank stems from the belief that Corporate Governance is a key element in improving efficiency and growth as well as enhancing investor confidence. The Bank strongly believes in ethical values and self-discipline to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency, accountability to its stakeholders, Government and other stakeholders dealing with the Bank.

The Bank's Corporate Governance practices are aimed at meeting the Corporate Governance requirements as per the Government of India, Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI) and The SEBI (Listing Obligation and Disclosure Requirement) Regulations - 2015 ('Listing Regulations') BIS-Corporate Governance Guidelines, besides good practices either recommended by professional bodies or practiced by leading banks/ companies in India.

The Board

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the overall strategy for the Bank and supervises executive management. It also ensures that good corporate governance policies and practices are implemented within the Bank. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Bank and its shareholders.

The Board currently comprises 6 members whose biographical details are set out in the Board of Directors and Senior Management section of this annual report. An updated list of directors of the Bank and their respective role and function are maintained on the website.

Day-to-day operation of the businesses of the Bank is delegated to the management which is led by the Managing Director and CEO and aided by the Executive Committee. They are being closely monitored by the Board and are accountable for the performance of the Bank as measured against the corporate goals and business targets set by the Board.

The Bank provides extensive background information about its history, mission and businesses to its directors. Directors are also invited to visit the Banks' operating units from time to time and to meet with the management for gaining better understanding of business operations of the Bank. Furthermore, the Board has separate and independent access to the senior management and the Company Secretary at all times.

Appropriate liability insurance for directors & key managerial personnel has been arranged for indemnifying their liabilities arising out of various corporate activities undertaken by them on behalf of the Bank. This insurance coverage is reviewed on an annual basis.

Board Meetings

The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate.

Eight Board meetings were held during FY 2016-17. Notice of not less than 14 days was given to directors for the regular Board meetings. Draft agenda for Board meetings were prepared and were circulated to all Directors before each meeting. Directors were given an opportunity to include any other matters in the agenda. The agenda, together with Board papers, were sent to the directors not less than three business days before the intended date of the Board meeting.

Minutes of Board meetings were prepared in a eloquent manner covering the details of decisions reached, any concerns raised and also mentioning dissenting views expressed (if any). The draft minutes were sent to all directors within a reasonable time after each meeting for their observations before being formally signed by the chairman of the meeting. Copies of the final version of minutes of the Board meetings were sent to the directors for information and record.

At each regular Board meeting, Department Heads of the Bank made presentations to the Board on various aspects, including the business performance, risk management framework, financial performance, corporate governance and outlook, policy matters, reviews, etc.

Throughout FY 2016-17, directors of the Bank also participated in the consideration and approval of matters of the Bank by way of written resolutions circulated to them. Supporting written materials were provided by the respective Department Heads as and when required.

As per the existing Code of Conduct and Norms to avoid Conflict of Interest, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Bank would declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered. Additionally, the director would not vote (nor be counted in the quorum) on any resolution of the directors in respect of any contract or arrangement or proposal in which he or any of his associate(s) is to his knowledge materially interested. Matters to be decided at Board meetings are decided by a majority of votes from directors allowed to vote. These were strictly observed throughout FY 2016-17.

Directors of the Bank play an active role in participating the Bank's meetings through contribution of their professional opinions and active participation in discussion.

Attendance of Meetings held during the FY 2016-17:

Name of Director	No. of Meetings Eligible to Attend	No. of Meetings Attended	% of attendance
Independent / Non-Executive Directors			
Dr. V. S. Sampath*	7	6	85%
Mr. Kajal Ghose **	1	1	100%
Mr. Somnath Sengupta*	6	4	75%
Mr. Tantra Narayan Thakur	8	6	75%
Ms. Anita Ramachandran*	6	3	50%
Executive Directors			
Mr. Govind Singh	8	8	100%

* Appointed as Director w.e.f. August 24, 2016

** Appointed as Director w.e.f. January 16, 2017

Board Committees

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled with relevant expertise. Ten board committees have been established and each of them has its specific duties and authorities set out in its own terms of reference.

1) Audit Committee

The Audit Committee meets at quarterly intervals. Total one Meeting was held during the FY 2016-17.

The composition & major responsibilities of the committee are given below:

Members	Mr. Tantra Narayan Thakur
	Mr. Somnath Sengupta
	Ms. Anita Ramachandran
Major Responsibilities	<ul style="list-style-type: none"> ▪ Recommendation for appointment, remuneration and terms of appointment of auditors of the Bank. ▪ Review and monitoring the auditor's independence and performance, and effectiveness of audit process. ▪ Examination of the financial statement and the auditors' report thereon. ▪ Approval or any subsequent modification of transactions of the Bank with Related parties. ▪ Scrutiny of inter-corporate loans and investments;

- Valuation of undertakings or assets of the Bank, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related Matters.
- Providing direction and to oversee the operation of the audit function.
- Review of the internal audit system with special emphasis on its quality and effectiveness.
- 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, un-reconciled entries in inter-Company accounts and frauds.
- Discussion on the matters related to frauds.
- Discussion and follow up for the audit observations relating to Long Form Audit Report.
- Discussion and follow up for the observations relating to Inspection Report / Risk Assessment Report of the RBI.
- Review the system of appointment of concurrent auditors and external auditors.
- Review of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Approval of payments to statutory auditors for other services rendered by them.
- Review with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval with particular reference to:
- Review and Approval of matters required to be included in the Director's Responsibility Statement in the Board's report in terms of clause (5) of section 134 of the Companies Act, 2013, Changes, if any, in accounting policies & practices and reasons for the same.
- Review of major accounting entries involving estimates based on the exercise of judgment by the management
- Review of Significant adjustments made in the financial statements arising out of audit findings
- Review of Compliance with statutory and legal requirements relating to financial statements
- Review of disclosure of any related party transactions.
- Review and discuss qualifications in the draft audit report.
- Review with the management, the quarterly financial statements before submission to the Board for approval.
- 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 utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board for taking steps in the matter.
- Review with the management, performance and independence of statutory and internal auditors, adequacy of the internal control systems and effectiveness of audit process.
- Obtain and review quarterly / half yearly reports of the Compliance Officer
- 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.

	<ul style="list-style-type: none"> ▪ Discuss with internal auditors any significant audit findings and follow up thereon. ▪ 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 the Board. ▪ 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. ▪ 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. ▪ Review of the functioning of the Whistle Blower-cum-Vigil Mechanism. ▪ Approval of the appointment of the Head of Internal Audit / Chief Internal Audit Officer before finalization of the same by the management. While approving the appointment, Audit Committee shall assess the qualifications, experience & background etc. of the candidate. ▪ Approval or any subsequent modification of transactions of the Bank with related parties. ▪ Evaluation of internal financial controls and risk management system. Valuation of undertakings or assets of the Bank, wherever it is necessary.
--	--

Attendance of Meetings held during the FY 2016-17:

Name of Members	No. of Meeting(s) Eligible to Attend	No. of Meeting(s) Attended
Mr. Tantra Narayan Thakur	1	1
Mr. Somnath Sengupta	1	1
Ms. Anita Ramachandran	1	0

2) Nomination & Remuneration Committee

The Nomination & Remuneration Committee meets minimum once in a year or as and when required. Total 2 Meetings were held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Members	Mr. Somnath Sengupta
	Dr. V. S. Sampath
	Ms. Anita Ramachandran

Major Responsibilities

- Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon.
- Evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.
- Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
- Advise criteria for evaluation of Independent Directors and the Board and carry out evaluation of every directors' performance.
- Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
- Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
- Review and recommend to the Board for approval the appointment of Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the 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.
- 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.
- Recommend to the Board the compensation payable to the Chairman of the Bank.
- Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Bank, as well as any fundamental changes in organization structure which could have wide ranging or high risk implications.
- Review and recommend to the Board for approval the talent management and succession policy and process in the Bank for ensuring business continuity, especially at the level of MD & CEO, the other Whole Time Directors, senior managers one level below the Board and other key roles and their progression to the Board.
- Review and recommend to the Board for approval:
 - the creation of new positions one level below MD & CEO
 - appointments, promotions and exits of senior managers one level below the MD & CEO
- Set the goals, objectives and performance benchmarks for the Bank and for MD & CEO, the other Whole Time Directors for the financial year and over the medium to long term.
- Review the performance of the MD & CEO and other Whole Time Directors at the end of each year.
- Review organization health through feedback from employee surveys conducted on a regular basis.
- Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, Reserve Bank of India or by any other regulatory or statutory body.

Attendance of Meeting(s) held during the FY 2016-17:

Name of Members	No. of Meeting(s) Eligible to Attend	No. of Meeting(s) Attended
Mr. Somnath Sengupta	2	2
Dr. V. S. Sampath	2	2
Ms. Anita Ramachandran	2	2

3) Stakeholders' Relationship Committee

The Stakeholder Relationship Committee meets as and when required. Total 2 Meetings were held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Members	Ms. Anita Ramachandran
	Mr. Somnath Sengupta
	Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> ▪ Considering and resolving grievances of shareholder's, debenture holders and other security holders. ▪ 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. ▪ Allotment of Equity Shares, approval of transfer or transmission of Equity Shares, debentures or any other securities. ▪ Issue of duplicate certificates and new certificates on split/consolidation/renewal etc.; ▪ Overseeing requests for dematerialization and rematerialization of Securities. ▪ Spreading awareness amongst security holders for protection of their rights and interest(s) and ▪ Carrying out any other function as assigned by the Board from time to time related with security holders of the Bank.

Attendance of Meetings held during the FY 2016-17:

Name of Members	No. of Meeting(s) Eligible to Attend	No. of Meeting(s) Attended
Ms. Anita Ramachandran	2	2
Mr. Somnath Sengupta	2	2
Mr. Govind Singh	2	2

4) Risk Management Committee

The Risk Management Committees meets on Quarterly basis. One Meeting was held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Members	Dr. V. S. Sampath
	Mr. Somnath Sengupta
	Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> ▪ To perform the role of Risk Management in pursuance of the Risk Management Guidelines issued periodically by RBI and Board. ▪ To oversee and advise to the Board on: <ul style="list-style-type: none"> □ defining risk appetite, tolerance thereof and review the same, as appropriate; □ the systems of risk management framework, internal control and compliance to identify, measure, aggregate, control and report key risks. □ the alignment of business strategy with the Board's risk appetite. □ 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 organization of their actions and decisions. ▪ To advise the Board on all high level risk matters. ▪ To require regular risk management reports from management which enable the Committee to assess the risks involved in the Bank's business and how they are controlled and monitored by management; and give clear focus to current and forward-looking aspects of risk exposure. ▪ To review the effectiveness of the Bank's internal control and risk management framework, in relation to its core strategic objectives, and to seek such assurance as may be appropriate. ▪ To review the asset liability management (ALM) of the bank on a regular basis; ▪ To consider any major regulatory issues that may have bearing on the risks and risk appetite of the Bank. ▪ To provide to the Board with such additional assurance as it may require regarding the quality of risk information submitted to it. ▪ To decide the policy and strategy for integrated risk management containing various risk exposures of the Bank including the credit, market, liquidity, operational and reputation risk. ▪ To review risk return profile of the Bank, capital adequacy based on the risk profile of the Bank's balance sheet, Basel-II implementation, assessment of Pillar II risk under Internal Capital Adequacy Assessment Process (ICAAP), business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures.

Attendance of Meetings held during the FY 2016-17:

Name of Members	No. of Meeting(s) Eligible to Attend	No. of Meeting(s) Attended
Dr. V. S. Sampath	1	1
Mr. Somnath Sengupta	1	1
Mr. Govind Singh	1	1

5) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committees meets on half yearly basis. Total One Meeting was held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Members	Dr. V. S. Sampath
	Mr. Tantra Narayan Thakur
	Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none">▪ Formulation and recommendation to the Board, the Corporate Social Responsibility (CSR) strategy of the Bank including the CSR Policy and its implementation.▪ Formulation and recommendation to the Board, the CSR activities to be undertaken by the 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 the Bank plans to undertake during the year of implementation, specifying modalities of execution in the areas / sectors chosen and implementation schedules for the same.▪ Recommendation to the Board, the amount of expenditure to be incurred on the CSR activities.▪ Review and monitoring the compliance of initiatives undertaken and evaluate performance of the activities against the agreed targets.▪ Conducting an impact-assessment of the various initiatives undertaken in terms of the CSR Policy at periodic intervals.▪ Reviewing and recommending the annual CSR report for the Board's approval and for public disclosure.▪ 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, Reserve Bank of India or by any other regulatory or statutory body.

Attendance of Meetings held during the FY 2016-17:

Name of Members	No. of Meeting(s) Eligible to Attend	No. of Meeting(s) Attended
Dr. V. S. Sampath	1	1
Mr. Tantra Narayan Thakur	1	1
Mr. Govind Singh	1	1

6) IT Strategy Committee

The IT Strategy Committees meets minimum Quarterly basis. Total One Meeting held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Members	Mr. Kajal Ghose
	Mr. Tantra Narayan Thakur
	Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> ▪ Approving IT strategy and policies. ▪ Ensuring that management has an effective strategic planning process in place. ▪ Ensuring that the business strategy is aligned with the IT strategy. ▪ Ensuring that the IT organizational structure serves business requirements and direction. ▪ Oversight over implementation of processes and practices that ensures IT delivers value to businesses. ▪ Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources. ▪ Ensuring proper balance of IT investments for sustaining Bank's growth. ▪ Assess exposure to IT risks and its controls and evaluating effectiveness of management's monitoring of IT risks. ▪ Assessing management's performance in implementing IT strategies. ▪ Assessing if IT architecture has been designed to derive maximum business value. ▪ Reviewing IT performance measurement and contribution to businesses <p>To approve capital and revenue expenditure in respect of IT procurements.</p>

Attendance of Meetings held during the FY 2016-17:

Name of Members	No. of Meeting(s) Eligible to Attend	No. of Meeting(s) Attended
Mr. Kajal Ghose	1	1
Mr. Tantra Narayan Thakur	1	1
Mr. Govind Singh	1	1

7) Review Committee for Identification of Wilful Defaulters

The Review Committee for Identification of Wilful Defaulters meets as and when required. No Meeting held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Details of Committee are as follows:

Members	Mr. Govind Singh
	Mr. Kajal Ghose
	Mr. Tantra Narayan Thakur
Major Responsibilities	<ul style="list-style-type: none"> ▪ To review, confirm and take decision with regard to classifying a borrower as "Wilful Defaulter" based on the inputs / decisions of Committee headed by Executive Director, classifying a borrower as Willful Defaulter. ▪ To review, confirm and take decision with regard to classifying a borrower as "non-cooperative borrower" based on the inputs / decisions of Committee headed by Executive Director, classifying a borrower as "Non-cooperative borrower" ▪ To set-up and review the policies and process of the Bank vis-à-vis regulatory guidelines with regard to identification of "wilful defaulter" or "non-cooperative borrower".

The meeting of this committee is conducted on a need basis. No meeting was conducted for the FY 17.

8) Customer Service Committee

The Customer Service Committee meets half yearly basis. No Meeting held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Members	Mr. Somnath Sengupta
	Mr. Kajal Ghose
	Mr. Govind Singh
	One Customer Representative
Major Responsibilities	<ul style="list-style-type: none"> ▪ Overseeing the functioning of the Bank's internal committee setup for customer service. ▪ To review the level of customer service in the Bank including customer complaints and the nature of their resolutions. ▪ Provide guidance in improving the customer service level. ▪ Review any award by the Companying Ombudsman to any customer on a complaint filed with the Ombudsman. ▪ To ensure that the Bank provides and continues to provide, best-in-class service across all its category of customers which will help the Bank in protecting and growing its brand equity. ▪ The Committee could address the formulation of a Comprehensive Deposit Policy, incorporating the issues such as the treatment of death of a depositor for operations of his account, the product approval process, the annual survey of depositor satisfaction and the periodical audit of such services. ▪ The Committee could also examine any other issues having a bearing on the quality of customer service rendered. ▪ To ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank.

9) Special Committee to Monitor Large Value Frauds

The Special Committee to monitor Large Value Fraud meets half yearly basis. No Meeting held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Members	Mr. Govind Singh
	Dr. V. S. Sampath
	Ms. Anita Ramachandran
	Mr. Somnath Sengupta
	Mr. Tantra Narayan Thakur
Major Responsibilities	<ul style="list-style-type: none"> ▪ The major functions of the Special Committee is to monitor and review all the frauds of ₹10.00 Lakh and above. ▪ Identify the systemic lacunae, if any that facilitated perpetration of the fraud and put in place measures to plug the same. ▪ Identify the reasons for delay, if any, in detection and reporting to top management of the Bank and RBI. ▪ Monitor progress of CBI / Police investigation and recovery position. ▪ Ensure that staff accountability is examined at all levels in all the cases of frauds and staff related action, if required, is completed quickly without loss of time.

	<ul style="list-style-type: none"> ▪ Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as, strengthening of internal controls. ▪ Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.
--	---

10) Credit Approval Committee

The Credit Approval Committee meets as and when required basis. No Meeting held during the FY 2016-17.

The composition & major responsibilities of the Committee are given below:

Members	Mr. Kajal Ghose
	Ms. Anita Ramachandran
	Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> ▪ To provide approvals for loans above certain stipulated limits, discuss strategic issues in relation to credit policy, and deliberate on the quality of the credit portfolio. ▪ To monitor the exposures (both credit and investment) of the Bank. ▪ To sanction expenditures above certain stipulated limits. ▪ To approve expansion of the location of the Bank's Network of offices, branches, extension counters, ATMs and Currency chests. ▪ To review investment strategy and approve investment related proposals above certain limits. ▪ To approve proposals relating to the Bank's operations covering all departments and business segments. ▪ To ensure compliance with the statutory / regulatory framework, etc.; ▪ To discuss issues relating to day to day affairs/problems and to take such steps as may be deemed necessary for the smooth functioning of the Bank (all routine matters other than the strategic matters and review of policies other than strategic policies like credit policy, investment policy and other policies which the COD may consider necessary or RBI may specifically require to be reviewed by the Board).

Non Executive Directors

Coming from diverse business and professional backgrounds, the non-executive directors (including independent non-executive directors) of the Bank have shared their valuable experiences to the Board for promoting the best interests of the Bank and its shareholders. The non-executive directors have actively participated in the board and board committees of the Bank and they have made significant contribution of their skills and expertise to these committees.

Remuneration of Directors

Each director is entitled to a directors fee which is determined by the Board in line with the provisions of Companies Act, 2013. Currently the Directors are not paid any additional remuneration. The Chairman of the Board is proposed to be paid the remuneration subject to the approval of RBI & shareholders. The remuneration related decisions are discussed with the Nomination & Remuneration Committee of the Board. The Bank's Human Resources Department assists the Nomination & Remuneration Committee by providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. The remuneration of MD & CEO and senior management of the Bank is determined with reference to the Bank's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. Remuneration is performance-based and coupled with an incentive system is competitive to attract and retain talented employees.

Nomination, Appointment and Re-election of Directors

Formal nomination procedures were adopted by the Board for governing the nomination of directors. Nomination of directors are reviewed and discussed by the Nomination Committee for his suitability on the basis of qualifications, experience and background. Suitable candidate would be recommended by the Nomination Committee to the Board for consideration of the appointment.

During the year under review, the Nomination & Remuneration Committee considered the appointment of Dr V S Sampath as Non-Executive Part Time Chairman and Mr. Govind Singh as Managing Director & CEO of the Bank.

In addition, one-third of the directors who have served longest on the Board would retire, thus becoming eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years. Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the shareholders.

Board Diversity

The Bank currently has truly diverse board to make good use of optimum mix of skills, regional and industrial experience, background, gender and other qualities of members of the Board. These varied qualities of board members have been taken into account in determining the optimum composition of the Board.

Induction and Continuous Professional Development

A new director is explained about the Banking business and the core areas of the Bank's operations at the time of induction. Also, various new regulations issued by the regulators that are critical are explained to the Board members along with the action taken against each requirement. Orientation with regard to the duties and responsibilities of directors under statutory regulations, internal code of conduct and norms for avoiding Conflict of interest and the Listing Rules are provided.

The Bank has plans to arrange training programmes as part of the continuous professional development for its directors to develop and refresh their knowledge and skill.

Corporate Governance Function

The Board is responsible for performing the corporate governance duties. Specific terms of reference were set out in the Corporate Governance Policy approved by the Board and the relevant duties include the following:

- Ensure that the Governance principles set for the bank comply with all relevant laws, regulations and other applicable codes of conduct.
- Set the business policies in consultation with the Management of the Bank.
- Provide strategic guidance for implementation of business policy and structure a management information system for review and course correction.
- Ensuring proper implementation of the guidelines of the business & other policies and take action as under:
- Establish appropriate systems to regulate the risk appetite and profile of the Bank in order to develop an effective risk management system.
- Ensure that all supervisory/regulatory directions are submitted and the supervisor's recommendations are utilized in the assessment of the performance of the senior management in implementation of Board philosophy.
- Formulate, adopt and review of the various policies prescribed by various Statutory Authorities from time to time.

- Set Standards of Business Conduct and Ethical Behavior for members and Senior Management.
- Ensure that the Bank has in place a robust compliance system for all applicable laws and regulations.
- Prescribe the forms and frequency of reporting to the Board in respect of each of the above areas of responsibility.
- Set up sound system of internal controls and audit including Financial, operational and Compliance controls and annual review of such system for their effectiveness.
- Monitor the financial performance of the Bank and must ensure that the financial results are prepared in accordance with the generally accepted accounting principles and regulations issued by the RBI and are reported to shareholders and regulators on a timely and regular basis.
- Ensure that all material developments of the Bank are disclosed to the public on a timely basis in accordance with the Standard Listing Regulations requirement.
- Delegate the responsibilities to mandated/ other recommended Empowered Committees of Directors in discharging of the above governance functions, while retaining its primary accountability.
- Execute such other duties as defined under the relevant Government of India / RBI Guidelines.

Directors' Responsibilities for Financial Reporting and Disclosures

The Bank's directors acknowledge their responsibilities to prepare accounts for each half and full financial year which give a true and fair view of the state of affairs of the Bank. The directors consider that in preparing financial statements, the Bank ensures statutory requirements are met and applies appropriate accounting policies that are consistently adopted and makes judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. They consider that the Bank has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties in relation to events or conditions that may cast significant doubt upon the Bank's ability to continue as a going concern. The Bank's financial statements have accordingly been prepared on a going concern basis.

The directors are responsible for ensuring that proper accounting records are kept so that the Bank could prepare financial statements in accordance with statutory requirements and the Bank's accounting policies. The Board is aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorizes their publication as and when required.

Risk Management & Internal Control

Risk management is an essential part of corporate governance. Effective risk management facilitates the Bank's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, proactively managing risks. It is the responsibility of all management staff to uphold the Bank's risk management function by ensuring that all staff members and business units comply with the risk management practices embedded into our daily operation.

The Board is responsible for ensuring that sound and effective risk management and internal control systems are maintained, while management ensures the sufficient and effective operational controls over the key business processes are properly implemented with regular review and update.

As per the directions of RBI on Guidelines for Licensing of Small Finance Banks in the Private sector, Utkarsh Small Finance Bank Limited is required to maintain a minimum capital adequacy of 15 per cent of its Risk Weighted Assets (RWA) subject to any higher percentage as may be prescribed by RBI from time to time.

This document covers the Capital Adequacy status for Utkarsh Small Finance Bank Limited. It also describes the Risk Process and Governance at the Bank to effectively on-board, monitor and report risk.

Internal audit reports are submitted to the Audit Committee regularly. Key audit findings are presented to the management in the Compliance and Audit Committee.

Furthermore, The Bank has a policy to address the complaints through the Whistle blower mechanisms for staff members to raise concerns, in strict confidence, about possible improprieties in any matters. Reported cases would be investigated by a committee in a confidential and timely manner and the investigation report are submitted to the Audit Committee of the Board.

External Auditor

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Bank in general meetings. BSR & Associates LLP, has been appointed as first auditors of the Bank and recommended by the Board of appointment as Statutory Auditors in the ensuing Annual General Meeting the Bank.

Review of Audited Results

The Audit Committee of the Bank has reviewed the accounting principles and practices adopted by the Bank and the audited consolidated financial statements of the Bank for FY2017.

Company Secretary

The Company Secretary of the Bank is involved in day-to-day affairs of the Bank and is responsible for providing professional advice on governance matters. The details of the Company Secretary along with his experience is posted on the website of the Bank.

Communication with Shareholders

The Board recognizes the importance of frequent and proper communication with the Bank's shareholders. In line with the Corporate Governance Policy adopted by the Bank special emphasis has been given for ensuring effective and transparent communication between the Bank and its shareholders.

Moreover, the Annual General Meeting of the Bank provides an opportunity for face-to-face communication between the Board and the shareholders. Shareholders are welcome to raise any query in relation to the Bank's businesses at the annual general meeting. Shareholders' enquiries, either received by telephone or by email, are properly attended by the Bank Secretarial Department and are addressed to the Stakeholders Relationship Committee, if necessary. Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company's registered office address.

Shareholder Services

Any matter in relation to the transfer of shares, change of name or address, or loss of share, registrations and requests for annual/interim report copies should be addressed to the Bank's Registrar & Share Transfer Agent, M/s Karvy Computershare Private Ltd, Unit: Utkarsh Small Finance Bank, Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032, Telangana. Any Shareholder can raise any service request or any query to the Company Secretary by writing a mail to shareholders@utkarsh.bank.

Bank's Website and Annual Report

To ensure all shareholders have uniform and timely access to important Bank information, the Bank makes extensive use of the Bank's website to deliver up-to-date information. Latest information regarding the activities and publications of the Bank is included in the Bank's website at www.utkarsh.bank in order to provide comprehensive information of the Bank for the shareholders of the Bank as well as the general public. The Bank's annual report is available on our corporate website. Shareholders may at any time change their choice of means of receiving the Bank's corporate communications free of charge by notice in writing to the Registrar & Share Transfer Agent M/s Karvy Computershare Private Limited.

Shareholders' Rights

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Bank's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Bank is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Bank shall have the right, by written requisition to the Company Secretary of the Bank, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to put forward proposals at general meetings are stated as follows:

1. The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.
2. The written requisition must be deposited at the Bank's registered office of the Bank as well as the principal place of business in Varanasi for the attention of the Company Secretary.
3. The written requisition will be verified with the Bank's share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Bank's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders. Such general meeting shall be held within two months after deposit of such requisition.
4. If within 21 days of such deposit, the Board fails to proceed to convene such general meeting, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Any vote of shareholders at a general meeting must be taken by way of poll and the Bank will announce the results of the poll in the manner prescribed under the Listing Rules.

Chairman of the Audit Committee will attend the annual general meetings of the Bank to address shareholders' queries. External auditor is also invited to attend the Bank's annual general meetings and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditors' report.

General Meeting

As the Bank was incorporated in the month of April, 2016 no Annual General Meeting general meeting was held during FY 2016-17. During the year under review, four Extra-Ordinary General Meetings were held on 1st September, 2016, 28th September, 2016, 28th December, 2016 and 28th March, 2017 to transact some special business with the approval of the Board of Directors.

Investor Relations

The Bank is committed to uphold the highest standards of corporate governance practices and maintaining effective communication with shareholders and the financial community. To this end, the Bank maintains an open-dialogue with investors to ensure transparent, timely and accurate dissemination of information including operating performance and strategic business developments.

To ensure fair and equal access to material information, the Bank utilizes multiple communication channels such as results announcements and presentations and corporate website to reach out to individual shareholders and stakeholders within the investment community.

Balance Sheet as at 31 March 2017

(₹ in '000s)

	Schedule	As at 31 March 2017
CAPITAL AND LIABILITIES		
Capital	1	3,000,500
Reserves and Surplus	2	48,348
Deposits	3	187,223
Borrowings	4	22,888,283
Other Liabilities and Provisions	5	628,935
	Total	26,753,289
ASSETS		
Cash and balances with Reserve Bank of India	6	423,844
Balances with banks and money at call and short notice	7	1,496,115
Investments	8	7,292,293
Advances	9	15,939,087
Fixed Assets	10	216,158
Other Assets	11	1,385,792
	Total	26,753,289
Contingent Liabilities	12	410,126
Bills for Collection		—
Significant accounting policies	17	
Notes to the financial statements	18	

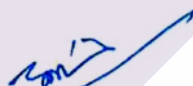
The Schedules referred to above form an integral part of the Balance Sheet

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

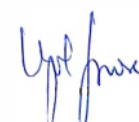
for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804



Sriram Mahalingam
Partner
Membership No.049642



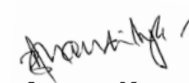
Govind Singh
Managing Director & CEO
DIN : 02470880



Kajal Ghose
Director
DIN : 07702190



Abhisheka Kumar
Chief Financial Officer



**Anang Kumar
Shandilya**
Company Secretary

Place : Mumbai
Date : 29-May-2017

Place : Mumbai
Date : 29-May-2017

Profit and Loss Account for the period ended 31 March 2017

(₹ in '000s)

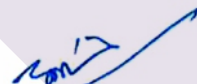
	Schedule	For the period ended 31 Mar 2017
I INCOME		
Interest Earned	13	868,894
Other Income	14	33,153
	Total	902,047
II EXPENDITURE		
Interest Expended	15	442,929
Operating Expenses	16	348,935
Provisions and Contingencies		61,835
	Total	853,699
III PROFIT/LOSS		
Net Profit /(Loss) for the year		48,348
Balance in Profit and Loss account brought forward		—
	Total	48,348
IV APPROPRIATIONS		
Transfer to Statutory Reserve		12,087
Balance carried over to Balance Sheet		36,261
	Total	48,348
V EARNINGS PER EQUITY SHARE	18.5.5	
EPS Basic (₹)		0.51
EPS Diluted (₹)		0.27
Face Value per share (₹)		10
Significant accounting policies	17	
Notes to the financial statements	18	

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

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



Sriram Mahalingam
Partner
Membership No.049642



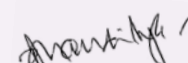
Govind Singh
Managing Director & CEO
DIN : 02470880



Abhisheka Kumar
Chief Financial Officer



Kajal Ghose
Director
DIN : 07702190



**Anang Kumar
Shandilya**
Company Secretary

Place : Mumbai
Date : 29-May-2017

Place : Mumbai
Date : 29-May-2017

Cash Flow Statement for the period ended 31 March 2017

(₹ in '000s)

Sl.No.			For the period ended 31 Mar 2017
I	<u>Cash flow from operating activities</u>	—	—
	Profit before taxes		65,230
	Adjustments for:-		
	Depreciation and amortisation		14,139
	Net depreciation on investments		5,015
	General provision for standard advances		39,938
	Employees stock options expense		2,635
		(i)	126,957
	Adjustments for:-		
	Decrease in investments		538,936
	Decrease in advances		28,845
	Increase in deposits		187,223
	Increase in other assets		(620,745)
	Decrease in other liabilities and provisions		(91,577)
		(ii)	42,682
	Refund/(payment) of direct taxes	(iii)	(16,882)
	Net cash flow from operating activities	(A)	152,757
	(i)+(ii)+(iii)		
II	<u>Cash flow used in investing activities</u>	—	—
	Purchase of fixed assets		(100,790)
	Addition to Capital Work in Progress		(21,353)
	Payment made pursuant to BTA (Refer Schedule 18.43)		(685,063)
	Purchase of held to maturity securities		(3,898,454)
	Net cash flow used in investing activities	(B)	(4,705,660)
III	<u>Cash Flow from financing activities</u>	—	—
	Proceeds from issue of share capital		3,000,500
	Proceeds from issue of Compulsorily Convertible Debentures		3,870,000
	Repayments from long term borrowings		(1,725,835)
	Repayments from short term borrowings		(238)
	Net cash flow from financing activities	(C)	5,144,427
	Cash & cash equivalents acquired pursuant to BTA (Refer Schedule 18.43)	(D)	1,328,435
IV	Net increase in cash and cash equivalents (A) + (B) + (C) + (D)		1,919,959

V	Cash and cash equivalents at beginning of the year	—
VI	Cash and cash equivalents at end of the year	1,919,959
	Notes to the Cash Flow Statement: Cash and cash equivalents includes the following:	
(i)	Cash and Balances with Reserve Bank of India (Refer Schedule 6)	423,844
(ii)	Balances with Banks in Current Accounts (Refer Schedule 7)	1,496,115
(iii)	Money at Call and Short Notice (Refer Schedule 7)	—
	Cash and cash equivalents at the end of the year	1,919,959

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

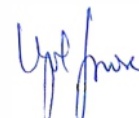
for and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
CIN: U65992UP2016PLC082804



Sriram Mahalingam
Partner
Membership No.049642



Govind Singh
Managing Director & CEO
DIN : 02470880



Kajal Ghose
Director
DIN : 07702190



Abhisheka Kumar
Chief Financial Officer



Anang Kumar Shandilya
Company Secretary

Place : Mumbai
Date : 29-May-2017

Place : Mumbai
Date : 29-May-2017

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2017

Schedule 1 - Capital

(₹ in '000s)

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

Schedule 2 - Reserves and Surplus

(₹ in '000s)

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

Schedule 3 - Deposits

(₹ in '000s)

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

Schedule 4 - Borrowings*(₹ in '000s)*

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

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

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

Schedule 5 - Other Liabilities and Provisions*(₹ in '000s)*

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

Schedule 6 - Cash and balances with Reserve Bank of India*(₹ in '000s)*

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

Schedule 7 - Balance with banks and money at call and short notice*(₹ in '000s)*

	As at 31 March 2017
1. In India	
i) Balances with banks	
a) In current accounts	558,770
b) In other deposit accounts	937,345

ii) Money at call and short notice	
a) With banks	—
b) With other institutions	—
Total (i+ii)	1,496,115
2. Outside India	
In current accounts	—
In other deposits accounts	—
Money at call and short notice	—
Total	—
Total (1+2)	1,496,115

Schedule 8 - Investments

(₹ in '000s)

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

Schedule 9 - Advances (net of provisions)

(₹ in '000s)

	As at 31 March 2017
A.	
i) Bills purchased and discounted	—
ii) Cash credits, overdrafts and loans repayable on demand	—
iii) Term loans	15,939,087
Total	15,939,087
B.	
i) Secured by tangible assets (includes advances against fixed deposits and book debts)	124,089
ii) Covered by Bank / Government guarantees	—
iii) Unsecured	15,814,998
Total	15,939,087
C.1 Advances in India	
i) Priority sector	15,938,437
ii) Public sector	—
iii) Banks	—
iv) Others	650
Total	15,939,087
C.2 Advances Outside India	
i) Due from banks	—
ii) Due from others	—
a) Bills purchases and discounted	—
b) Syndicated loans	—
c) Others	—
Total	—
Total (C.1 + C.2)	15,939,087

Schedule 10 - Fixed Assets

(₹ in '000s)

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

3. Capital Work in Progress	60,124
Total (1 to 3)	216,158

1. Includes assets taken over from the Holding Company (Refer Schedule 18.43)
2. Includes accumulated depreciation on assets taken over from Holding Company (Refer Schedule 18.43)
3. Includes depreciation charge amounting to ₹14,139.37 thousands for the period ended 31 March 2017

Schedule 11 - Other Assets

(₹ in '000s)

	As at 31 March 2017
1. Inter-office adjustment (net)	—
2. Interest accrued	397,684
3. Tax Paid in advance / tax deducted at source (net of provision)	—
4. Stationery and stamps	—
5. Non-banking assets acquired in satisfaction of claims	—
6. Others*	988,108
Total (1 to 6)	1,385,792

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

Schedule 12 - Contingent Liabilities

(₹ in '000s)

	As at 31 March 2017
1. Claims against the bank not acknowledged as debts	—
2. Liability for partly paid investment	—
3. Liability on account of outstanding forward exchange contracts	—
4. Liability on account of outstanding derivative contracts*	317,200
5. Guarantees given on behalf of constituents	
i) In India	—
ii) Outside India	—
6. Acceptances, endorsements and other obligations	—
7. Other items for which the bank is contingently liable	
a) Income tax & other matters (under appeal)	—
b) Others	92,926
Total (1 to 7)	410,126

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

Schedule 13 - Interest Earned

(₹ in '000s)

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

Schedule 14 - Other Income*(₹ in '000s)*

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

Schedule 15 - Interest Expended*(₹ in '000s)*

	As at 31 March 2017
1. Interest on deposits	1,484
2. Interest on Reserve Bank of India / Inter-bank borrowings	168,801
3. Others	272,644
Total (1 to 3)	442,929

Schedule 16 - Operating Expenses*(₹ in '000s)*

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

Schedule 17 - Significant accounting policies

Background:

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

Basis of preparation:

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

Use of estimates:

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

Significant accounting policies

17.1 Advances

Advances are stated net of specific provisions made in respect of non-performing advances ('NPA'). Advances are classified as Performing and NPA based on the relevant RBI guidelines. Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification & Provisioning prescribed from time to time. The Bank also maintains provision on standard assets to cover potential credit losses which are inherent in any loan portfolio in accordance with RBI guidelines in this regard. Provision made against standard assets is included in 'Other Liabilities and Provisions'. Loss assets and the unsecured portion of doubtful assets are provided / written-off as per the extant RBI guidelines.

17.2 Investments

Classification and valuation of Bank's Investments is carried out in accordance with RBI and Fixed Income Money Market and Derivatives Association ('FIMMDA') guidelines issued in this regard from time to time.

a) Classification

Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' (HTM) categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments. Investments that are held principally for resale within a short period, including short sale, are classified as HFT investments. All other investments are classified as AFS investments. The Bank follows trade date method of accounting for purchase and sale of investments, except for government of India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines. For the purpose of disclosure in the financial statements, the Investments are classified under six groups a) Government Securities b) Other Approved Securities c) Shares d) Debentures and Bonds e) Subsidiaries / Joint Ventures and f) Others.

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

b) Valuation

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

Investments classified as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

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

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

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

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

c) Disposal of investments

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss account. Cost of investments is based on the weighted average cost method.

The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Profit and Loss account to "Capital Reserve" in accordance with the RBI Guidelines.

d) Transfer between categories

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

a) Transfer from AFS / HFT to HTM is made at the lower of book value or market value at the time of transfer.

b) Transfer from HTM to AFS / HFT is made at acquisition price/book value if originally placed in HTM at par or at a discount and at amortised cost if originally placed in HTM at a premium.

c) Transfer from AFS to HFT category or vice-versa is made at book value and the provision for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities or vice-versa.

e) Repurchase transactions

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

f) Broken period interest, brokerage etc.

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

17.3 Foreign Currency transactions

Transactions denominated in foreign currency are recorded at exchange rates prevailing on the date of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss account. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the Balance Sheet date based on exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognized in the Profit and Loss account.

17.4 Fixed Assets and Depreciation

Tangible assets

Fixed Assets are accounted for at cost less accumulated depreciation, amortization and accumulated impairment losses.

Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. Depreciation on assets sold during the year is charged to the Profit and Loss account upto 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.

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

Intangible assets

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets are amortized in the Profit and Loss account over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible assets are amortised on straight line basis. Computer software are amortised on straight line basis over their estimated useful life of three years.

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

17.5 Retirement and other employee benefits

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

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

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

17.6 Employee Stock Option Scheme

The Bank follows the intrinsic value method for computing the compensation cost for all options granted which will be amortized over the vesting period. Measurement and disclosure of the employee share-based payment Schemes are done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India ('ICAI').

17.7 Revenue Recognition

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

17.8 Lease transactions

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as and when the payments are made over the lease terms.

17.9 Taxation

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

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

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

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

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

17.10 Provisions and contingencies

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

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

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

17.11 Earnings per share (EPS)

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

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

17.12 Cash and Cash Equivalents

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

Schedule 18

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

18.1 The Reserve Bank of India ("RBI") issued license no. MUM: 125 on 25 November 2015 to the Company to carry on business as a Small Finance Bank with attached terms and conditions. Pursuant to condition attached in the approval for small finance bank, Utkarsh Micro Finance Limited ('the Holding Company') entered into a business transfer agreement (BTA) and transferred its micro finance business to the Bank. Pursuant to the BTA all the assets and liabilities (except certain specified assets and liabilities) as at 21 January 2017 of the Holding Company were transferred to the Bank at book value based on slump sale basis for cash consideration. Resultant, non-convertible debentures listed on the stock exchange were also transferred in the name of the Bank and a transfer was effected by the exchange effective 03 May 2017. The Company has been incorporated on 30 April 2016 and commenced its operations as a Bank effective 23 January 2017. This being the first financial period from incorporation of the Company to the end of the financial year, no comparative figures have been provided by the Bank in these financial results.

18.2 Capital

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

18.3 Investments

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

18.4 Employee Stock Option Plan ("ESOP")

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

The Holding Company formed Utkarsh ESOP Welfare Trust to issue ESOPs to employees of the Holding Company as per Employee Stock Option Scheme. Total 1,200,000 equity shares has been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved by the Holding Company for the purpose of ESOP scheme. The Holding Company has given interest and collateral free loan to the trust, to provide financial assistance to purchase its equity shares under such schemes. The Holding Company has allotted 343,507 equity shares of ₹10 each and 856,493 equity shares of ₹10 each in the years ended 31 March 2011 and 31 March 2013 respectively. The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the compensation committee. The Trust in turn allots the shares to employees on exercise of their right against cash.

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

These options shall vest on graded basis as follows:

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

The Guidance Note on “Accounting for Employee Share Based Payments” issued by the ICAI establishes financial and reporting principles for employees share based payment plans. The Guidance Note applies to employee share based payment plans, the grant date in respect of which falls on or after 1 April 2005. The Guidance Note also applies to transfers of shares or stock options of the parent of the enterprise, or shares or stock options of another enterprise in the same group as the enterprise, to the employees of the enterprise. The compensation costs of stock options granted to employees of the Bank are accounted using intrinsic value method.

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

Particulars	For the period ended 31 March 2017
Number of equity shares:	
Outstanding at the beginning of the period (transferred pursuant to BTA)*	496,830
Granted during the period	269,838
Forfeited during the period	32,125
Exercised during the period	97,959
Outstanding at the end of period	636,584
Exercisable at the end of period	445,625

* Refer Schedule 18.43

The compensation cost is calculated based on the intrinsic value method, wherein the excess of Fair value of underlying equity shares as on the date of the grant over the exercise price of the options given to employees of the Bank under the ESOP scheme, is recognised as compensation cost and amortised over the vesting period.

Impact of Fair Value Method on Net Profit and EPS

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

(₹ in crore, except per share data)

Particulars	For the period ended 31 March 2017
Profit after tax	
- As reported	4.83
- Proforma	4.97
Earnings per share	
Basic	
- Number of shares	94,677,232
- EPS as reported (₹)	0.51
- Proforma EPS (₹)	0.53

18.5 Disclosures as per Accounting Standards

18.5.1 Disclosures under AS -15 on employee benefits

Defined Contribution Plans:

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

(₹ in crore)

Particulars	For the period ended 31 March 2017
Provident Fund	1.44

Defined Benefit Plans:

The following table sets out the status of the defined benefit Gratuity Plan as required under Accounting Standard 15.

Change in the present value of the defined benefit obligation

(₹ in crore)

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

* Refer Schedule 18.43

Change in the plan assets

(₹ in crore)

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

* Refer Schedule 18.43

Net liability / (asset) recognised in the balance sheet

(₹ in crore)

Particulars	For the period ended 31 March 2017
Present value of funded obligation	2.60
Fair value of plan assets	2.69
Deficit / (Surplus)	(0.09)
Net Liability / (Asset)	(0.09)

Net cost recognized in the profit and loss account

(₹ in crore)

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

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

(₹ in crore)

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

* Refer Schedule 18.43

Experience Adjustment

(₹ in crore)

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

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

Category of Assets	(%)
Funds with LIC	100%

Key Actuarial Assumptions

Particulars	Assumptions
Discount rate	6.70%
Expected rate of return on Plan Asset	7.71%
Salary Escalation	8.00%
Attrition rate	2% to 25%

18.5.2 Segment Reporting: Information about business segments

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

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

The following table sets forth the business segment results:

(₹ in crore)

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

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

Notes:

- The business of the Bank does not extend outside India and it does not have any assets outside India or earnings emanating from outside India. Accordingly, the Bank has reported operations in the domestic segment only.
- Income, expenses, assets and liabilities have been either specifically identified to individual segment or allocated to segments on a reasonable basis or are classified as unallocated.
- Unallocated items include Fixed Assets, Depreciation, Capital expenditure, realized gains/losses on their sale, income tax expense, deferred income tax assets / liabilities, advance tax and cash in hand.

18.5.3 Related Party Transactions

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

1. Holding Company

Utkarsh Micro Finance Limited

2. Key Management Personnel ('KMP')

Mr. Govind Singh- Managing Director and CEO*

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

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

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

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

(₹ in crore)

Sl. No.	Name of the related party	Nature of transaction	Transaction
			For the period ended 31 March 2017
01	Mr. Govind Singh	Remuneration	0.53
		Deposits accepted	0.62
02	Mr. Abhisheka Kumar	Remuneration	0.19
		Deposits accepted	0.30
03	Mr. Anang Shandilya	Remuneration	0.07

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

Payable/ (receivable) as at balance sheet date:

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

18.5.4 Operational Leases

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

18.5.5 Earnings Per Share (EPS)

(₹ in crore, except per share data)

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

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

18.5.6 Deferred Tax

Major components of Deferred Tax Assets and Deferred Tax Liabilities as on 31 March 2017 are as under:-

(₹ in crore)

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

18.6 Small and Micro Industries

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

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

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

* Refer Schedule 18.43

18.8 Capital Adequacy

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

(₹ in crore, except percentages)

Sl.No.	Particulars	As at 31 March 2017
i)	Common Equity Tier 1 (CET) capital ratio (%)	17.15%
ii)	Tier I capital ratio (%)	17.15%
iii)	Tier II capital ratio (%)	8.72%
iv)	Total capital ratio (CRAR) (%)	25.87%
v)	Amount of Equity capital raised	300.05
vi)	Amount of Additional Tier I capital raised	—
vii)	Amount of Tier II capital raised	150.00

Notes:

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

18.8.2 Tier II Capital

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

(Amount in ₹ in crore)

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

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

(₹ in crore)

SI.No.	Particulars	As at 31 March 2017
(1)	Value of Investments	
	(i) Gross Value of Investments	
	(a) In India	729.73
	(b) Outside India	—
	(ii) Provisions for Depreciation	0.50
	(a) In India	0.50
	(b) Outside India	—
	(iii) Net Value of Investments	729.23
	(a) In India	729.23
	(b) Outside India	—
(2)	Movement of provisions held towards depreciation of investments (including provision for NPIs)	
	(I) Opening balance	—
	(ii) Add: Provisions made during the period	0.50
	(iii) Less: Write-off / write back of excess / provisions (including provision for NPIs) during the period	—
	(iv) Closing balance	0.50

18.9.2 Repo / Reverse Repo Transactions:

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

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

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

(₹ in crore)

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

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

18.9.5 Security Receipts (SR)

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

(₹ in crore)

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

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

18.10 Forward Rate Agreement / Interest Rate Swaps / cross currency swap/ Exchange Traded Interest Rate Derivatives:

18.10.1 Notional and concentration of FRAs and IRS

(₹ in crore)

Particulars	As at 31 March 2017
i) The notional principal of swap agreements	*31.72
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	0.70
iii) Collateral required by the Bank upon entering into swaps	—
iv) Concentration of credit risk arising from the swaps	—
v) The fair value of the swap book	0.40

* Pertains to cross currency interest rate swap

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

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

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

Nature	Nos .	Notional Principal (₹in crore)	Benchmark	Terms
NIL	–	–	–	–

18.10.4 Exchange Traded Interest Rate Derivatives and exchange traded currency derivative

(₹ in crore)

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

18.10.5 Risk Exposure in Derivatives:

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

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

(₹ in crore)

Sl. No.	Particulars	For the period ended 31 March 2017			
		Currency derivatives			Interest rate derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	NIL	NIL	31.72*	NIL
	b) For trading	NIL	NIL	NIL	NIL
(ii)	Marked to Market Positions				
	a) Asset (+)	NIL	NIL	NIL	NIL
	b) Liability (-)	NIL	NIL	0.40	NIL

(iii)	Credit Exposure		NIL	NIL	31.72*	NIL
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		NIL	NIL	NIL	NIL
	a) on hedging derivatives		NIL	NIL	NIL	NIL
	b) on trading derivatives			NIL	0.40	NIL
	Maximum and Minimum of 100*PV01 observed during the period					
	a) on hedging	NIL	NIL	NIL	NIL	NIL
		NIL	NIL	NIL	NIL	NIL
	b) on trading	NIL	NIL	NIL	NIL	NIL
		NIL	NIL	NIL	NIL	NIL

* Pertains to cross currency interest rate swap

18.11 Restructured / Rescheduled / Renegotiated Investments

During the year there are no such investments.

18.12 Asset Quality

18.12.1 Movement of NPA and NPA Provision

(₹ in crore)

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

Technical Write-off:

(₹ in crore)

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

18.12.2 Particulars of Restructured Accounts:

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

Type of restructuring	Under CDR					Under SME					Others					Total
	S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Asset Classification																-
Details																
Restructured accounts as on 1 April of the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fresh Restructuring during the period	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in outstanding of Restructured cases	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard during the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Type of restructuring		Under CDR					Under SME					Others					Total
		S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Asset Classification																	
Details																	
Restructured standard advances which cease to attract higher provision at the period end and need not be shown as restructured advances at the beginning of the next FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Down gradations of restructured accounts during the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts as on 31 March (Closing)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

18.12.3 Strategic Debt Restructuring

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

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

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

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

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

18.12.4 Details of financial assets sold to Securitization / Reconstruction Company for Asset Reconstruction:

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

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

18.12.5.1 Non-performing financial assets purchased:

(₹ in crore)

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

18.12.5.2 Non-performing financial assets sold:

(₹ in crore)

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

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

18.14 Business Ratios:

Sl. No.	Particulars	As at 31 March 2017
(i)	Interest income as % to Working funds ¹	17.09%
(ii)	Non-Interest income as % to Working funds	0.65%
(iii)	Operating profit ² as % to Working funds	2.07%
(iv)	Return on Assets (Working funds)	0.95%
(v)	Business ³ (Deposit plus Advance) per employee ⁴ (₹in crore)	0.44
(vi)	Profit per employee ⁴ (₹in crore)*	0.00

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

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

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

4. Productivity ratios are based on average employee number.

*Profit per employee is ₹13,158/-

18.15 Maturity Pattern

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

(₹ in crore)

Particulars	As at 31 March 2017					
	Loans & Advances (INR)	Investments (INR)	Deposits (INR)	Borrowings (INR)	Foreign currency Assets	Foreign currency Liabilities
1 day	0.01	—	—	—	—	—

2 to 7 days	85.73	0.03	0.64	6.13	—	—
8 to 14 days	26.88	45.31	—	3.45	—	—
15 to 30 Days	54.12	29.89	—	31.53	—	—
31 Days to 2 months	121.94	—	—	40.87	—	—
Over 2 months to 3 months	115.57	49.38	—	65.26	—	—
Over 3 months to 6 months	320.87	213.87	—	183.75	—	—
Over 6 months to 1 year	497.78	66.06	17.62	332.44	—	—
Over 1 year to 3 years	368.30	—	0.46	677.48	—	15.86
Over 3 years to 5 years	1.93	73.68	—	244.20	—	15.86
Over 5 years	0.78	251.00	—	672.00	—	—
Total	1,593.91	729.22	18.72	2,257.11	—	31.72

18.16 Lending to Sensitive Sector

18.16.1 Exposure to Real Estate Sector:

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2017
1)	Direct exposure	
(a)	Residential Mortgages -	6.01
	Out of which Individual housing loans eligible for inclusion in priority sector advances	5.94
(b)	Commercial Real Estate	Nil
(c)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures	
i.	Residential Mortgages	Nil
ii.	Commercial Real Estate	Nil
2)	Indirect Exposure	
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil
	Total Exposure to Real Estate Sector	6.01

18.16.2 Exposure to Capital Market:

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2017
(i)	Direct investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	Nil

Sl. No.	Particulars	As at 31 March 2017
(ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	Nil
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	Nil
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances	Nil
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	Nil
(vii)	Bridge loans to companies against expected equity flows/issues	Nil
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil
(ix)	Financing to stockbrokers for margin trading	Nil
(x)	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	Nil
	Total Exposure to Capital Market	

18.16.3 Risk Category wise Country Exposure:

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

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

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

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

Sl. No.	Particulars	(₹ in crore) For the period ended 31 March 2017
i)	Provision for Income tax	3.96
ii)	Provision for Deferred tax	(2.27)

18.19 Unsecured Advances against Intangible Collaterals:

(₹ in crore)

Particulars	As at 31 March 2017
Total Advances against intangible securities such as charge over the rights, licenses, authority etc.	—
Estimated Value of intangible collateral such as charge over the rights, licenses, authority etc.	—

18.20 Penalties imposed by RBI

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

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

(₹ in crore)

Sl. No.	Particulars	For the period ended 31 March 2017
i)	Fee / Remuneration from Life Insurance Business	—
ii)	Fee / Remuneration from General Insurance Business	—

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

(₹ in crore)

Sl. No.	Particulars	For the period ended 31 March 2017
i)	Provisions towards Standard Advances	3.99
ii)	Provision for depreciation on investments	0.50
iii)	Provisions towards Income tax	3.96
iv)	Provision towards deferred tax (net)	(2.27)
	Total	6.18

18.23 Draw down from Reserves

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

18.24 Floating Provisions

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

18.25 Investor Education and Protection Fund

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

18.26 Concentration of Deposits, Advances, Exposures and NPAs

18.26.1 Concentration of Deposits

(₹ in crore)

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

18.26.2 Concentration of Advances

(₹ in crore)

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

18.26.3 Concentration of Exposures

(₹ in crore)

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

18.26.4 Concentration of NPA's

(₹ in crore)

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

18.27 Sector Wise Advances:

(₹ in crore)

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

18.28 Details of Priority Sector Lending Certificates (PSLC)

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

18.29 Overseas Assets, NPAs and Revenue

(₹ in crore)

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

18.30 Off- Balance Sheet SPVs sponsored

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

18.31 Disclosures relating to Securitization

(Amount ₹ in crore / No.)

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

Particulars	As at 31 March 2017
b) On-balance sheet exposures	—
i) Exposure to own securitizations	—
* First loss	—
* Others	—
ii) Exposure to third party securitizations	—
* First loss	—
* Others	—

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

18.32 Disclosure on Remuneration

Qualitative Disclosure

A. Information relating to the bodies that oversee remuneration

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

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

Following are the functions of Nomination and Remuneration Committee:

- Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon.
- Evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.
- Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
- Advise criteria for evaluation of Independent Directors and the Board and carry out evaluation of every directors' performance.
- Undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
- Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
- Review and recommend to the Board for approval the appointment of Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the Company (including remuneration policy for directors and key managerial personnel) the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Company including the Managing Director & CEO, other whole time Directors and senior managers one level below the Board.
- Review and recommend to the Board for approval the total increase in manpower cost budget of the Company as a whole, at an aggregate level, for the next year.

- Recommend to the Board the compensation payable to the Chairman of the Company.
- Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Company, as well as any fundamental changes in organization structure which could have wide ranging or high risk implications.
- Review and recommend to the Board for approval the talent management and succession policy and process in the Company for ensuring business continuity, especially at the level of MD & CEO, the other Whole Time Directors, senior managers one level below the Board and other key roles and their progression to the Board.
- Review and recommend to the Board for approval:
 - the creation of new positions one level below MD & CEO
 - appointments, promotions and exits of senior managers one level below the MD & CEO
- Set the goals, objectives and performance benchmarks for the Company and for MD & CEO, the other Whole Time Directors for the financial year and over the medium to long term.
- Review the performance of the MD & CEO and other Whole Time Directors at the end of each year.
- Perform such other duties as may be required to be done under any law, statute, rules, regulations etc. enacted by Government of India, Reserve Company of India or by any other regulatory or statutory body

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

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

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

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

d) Type of employees covered and number of such employees

All the employees of the Bank are covered. The total number of employees of the Bank at March 31, 2017 was 3,850.

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

Key features and objectives of remuneration policy: The Bank has, under the guidance of the Board and the NRC, followed remuneration practices intended to drive meritocracy and performance based on a prudent risk management framework.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: Not Applicable.

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

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance: The variable remuneration is offered in the form of annual performance bonus and monthly incentives.

Quantitative Disclosure -

(The quantitative disclosure covers MD& CEO and employees in the grade of Vice President and above.)

(₹ in crore, except numbers)

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

18.33 Contingent Liabilities

Description of nature of contingent liabilities is set out below:

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

Cross Currency interest rate swaps are commitments to exchange cash flows by the way of interest/principal in one currency against another, based on pre-determined rates and commitments to exchange fixed and floating interest rate cash flows.

The amount recorded as contingent liability with respect to these contracts represents the underlying notional amounts of these contracts.

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

Refer Schedule 12 for amounts relating to contingent liabilities.

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

18.35 Liquidity Coverage Ratio(LCR)

Qualitative disclosure around LCR

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

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

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

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

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

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

ALCO of the Bank channelizes various business segments of the Bank to target good quality asset and liability profile to meet the Bank's profitability as well as Liquidity requirements with the help of robust MIS and Risk Limit architecture of the Bank.

The Bank has been maintaining HQLA (Level 1) primarily in the form of Excess CRR, excess SLR investments over and above mandatory requirement.

Quantitative Disclosures

(₹ in crore)

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

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

Reasons for High Liquidity Coverage Ratio

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

18.36 Intra-Group Exposures

(₹ in crore)

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

18.37 Details of provisioning pertaining to fraud accounts

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

(₹ in crore)

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

*Rs.35,114/-

The Bank has recovered the amount involved in frauds.

18.38 Transfers to Depositor Education and Awareness Fund (DEAF)

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

(₹ in crore)

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

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

18.40 Credit Default Swap

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

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

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

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

18.43 Business transfer

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

(₹ in crore)

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

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

- 18.44** This being the year of incorporation of the Bank, it is not required to spend the prescribed amount as required by Section 135 of the Companies Act, 2013.
- 18.45** The Bank does not have any pending litigations as at 31 March 2017.
- 18.46** This being the year of incorporation of the Bank, the financial statements have been prepared for the first time and accordingly no comparative information has been furnished.

for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/W-100024

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



Sriram Mahalingam
Partner
Membership No.049642



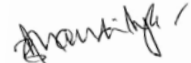
Govind Singh
Managing Director & CEO
DIN : 02470880



Kajal Ghose
Director
DIN : 07702190



Abhisheka Kumar
Chief Financial Officer



Anang Kumar Shandilya
Company Secretary

Place : Mumbai
Date : 29-May-2017

Place : Mumbai
Date : 29-May-2017

Independent Auditor's Report

To the Members of Utkarsh Small Finance Bank Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Opinion

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

Emphasis of Matter

We draw your attention to Schedule 18.1 of the accompanying financial statements. The Reserve Bank of India ("RBI") issued the small finance bank license to Utkarsh Small Finance Bank Limited pursuant to which the Utkarsh Micro Finance Limited ('the Holding Company') transferred its micro lending business to the Bank through a Business Transfer Agreement (BTA). In accordance with the BTA, all the assets and liabilities (except certain specified assets and liabilities) as at 21 January 2017 of the Holding Company were transferred at book value on a 'slump sale basis' for cash consideration. Resultant, non-convertible debentures listed on the stock exchange were also transferred in the name of the Bank and a transfer was effected by the exchange effective 03 May 2017. The Bank has been incorporated on 30 April 2016 and commenced its operations as a Bank effective 23 January 2017. This being the first financial period from incorporation of the Bank to the end of the financial year, no comparative figures have been provided by the Bank in these financial statements. Our report is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

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

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

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

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by the RBI;

- (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) the Bank does not have any pending litigations which would impact its financial position as at 31 March 2017;- Refer Schedule 18.45
 - (ii) the Bank has made provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;
 - (iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank; and
 - (iv) as referred in the Schedule 18.39 to the financial statements, the disclosure required on holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 as envisaged in notification GSR 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs, is not applicable to the Bank.

for B S R & Associates LLP

Chartered Accountants

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

Sriram Mahalingam

Partner

Membership No: 049642

Place: Mumbai

Date: 29 May 2017

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

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

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

Management's Responsibility for Internal Financial Controls

The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

or **BSR & Associates LLP**

Chartered Accountants

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



Sriram Mahalingam

Partner

Membership No: 049642

Place: Mumbai

Date: 29 May 2017

SECRETARIAL AUDIT REPORT

For the Financial Year Ended 31st Day of March 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
UTKARSH SMALL FINANCE BANK LIMITED
(CIN NO- U65992UP2016PLC082804)
S-24/1-2, FIRST FLOOR, MAHAVIR NAGAR,
ORDERLY BAZAR VARANASI UP 221002 IN

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UTKARSH SMALL FINANCE BANK LIMITED** (hereinafter called the company) incorporated on 30-04-2016. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the **UTKARSH SMALL FINANCE BANK LIMITED** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31ST Day of March , 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by **UTKARSH SMALL FINANCE BANK LIMITED** ("the Company") for the financial year ended on 31ST Day of March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) 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;
- (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;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

- (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;
- (g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) The following laws, regulations, directions, orders applicable specifically to the Company:
 - a. The Reserve Bank of India Act, 1934.
 - b. Employees Provident funds & miscellaneous Provisions Act, 1952.
 - c. Payment of Gratuity Act, 1972.
 - d. Employees State Insurance Act, 1948.
 - e. Payment of wages Act, 1936 and Minimum Wages Act, 1948 and its rules.
 - f. Maternity Benefit Act, 1961.
 - g. Employees Compensation Act, 1923.
 - h. Payment of Bonus Act, 1965.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

The company has done all monthly, quarterly, half yearly and yearly compliances with the Reserve Bank of India.

The company has followed the secretarial standards issued by the Institute of Company Secretaries of India.

I further report that The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. Section 149 (13) states that the provisions of section 152 (6) & (7) in respect of retirement of directors by rotation shall not applicable to the Independent director, but the current board composition of the company, 4 independent directors in the all 6 board members excluding CEO / CFO & CS. So, the other 2 directors including 1 Managing director and nominee director will e liable for retire by rotation in the ensuing annual general meeting of the company.

The clause 131 of the Article of association of the company says that Independent directors of the company shall be liable for retires by rotation. Directors other than Managing director, whole time director and independent director shall be liable for retire by rotation in accordance with the provisions of the Act.

The clause 132 (a) states that independent directors, managing director or any whole time directors, if any, shall not be subject to retirement under this article and shall not be taken into account in determining the number of directors to retire by rotation. Hence there is some confliction in the articles of association of the company and the Companies Act, 2013 and as per my opinion, the company has two options either the company change the board composition or the company alter its clause 131 and 132 of the article of association of the company before the ensuing Annual general meeting of the company.

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 Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and 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.

Majority decision is carried through and recorded as part of the minutes. I understand that there were no dissenting views for being captured in the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

a) Members have enabled Borrowing Powers of the Company up to a limit and above the aggregate of the paid-up share capital and free reserves under Section 180(1) (c) of the Companies Act, 2013 through special resolution.

b) Members have also enabled the Company to issue NCD's / CCD's and / or other debt securities on private placement basis, in one or more tranches, during the period of one year from the date of passing of special resolution by the Members, within the overall borrowing limits approved by the Members from time to time.

**FOR, ANUBHAV SRIVASTAV & ASSOCIATES
(COMPANY SECRETARIES)**

**Sd/-
ANUBHAV SRIVASTAV
(PROPRIETOR)
C.P. NO- 10064**

To,
The Members
UTKARSH SMALL FINANCE BANK LIMITED
(CIN NO- U65992UP2016PLC082804)
S-24/1-2, FIRST FLOOR, MAHAVIR NAGAR,
ORDERLY BAZAR VARANASI VARANASI UP 221002 IN

Our report of even date is to be read along with this letter.

- 1 Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- 2 We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- 3 We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- 4 The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- 5 The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

FOR, ANUBHAV SRIVASTAV & ASSOCIATES
(COMPANY SECRETARIES)

Sd/-
ANUBHAV SRIVASTAV
(PROPRIETOR)
C.P. NO- 10064

Place: Varanasi
Date: 04-05-2017

CHIEF EXECUTIVE OFFICER (CEO) & CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Govind Singh, Managing Director & Chief Executive Officer and Abhisheka Kumar, Chief Financial Officer of Utkarsh Small Finance Bank Limited ("the Bank"), hereby certify to the Board that:

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. 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.
- b. 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.
- c. 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.
- d. We have indicated to the Auditors and the Audit committee
 - i. Significant changes in internal control over financial reporting during the year;
 - ii. Significant changes in accounting policies during the year and the same have been disclosed in the Notes to the financial statements; and
 - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Bank's internal control system over financial reporting
- e. 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).



Govind Singh
Managing Director & CEO



Abhisheka Kumar
Chief Financial Officer

EXTRACT OF ANNUAL RETURN

Form No. MGT-9 EXTRACT OF ANNUAL RETURN

As on the Financial Year Ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other Details:

- i) CIN: U65992UP2016PLC082804
- ii) Registration Date – 30.04.2016
- iii) Name of the Company – Utkarsh Small Finance Bank Limited
- iv) Category / Sub-Category of the Company – Public Limited Company
- v) Address of the Registered office and contact details
S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi - 221 002
- vi) Whether listed company - No
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any

M/s Karvy Computershare Private Ltd
Unit: Utkarsh Small Finance Bank
Karvy Selenium Tower B,
Plot No 31 & 32, Gachibowli,
Financial District,
Nanakramguda, Serilingampally,
Hyderabad - 500 032
Telangana

II. Principal Business Activities of the Company

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of Main Products / Services	NIC Code of the Products / Services	% to Total Turnover of the Company
01	Banking Services	K1	100

III. Particulars of Holding, Subsidiary and Associate Companies

Sl. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of Shares held	Applicable Section
01	Utkarsh Micro Finance Limited S-2/639-56 Varuna Vihar Colony J.P Mehta Road Varanasi	U65191UP1990PLC045609	Holding	99.98%	2(46)

IV. Share Holding Pattern (Equity Share Capital Breakup as Percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholder	No. of Shares held at the time of incorporation 30.04.2016				No. of Shares held at the end of the year 31.03.2017				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian		49,000	49,000	98%		49,000	49,000	0.02%	
Individual/ HUF									
Central Govt									
State Govt (s)		1,000	1,000	2%		30,00,01,000	30,00,01,000	99.98%	
Bodies Corp.									
Banks / FI									
Any Other....									
Sub-total (A) (1):		50,000	50,000	100%		30,00,50,000	30,00,50,000	100.00%	
(2) Foreign									
a) NRIs - Individuals									
b) Other – Individuals									
c) Bodies Corp.									
d) Banks / FI e) Any Other....									
Sub-total (A) (2):-									
Total shareholding of Promoter (A) = (A)(1)+(A)(2)		50,000	50,000			30,00,50,000	30,00,50,000	100.00%	
B. Public Shareholding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
1. Institutions									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt (s)									
e) Venture Capital Funds									
f) Insurance Companies									

g) FIs h) Foreign Funds i) Others (Specify)									
Sub-total (B)(1):-									
2. Non-Institutions									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh									
c) Others (specify)									
Sub-total (B)(2):-									
Total Public Shareholding (B)=(B)(1) + (B)(2)									
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)									

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
01	Govind Singh	44,000	88%		44,000	0.01466%		
02	Revati Govind	1,000	2%		1,000	0.00033%		
03	Raghvendra Singh	1,000	2%		1,000	0.00033%		
04	Trilok Nath Shukla	1,000	2%		1,000	0.00033%		
05	Abhisheka Kumar	1,000	2%		1,000	0.00033%		
06	Ashwani Kumar	1,000	2%		1,000	0.00033%		
07	Utkarsh Micro Finance Limited (Holding Company)	1,000	2%		30,00,01,000	99.98367%		
	Total	50,000	100.00%		30,00,50,000	100.00%		

iii) Change in Promoters' Shareholding (please specify, if there is no change)

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
At the beginning of the year	50, 000	100%	50, 000	100%
Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	9,99,50,000 (allotted on October 07, 2016 on private placement basis) 20,00,50,000 (allotted on 20 th Jan, 2017 on private			
At the End of the year	30,00,50,000	100%		

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, promoters and Holders of GDRs and ADRs) : NIL

v) Shareholding of Directors and Key Managerial Personnel:

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
For Each of the Directors and KMP				
At the beginning of the year	Mr. Govind Singh – 44,000	88.00%	Mr. Govind Singh – 44,000	0.01466%
	Mr. Abhisheka Kumar – 1,000	02.00%	Mr. Abhisheka Kumar – 1,000	0.00033%
Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
At the End of the year	Mr. Govind Singh – 44,000	88.00%	Mr. Govind Singh – 44,000	0.01466%
	Mr. Abhisheka Kumar – 1,000	02.00%	Mr. Abhisheka Kumar – 1,000	0.00033%

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Amount in ₹)

Particulars	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	NIL	NIL	NIL	NIL
i) Principal Amount as on January 21, 2017	12,675,352,445	100,000,000	—	12,775,352,445
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due as on January 21, 2017	78,630,786	891,781	—	79,522,567
Total (i+ii+iii)	12,753,983,231	100,891,781	—	12,854,875,012
Change in Indebtedness during the financial year	—	—	—	—
Addition	4,335,000,000	8,775,000,000	—	13,110,000,000
Reduction	6,867,340,543	—	—	6,867,340,543
Net Change	—	—	—	—
Indebtedness at the end of the financial year	—	—	—	—
i) Principal Amount	10,143,011,901	8,875,000,000	—	19,018,011,901
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	120,151,690	87,926,244	187,222,659	395,300,593
Total (i+ii+iii)	10,263,163,591	8,962,926,244	187,222,659	19,413,312,494

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of MD & CEO		Total
		Govind Singh *		
01	Gross salary	52,67,200		52,67,200
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	—		—
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	—		—
02	Stock Option	—		—
03	Sweat Equity	—		—
04	Commission	—		—
	- as % of profit - others, specify...			
05	Others, please specify	—		—
	Total (A)	52,67,200**		52,67,200**
	Ceiling as per the Act	27,44,760		27,44,760

* Taken charge as MD & CEO w.e.f. January 21, 2017.

**Paid in due Compliance of Section II of Part II of Schedule V of the Companies Act, 2013

B. Remuneration to other Directors :

(Amount in ₹)

Particulars of Remuneration	Name of Directors				Total
	Mr. Tantra Narayan Thakur	Dr. V. S. Sampath	Mr. Somnath Sengupta	Mr. Kajal Ghose	
Independent Directors					
Fee for attending Board Committee Meeting	2,65,000	4,80,000	4,35,000	1,00,000	12,80,000
Commission.	—	—	—	—	—
Meetings					
- Commission					
- Others, please specify					
Total (1)	2,65,000	4,80,000	4,35,000	1,00,000	12,80,000
Other Non-Executive Directors Fee for attending board committee meetings					
Total (2)	2,65,000	4,80,000	4,35,000	1,00,000	12,80,000
Total (B)=(1+2)	2,65,000	4,80,000	4,35,000	1,00,000	12,80,000
Total Managerial Remuneration	5,48,952	5,48,952	5,48,952	5,48,952	21,95,808

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary**	CFO***	Total
01	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17 (2) Income-tax Act, 1961 (c) Profits in lieu of salary u/s 17 (2) Income-tax Act, 1961		6,59,371	19,05,425	25,64,797
02	Stock Option				
03	Sweat Equity				
04	Commission as % of profit others, specify...				
05	Others, please specify				
	Total		6,59,371	19,05,425	25,64,797

** Appointed w.e.f. October 1, 2016.

*** Appointed w.e.f. October 1, 2016

VII. Penalties / Punishment / Compounding of Offences**NIL**

1. Brief outline of the Bank's CSR policy, including overview of the projects or programs undertaken and a reference to the web link to the CSR policy and projects and programs.

Policy Statement

The Bank's CSR aims to contribute to the social and economic development of the underprivileged and underserved community in low income geographies. Through impact oriented interventions the bank seeks to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment. Initiatives will 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.

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 an organization 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, underserved and unsecured communities in the area of its operations. Utkarsh has formulated policies for social development based on following guiding principles:

- To be the trusted financial service provider to over 10 million customers by 2021.
- Adopt an approach that aims at achieving a greater balance between social development 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 under served segments by providing financial and non-financial services through a socially responsible, sustainable and scalable institution.

Organization Set-up

With the objective of interventions through various services, a new separate entity in the name of Utkarsh Welfare Foundation has been incorporated as section 25 company under the provisions of the Companies Act, 1956. UWF aims to make a meaningful and sustainable impact in the lives of the community through a multi-pronged service oriented market led approach. UWF has initiatives that focus on range of issues such as education, health, skill development, environment, micro enterprise training, sustainable livelihoods, water & sanitation. Bank's all CSR activities are implemented through UWF.

The Bank has constituted a CSR Committee of the Board consisting of three or more directors including at least one Independent Director. The Committee will meet at least three times in a year. The following shall be the terms of reference of the Committee.

- To formulate the Bank's CSR strategy, policy and goals
 - To monitor the Bank's CSR policy and performance
 - To review the CSR projects/initiatives from time to time
 - To ensure legal and regulatory compliance from a CSR viewpoint
 - To ensure reporting and communication to stakeholders on the Bank's CSR projects/initiatives
- Consistent with the above, the CSR Committee of the Board currently has the following members:

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 awareness, Environment protection, water, sanitation, skill & vocational training activities. The Bank initiated many such programs through Utkarsh Welfare Foundation. The Bank will provide not less than 2% of average profit before tax for preceding three financial years) to UWF to carry out the programs as listed below

During the Financial Year 2016-17, prime focus under CSR initiatives were financial awareness & goodwill initiatives

Financial Awareness

Financial awareness initiatives are aligned with Utkarsh'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 education program is aimed at building financial decision making and capabilities of the targeted clients through right information, instructions and advices. As a part of credit plus initiative the total outreach under financial awareness initiatives of Utkarsh Welfare Foundation since its inception is 1,23,523 beneficiaries.

For the Financial Year 2016 – 2017 total outreach achieved through corporate social responsibility initiative under financial awareness programs are 63,633 beneficiaries.

Ongoing Projects

i. FMO (Dutch Entrepreneurial Development Bank) and ACCION - Financial Education for Beneficiaries

The project aims to provide financial literacy to 23,200 rural beneficiaries. Two approaches have been adopted for providing financial literacy. It is proposed to cover 13,200 target beneficiaries through class room trainings and 10,000 additional beneficiaries shall be reached through mass awareness program. Total outreach as at March 31, 2017 through class room training approach has been 13,214 beneficiaries and through mass awareness program has been 10,142 beneficiaries.

ii. SIDBI - Poorest States Inclusive Growth Programme (PSIG) - Financial Literacy and Women Empowerment Initiatives

Currently, the project is in scale-up phase and the program extended to 30 new branch locations across the States of Bihar & Uttar Pradesh through 30 Master Trainers in 15 months timeline upto 31st July 2017. Each of the MTs are expected to undergo 15 days TOT and Refresher Trainings. Web based MIS system is used for effective monitoring and evaluation of the project.

The project entails collection of baseline data and training of 22,500 new beneficiaries and end line data collection of 15,000 beneficiaries from the pilot project through open data kit based mobile handsets.

Total outreach as at March 31, 2017 through class room training approach has been 19,456 beneficiaries.

iii. Swiss Capacity Building Facility (SCBF) and ACCION - Financial Education for underserved beneficiaries

This project is being implemented in two phases. In the first phase of project implementation (April 2015 to December 2015), project aimed to cover 13,000 beneficiaries through Class Room Trainings and Mass Awareness Programs. At the completion of first phase, 11,689 beneficiaries outreach was achieved including both the intervention approaches. Under Banks CSR collaboration the project has been able to enhance its client outreach during the second phase of the project.

In the ongoing second phase (January 2016 to December 2016), the project aimed to cover 15,000 beneficiaries, of which, 11,000 were expected to be covered through Class Room Trainings and 4,000 through Mass Awareness Programs.

Total outreach as at March 31, 2017 through class room training approach is 11,809 and through Mass Awareness Programs is 4,175 beneficiaries.

iv. Utkarsh Welfare Foundation – Financial Awareness Initiatives

Learnings and experiences gained during the implementation of various projects on financial education with reputed knowledge and resource partners such as ACCION, FMO, IFC, ISMW, SCBF, SIDBI, etc. has built the in-house capacity to design and deliver financial literacy for targeted beneficiaries. Utkarsh Welfare Foundation aims to develop financial education initiatives which are replicable and scalable.

Currently, UWF has undertaken the financial education initiatives at 8 branches across Bihar and Madhya Pradesh which will geographically be expanded to Uttarakhand.

Total outreach under financial awareness initiatives of Utkarsh Welfare Foundation since its inception is 33,960 beneficiaries. During the FY 17, Utkarsh Welfare Foundation aimed to cover 39,300 target beneficiary. The total outreach as at March 31, 2017 had been 21,356 beneficiaries.

v. Dialogue on Business (DOB) for Micro enterprise beneficiaries - Knowledge collaboration with ACCION

Dialogue on Business (DOB) is an award-winning business skills training program developed by the knowledge partner, ACCION. It is based on adult learning principles, which draws from the knowledge and experience of program participants. It uses interactive games and role-playing tools to help participants solve real-life business challenges. DOB is found to be an interesting and engaging activity for people, even with little formal education, who may not learn effectively in a traditional classroom setup.

Program has started in June 2016 and aims to cover 1,000 micro entrepreneurs till March 2017. The total outreach under DOB program as at March 31, 2016 has been 919 beneficiaries.

Goodwill Projects

Demonstrating ethos of charity Utkarsh Welfare Foundation has established regular engagements with the initiatives of Missionaries of Charity such as Nirmala Shishu Bhawan and Nirmal Hriday. Voluntary participation is encouraged and visits are organized on monthly basis. As a token of goodwill gesture employees distribute snacks, small gifts and food items.

Blood Donation Camps

A blood donation camp was organized in association with Pandit Deen Dayal Upadhy Government Hospital Varanasi on March 04, 2017. 42 Volunteers from Utkarsh successfully donated the blood. The event strengthened the noble cause that blood donation saves life.

Geographical Span

During the Financial Year 2016-17 the CSR activities were spread across various districts in three States namely Uttar Pradesh, Bihar and Madhya Pradesh.

Web Link to CSR policy and projects or programs

Annual Report on CSR Activities is also available at the website of the Company at <https://utkarsh.bank/>

2. Composition of the CSR committee

Dr. V. S. Sampath (Chairman)
Mr. T. N. Thakur
Mr. Govind Singh

3. Average net profit of the company for last three financial years Not Applicable

4. Prescribed CSR expenditure (i.e. 2% of the amount as in 3 above)

Net profit for the Financial Year 2016-17 ₹65,229,410 and the company spent ₹4,450,000 which was higher than 2% of its net profit

5. Details of the CSR spent during FY 2016-17

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs- Specify the state / Union Territory where the Project / Program was undertaken	Projects or programs – Specify the district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs	Expenditure on Administrative overheads	Mode of Amount spent

1.	Financial Awareness Projects	Financial Literacy & Women empowerment	Uttar Pradesh-UP Bihar Madhya Pradesh	UP (Varanasi, Mirzapur, Bhadohi, Allahabad, Jaunpur, Deoria, Ghazipur, Ballia) Bihar (Rohtas, Ara, Buxur, Khagariya, Kaimur, East Champaran, MP (Shahdol, Jabalpur, Annopur)	4,450,000	2,495,588.40	1,954,411.6	Direct Expenditure
	Amount Spent on Local Area				4,450,000	2,495,588.40	1,954,411.6	Direct Expenditure
	Amount Spent on other Area							
	Total Amount Spent on CSR				4,450,000	2,495,588.40	1,954,411.6	Direct Expenditure

6. Reasons for not spending the 2% of average net profit of last three financial years:Not Applicable.

7. Responsibility Statement of the CSR committee:

The implementation and monitoring of Utkarsh Small Finance Bank's CSR policy is in compliance with CSR objectives and policy of the company.

Govind Singh
MD & CEO

V. S. Sampath
Chairman

Date : May 29, 2017
Place : Mumbai

Basel – Pillar 3 Disclosures - March 31, 2017

Utkarsh Small Finance Bank Limited (hereafter referred as the “Bank”), is a wholly owned subsidiary promoted by Utkarsh Micro Finance Limited incorporated on 30th April, 2016 under the provision of the Companies Act, 2013. It is licensed by the Reserve Bank of India to operate as Small Finance Bank under the Banking Regulation Act, 1949 on 25th November, 2016. Soft launching of banking operations commenced on 23rd January, 2017 with the opening of five branches in Delhi, Patna, Nagpur and Varanasi. It 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. The Bank's vision is to be the trusted financial service provider to over 10 million customers by 2021.

As per the Business transfer agreement, the entire balance sheet of Utkarsh Micro Finance Ltd. was transferred to Utkarsh Small Finance Bank Limited as at the close of business on January 21, 2017. Subsequently, the Bank started operations with effect from Jan 23, 2017. In terms of the operating guidelines issued by the Reserve Bank of India (RBI) for Small Finance Banks (SFBs), all SFBs are required to follow the Basel II Standardized Approach for Credit Risk. Guidelines with regard to capital charge by SFBs for Operations Risk and Market Risk are awaited from RBI.

As per the directions of RBI on Guidelines for Licensing of Small Finance Banks in the Private sector dated September 19, 2015, being a newly launched bank, Utkarsh Small Finance Bank Limited is required to maintain a minimum capital adequacy of 15 per cent of its Risk Weighted Assets (RWA) subject to any higher percentage as may be prescribed by RBI from time to time.

Utkarsh Small Finance Bank Limited aims to operate within an effective risk management framework to actively manage all the material risks faced by the Bank, in a manner consistent with the Bank's risk appetite. This document covers the Capital Adequacy status for Utkarsh Small Finance Bank Limited. It also describes the Risk Process and Governance at the Bank to effectively on-board, monitor and report risk.

I. Scope of Application

The framework of disclosures applies to Utkarsh Small Finance Bank Limited. 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

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the Bank has adequate capital to support all risks inherent to its business and an appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through sound governance and control practices, robust risk management framework and an elaborate process for capital calculation and planning.

In line with the Basel guidelines, the Bank has calculated its capital ratios as per the RBI guidelines. The main focus of Basel III norms is on the quality and quantity of Tier I capital and these regulatory requirements are currently met with the quantum of capital available with the Bank.

The Pillar I Risk Weighted Assets (RWA) Calculation covers the following risks:

- i. Credit Risk (Standardized Approach)
- ii. Market Risk (Standardized Approach)
- iii. Operational Risk (Basic Indicator Approach)

The Bank had a total capital of Rs 434.65 Cr; out of which Tier- I capital was Rs 288.21 Cr, as on March 31, 2017. Based on RBI guidelines on Capital Adequacy, the CRAR of the Bank as on March 31, 2017 was 25.87% against regulatory requirement of 15%.

Break up of capital requirements for various risks:

(₹ in Crore)

Sl. No.	Particulars	Amount as on 31st March 2017
(a)	Capital Requirement for Credit Risk:	
	Portfolios subject to Standardised Approach	1632.02
	Securitisation	
(b)	Capital Requirement for Market Risk:	
	Standardised duration approach	
	Interest Rate Risk	12.55
	Foreign exchange Risk (including Gold)	
	Equity Risk	
(c)	Capital Requirement for Operational Risk:	
	Basic Indicator Approach	35.73
(d)	Total Capital Requirement	
(e)	Total Risk Weighted Assets	1680.29
(f)	Capital Adequacy Ratio	
	Common Equity Tier-1	17.15%
	Tier-1	17.15%
	Tier-2	8.72%
(g)	Total CRAR	25.87%

III. Risk Exposure and assessment

The Bank encourages calculated risk-taking, where risks are known, and are within the risk limits arising from the approved risk appetite. Also while evaluating the risks, the associated returns are also considered.

Utkarsh has an evolving and robust risk management model of proven effectiveness, aligned with regulatory standards and best practices, and proportional to the scale and complexity of its activities. Utkarsh is exposed to various risks that are an inherent part of any banking business. The major risks are credit risk, market risk, liquidity risk and operational risk which includes IT related risk. Bank has policies and procedures in place to measure, assess, monitor and manage these risks systematically across all its portfolios. RBI Guidelines on Basel III Capital Regulations have been implemented and our Bank is adequately capitalized 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.

Employees at all levels are responsible for the management and escalation of risks. This is within a framework of risk limits and risk strategy as approved by the Board and communicated by the Bank's senior management.

Risk transparency is fostered through reporting, disclosure, sharing of information and open dialogue about the risks arising from different activities across the Bank.

Risk Governance Model

The Bank has established a system for directing 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.

Risk Governance Framework

The Bank believes that the role of risk management should not be biased by consideration of profits or performance evaluation and should be in line with regulatory guidelines and international good practices. The risk governance framework has been designed taking this into account. All new processes and products introduced in the Bank have a rigorous due diligence process that includes a risk review before these are formally introduced.

Governance Committees

- 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.

- Risk Management Committee of the Board (RMC)

The Risk Management Committee of the Board is a Board level sub-committee. The primary role of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to Risk Management.

RMC constitutes:

- Three members of the Board of Directors, as nominated by the Board, including Managing Director & CEO
 - Chief Risk Officer - Permanent Invitee
 - The Chief Financial Officer- Permanent Invitee
 - The Company Secretary – Convener and Secretary
- Management level committees

At a management level, there are separate committees for Credit Risk, Operations & IT Risk and Market Risk and Asset Liability Management Committee. All these committees meet at regular intervals.

IV. Credit Risk: General Disclosure for All banks

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. Any such event will have an adverse effect on the financial performance of the Bank.

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

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

Strategies and processes

The Bank has defined and implemented various risk management policies, procedures and standards with an objective to clearly articulate processes and procedural requirements that are binding on all the Business groups concerned. The Credit Policy and the Credit Risk Management Policy of the Bank are guided by the objective to build, sustain and maintain a high quality credit portfolio by measurement, monitoring and control of the credit exposures. The 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.

To avoid concentration of credit risk, the Bank has put in place internal guidelines on exposure norms in respect of single borrower, groups, exposure to sensitive sector, industry exposure, unsecured exposures, etc. based on various guidelines issued by regulators.

The delegation structure for approval of credit limits is approved by the Board of Directors. Credit Committees, comprising of various senior officials from the Bank including representation from the Risk Department, are constituted for approval of various loan proposals. All credit proposals other than Micro Finance loans are approved through these Committees only.

Structure and organization

The organizational 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

Scope and nature of measurement systems

The Bank's approach for credit risk identification and assessment of credit risks underlying both funded and non-funded exposures is explicitly set out. All credit proposals are subject to a credit scoring process / rating process based on the quantum of advance value to support credit approvals.

Policies for hedging and/or mitigating risk

Credit risk at the Bank arises from the following sources:

- In case of direct lending (including the Micro lending): Principal and/or interest amount may not be repaid;
- In case of guarantees, letters of credit and letters of comfort (LoC) issued by the Bank: Funds may not be forthcoming from the constituents upon crystallization of the liability;
- In case of treasury operations: The payment or series of payments due from the counterparties under respective contracts may not be forthcoming;
- In case of securities trading businesses: Funds/ securities settlement may be effected; and
- In case of cross-border exposures: Availability and free transfer of foreign currency funds may either cease or restrictions may be imposed by the Sovereign.
- Non-SLR Investment arising from the delay or default by the counterparties in repayment of principal or interest.

The Bank's credit risk governance framework is being build up to strengthen risk evaluation and management of credit whilst positioning the Bank to effectively and efficiently manage changes in the environment.

The responsibilities for managing credit risk extend throughout the Bank. Key steps for credit risk management is as follows:

Credit Risk Assessment

First-hand preliminary assessment of risks embedded in products and services is conducted by related functional departments. CRMD, in consultation with related functional departments, pursues the process of identification and assessment of credit risk involved in each of the loan products or services offered by the Bank and the findings are used in risk profiling of the Bank.

The Bank's initial loan portfolio consists of its legacy micro banking loan portfolio and MSME portfolio. The focus of the Bank to augment or diversify its credit portfolio not only with a mix of retail, MSME & priority sector loans but also lending to small/medium corporate also.

However, the Bank ensures that it meets all the priority sector targets as per regulatory guidelines for Small Finance Banks. Priority sector includes the following segments:

- Agriculture
- Micro, Small and Medium Enterprises
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others (as defined in the Circular)

General Parameters used for Credit Risk Assessment

Risks used to be analyzed on the basis of various parameters and key risk drivers.

An indicative list of parameters is as follows:

- Purpose of the credit and sources of repayment;
- Financial Considerations, borrower's repayment history, capacity to repay based on future cash flow projections under different scenarios;
- Commercial and technical aspects of the operations of the borrower including terms of trade;
- Risk profile of the borrower and its sensitivity to economic and market developments;
- Integrity of borrowers through reference checks and other means;
- Quality, type and adequacy of collaterals, including their enforceability;
- Management quality (in case of loans extended to corporate entities);
- Evaluation of the Borrower's industry or industries; and
- Borrower's business position in the industry and techno-economic aspects of the project, if any (in case of loans extended to corporate entities).

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 gross credit risk exposure by facility:

(₹ in Crore)

Sl. No.	Facility Type	Domestic Credit Exposure
1	Fund Based	2660.72
2	Non-Fund Based	0
Total		2660.72

Total gross credit risk exposure by geography:

(₹ in Crore)

Sl. No.	State	Domestic Credit Exposure	Overseas Credit Exposure
1	Bihar		
2	Chhattisgarh		
	Delhi		
	Haryana		
	Himachal Pradesh		
	Jharkhand		
	Madhya Pradesh		
	Maharashtra		
	Uttar Pradesh		
	Uttarakhand		
Total			

Total gross credit risk exposure by industry:

(₹ in Crore)

Sl. No.	Industry	Fund Based	Non-Fund Based	Total Credit Exposure
1	Mining and Quarrying	0	0	0
2	Food Processing	0	0	0
3	Beverages (excluding Tea & Coffee) and Tobacco	0	0	0
4	Textiles	0	0	0
5	Leather and Leather products	0	0	0
6	Wood and Wood Products	0	0	0
7	Paper and Paper Products	0	0	0
8	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0	0	0
9	Chemicals and Chemical Products (Dyes, Paints, etc.)	0	0	0
10	Rubber, Plastic and their Products	0	0	0
11	Glass & Glassware	0	0	0
12	Cement and Cement Products	0	0	0
13	Basic Metal and Metal Products	0	0	0
14	All Engineering	0	0	0
15	Vehicles, Vehicle Parts and Transport Equipment	0	0	0
16	Gems and Jewellery	0	0	0
17	Construction	0	0	0
18	Infrastructure	0	0	0
19	Other Industries	37.17	0	37.17
20	Residuary other advances (to tally with gross advances)	1556.74	0	1556.74
Total		1593.91	0	1593.91

Residual maturity breakdown of Assets:

(₹ in Crore)

Particulars	Loans & Advances (INR)	Investments (INR)	Deposits (INR)	Borrowings (INR)	Foreign currency Assets	Foreign currency Liabilities
	1 day	0.01	-	-	-	-
2 to 7 days	85.73	0.03	0.64	6.13	-	-
8 to 14 days	26.88	45.31	-	3.45	-	-
15 to 30 Days	54.12	29.89	-	31.53	-	-
31 Days to 2 months	121.94	-	-	40.87	-	-
Over 2 months to 3 months	115.57	49.38	-	65.26	-	-

Over 3 months to 6 months	320.87	213.87	-	183.75	-	-
Over 6 months to 1 year	497.78	66.06	17.62	332.44	-	-
Over 1 year to 3 years	368.30	-	0.46	677.48	-	15.86
Over 3 years to 5 years	1.93	73.68	-	244.20	-	15.86
Over 5 years	0.78	251.00	-	672.00	-	-
Total	1,593.91	729.22	18.72	2,257.11	-	31.72

Position of Non-performing Assets (NPA):

(₹ in Crore)

Particulars	Amount as on March 31, 2017
Gross Advances	1593.91
Net Advances	1593.91
Gross NPA	0
Substandard	0
Doubtful 1	0
Doubtful 2	0
Doubtful 3	0
Loss	0
NPA Provision	0
Net NPA	0
NPA Ratio	0
Gross NPA to Gross Advances (%)	0
Net NPA to Net Advances (%)	0

Movement of Non-performing Assets (NPA Gross):

(₹ in Crore)

Particulars	Amount as on March 31, 2017
Opening Balances (As on 23rd Jan 2017)	0
Additions	0
Write Offs	0
Reductions	0
Closing Balances	0

Movement of Specific & General NPA Provisions:

(₹ in Crore)

Particulars	Amount as on March 31, 2017
Opening Balances (As on 23rd Jan 2017)	0
Add: Provisions made during the period	0
Less : Transfer to Countercyclical Provisional Buffer	0
Less : Write offs	0

Less : Write Back of excess provision	0
Closing Balances	0

Geography based position of NPAs, Specific provisions and General provisions:

(₹ in Crore)

Particulars	Amount as on March 31, 2017		
	Domestic	Overseas	Total
Gross NPA	0	0	0
Provision for NPA	0	0	0

Position of Non-Performing Investments (NPI) as on March 31, 2017:

(₹ in Crore)

Particulars	Amount as on March 31, 2017
Amount of Non-performing Investments (NPI)	Nil
Amount of provisions held for Non-performing Investments	Nil

Movement of provisions for depreciation on investments as on March 31, 2017:

(₹ in Crore)

Particulars	Amount as on March 31, 2017
Opening Balance (As on 1st Apr 2016)	0
Provisions made during the period	0.50
Write offs / Write Back of excess provisions	0
Closing Balance	0.50

Industry wise Distribution

(₹ in Crore)

Particulars	Amount as on March 31, 2017			Financial year ended March 31, 2017	
	Gross NPA	Provisions for NPA	Provision for standard assets	Write offs	Provisions for NPA
Agriculture and Allied Activities	0	0	2.15	0	0
Automobile & Auto Ancillary	0	0	0	0	0
Banks and Financial Institutions	0	0	0	0	0
Capital Market Intermediaries	0	0	0	0	0
Cement & Products	0	0	0	0	0
Chemical and Products	0	0	0	0	0
Coal & Petroleum Products	0	0	0	0	0
Construction and Developers (Infrastructure)	0	0	0	0	0
Consumer Durables	0	0	0	0	0

Consumer Loans	0	0	0	0	0
Drugs and Pharmaceuticals	0	0	0	0	0
Engineering	0	0	0	0	0
Fertilisers & Pesticides	0	0	0	0	0
Food and Beverage	0	0	0	0	0
Gems and Jewellery	0	0	0	0	0
Housing Finance Companies	0	0	0	0	0
Information Technology	0	0	0	0	0
Iron and Steel	0	0	0	0	0
Mining and Minerals	0	0	0	0	0
NBFC / Financial Intermediaries	0	0	0	0	0
Non-ferrous Metals	0	0	0	0	0
Paper, Printing and Stationery	0	0	0	0	0
Plastic & Products	0	0	0	0	0
Power	0	0	0	0	0
Real Estate & Property Services	0	0	0	0	0
Retail Trade	0	0	0	0	0
Road Transportation	0	0	0	0	0
Services	0	0	1.73	0	0
Telecom	0	0	0	0	0
Textiles & Garments	0	0	0	0	0
Wholesale Trade	0	0	0	0	0
Other Retail Assets	0	0	0	0	0
Other Industries	0	0	0.11	0	0
Total	0	0	3.99	0	0

V. Credit Risk- Disclosures for Portfolios Subject to Standardized Approach

In line with the RBI guidelines on Small Finance Banks, Bank ensures that at least 50 per cent of its loan portfolio should constitute loans and advances of upto Rs. 25 lakhs. Presently, Bank's overall portfolio is below Rs. 25 Lakhs only.

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

(₹ in Crore)

Category	Amount as on March 31, 2017
Below 100% Risk Weight	396.68
100% Risk Weight	1235.34
More than 100% Risk Weight	0
Closing Balance	1632.02

VI. Credit Risk Mitigation- Disclosures for Standardized Approaches

Collaterals & Guarantees

Borrower's financial strength and debt-servicing capacity shall be the primary consideration while granting credit limits and bank shall not rely, solely on collateral or guarantees as the primary source of repayment or as a substitute for evaluating the borrower's creditworthiness.

Nevertheless, collateral and guarantees, if properly taken and managed serve a number of important functions in credit risk management.

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 should either have 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.

Loan-to-Value Ratio (LTV Ratio)

Bank specifies the maximum loan-to-value ratio for major types of asset to be accepted as collateral. Such ratios are commensurate with the relative risk of the assets and be able to provide an adequate buffer against potential losses in realizing the collateral Valuation.

VII. Market Risk in Trading Book

The Bank for International Settlements defines market risk as "the risk that the value of "on and "off balance sheet positions will be adversely affected by movements in market interest rate, currency exchange rates, equity and commodity prices." This definition is adopted by the Bank for the purposes of identifying and managing the risk. Market risk has the following components:

- **Interest Rate Risk:** The risk that changes in market interest rates may adversely affect the Bank's financial condition. While the immediate impact is on the Net Interest Income (NII) and also the value of investments, the long term variations in interest rates would also impact the Bank's net worth.
- **Equity Risk:** The risk that changes in the equity prices of various stocks may diminish the value of equity portfolio held by the Bank (also includes investments in equity based mutual funds).
- **Exchange Rate Risk:** The risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in any foreign currency.

Strategies & Processes

Risk identification entails ensuring all instruments that result in Market Risk both on and off the 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.

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 Department

Scope and nature of measurement systems

There are a number of methods for measuring market risks encountered in trading operations. All these require adequate information on current positions, market conditions, and instrument characteristics.

Of the various measures available, the Bank have many early warning indicators for market risk measurement. Different products are measured by certain parameters. At present, in the trading book, Bank only has Interest Rate Sensitive products.

Processes for monitoring

The Bank fixes appropriate action triggers or stop loss limits for all marked to market risk taking activities. The Bank has procedure that monitors activity to ensure that they remain within the approved limits at all times. Limits are classified into general (applicable to all portfolios) and specific portfolio related limit. For the purpose of market risk management the following minimum limits are monitored:

- General Limits (Applicable to all portfolios) at Day 0
- Portfolio-wide Position limits
- Dealer-wise limits
- Single Deal Size Limit
- Stop-loss limits
- General Limits (Applicable to all portfolios) at Year 2-3
- Value at Risk (VaR) limits – for all portfolios (Explained below in separate section)
- Specific Limits (Interest Rate Related Instruments)
- Modified Duration Limit
- PV01 Limit (Tenor Wise and Portfolio Level)

Capital Requirement

(₹ in Crore)

Risk Weighted Assets for Market Risk:	
Standardised duration approach	0
Interest Rate Risk	12.55
Foreign exchange Risk (including Gold)	0
Equity Risk	0

VIII. Operational Risk Qualitative disclosures

Operational risk, which is intrinsic to all the material products, activities, processes and systems, has emerged as an important component of the enterprise-wide risk management system. Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may result from various internal and external factors e.g. failure to obtain proper internal authorizations, improperly documented transactions, breach of information security procedures, failure of IT and / or communication infrastructure / equipment, non-compliance of regulatory requirements, contractual terms and corporate policies & procedures, commitment of fraud, natural disasters, inadequate training to employees etc.

Strategies & Processes

The Bank's strategy for operational risk management focuses on:

- Minimizing the losses to an acceptable level as per risk appetite of the Bank;
- Providing operational risk capital which is sensitive to the Bank's risk profile;
- Using results of operational risk management in day to day business operations and decision making process;
- Carrying out risk based performance measurement;
- Analyzing the impact of failures in technology / systems and develop mitigants to minimize the impact; and
- Developing plans for external shocks that will adversely impact the continuity in the Bank's operations.

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 Department

Scope and nature of measurement systems

As per the Basel III Capital Regulations issued by RBI for banking institutions based on the Basel framework, banks need to use an approach that is risk sophisticated and commensurate to the risk profile of the institution. The Bank is currently performing risk measurement under the Basic Indicator Approach (BIA).

Processes for monitoring

The Bank plans to have risk mitigants like a strong internal control system, resorting to an optimal insurance cover, outsourcing of activities, BCP / DRP etc. For example, losses that might arise on account of natural disasters are insured; losses that might arise from business disruptions due to telecommunication or electrical failures are mitigated by establishing available backup facilities, loss due to internal factors like employee fraud or product flaws, will be mitigated through strong internal auditing procedures.

IX. Composition of Capital

Disclosures pertaining to composition of capital, including the capital disclosure templates, main features of equity and debt capital instruments, the terms and conditions of equity and debt capital instruments and leverage ratio have been disclosed separately on the Bank's website under the Regulatory Disclosures Section.

Capital Funds		(₹ in Crore)
Sl. No.	Particulars	Amount as on 31st March 2017
A	Tier I Capital	
	Paid-up Share Capital	300.05
	Reserves	4.83
	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	1.65
	Deferred Tax Assets	2.27
	Good will and Adjustments for less liquid position	-
	Deferred revenue expenditure	10.60
	Intangible assets	2.15
C	Net Tier 1 Capital	288.21
D	Tier II Capital	
	General Provisions	3.99
	Upper Tier 2 capital instruments	144.10
	Lower Tier 2 capital instruments	-
E	Deductions	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	-
	Securitisation exposures including credit enhancements	1.65
F	Net Tier 2 Capital	146.44
	Total Eligible Capital	434.65

X. Summary Comparison of accounting assets and leverage ratio exposure

Disclosures pertaining to composition of capital, including the capital disclosure templates, main features of equity and debt capital instruments, the terms and conditions of equity and debt capital instruments and leverage ratio have been disclosed separately on the Bank's website under the Regulatory Disclosures Section.

(₹ in Crore)

Sl. No.	Particulars	Amount as on 31st March 2017
1	Total consolidated assets as per published financial statements	2675.83
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
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	22.02
7	Other adjustments	0
8	Leverage ratio exposure	10.7%

XI. Leverage ratio common disclosure

The leverage ratio acts as a credible supplementary measure to the risk based capital requirement. The Bank's leverage ratio, calculated in accordance with RBI guidelines under consolidated framework, is as follows:

(₹ in Crore)

Sl. No.	Leverage ratio framework	Amount
On-Balance sheet exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2675.83
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	0
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	2675.83
Derivative exposure		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0

8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivative exposures (sum of lines 4 to 10)	0
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Total securities financing transaction exposures (sum of lines 12 to 15)	0
16	Other off-balance sheet exposures	22.02
17	Off-balance sheet exposure at gross notional amount	0
18	(Adjustments for conversion to credit equivalent amounts)	0
19	Off-balance sheet items (sum of lines 17 and 18)	0
Capital and total exposures		
20	Tier 1 capital	288.21
21	Total exposures (sum of lines 3, 11, 16 and 19)	2697.85
Leverage ratio		
22	Basel III leverage ratio	10.7%

Reconciliation of total published balance sheet size and on balance sheet exposure

(₹ in Crore)

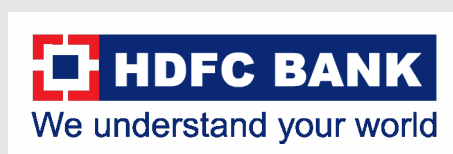
Sl. No.	Leverage ratio framework	Amount
1	Total consolidated assets as per published financial statements	2675.83
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	0
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
4	Adjustment for entities outside the scope of regulatory consolidation	0
5	On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)	2675.83

OUR PARTNERS IN PROGRESS

Public Sector Banks/DFIs ▶



Private Sector Bank ▶



Foreign Banks ▶



Financial Institutions ▶



Foreign Institutional Investors ▶



System Partners ▶



Credit Bureau Partners ▶



Network Partner ▶



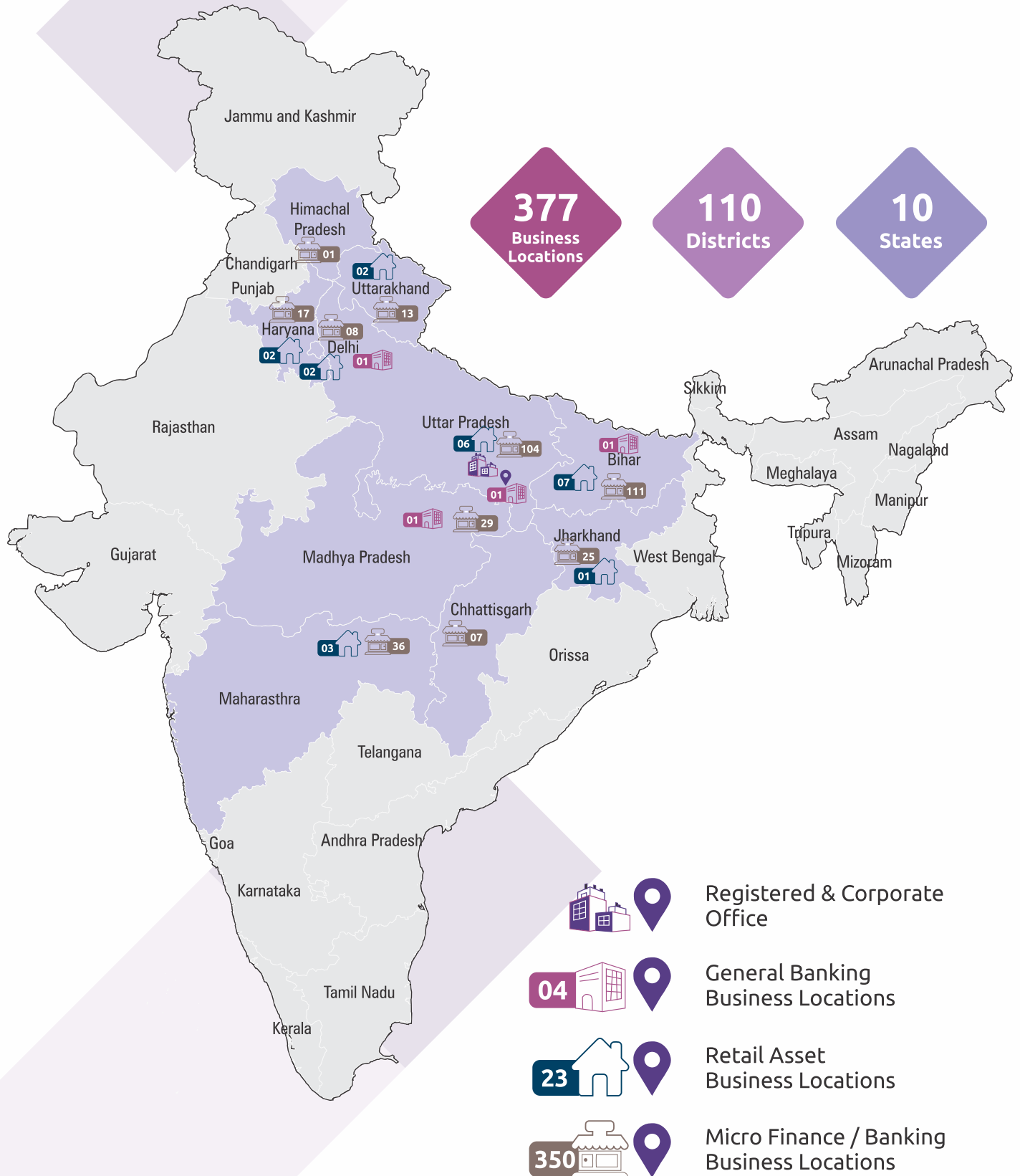
Insurance ▶



Auditors ▶



Utkarsh Presence



UTKARSH IN NEWS

FY 2016-17

Utkarsh Small Finance Bank Press Coverage

News Snapshot

INTERVIEW: GOVIND SINGH, MD & CEO, Utkarsh Small Finance Bank

We are targeting an asset base of ₹3,500 crore

While its borrowing costs will fall meaningfully only in another year, Utkarsh Small Finance Bank (SFB) is already pricing some loans cheaper as ticket sizes increase with the transition from the microfinance institution (MFI) model. Managing director and CEO Govind Singh says the bank is targeting an asset base of ₹3,500 crore and a liability franchise of ₹2,000 crore in FY18. Edited excerpts:

How are you scaling up to an SFB from an MFI?
Unlike a lot of other players, the entire microfinance business has moved to CBS or the core banking system. We have some pilot branches for our new segments, mainly facilities and third-party products.

Now we have started onboarding customers from the general public, to begin with, from two branches, but we have 30-plus branches ready. During the next 30 days, we'll be opening those branches. We had 351 microfinance branches when we got the SFB licence. In a year's time we'll upgrade all those branches to micro-bank branches.

What will be your branch strength by the end of FY18?
In March 2018, we should close at around 400 branches. So, 351 will be our existing branches, which we'll convert into bank

branches and we'll add 30-odd additional branches, which we are in the process of making. All the 50 new branches will be up and running in a quarter's time. We don't intend to open too many new branches in Q3 and Q3, unless we see some specific reason for doing so.

How many states will you be present in?
We are already in 10 states. We are not going to add any new state this financial year. We might go to some new states, for example, as an MFI, we were not in Lucknow or Kanpur or even Mumbai, for that matter.

To what extent will your customer profile change?
Our current customer profile remains intact for microfinance. For MSME, our ticket size was up to ₹1 lakh till last year. Similarly, for housing, we would lend up to ₹3 lakh. We'll continue to work for that profile, but we'll go for higher ticket sizes also. Most of our lending will happen in the ₹1 lakh to ₹25 lakh bracket. Those businesses which require ₹1 lakh to ₹25 lakh will also be our clients.

We'll look at some wholesale lending in the range of ₹5 crore to ₹10 crore. So 50% of any lending profile will remain the same, but 10% will consist of new segments.
In deposits also, our existing profile will supply almost 90% of our customer base and



Govind Singh, MD & CEO, Utkarsh Small Finance Bank

What are your full-year targets for assets and liabilities?
We expect ₹1,000 crore in retail liabilities at the end of this financial year, plus a similar number from wholesale deposits. We might end up with around ₹1,800 crore - ₹2,000 crore in overall deposits. In terms of assets, we should be at around ₹1,000 crore - ₹1,500 crore at the end of the year. Broadly three-fourths will come from microfinance be-

What are interest rates like?
As far as term deposits are concerned, we'll be 100 to 150 basis points higher than the large banks, at around 8.25-8.5%. For savings deposits, we are offering a flat 6% rate. Our lending rates will remain the same because our cost of funds is yet to come down. My funding is still from the old term loans we had taken from banks. We expect around 100 to 200-basis-point reduction in

the cost of lending for the asset side, but that will happen gradually. For ILG (peer lending group) or microfinance, it is still 5.4%. The only difference this year is that we are not charging loan processing fees for loans over ₹25,000. But, in case of MSME, rates have come down to 18-20% from 24-26% earlier because the ticket sizes are larger.

Will your borrowing costs fall this year itself?

My overall blended borrowing costs will come down by 100 to 150 basis points this year because of the accretion of deposits. The current cost of loans (have taken from banks) would range between 11-13%. We expect overall cost of deposits to be in the range of 8-8.5% because most deposits in the initial phase would be fixed deposits. The average ticket size of term deposits will be in the range of ₹2.50-30,000.

RBI had offered a dispensation for loans under ₹1 crore in the wake of demonetisation. Have collections from those accounts improved?
Our collections had taken a hit in the November to January period. There has been a large improvement in the last two months except in some pockets, such as Punjab, Maharashtra, western Uttar Pradesh and

Utkarsh MF gets RBI permission

Utkarsh Micro Finance has said it has received final nod from the Reserve Bank of India to start operations as small finance bank. The new bank is likely to start banking operations by early 2017, the micro financier said in a statement.

‘हम मिडिल कैटिगरी को ध्यान में रखकर बिजनेस बढ़ाएंगे’

स्मॉल फाइनेंस बैंक ने अपनी बैंकिंग यात्रा की शुरुआत में ही लोन प्रॉसेसिंग फीस को कम करने से लेकर लेंडिंग रेट कम करने व डिपॉजिट रेट बढ़ाने की ओर बढ़ रही है। एक माइक्रो इस्टिस्ट्युशन की बैंकिंग चाहतों को लेकर सुधा श्रीमाली ने बात की उत्तकर्ष स्मॉल फाइनेंस बैंक के एमडी गोविंद सिंह से:

माइक्रो इस्टिस्ट्युशन अब स्मॉल फाइनेंस बैंक बन गया है, तो अब किस तरह के चुनौतियां निपट कर भाविय आप देख रहे हैं?

उत्तर: हमारी जिम्मेदारी बढ़ेगी साथ ही अभी हम फंडे से ले कर और लोन मिल जाता था, लेकिन अब हमें पर्सनल डिपॉजिट शुरू करना पड़ेगा दूसरा टेक्नालॉजी पर काम करना है, क्योंकि अभी तक हम लेंडिंग करते थे। लेकिन हम जैसे ही ओर बैंकिंग में जाएंगे ही तो चुनौतियां बढ़ जाती हैं।

ओर बैंकिंग के साथ इंटरनेट बैंकिंग, मोबाइल बैंकिंग और टेब बैंकिंग के साथ एंटीएम आते हैं। तीसरा एचआर को परेशानी है। हम अपने पुराने लोगों के साथ नए अनुभवी लोगों का बेलतरीन मिक्स करने को ओर हैं।

हाई कॉस्ट ब्रोडिंग को माधने के लिए आपको डिपॉजिट रेट को लेकर क्या रणनीति है। अगर डिपॉजिट मोबिलाइजेशन के लिए ज्यादा इंटरनेट रेट दिया तो क्या वह काफी होगा?

उत्तर: वह काफी नहीं होगा, यह केवल एक टूल है और वो भी शॉर्ट टर्म के लिए है। यह लंबे समय के लिए काम नहीं करता। आमगीर पर आप 4 परसेंट के लिए एक बजट से दूसरी जगह नहीं जाते हैं। बैंकिंग में प्रमाणाती से उसका प्रॉडिक्टअल होना है। अगर आप देखें तो सेविंग अकाउंट एचडीएफसी और सेविंग अकाउंट एसबीआई उनमें कोई अंतर नहीं है। अंतर आपको सॉसिस, नेटवर्क व ग्राहकअनुभव से आता है। हमारी टेब लाइन है आप को उम्मीदी का ख्याल।

आपके जो ब्रोडिंग हैं, वो सेविंग के लिए चिट फंड कंपनियों में जाते हैं। उनको अपनी तरफ कैसे शिफ्ट करने?

उत्तर: चिट फंड कंपनियों में रेट अच्छे नहीं मिलते हैं। इनमें आप सेविंग नहीं कर सकते हैं। इनमें अकाउंट भी नहीं खुलते हैं। इसलिए हम ग्राहकों के अकाउंट खोलेंगे और एफडी पर उन्हें अच्छे ब्याज दर देंगे, यह एक ग्राहक



गोविंद सिंह, एमडी, उत्तकर्ष स्मॉल फाइनेंस बैंक

INTERVIEW of the Week

को अच्छा ब्याज दर मिलता है तो वह अपने आसपास इस बारे में जरूर बातचीत करता है।

आपकी सेविंग को लेकर क्या रणनीति है?

उत्तर: हमारी सेविंग तीन चीजों पर निर्भर करेगी एक टेक्नालॉजी पर दूसरा ग्राहक सेवा व सर्विस और तीसरा हमारा इंटरनेट रेट, सामान्य बैंक जहाँ 4 परसेंट ब्याज देते हैं हम सेविंग और एफडी अकाउंट पर 6 परसेंट का ब्याज दे रहे हैं।

यह रेट आप किसने समय के लिए दे रहे हैं?
उत्तर: एक साल अधिक के लिए हम यह रेट दे रहे हैं। हम खोड़े समय के लिए जैसे 15 दिन, एक महीने के लिए जैसे नहीं ले रहे हैं यह हमें कितनी प्रकार से मदद नहीं करेगा। हमें उम्मीद है कि माच 18 तक 2500-3000 करोड़ रुपये डिपॉजिट आएगा।

असेट के लिए क्या आप लोअर कैटेगरी को भी ध्यान में रखकर चल रहे हैं?

उत्तर: लोअर या निम्न स्तर वो सिंगिंग कैटेगरी है और उनको कोई पूछता नहीं है। अगर किसी को 10,000 रुपये व 10 करोड़ रुपये का लोन चाहिए तो वो मिल जाएगा, लेकिन आप को एक लाख रुपये का लोन चाहिए, तो आपको नहीं मिलेगा। इंटरप्राइज के लिए एक लाख चाहिए तो नहीं मिलेगा।

देखा जाए तो इस प्रकार का लोन माइक्रो फाइनेंस भी नहीं दे रहा था। माइक्रो फाइनेंस 10000, 20000, 30000 रुपये तक का लोन देते हैं और बड़े बैंक एक लाख को बात ही नहीं करते हैं। इसलिए यह बैंक की कैटेगरी विस्तृत हो रही है और एक लाख से 25 लाख रुपये के खासकर इंटरप्राइज के लिए नहीं मिल पाते हैं।

आरबीआई ने दी अनुमति, 10 राज्यों में खुलेंगे उत्तकर्ष स्मॉल फाइनेंस बैंक

हमारा संवाददाता मुंबई: उत्तकर्ष माइक्रो स्मॉल फाइनेंस लि, नॉन बैंकिंग फाइनेंस कंपनी जल्दी ही उत्तकर्ष स्मॉल फाइनेंस बैंक खोलेगी। कंपनी को इसके लिए रिजर्व बैंक ऑफ इंडिया (आरबीआई) से हाल ही में अनुमति मिली है। उत्तकर्ष माइक्रो फाइनेंस के लॉयबिलिटी हेड अरुण दत्ता ने समाचार को बताया कि 2015-16 में 72 संस्थाओं ने स्मॉल फाइनेंस बैंक के लाइसेंस की मांग की थी। इनमें से 10 को लाइसेंस मिला है। इनमें 20



गोविंद सिंह, एमडी, उत्तकर्ष स्मॉल फाइनेंस बैंक

नवंबर 2016 को अनुमति मिली है। हमारा हेड ऑफिस बनारस में है। वहाँ अपनी पहली शाखा की शुरुआत कर दी है। अगले कुछ महीनों में हम देश के 10 राज्यों में बैंक को शाखाएं खोलेंगे। शुरुआत में बचत खाता, चालू खाता, रिकरिंग अकाउंट, सावधि जमा के साथ सामान्य बीमा, जीवन बीमा, म्यूचुअल फंड के साथ ही डीमैट खाते को सुविधा देंगे। साथ ही सस्ते परों के लिए होम लोन पर जोर देंगे।

किन राज्यों में खोलेंगे शाखाएं

झारखंड, छत्तीसगढ़, उत्तर प्रदेश, बिहार उत्तराखंड, हरियाणा, महाराष्ट्र शामिल होंगे। 138 बैंक शाखाएं खोलने की अनुमति मिली है। हमारी 351 माइक्रो फाइनेंस शाखाएं मौजूद हैं। दोनों को मिलाकर हम लगभग 430 शाखाओं में बैंकिंग सुविधा प्रदान कर पाएंगे।



उत्तकर्ष स्मॉल फाइनेंस बैंक ने मुंबई के चेम्बर इलाके में अपनी पहली ब्रांच का उद्घाटन किया। इस ब्रांच का उद्घाटन उत्तकर्ष स्मॉल फाइनेंस बैंक के एमडी एवं सीईओ गोविंद सिंह ने किया।



Govind Singh MD & CEO, Utkarsh Small Finance Bank

Like

● The focus on digital payment and sops for payment infrastructure, such as point of sale terminals, is going to help the overall industry and bring in transparency in payments

Dislike

● The corporate tax remained unchanged. We were hoping that there would be some reduction in corporate tax
● In personal taxation again, we were hoping for more relief, which didn't come in this time

UTKARSH IN NEWS

FY 2016-17

Utkarsh Small Finance Bank Press Coverage

News Snapshot

बैंकों को ग्रामीण क्षेत्र में देना होगा ध्यान

लाइफ रिपोर्टर @ पटना

ग्रामीण क्षेत्र में रहने वाले लोगों के हित में सुविधाएं शुरू की जानी चाहिए, साथ ही यह कोशिश होना चाहिए की गरीब तबके के लोगों को भी लोन मुहैया हो सके. ताकि गरीब परिवार से संबंध रखने वाले लोगों के रोजगार मुहैया कराया जा सके. यह कहना है गोविंद सिंह का. एक होटल में जागरूकता कैंप का आयोजन किया गया. इसमें उत्कर्ष स्मॉल बैंक के निदेशक गोविंद सिंह ने कहा कि पहले लोगों को खासतौर पर किसान वर्ग को भूमि पर लोन लेने में परेशानी होती थी, लेकिन वर्तमान समय में बैंकों के इंटरनेट व डिजिटलाइजेशन की क्रांति आ जाने से लोगों को परेशानी लगभग खत्म हो गयी है. कैंप में बताया



गांधी मैदान स्थित एक होटल में आयोजित जागरूकता कैंप में ये जानकारी दी गयी.

गया कि उत्कर्ष की बिल्डिंग में 4 सामान्य बैंकिंग शाखाएं, 3 माइक्रो बैंकिंग शाखाएं, 5 एमएसएमई शाखाएं और 107 जेएलजी शाखाएं परिचालित होने लगी है. इस मौके पर काफी संख्या लोग मौजूद थे.

उत्कर्ष स्मॉल फायनेंस की 3 शाखाएं खुलेंगी



वाराणसी। उत्कर्ष स्मॉल फायनेंस बैंक बनारस में इस साल के अंत तक तीन और शाखाएं खोलेगी। जबकि जौनपुर में बैंक दो शाखाएं खोलेगी। शनिवार को कैंटोमेंट स्थित होटल क्लार्क्स में आयोजित प्रेसवार्ता में बैंक के एमडी व सीईओ गोविंद सिंह ने बताया कि हाल ही में महमूरगंज में बैंक की नई शाखा खुली है। दिसम्बर 2017 तक उत्तर प्रदेश में 15 से 18 शाखाएं खोलने का लक्ष्य रखा गया है। उन्होंने कहा कि बैंक की तीन सामान्य बैंकिंग शाखाएं, तीन माइक्रो बैंकिंग शाखाएं, पांच रिटेल एसेट्स शाखाएं तथा 100 माइक्रो फायनेंस शाखाएं उत्तर प्रदेश के 24 जिलों में हैं। इस मौके पर प्रमुख रिटेल एसेट्स राहुल सिन्हा, प्रमुख माइक्रो बैंकिंग त्रिलोकनाथ शुक्ला, प्रमुख लाइबिलिटी अरूप दत्ता मौजूद थे।

Utkarsh MF Gets RBI Nod for Small Finance Bank

MUMBAI: Utkarsh Micro Finance said it has received final nod from the Reserve Bank of India to start operations as small finance bank. The new bank is likely to start banking operations by early 2017, the micro financier said in a statement here on Monday. Utkarsh Micro Finance is among the 10 entities which has received RBI's in-principle approval to set up small finance banks. Utkarsh Micro finance is among the 10 entities which has received RBI's in-principle approval to set up small finance banks. The new SFB will be named as Utkarsh Small Finance Bank, it said.

उत्कर्ष स्मॉल फायनेंस बैंकेची मुंबईत शाखा

मुंबई : उत्कर्ष स्मॉल फायनेन्स बैंकेने मुंबईत, चेंबूर येथे आपली पहिली शाखा नुकतीच सुरु केली. या शाखेमुळे महाराष्ट्रात उत्कर्षच्या आता नऊ जिल्ह्यात मिळून एक सर्वसामान्य बँक आणि ३७ एएलजी शाखा कार्यरत झाल्या आहेत. जानेवारीमध्ये रिझर्व्ह बँकेकडून अंतिम परवाना मिळाल्यानंतर उत्कर्षच्या बँकिंग व्यवसायाला सुरुवात झाली. मुंबईतील शाखेचे उद्घाटन बँकेचे स्वतंत्र संचालक काजल घोसे, महाराष्ट्र स्टेट को-ऑपरेटिव्ह बँकेचे अध्यक्ष डॉ. एम. एल. सुखदेवे यांच्या हस्ते करण्यात आले.

BANKING

Utkarsh Small Finance Bank to add 100+ branches

Govind Singh, MD & CEO of the newly launched Utkarsh Small Finance Bank, shares multiple dimensions of the future plans.



Govind Singh is targeting merchants with PoS machines and CMS services

Ravi Lalwani: Recently Utkarsh Small Finance Bank has launched a logo with brand line 'Kagdi Umeed Ka Khata'. What data collection and research was done to identify the ideal brandline?
Govind Singh: Utkarsh Small Finance Bank conducted a qualitative and quantitative survey in July-August 2016 with key objectives to assess characteristics of potential customers and finding insights on customer profiling and brand positioning. The survey covered Varanasi and Allahabad in East UP, Patna and Gaya in Bihar, Dehradun in Uttarakhand, Ambala in Haryana and Jabalpur in MP. Research was conducted by M&RS Monitoring and Research Systems.
The logo artistically depicts the Hindi letter 'U' which stands for Utkarsh. Utkarsh also forms a silhouette of a bird which denotes flight, rising, moving ahead towards Utkarsh's progress. Utkarsh has evolved over the years from being a leading financial institution to a trusted financial service provider with focused on financial inclusion. It gives us great pleasure to launch our logo that captures the essence of Utkarsh's ideology, legacy and the aspiration of our customers. We at Utkarsh are committed towards satisfying the hope and expectations of our valued customers.

What are your expansion plans?
We have 300 micro-finance branches in UP, Bihar, MP, Delhi, Maharashtra and other states. The bank will add 100+ branches in the coming months and our main focus for these branches will be deposits, besides MSME and housing.

Will the new logo be communicated boldly, or in a supporting role? What will be your preference between TV and print media?
Our new logo is being promoted boldly, we are using all the TV and ATL channels like billboards, print advertisements and TV. Print advertising is an important channel for us, to connect with the niche customer and to localize our campaign. Umeed, as we understand it is a very strong platform as it looks beyond the financial transactions. The internal communication of the new brand is also being taken up very strongly by us.

Who are your main competitors? What are your differentiators?
We mainly compete with the PSU banks. In the initial stage, we are offering higher rate of interest to our customers on

fixed deposits and bank deposit, compared to our competitors.
What is your strategy to wean customers away from informal lenders?
We will go to people and educate them about our products and services. We use effective technology to attract customers and focus on relationship banking.
Have you developed your own credit rating system or are you using something available in the market?
We have tie-up with CRIF for using rating tools; we are also working on developing our own in-house credit rating system. Currently we receive 95% of our loan request for below ₹1 lakh. However, we are planning to increase the ticket size upto ₹25 lakh, where our own credit rating system will become more important.
What is your strategy for enrolling merchants, auto-rickshaw drivers, etc?
The bank is targeting local merchants by using PoS machines and CMS services. In the coming months, the bank will explore to associate with co-riekshaw associations to target rickshaw drivers.

What is your business and CASA targets?
We have business target of ₹2000 cr and around 32% CASA for FY18.
What is your recruitment plan for people at senior, middle and junior levels?
Our senior and middle management has been recruited. For junior level recruitment, we are conducting campus interviews. We are recruiting 60% freshers and rest will be experienced employees for junior level positions. We also train our employees at National Institute of Banking and Finance at Raipur. We also use website and LinkedIn types of medium in a substantial manner.
rating@utkarshmf.com
Customer Click January 2017

उत्कर्ष वेलफेयर फाउण्डेशन ने रक्तदान शिविर आयोजित किया



वाराणसी। अपने सामाजिक उत्तरदायित्व का निर्वाह करते हुए उत्कर्ष वेलफेयर फाउण्डेशन, उत्कर्ष स्मॉल फायनेंस बैंक ने संयुक्त रूप से आज यहाँ पण्डित दीनदयाल उपाध्याय अस्पताल के सहयोग से रक्तदान शिविर आयोजित किया। इस अवसर पर डॉ. एस.के. उपाध्याय (मुख्य चिकित्सा अधिकारी) डॉ. अनूप श्रीवास्तव (ब्लड बैंक प्रभारी), डॉ. राधेन्द्र

चित्रम सिंह (चिकित्सा अधिकारी) डॉ. एल.पी. गुप्ता (पैथोलॉजिस्ट) और डॉ. अशीश कुमार गुप्ता (पैथोलॉजिस्ट) उपस्थित थे। शिविर में उत्कर्ष स्मॉल फायनेंस बैंक के ४० से भी अधिक उत्साही कर्मिकों ने इस पुनीत कार्य में सहभागिता किया और चिकित्सकों के मार्गदर्शन में रक्तदान किया।

गोविन्द सिंह ने कहा "हम हमारे लिए काफी प्रसन्नता की बात है कि हम प्रत्येक वर्ष इसी जुनून और उत्साह के साथ अपनी टीम के सहयोग से इस प्रकार का शिविर सफलता पूर्वक आयोजित करते आए हैं। रक्तदान एक पुनीत कार्य है और हम रक्तदाताओं का धन्यवाद देना चाहते हैं कि वे कभी सक्रियता के साथ इस पुनीत कार्य में सहभागी रहे। हम इस प्रकार के कार्यों से निरतत बुद्ध रहेंगे।



Smiles Loaded ...

Aapki Ummeed Ka Khaata ...

REGISTERED & CORPORATE OFFICE

Utkarsh Small Finance Bank

S-24/1-2, 1st Floor, Mahavir Nagar, Orderly Bazar,
Varanasi - 221002 (U.P.)

www.utkarsh.bank | Toll Free : 1800-123-9878 |  