



Our Vision

To be the trusted financial service provider to over 10 million customers by 2021.



Our Mission

To provide affordable & accessible banking services which are process centric, technology enabled and people oriented resulting in reliable, scalable and sustainable institution facilitating socio-economic change.



Our Values

1. Customer & Employee Centric
2. Transparency & Fair Practice
3. Responsible & Responsive Service
4. Integrated Social Values
5. Striving for Excellence

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CORPORATE INFORMATION

Corporate Identification No.

U65992UP2016PLC082804

Website

www.utkarsh.bank

E-mail

shareholders@utkarsh.bank

Statutory Auditors

M/s. B S R & Associates LLP
Reliance Humsafar, 8-2-618/2,
4th Floor, Road No.11, Banjara Hills
Hyderabad - 500 034
Telangana

Secretarial Auditors

M/s. Pranav Kumar & Associates
Company Secretary
Delhi

Key Managerial Personnel

Mr. Govind Singh, Managing Director & CEO
Mr. Mukund Barsagade, Chief Financial Officer
Mr. Anang Shadilya, Company Secretary

Registrar & Share Transfer Agent

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

Registered & Corporate Office

S-24/1-2, First Floor, Mahavir Nagar Orderly Bazar
Varanasi - 221 002
Uttar Pradesh

Debenture Trustee

M/s. Deesha Trivedi
Associate Vice President
Catalyst Trusteeship Limited (Erstwhile GDA Trusteeship Limited)
Address: Office No. 83 - 87, 8th Floor, 'Mittal Tower', 'B' Wing,
Nariman Point, Mumbai - 400 021
Mob.: +91 9833630277; Office: 022-49220506; Fax: 022-49220505
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FROM THE DESK OF CHAIRMAN

Dear Stakeholders

I feel privileged to put forth my views and to reflect on the journey of the Bank. The year gone by has been full of events including many ups and downs but we flourished and performed through all odds. Needless to say that the lessons which we learned through our transformational journey to establish as Small Finance Bank is going to pay rich dividend in future.

Your Bank currently has a comprehensive set of products and services that is aimed at bringing the underserved and unserved populace to the banking stream. During financial year 2018-19, the Bank was successful in positioning itself as a new generation bank, being focused on delivering the entire gamut of financial services to one and all.

Marching past Financial Year 2018 -19, with an eye on bringing underserved and unserved populace to the main banking stream, the Bank has witnessed all around as well as inclusive growth. To further strengthen the cause of financial inclusion, the Bank are now operating out of 139 Districts of 11 States across India with 61 General Banking (GB) and 375 Micro Banking (MB) Outlets. Expanding its outreach, the Bank has crossed dual milestone of two lakh saving account customers and 20 lakh active loan clients. The Bank continuously strive to improve as a financial institution by having nationwide presence with innovative banking products and services, and with focus on garnering long term value for all our stakeholders including investors, employees and customers.

The year gone by, witnessed addition of significant numbers in the customer base, our Liabilities and Assets Business grew at a brisk pace. The Bank closed the year with total Gross Advances of ₹4,740 crore and total Deposits Base of ₹3,791 crore. Our CASA ratio has improved and now stands higher than 10% of total deposits. The year witnessed a Net Interest Income (NII) of ₹497.4 crore and an Operating Profit of ₹230.5 crore. The Bank has achieved ₹148.8 crore as Profit Before Tax (PBT) which further resulted into ₹93.9 crore of Profit After Tax (PAT). The Net NPA ratio of 0.12% is a true reflection of robust portfolio that the Bank possesses.

The FY2018-19 has been only the second complete financial year as a Bank for Utkarsh. Financial highlights as well as details of financial performance of the last financial year is being shared with you. I would like to reiterate that the passion for innovation and value creation remained just as strong while the focus shifted to stringent control & process oriented approach.

The year has focused more on broad basing the product bouquet and strengthening the Support and Control functions. Every erstwhile microfinance business location has been converted into Micro Banking outlets. The Micro Banking vertical has moved to complete cashless disbursement of all its loans.

Obligations to the society is a matter of pride for us and we undertake Corporate Social Responsibility in true letter and spirit. Bank has taken various programs under CSR umbrella to serve the society and needy through our priority sectors.

We are committed to the highest standards of Corporate Governance and transparency as it plays important role in achieving the corporate vision and mission of the organization. On behalf of the Board of Directors, I can assure you that we abide by the same. For us the guiding principles of Corporate Governance framework have always been based upon compliance of Law / Regulations in letter and spirit, adopting transparent systems, safeguarding the interest of its Stakeholders and creating an environment of trust and confidence by means of transparent and timely disclosure of information. We believe in conducting fair business, and respect the needs of our community and all our Stakeholders.



Dr. V. S. Sampath

Being a new age bank, we strive hard to set new standards in customer experience, with extensive use of state of the art technology and honest sincerity in customer service. I am sure that this approach would enable your Bank to deliver services that are affordable, accessible, easy to understand and operate with.

To maintain the dynamic character of Bank is our commitment and to render the institution relevant for all times we bring necessary changes to build a strong foundation to sustains in all facets. We welcome, encourage and support all suggestions which helps us in the journey of excellence.

I take this opportunity to thank all employees, who extended their wholehearted support in building a vibrant institution. We believe in equal opportunities for personal and professional growth for all, building a performance and knowledge-based employee team, which strengthens our ability to deliver on our stated goals.

I express my sincere gratitude and thanks to all Stakeholders who reposed trust and confidence in Bank and mentored the Bank to performance. I hope and seek your continued support, guidance and patronage in the exciting journey that our bank has embarked upon.

Regards,

**Sd/-
Dr. V. S. Sampath
Chairman**

**Place: Mumbai
Date: May 25, 2019**

FROM THE DESK OF MD & CEO

As we enter into third year of banking operations, it is my pride and privilege to share the highlights and strategy of the Bank.

Towards the mandate, to be originator for small & middle segments of the society, the experiment of the RBI to give licenses to 10 SFBs is proving significant. The way SFBs have shaped up and performed during last 2-3 years, they are poised to play crucial role in expanding banking activities in particular, credit to the unserved section and geographies. It is also important to note that all 10 SFBs have become operational by now.

The Bank presently has operations in 139 Districts across 11 States of Bihar, Chhattisgarh, Delhi-NCR, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Uttar Pradesh, Uttarakhand and West Bengal with 61 General Banking (GB) Outlets and 375 Micro Banking (MB) Outlets, served by over 6,300 dedicated employees. As the Bank expands into newer geographies to serve the local populace, we look forward to bring up a completely new world of convenience banking with technology based solutions for providing optimal solutions to the customers. The Bank shall expand its footprint into newer geographies to serve the banking operations in coming years. In addition, the Bank will expand its reach in existing geographies and expand bouquet of products through its existing banking outlets.

On financial front, the financial year closed with a Net Interest Income (NII) of ₹497.4 crore and Operating Profit of ₹230.5 crore. The Bank achieved ₹148.8 crore as Profit Before Tax (PBT) and ₹93.9 crore of Profit After Tax (PAT). The Gross NPA and Net NPA were 1.39% and 0.12% respectively as on March 31, 2019. The Bank's Capital to Risk Assets Ratio (CRAR) was 24.10%, as against the stipulated 15%. The Cost of Funds for the Bank has declined from 9.99% in prior financial year to 9.30% in financial year 2018-19.

The Bank achieved an important milestone of 20 lakh customer base in Microfinance business and sourced more than 2 lakh Liability Accounts. The year closed with an increase in deposits by 72% from ₹2,194 crore (March 2018) to ₹3,791 crore (March 2019). The Current Account-Savings Account (CASA) Ratio increased from 3.9% (March 2018) to 10% (March 2019). The gross advances grew by 48% from ₹3,208 crore (March 2018) to ₹4,740 crore (March 2019).

During the year, the Bank has launched a new website www.utkarsh.bank with a new look and more responsive features.

On the Technology front, the Bank has added its own ATMs across the operational states. The Bank has ambitious plans of paperless banking with E-KYC and similar initiatives in the coming FYs. The Bank is well poised to become highly retail and financial inclusion oriented Bank. Use of technology in rural area and smaller towns of the country, to provide all banking services to an unserved and underserved section of the society, will be hallmark of the Bank. However, the Bank is equally equipped to serve all segments of the society with its bouquet of products and service channels. Digital banking is key for the Bank for efficient and effective services to its esteemed customers.

The Microfinance outreach through the financial inclusion initiative of the Bank has covered over 20 lakh Active Women Client base in 120 districts of 10 states across India. The Bank closed FY2018-19 with more than 4,100 crore of microfinance loans to Women Clients. Further, aligning with the vision & mission of the Government (Swachh Bharat) the Bank introduced its first non-income generation loan 'Utkarsh Swachhata Loan' product, for its Women Clients. The Bank disbursed over 60 core to more than 24,000 women clients during financial year 2018-19.



Govind Singh

The financial year witnessed many changes in organizational structure to align with the Banking business requirements. The employee base increased from 5,142 to 6,282 that include 627 women employees. The ratio of women employees to the total employees increased from 7.8% to 10.0% during financial year 2018-19. To ensure right skill set of employees, the training capacity along with suitable infrastructure was strengthened, with Zonal Training Centres apart from upgraded regional training centres for attending various external trainings. Employee engagement initiatives like Town Hall Meetings, Buddy Mitra, HRMS (different modules) etc. were introduced during the year.

During the financial year, Utkarsh Welfare Foundation (UWF) expanded its scope and scale of Financial Awareness and Health Initiative activities. The group is looking to expand activities of the foundation with more services at existing and newer locations with impactful interaction.

Next consolidation cum growth phase will be crucial for the Bank. The primary focus will be on increasing CASA & Retail Term Deposit base, expanding products and services under Retail Asset segment, expanding existing products into new geographies, use of new channels to source business and greater continued focus on processes, compliance and controls with advanced use of technology.

Public listing of the Bank as mandated by RBI licensing guidelines will be the key focus area for the Bank. This will not only enhance capital requirements for future growth of the Bank but also see much wider ownership of the Bank.

We strongly believe that your Bank is agile and is adaptable to the challenges and opportunities in today's competitive environment. Our focus is on strengthening controls and putting right process in place. Our strong customer support & loyalty together with staff's enduring commitment poised to improve the Bank's performance in coming years.



“Your Bank has maintained a strong organizational culture and we have held onto the principal motto : **'Aap Ummeed Kijiye, Banking Hum Kareng'**. with the tag line : **'Aapki Ummeed Ka Khaata'.**”

The Bank acknowledges and appreciates the support and guidance received from the Reserve Bank of India (RBI). I take this opportunity to thank the Board for their valuable and continued support and guidance.

I place on record my sincere appreciation to the Special Committee of Directors for managing day-to-day affairs of the Bank during the period I had to step down from the post of MD & CEO.

I wish to express my gratitude, to our partners, the Investors & Shareholders for their continued support & patronage and providing strategic inputs during this important phase.

I thank all our esteemed customers for reposing faith in our products and services and continued patronage. I would like to register my appreciation of the dedication and commitment shown by our employees in expansion of the Bank and reaching new heights of performance and profitability in a very challenging & competitive environment.

I look forward to the continued support of all our Stakeholders, and commit on behalf of all employees, for a robust and well balanced growth in the coming years. We have the opportunity and the capability to become very significant player in next few years.

The business teams are geared for all round sustainable growth. Control teams, Risk, Compliance, Audit, Vigilance have enhanced their capabilities manifold and Support teams, HR & Training, Operations, Branding, Finance & Accounts, Credit Projects & Admin and IT have substantially improved processes for long term growth of the Bank and for delivering efficient products and services to our esteemed customers.

Wishing all the teams, best of the times!

Regards,

**Sd/-
Govind Singh
Managing Director & CEO**

**Place: Mumbai
Date: May 25, 2019**

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 has 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 is a career banker, with more than 38 years of banking experience with SBI. He has rich experience in State Bank of India and 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 managed ATM Operations of the Bank and also worked in the Rural Business Group. During his career, he has looked after the Debit and Prepaid Cards and Mobile Banking Services division also. He headed Lucknow and Delhi Zone of State Bank of India.

Mr. Ghose also led the Business Intelligence Department of SBI in addition to running the Country's biggest Banking Data Warehouse.



Mr. Kajal Ghose



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 then 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 Compliance, Finance, Inspection and Investor Relations, IT, Law, Operations and Risk 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 is now actively involved in the social sector in Kolkata.

Mr. Tantra Narayan Thakur has over 39 years of extensive experience, in Treasury Management, Financial Management (including Resource Mobilization, Investment decisions and Appraisal of Projects Financing), Accounts, Cash Management, Budgeting and Budgetary Control, Human Resource Management etc.

He worked for seven years in the offices of the Accountant General of three states in India, for four years in the Office of the Comptroller and Auditor General of India, for three years as Dy. Secretary/Director in the Government of India, for one year as Secretary to Chief Minister of a major State, for five years as Principal Director of Audit under the Comptroller & Auditor General of India, for over five years as Director (Finance) in Power Finance Corporation of India Ltd. and for twelve years as CMD, Power Trading Corporation (PTC) India Ltd.

He was earlier deputed to the United Nations High Commissioner for Refugees (UNHCR) at Geneva, for performance audit of that organization, on behalf of the United Nations Board of Auditors. He was a member of the Prime Minister's Task Force on Socio-Economic Development of Jammu & Kashmir, headed by Dr. C. Rangarajan.



Mr. Tantra Narayan Thakur



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 had set up Cerebrus Consultants in 1995 with a passion of making a difference in the HR environment, and making a significant impact with 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.

Mr. Arup Kumar, is a B.Tech. (Hons.) in Electrical Engineering having 27 years industry experience, including 23 years in SIDBI, a principal Development Finance Institution for MSME sector in the country. The diversified experience of Mr. Kumar includes his experience in debt and equity investments to MSME sector, policy formation, product development and process layout with the help of IT in SIDBI.

Mr. Kumar is presently working as General Manager with SIDBI at their Lucknow office, and having field level working experience in Northern, Eastern, Western and Central regions of the organization along with his senior level policy making experience in Credit, Risk Management and Asset Recovery Department of SIDBI. Before joining SIDBI, Mr. Kumar has worked with Hindustan Petroleum Corporation Ltd. in the Marketing Division.



Mr. Arup Kumar



Mr. Govind Singh

Mr. Govind Singh has an overall experience of more than 30 years in Banking & Finance Sector, with wide range of experience at different levels.

He is the founder of Utkarsh CoreInvest Ltd. (Erstwhile-Utkarsh Micro Finance Ltd.), the promoting institution of Utkarsh Small Finance Bank Ltd. Currently, Mr. Govind Singh is the MD & CEO of Utkarsh Small Finance Bank Ltd.

Prior to setting up Utkarsh, he was with ICICI Bank Ltd. in Rural, Micro & Agri-Business Group as the Business Head for Micro Banking. He also worked in Retail Liabilities Group with ICICI Bank.

Earlier to ICICI Bank, he had worked with UTI Bank Ltd. (Axis Bank), Bank Internasional Indonesia, Surya Roshni Group (Financial Services). He also had stints with Allahabad Bank and State Bank of Patiala.

Mr. Govind Singh, also served as a member of the working group to review the Business Correspondent (BC) Model in India. The committee was setup by RBI to examine the ways for improving BC Model.

COMMITTEES OF THE BOARD

Audit Committee

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

Members	Mr. Tantra Narayan Thakur (Chairperson)
	Ms. Anita Ramachandran
	Mr. Somnath Sengupta
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: <ul style="list-style-type: none"> ◦ 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;

	<ul style="list-style-type: none"> ◦ 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 utilization 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; ◦ 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.
Frequency	Once in a quarter

Nomination & Remuneration Committee

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

Members	Mr. Kajal Ghose (Chairperson)
	Dr. V. S. Sampath
	Ms. Anita Ramachandran
	Mr. Somnath Sengupta
Major Responsibilities	<ul style="list-style-type: none"> • 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 of 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 of 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.

Frequency	As and when required and minimum Once in a Year
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Stakeholders' Relationship Committee

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

Members	Mr. Somnath Sengupta (Chairperson)
	Ms. Anita Ramachandran
	Mr. Arup Kumar
	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 dematerialization 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.
Frequency	As and when required

Risk Management Committee

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

Members	Dr. V. S. Sampath (Chairperson)
	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;

	<ul style="list-style-type: none"> • 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.
Frequency	Once in every quarter

Corporate Social Responsibility Committee

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

Members	Dr. V. S. Sampath (Chairperson)
	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 / Programs 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; • Instituting a transparent monitoring mechanism for ensuring implementation of the projects / programs / activities proposed to be undertaken by the Bank; • 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.
Frequency	Once in every Half Year

IT Strategy Committee

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

Members	Mr. Kajal Ghose (Chairperson)
	Mr. Arup Kumar
	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; • To approve capital and revenue expenditure in respect of IT procurements.
Frequency	Once in every Quarter

Review Committee for Identification of Willful Defaulters

Details of Committee are as follows:

Members	Mr. Govind Singh (Chairperson)
	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 'Willful 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 'Willful Defaulter' or 'Non-Cooperative Borrower'.
Frequency	As and when required

Customer Service Committee

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

Members	Mr. Somnath Sengupta (Chairperson)
	Mr. Kajal Ghose
	Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> Overseeing the functioning of the Company's internal committee setup for customer service; To review the level of customer service in the Company 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 Company provides and continues to provide, best-in-class service across all its category of customers which will help the Company 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 Company.
Frequency	Once in every Half Year

Special Committee to Monitor Large Value Frauds

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

Members	Mr. Govind Singh (Chairperson)
	Dr. V. S. Sampath
	Ms. Anita Ramachandran
	Mr. Somnath Sengupta
	Mr. Tantra Narayan Thakur
Major Responsibilities	<ul style="list-style-type: none"> 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; 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.
Frequency	Once in every Half Year

Credit Approval Committee

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

Members	Mr. Kajal Ghose (Chairperson)
	Mr. Arup Kumar
	Mr. Somnath Sengupta
	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).
Frequency	As and when required

Special Committee for Land Acquisition

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

Members	Mr. Tantra Narayan Thakur (Chairperson)
	Mr. Kajal Ghose
	Mr. Govind Singh
Major Responsibilities	<ul style="list-style-type: none"> To receive, shortlist, reject the proposal of the Land-Owners for the proposed purchase of land by the Bank; To meet and negotiate with the land-owners regarding proposed acquisition of land; To finalize the terms of land purchase including but not limited to cost of acquisition, manner of payment, etc.; To authorize official(s) of the Bank to do certain acts, deeds and things in relation to purchase of land by the Bank.
Frequency	As and when required

SENIOR MANAGEMENT



Mr. Govind Singh

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER (MD & CEO)

Mr. Govind Singh is the founder of Utkarsh Coreinvest Ltd. (Erstwhile Utkarsh Micro Finance Ltd.), the promoting institution of Utkarsh Small Finance Bank Limited. Currently, Mr. Govind Singh is the MD & CEO of Utkarsh Small Finance Bank Limited (USFBL). He has vast experience of over 3 decades in different domains of banking & financial services.

His mission to establish a reliable, scalable and sustainable institution for providing affordable & accessible financial services facilitating socioeconomic change resulted in setting up 'Utkarsh Micro Finance Limited' in September 2009. In November 2016, Reserve Bank of India (RBI) granted licence to Utkarsh for setting up a Small Finance Bank. Today 'Utkarsh Small Finance Bank Limited' is operating as a Scheduled Commercial Bank.

Mr. Govind Singh also served as member of the Working Group to review the Business Correspondent (BC) Model in India. The committee was setup by RBI to examine the ways of improving BC Model.

Prior to setting up Utkarsh, he was with ICICI Bank Ltd. in Rural, Micro & Agri-Business Group as the Business Head for Micro Banking. He also worked in Retail Liabilities Group with ICICI Bank. During this ICICI Bank stint, he got extensive exposure in Microfinance, Business Correspondent, Jewel Loans, Liabilities, Infra and Channel Management, Branch Licencing and various products & processes of related functions.

Earlier to ICICI Bank, he had worked with UTI Bank Ltd. (Axis Bank), wherein he was responsible for budgeting and control, new products development, developing business strategies, maintaining agency arrangements with banks, planning of Branch expansion & launching the Cash Management Services for the Bank.

With Bank International Indonesia, he was entrusted mainly with the task of boosting the sale of assets & liabilities products. He also had a stint with Surya Roshni Group (Financial Services) as a Branch Head, setting up the Mumbai Branch & started its operations, along with Fixed Deposits mobilization and Stock Exchange Operations.

At the beginning of his career, he had also stints with Allahabad Bank and State Bank of Patiala, wherein he got hands on experience in various general banking functions as well as liabilities and assets for Commercial and Institutional segments.

He is a Certified Associate of Indian Institute of Bankers (CAIIB) and a Commerce Graduate from Delhi University.



Mr. Trilok Nath Shukla

HEAD - MICRO BANKING

He heads the Micro Banking Business of the Bank, has an experience of over two decades in Microfinance Sector especially in the northern part of the country. He has been one of the founding member of Utkarsh CoreInvest Ltd., wherein he had setup the microfinance vertical. Prior to Utkarsh, he was with Cashpor since September 1997 and as his last assignment, was the General Manager-HRD there and was part of head office operations team. At Cashpor, he had handled almost all management functions of MFI in lead role. He attended several training programs in and outside India, including visit to Grameen Bank, ASA, BRAC in Bangladesh, MFI Program held at Torino Italy conducted by Boulder University, Colorado, USA and different MDPs at IIM Ahmedabad, Bangalore & 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 southeast Asia. He is a Postgraduate from Purvanchal University, UP and holds Advance Diploma in Rural Technology Development and Management from IERT Allahabad.

HEAD - RETAIL ASSETS

He has over 21 years of experience in Banking and Financial Services spreading across Retail Assets, Liabilities, Branch Banking and Trade Services. Prior to joining Utkarsh he was heading the Rural MSME vertical for Bajaj Finance Ltd. He has worked in Tata Motors, ICICI Bank, Reliance Capital and Bajaj Finance Ltd. He is graduate from Delhi University and MBA from NMIMS, Mumbai.



Mr. Rahul Sinha

HEAD - WHOLESALE BANKING



Mr. Mohit Wahi

He has over 23 years of rich experience in BFSI domain. He has worked extensively in Retail & SME Banking across liabilities, working capital finance, trade finance and commercial banking. He worked with FMCG majors like Hindustan Unilever Ltd & Godfrey Philips (I) Ltd. prior to his banking stint across verticals with ICICI Bank, DCB Bank and IDFC Bank Ltd. He holds a Bachelor's degree from College of Vocational Studies - Delhi University.

CHIEF OPERATING OFFICER (COO)

He has more over 25 years of experience in Banking and Financial sector. Prior to joining Utkarsh, he worked with Axis Bank for nearly 21 years and held senior leadership roles in Customer Service, Operations, Corporate Real Estate and Employee Experience including 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).



Mr. Adhip Ranjan Syamroy

CHIEF TECHNOLOGY OFFICER (CTO)



Mr. Venkat Krishnan Veeramoni

He has about 21 years of experience in Information Technology domain with focus on Banking, Finance and Insurance, specializing in large scale transformational projects, including setting up of banks, complex core banking migrations and change management. Prior to Utkarsh, he has held Senior Leadership Roles with Yes Bank as CTO, HSBC India as Head Enterprise Architecture, Dhanlaxmi Bank as Head IT, Edelweiss Tokio Life Insurance as CTO, Al Ahli Bank of Kuwait as Head, Technology Risk and Information Security. He has won recognition like Computer Society of India Award 2011 Winner for Excellence in Banking Technology, InfoSec Maestro's Award 2014 and EDGE Award winner for Technology Transformation in the BFSI segment. He is MCA from Government College of Engineering, Karad and B. Sc. from SIES College (Bombay University).

HEAD - TREASURY

He has over 32 years of banking experience and for the past 25 years he has been with Treasury. Prior to joining Utkarsh Small Finance Bank Ltd. in 2016, he was with Kotak Mahindra Bank Ltd as Senior Vice-President, Treasury Operations having handled foreign exchange, domestic and derivative operations. He joined the Bank project of Kotak Mahindra in 2002 when it got banking licence and was a part of initial team that set up Treasury at the Kotak Mahindra Bank.

Before his stint with Kotak Mahindra Bank Ltd, he was with ICICI Bank Ltd. Handling Treasury Forex operations. He was deputed to help set up forex settlement operations at Clearing Corporation of India Ltd.

He began his career as a probationary officer in Corporation Bank initially in general banking and subsequently in back and front offices of domestic treasury.

He is an M. Sc. (Bio Sciences) from Nizam College, Hyderabad with a Post Graduate Diploma in Advanced Bank Management from NMIMS, Mumbai.



Mr. Gopireddy Srinivasa Reddy

CHIEF FINANCIAL OFFICER (CFO)



Mr. Mukund Barsagade

He has an overall experience of 24 years in Financial Management. His last assignment was with FINO Payments Bank as Chief Financial Officer. Prior to that, he had worked with multinationals like India Factoring (a subsidiary of FIMBank, Malta), Experian India, GE Capital and Transamerica Apple in various roles. He is a Chartered Accountant (ICAI) and Commerce Graduate from Nagpur University, Maharashtra. He has also done Diploma in IFRS (DiplIFRS) from ACCA, UK.

HEAD - HR & TRAINING

He is having more than 17 years of experience in the BFSI Industry, while working with ICICI Bank, Kotak Mahindra Bank and Reliance Mutual Fund in his earlier stints. Prior to joining Utkarsh, he was associated with Redwood Consulting an HR Consulting firm as Partner. He holds his PGDBA from ICFAI Business School and Chartered Financial Analyst (CFA) from ICFAI Hyderabad.



Mr. Virag Jain

COMPANY SECRETARY (CS)



Mr. Anang Shandilya

He has around 12 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.

Control Teams

CHIEF COMPLIANCE OFFICER (CCO)

He has over 29 years of experience in the domain of RBI Regulations, Regulatory Compliance, Anti Money Laundering, Banking Operations and IT Systems implementation. Prior to joining Utkarsh, he had worked with DCB Bank Limited and Australia & New Zealand Banking Group Limited as Chief Compliance Officer and Head of Compliance - India, respectively. Before that he was with Reserve Bank of India, wherein his last designation was Deputy General Manager. He is a Commerce Graduate from University of Mumbai, CAIIB from Indian Institute of Banking and Finance (IIBF), Mumbai and MBA from Symbiosis Institute of Business Management (SIBM), Pune.



Mr. Sachin Shamkant Patange



Mr. Alok Pathak

CHIEF RISK OFFICER (CRO)

He has over 20 years of banking experience in the domain of Risk Management, Retail lending, 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 including Governance Risk & Compliance (GRC) framework implementation. He has also worked at State Bank of Mysore for more than 9 years wherein he has worked as a Dealer for more than 4 years and 5 years in the area of Credit & Forex. He is a Science Graduate from Kanpur University, PGDCA, CAIIB and he is also a Certified Banking Compliance (IIBF & ICSI) and Certified Risk Management professional.

HEAD - OPERATIONAL RISK & CHIEF INFORMATION SECURITY OFFICER (CISO)

He has over 30 years of banking experience. He joined as a Probationary Officer in State Bank of India and handled assignments in General Banking, Foreign Exchange, Commercial Banking and Information Technology. He has also worked with Axis Bank wherein his responsibilities included Operational Risk Management, Branch Connectivity Project and Information Security. Prior to joining SBI, he was a Management Trainee in Punjab National Bank. He is a Mathematics Graduate from Osmania University. He is also a CAIIB, PGDIM, FRM, CISA, CISM, CRISC, DCPD and DCPLA.



**Mr. T. M. N. V. R.
Subbanna**



Mr. Rahul Dey

HEAD - INTERNAL AUDIT

He has over 16 years of experience in Banking and Microfinance sector. During his tenure in Utkarsh CoreInvest Ltd., he has supervised various departments like Micro Enterprise Loan, Information Technology, Risk, Administration and Internal Audit. He was instrumental in establishing Micro Enterprise Loan business and introduction of Mobile Technology in Group Lending (JLG) business at Utkarsh and played a key role during transition of Utkarsh CoreInvest Ltd. to Utkarsh Small Finance Bank Ltd. in 2017. 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. While working with ICICI Bank in the capacity of Regional Manager (West Bengal and North - East), he was responsible for the Bank's Micro Finance business in the region for more than 3 years and as Accounts Manager - Commercial Banking, he was taking care of Bank's Corporate Clients' relationship in Kolkata. He holds Post Graduate Diploma in Rural Management from Xavier Institute of Management, Bhubaneswar.

CHIEF OF INTERNAL VIGILANCE (CIV)

He has over 34 years of rich experience in banking while working with State Bank of India, with over a decade in Senior Management Grade handling various assignments including in Reconciliation, Inspection & Management Audit Departments. He has worked in different setups like large size Branches, Local Head Office, Administrative Offices, Regional Business Offices, Training Centres, CPCs., Lead Bank Offices. He has audited the Lead Bank Offices, CPCs and other big Branches in Bihar, Jharkhand, Madhya Pradesh, Karnataka, Andhra Pradesh, Telangana, Assam, Manipur, Tripura States including Foreign Country Branches. He has also worked with International Banking Division and Overseas Branch, Varanasi and handled Forex Business including Forex Sales/Purchases, in charge (Imports & Exports), Import Letters of Credit, International Bank Guarantees and payment of Import Bills received under Foreign Letter of Credits and Bills on Collection basis. He is a Graduate from Gorakhpur University and CAIIB (IIBF).



Mr. Shashi Kant Singh

MANAGEMENT DISCUSSION & ANALYSIS

FY2018-19 in Perspective

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10 to 15 years, backed by its strong democracy and partnerships. India's GDP is estimated to have increased 7.2% in 2017-18 and 7% in 2018-19. India has retained its position as the third largest startup base in the world with over 4,750 technology start-ups.

The financial year 2018-19 has been very eventful for the Banking and Finance Sector in the economy. Acting on its plan of enhancing capitalization of public sector banks announced in October 2017, the Central Government issued Recap Bonds worth ₹65,000 crore in January 2018 (out of the first instalment of committed ₹2,11,000 crore). Central Government, further infused additional ₹41,000 crore into public sector banks, making the total amount for bank recapitalisation at ₹1,06,000 crore in financial year 2018-19. The year also witnessed the merger of Bank of Baroda, Dena Bank and Vijaya Bank. Seven out of nine states, that went for assembly elections this year announced loan waivers for farmers totaling ₹1.72 lakh crore. India's largest Infrastructure company IL&FS, rated at the highest level, defaulted on its debt obligations of ₹91,000 crore. This had a cascading effect on benchmark indices and balance sheet of many companies and mutual funds.

Indian banks are increasingly focusing on adopting an integrated approach to risk management. Banks have already embraced the international banking supervision accord of Basel II, and majority of the banks already met capital requirements of Basel III, which had a deadline of March 31, 2019.

Scheduled commercial banks (which were 147 as of March 2019 including 53 Rural Regional Banks) had registered a 9.4% annual growth in their aggregate deposits over FY 2017-18, while the Bank Credit has grown by 13.1% during the same period. Small Finance Banks have registered a healthy annual growth of 124% in their aggregate deposits over FY 2017-18, while their Bank Credit has grown by 79.7%

Microfinance Institutions have recovered from the effects of demonetization that had resulted in substantial write-offs. According to a report published by MFIN, as of March 31, 2019 the gross loan portfolio of microfinance industry is estimated to have shown an annual growth of 38% to ₹1,87,386 crore. The total number of microfinance accounts have grown by 21.9% to 9.33 crore accounts. As of March 31, 2019 NBFC-MFIs have the largest market share ₹68,868 crore (36.8%), followed by Banks ₹61,046 crore (32.6%), Small Finance Banks ₹34,679 crore (18.5%) and others accounting for ₹22,674 crore (12.1%) of the gross microfinance portfolio.

The Bank is introducing a few more products and services through its Micro Banking network not only to retain the existing customers but also to attract new customers. The Bank is continuously focusing on meeting the customer needs and towards this, the Bank has plans to introduce Business Loans in financial year 2019-20.

New Developments

The Bank has successfully completed 2nd full year of banking operations. In FY2018-19, the Bank has taken multiple business initiatives to cater to the needs of its customers.

Liabilities vertical continued its focus on growing Current Account-Savings Account (CASA) and improved its ratio from 5.30% (March 2018) to 10.01% (March 2019), whereas, Retail Deposits (CASA+RTD) ratio improved from 12.89% (March 2018) to 30.77% (March 2019).

The main Asset products offered by the Bank currently include term loans with respect to Joint Liability Group products, Micro, Small and Medium Enterprises (MSME) products, Housing loan products, Loan against Property (LAP), Personal Loans and term loans to corporates beside various products on the liabilities side.

Keeping in mind the needs of the clients in Micro Banking vertical, the Bank implemented 100% cashless disbursements and introduced Swachhata Loan in the first quarter, which received overwhelming response. Within a short span of time, the Bank extended Swachhata Loans to more than 24,000 beneficiaries.

The Bank has implemented sound internal control practices across all functions and processes. The Bank has properly laid down policies and processes for management of its routine as well as extraordinary activities. The Bank follows established, well-designed controls that include effective separation of functions, segregation of duties, call back processes, reconciliation, substantiation, exception reporting and periodic Management Information System. During the financial year, the Bank's focus was on further strengthening controls around substantiation process including office/control accounts. Controls are being tested as part of the Internal Financial Control testing framework. The Bank's focus getting into next year would be to automate controls to the extent feasible.

Micro Small & Medium Enterprises (MSME) and Housing Loans (HL) vertical also introduced new products during the financial year which received good response from its clients. Introduction of new products benefited the Bank in maintaining lower delinquency level and in increasing loan ticket size in both MSME and HL. The Bank also strengthened Credit & Collections functions for this vertical for scaling up the business.

Capital Management

The Bank is adequately capitalized. During the financial year, the Bank converted ₹267 crore Cumulative Convertible Debentures, held by its Holding Company, into Equity. The CRAR and Tier I & II Capital as at March 31, 2019 for the Bank is as follows:

Particulars	Amt. (₹in crores)	Ratio
CRAR	873.9	24.1%
Tier I	736.5	20.3%
Tier II	137.4	3.8%

The Bank strives for continual enhancement of Shareholders' value, by efficiently deploying capital, in order to maximize return on equity. Aiming to achieve this objective, the Bank endeavors to develop an asset structure that will be sensitive to the importance of increasing the proportion of low risk weighted assets.

Rating

CARE Ratings Limited has reaffirmed the rating as CARE A (Single A; outlook: stable) for Long Term Bank Facilities Non-Convertible Debentures and Long Term Tier II bonds. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. ICRA Limited has upgraded the short term rating to ICRA A1+ (pronounced ICRA A one plus) from ICRA A1 (pronounced ICRA A one) for Certificate of Deposit. Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

As per the rating rationale of CARE “The rating of Utkarsh Small Finance Bank Limited (USFBL) derives strength from its successful transition to Small Finance Bank including strengthening of the management team, expansion of the branch network and significant mobilization of deposits (largely term deposits and certificate of deposits) post commencement of operations as small finance bank and the comfortable liquidity position of the Bank. The ratings also continue to factor in the long track record of operations in microfinance lending, diversified institutional equity investor base, comfortable capitalization levels given substantial capital raised which has allowed USFBL to grow its loan book since March 2017 and cover the losses (following weakness in collections post demonetization).

Going forward, the ability of the Bank to maintain healthy collection efficiency and asset quality, thereby limiting credit losses and maintain adequate capitalization levels would be crucial. Also, ability to grow the loan portfolio and geographically diversify the operations, improve earnings and profitability, successfully stabilize the operations as an SFB (Small Finance Bank) including raising low cost retail deposits and access diverse funding sources available and also the product mix would remain the key rating sensitivities”.

Network

During the financial year, the Bank increased its outreach from 405 Banking Outlets to 434 Banking Outlets and has also converted its Micro Finance Locations into Micro Banking Outlets. The Bank is now offering Liabilities products to its customers from these Micro Banking outlets.

Status as on	States	Districts	General Banking Outlets	Micro Banking Outlets	Total Banking Outlets	Micro Finance Business Location	Total Business Locations
Mar 31, 2019	11	139	61	375	436	0*	436
Mar 31, 2018	11	125	53	111	164	241	405

*All Micro Finance business locations were converted into Micro Banking Outlets by July 31, 2018.

The Bank operates in 11 states through its 61 General Banking (GB) and 375 Micro Banking (MB) Outlets. Out of 436 Banking Outlets, 123 Banking Outlets are in the Unbanked Rural Centres (URC). The MSME and Housing Loan verticals operate from GB and MB outlets as follows:

Retail Assets Business Locations within MB / GB	#Banking Outlets FY2018-19	#Banking Outlets FY2017-18
MSME Business Locations	46	35
Housing Business Locations	18	18

The Bank has its ATM network well spread across 124 locations; the Bank added 37 locations during the financial year. The Bank, at the end of the financial year, was operating 36 off-site ATMs and 88 on-site ATMs.

Category	FY2018-19	FY2017-18	Additional Locations
A	B	C	D=B-C
On-Site GB Outlet	61	52	9
On-Site MB Outlet	27	6	21
Off-Site	36	29	7
Total	124	87	37

A total of 8 GB Outlets were added in FY2018-19. While bulk of the centres are within the existing geography, few strategically important centres were also opened elsewhere for the growth of liabilities business. The Bank is expanding its GB outlet network across 17 states from 11 states currently. The new states where the Bank will expand its footprint include Assam, Chandigarh, Gujarat, Odisha, Rajasthan and Telangana.

A. Liabilities

The Bank continued with its clearly calibrated strategy for liabilities business as had been set out last year. The key objective was to enlarge the retail footprint of the Bank. Accordingly, the outlets continued the focused drive to enlarge the retail franchise, including that from the HNI segment for CASA and Retail Term Deposits (RTD). The Current Account-Savings Account (CASA) Ratio had increased from 5.30% (March 2018) to 10.01% (March 2019) of overall deposits, registering a growth of 225% from the previous FY2017-18. Equally, the Bank retained its focus on garnering bulk deposits from the Institutional segment, which included TASC (Trust, Association, Society and Club) segment.

(₹ in crores)

Segment	As on March 31, 2019	Share of Total Deposit %	As on March 31, 2018
Savings Balance	293.2	7.73%	66.6
Current Account Balance	86.2	2.28%	50.0
CASA Balance	379.4	10.01%	116.6
Retail TD	787.0	20.76%	166.4
Institutional TD+ CD	2,624.9	69.23%	1,911.1
Total TD	3,411.9	89.99%	2,077.5
Total Deposit	3,791.3	100%	2,194.1

The Bank will continue to grow its retail franchise in FY2019-20 also. The Bank will further consolidate its network in the core geography along with expanding its footprint in other large strategic centres in large geographies with good deposits potential.

(₹ in crores)

Particulars	As on March 31, 2019	As on March 31, 2018
No. of States	11	11
No. of Operational Districts	48	45
No. of General Banking Outlets	61	53
Total Deposits (₹ in crores)	3,791.39	2,193.87
Current Deposits (₹ in crores)	86.23	50.05
Savings Deposits (₹ in crores)	293.21	66.33
Term Deposits (₹ in crores)	3,119.65	2,077.49
Certificate of Deposits (₹ in crores)	292.30	-
CASA Ratio	10.01%	5.30%
No. of Savings Accounts	1,64,696	28,467
Of these, No. of BSBDAs	96,383	12,664
No. of Current Accounts	8,616	2,345
No. of Term Deposits	28,648	4,133

The focus will be on increasing the retail footprint which will essentially be driven by Savings Accounts and Retail Term Deposits. Retail current accounts acquisition and growth strategy will be built around POS business and offering services such as Doorstep Banking and Corporate Internet Banking.

Banking outlets provide the full range of banking services ranging from savings & current accounts, fixed and recurring deposits, insurance, investment products and home loan products. The customers can access banking through multiple channels like banking outlets, 24*7 ATM, Internet banking, Mobile banking and Call Centre.

The Bank has already taken steps to put in place suitable technology driven processes and systems that will help deliver superior customer experience. The digital push across life cycle of the customer is critical to have a robust retail franchise.

B. Micro Banking

The Microfinance Outreach through the financial inclusion initiatives of the Bank has extended to more than 20 lakh active client base in 120 districts of 10 states through its 375 Micro Banking Outlets. The Bank offers Micro Loans ranging from ₹6,000 to ₹1,00,000 for its clients through Joint Liability Group (JLG) model.

Micro Finance Industry (MFI) is slowly moving towards cashless transactions. As per Microfinance Institutions Network (MFIN) Reports, 81% disbursement to the clients are being made through cashless mode at industry level. The Bank, despite predominantly working in a geography having low banking penetration, started 100% cashless disbursement from June 2018.

The microfinance portfolio grew by 45.6% from ₹2,842 crore (March 2018) to ₹4,139 crore (March 2019). The microfinance loans to women clients constitute 86% of overall advances served by 375 Micro Banking outlets. This includes 60.98 crore portfolio raised through the Business Correspondent model.

The Bank continued the task-force based model for collections from its overdue clients which achieved good results during the financial year. An aggregate amount of ₹12.38 crore was collected from written-off clients which made a positive impact on the overall collections. In the second half of FY2018-19, the Bank witnessed collection efficiency of almost 100%.

Micro Banking (MB) also started sourcing liability accounts namely Current Account-Savings Account (CASA), Recurring and Fixed Deposits and has built a customer base of 1,13,227 with total outstanding deposits of ₹25.52 crore as at the end of March 31, 2019.

The Bank will continue to have focus on existing Micro Banking products. In addition to this, the Bank is also planning to introduce Business Loan product in the next financial year. This Business Loan product shall be available only to the existing customers having good track record with the Bank.

The Bank is planning to start MB operations in Odisha state to expand its footprint further in the eastern part of India.

The Bank's major focus continues to be on the vertical penetration through existing outlets. Branches are going deeper in their catchment area with special focus on villages where penetration is low as compared to the total population of that particular village. MB Outlets continue to source customers directly through their own employees with particular focus on retaining the existing customer. This not only reduces the credit risk but also improves the portfolio outstanding as their repayment capacity improves over a period of time and they require large ticket size loans.

To promote the savings habit among its clients, the Bank is focusing on loan disbursements through its own Bank Accounts. Borrowers are also being educated to keep their household savings in the Bank Accounts so that they can earn additional income through interest apart from ensuring safety of their savings.

C. Micro Small & Medium Enterprises (MSME), Housing Loans (HL) and Others

MSME & HL verticals have undergone changes in the FY2018-19 in terms of Strategy, Product, Process, Team structure and Business Locations.

To cater to the growing needs of MSME and HL clients, the Bank has increased the maximum loan cap from ₹25 lakh to ₹100 lakh for all secured loans. It has also introduced products like Business Loans, Retail Loan Against Property, Secured Business Loans etc.

The focus of the Bank is always on improving operational efficiency. Towards this, the Bank has strengthened in-house collections function for rigorous monitoring of overdue accounts and also initiated implementation of Loan Origination System (LOS). The Bank has also rolled out various new processes to manage and control operational risk.

The total loan portfolio of MSME vertical grew by 59% from ₹103.5 crore (March 2018) to ₹164.9 crore (March 2019) with a client base of 10,868. The total loan portfolio of HL vertical grew by 150% from ₹15.3 crore (March 2018) to ₹38.2 crore (March 2019).

The total number of MSME outlets increased from 35 to 46 during FY2018-19. Collections structure was put in place during the current FY. New Product Variants like Small Business Loan, LAP- Retail, BL Secured+ were launched to cater to additional business segments. The Bank increased the maximum loan amount from ₹25 lakh to ₹100 lakh in case of Secured Loans. Various new processes like Mortgage creation process at the branch level have been launched to control operational risk.

The Bank is also entering into new territories which are considered hub for MSME business activities and introducing product variants to cater to the needs of the market in the next financial year. The Bank is continuously focusing on improving its policies and procedures in line with industry best practices to support better risk management and controlled growth. To enable controlled growth, the Bank has already taken steps to implement Loan Origination System, mobility solution through Tab banking and incorporating best in class risk management practices.

D. Wholesale Lending

The Bank's wholesale lending book primarily consists of onward lending to NBFCs. Though the Bank will continue to lend to the NBFC sector, the Bank is also building its Non-NBFC portfolio which will support in diversifying the credit risk. In the NBFC sector, it is focusing more on lending to NBFCs engaged in acquiring secured portfolio. The Bank is following the industry best practices to ensure that good corporates are on boarded.

The total portfolio outstanding grew by 10.5% from ₹246.7 crore (March 2018) to ₹272.5 crore (March 2019) with total number of active clients being 23.

The Bank proposes to launch a new secured working capital program. This will help the Bank to diversify the wholesale lending book from NBFCs to Non-NBFC segment. However, the Bank will continue to lend to the NBFC sector, following a cautious approach based on proven track record.

E. Business Correspondent

The Bank has ventured into new geographies through its Business Correspondent (BC) model to serve the needs of its clients. These geographies are where the Bank doesn't have its own presence. The Bank is servicing JLG customers currently through network of three BC partners and has plans to extend this to other products such as MSME & HL. The territorial expansion into other states is also currently contemplated.

As on March 31, 2019 the total disbursements were ₹72.49 crore with a portfolio outstanding of ₹60.98 crore. The total number of active customers were 26,019 as on March 31, 2019.

To ensure the seamless onboarding process of these clients, in-house IT has developed a Robotic Solution that interacts with the Core Banking System. This has not only reduced the login time but also ensured error free customer onboarding. The Bank has also taken steps towards storage of the loan documents digitally along with ensuring physical storage at the Bank's empaneled third party vendor.

F. Treasury

The Bank's Treasury conducts its business with the twin objectives of regulatory & management compliance and liquidity management. The Board approved Investment Policy spells out the main guiding philosophy underlying the functioning of Treasury in addition to the related risk management and accounting policies.

The Bank's Treasury complied with regulatory and management prescriptions in regard to SLR as well as Non-SLR portfolio, the chief being CRR, SLR, HTM portfolio & Investment limits viz. limits on HTM, Mutual Fund Scheme investments etc.

The value of the investment book outstanding as on March 31, 2019 stood at ₹862.21 crore with a portfolio yield of 7.20% and average duration of 2.52 years. The outstanding investment book comprises of SLR portfolio of ₹792.32 crore and Non-SLR Portfolio of ₹69.89 crore.

As part of liquidity management, Treasury while ensuring adequate liquidity flow to meet funding requirements for operational expenses, payment obligations and asset growth, manages liquidity mismatches through access to interbank money markets viz. call / notice / term money / commercial paper and certificate of deposit. In order to diversify the sources of liquidity, Treasury raises resources through bulk FD, IBPC, securitization, issue of Tier II bonds, Issue of Certificate of Deposit and refinance from NABARD, SIDBI, MUDRA etc.

With activation of proprietary SGL facility, the Bank has gained access to Repo and Rev Repo under Liquidity Adjustment Facility (LAF) with RBI and Marginal Standing Facility (MSF) to even temporary mismatches in the liquidity position.

Treasury has access to PSLC platform to sell excess portfolio under priority sector, if any. The Bank is a member of financial market infrastructure viz. CCIL securities settlement segment, NDS-OM, NDS-Call, FTRAC, C-BRICS, e-kuber etc.

G. Compliance

With the newly inducted Small Finance Banks (SFBs) & Payment Banks settling now, the Indian Banking industry has become more competitive. In line with the increasing thrust on compliance in banking worldwide, RBI and other Indian regulatory authorities continued to have increased oversight in the BFSI Sector. The quantum of financial penalties levied and other penal actions by RBI during FY2018-19 was substantially higher in comparison to the earlier years.

Thus, the role of Compliance Department in banks has now become pivotal in ensuring that a sound compliance culture is prevalent in banks.

Compliance Architecture

The Bank has an independent Compliance Department broadly categorized under the following four heads.

- Regulatory Compliance
- Compliance testing and Internal Management
- Anti-Moneylaundering (AML)
- Legal

The Compliance Department is headed by Chief Compliance Officer (CCO) reporting to MD & CEO and has officers with substantial experience in banking. The key role and responsibilities of Compliance Department are as follows:

- Monitoring Compliance Risk
- Advise on Regulatory and legal issues
- Dissemination of regulatory guidelines
- Facilitate the development and maintenance of Right Compliance culture

Compliance Department has instituted a process for dissemination of updated regulatory guidelines to various departments, updation of policies and processes, handling correspondence with regulatory authorities, monitoring timely submission of regulatory returns, compliance testing and review of compliance breaches / failures, if any.

Under the Compliance Testing Framework, adherence to prescribed regulatory guidelines is reviewed by the Compliance Department through Policy and Process documents and testing of sample documents / process walk-throughs.

Compliance Testing is also conducted for certain thematic issues to ascertain and verify that the Bank is in compliance with the regulatory guidelines on critical matters. The Compliance Testing reports on key control gaps along with the recommendations and action taken are put up to the Board of Directors at quarterly intervals.

The key processes under the compliance architecture of the Bank are as follows:

- Circular / Guideline Management Process
- Returns Management Process
- Policy management Process
- Transaction Monitoring Process

Risk Based Supervision (RBS) introduced by RBI for Small Finance Banks (SFBs): The RBS model is a structured and multi-tiered model which supports the assessment of risks in a bank, adjusted for the capital available. It is used by RBI to estimate a bank's Risk of Failure Score (RoFS) and the impact of its failure on the banking system. The Aggregate Risk and Capital available together determine the RoFS for a bank.

SFBs also are now covered under RBS of RBI wherein they are required to submit granular data for various data elements prescribed by RBI. The Bank has since introduced necessary systems and processes to enable timely and accurate data submission under RBS in addition to other regulatory returns.

H. Internal Audit Department

Internal Audit Department of the Bank has moved to Risk Based Internal Audit process since last financial year. The Bank has developed audit checklist based on Risk Based Internal Audit framework of RBI and internal audits were conducted by using such checklist in FY2018-19. The Bank has used automated end to end Audit Application Software "Pentana" for Internal Audit planning and execution. Audit MIS team has been assigned responsibility to analyze the audit findings and compliance thereof centrally and publish various audit related MIS to the management on a monthly basis.

Further, to strengthen the Internal Audit team for conducting various types of audits including concurrent audit, existing auditors were provided week long detailed training in FY2018-19.

Internal Audit Department, through its own team has conducted various types of audits viz. comprehensive branch audit of all the branches and central functions audit, concurrent audit of Accounts, centralised disbursement process of retail loans and concurrent audit of Assets and Liabilities outlets of the Bank and outsourced vendor audit. The Bank has also hired services of qualified firms for conducting concurrent audit of Treasury, centralised account opening process, Assets branches, Information Security audit, Cyber Security audit and Management audit.

In accordance with the Internal Audit Charter, the Department presents critical audit findings to the management on a monthly basis and to the Audit Committee of the Board, at a quarterly interval. It also discusses early warning signals with the management periodically and provides its recommendations for process improvement.

I. Risk Management

1. Bank's Risk Governance Structure: The wide variety of businesses undertaken by the Bank requires it to identify, measure, control, monitor and report risks effectively. The key components of the Bank's risk management rely on the risk governance architecture, comprehensive processes and internal control mechanism based on approved policies and guidelines. The Bank has put in place policies relating to management of Credit Risk, Market Risk, Operational Risk, Information Security Risk, Fraud Risk and Asset-Liability.

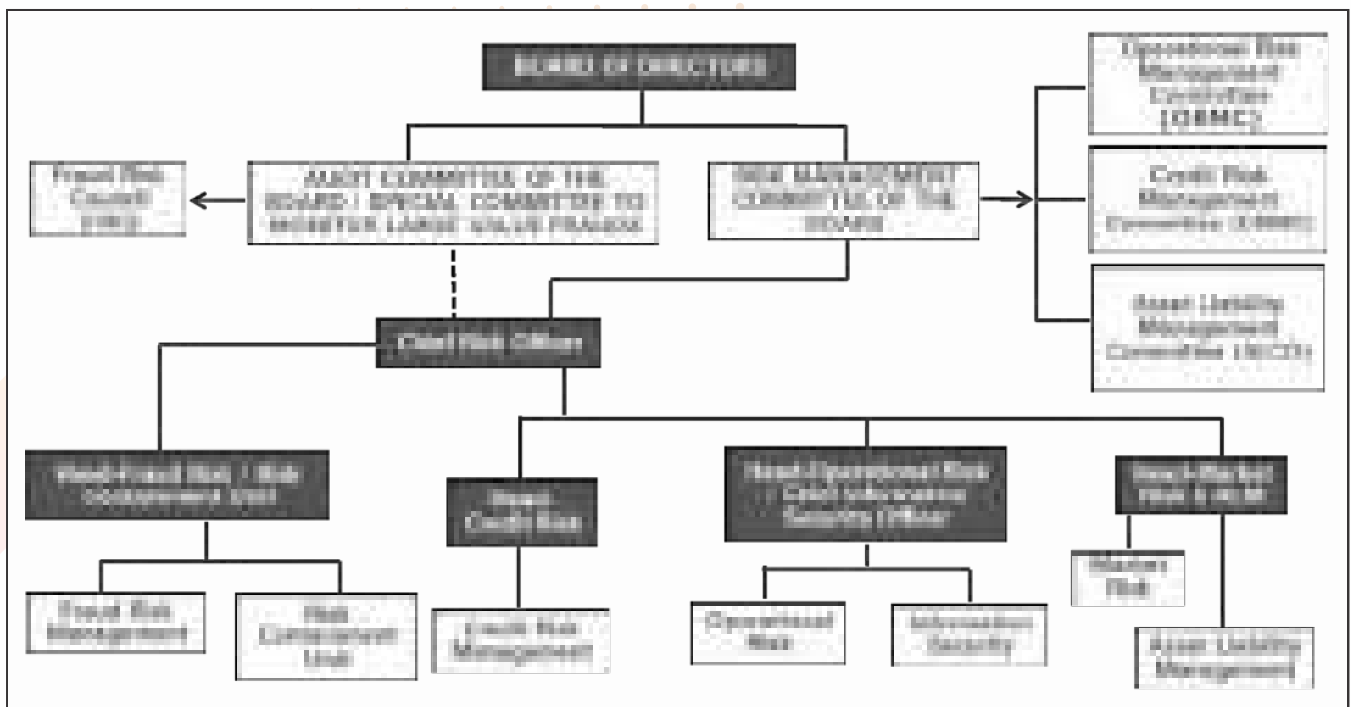
An independent Risk Governance Structure, in line with the best practices, has been put in place, in the context of segregation of duties and ensuring independence of Risk Measurement, Monitoring and Control functions.

2. 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 analyze the same to ascertain the process gaps, if any, and take steps to avoid the recurrence of these events.

Risk Management team reviews all the new products & processes, and changes to the existing products & processes, to assess risks and suggest suitable controls for risk mitigation. The Bank also has developed a framework for operational risk loss data collection wherein all the Units / Outlets of the Bank report any Operational risk event to the Operational Risk Team.

Zonal Risk Teams have been set up which ensure timely identification, effective monitoring and mitigation of the increasing risk in the branch operations. The Bank has put in place a hierarchical structure to effectively manage operational risk through the formation of several internal committees viz. Operational Risk Management Committee, Product & Process Management Committee and Outsourcing Committee.

- 3. Business Continuity:** A Board approved Business Continuity Plan is in place to ensure that the operations continue with minimum disruption. A Crisis Management Team has been constituted to take suitable decisions during business disruptions.
- 4. Information Systems Security:** A dedicated team to manage the information systems security is in place. Security Operations Centre is operating on a 24x7 basis to protect the Bank's assets. Cyber Crisis Management Plan, in line with the RBI guidelines and approved by the Board had been implemented. Further, a Computer Incident Response Team (CIRT) has also been constituted. CIRT is responsible to promptly and correctly handle a cyber-security incident, so that it can be quickly contained, investigated and recovered from.



- 5. Fraud Risk Management (FRM) & Risk Containment Unit(RCU):** The basic role of the Risk Containment Unit (RCU) is to scrutinise the applications / documents on the basis of dynamic triggers and online checks to detect and prevent fraudulent applications from entering into the system at the on-boarding stage thus making our Bank the least preferred bank for fraudsters.

Fraud Risk Management unit is responsible for external fraud investigations, internal reporting to various Committees such as Special Committee of the Board to review High Value Frauds, Audit Committee of the Board, etc., regulatory reporting through XBRL and transaction monitoring on near to real time basis.

The Bank is also working on various digital initiatives for prevention of frauds in the Assets business by implementing certain tools to check the probable frauds for identification of fake / forged documents.

6. Transaction Monitoring Tool: At present, the Bank is using the Transaction Monitoring - NPCI Fraud Risk Management (FRM) Tool for monitoring of fraudulent Debit Card based transactions on ATM channel only. The alerts for suspicious transactions are generated in near to real time basis with a predefined risk score and actions are initiated based on the risk score.

7. Credit Risk: Credit Risk is the possibility of losses due to the outright default arising from the inability or unwillingness of a customer or counterparties to meet commitments in relation to lending, trading, settlement and other financial transactions due to deterioration in credit quality of borrowers or counterparties. Credit risk emanates from a bank's dealings with an Individual, Non-Corporate, Corporate, Bank, Financial Institution or a Sovereign.

The Bank has in place various policies like Credit policy, Credit Risk Policy, NPA & re-structuring policy and various other policies, which facilitates management of credit risks in the Bank. Based on the pre-evaluation methods and sanction from respective authorities, credit approvals and follow-ups are reported in time to respective authorities.

The Bank has adopted Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing framework. The purpose of the ICAAP is to provide detailed information on the on-going assessment of the Bank's entire spectrum of risks, how the Bank intends to mitigate those risks and to put in place a well-defined internal assessment process within the Bank. It also ensures that adequate capital is held towards the material risks to which the Bank is exposed.

8. Market Risk: Market Risk is defined as risk to the Bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities of those changes. It is defined as the possibility of loss to a bank caused by changes in the market variables. Investment Committee and ALCO of the Bank oversee the investment and market risks and approve the framework for market risk and its thresholds.

A monthly comprehensive Market risk & Liquidity risk dashboard is circulated to senior management which provides all relevant information related to investment portfolio, liquidity position, depositors and borrowing.

9. Liquidity Risk: Liquidity risk arises out of maturity mismatch between its assets and liabilities. The Bank has developed a comprehensive ALM policy that incorporates RBI guidelines. ALCO is a top management committee responsible for the overall formulation of the Asset Liability Strategies and oversight of Asset-Liability Management. The Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowing, deposits, placements, etc. and same is presented to ALCO on a monthly basis. Treasury is responsible for managing day-to-day liquidity as per the liquidity risk management framework. The Bank monitors next three months' liquidity position on a daily basis and ensures that adequate liquidity is available at all times.



J. Vigilance

As in all organisations, Vigilance activities in financial institutions are an integral part of management function. The raison d'être of such activities is not to reduce but to enhance the level of managerial efficiency and effectiveness in the organisation. In Banking institutions, risk-taking forms an integral part of business. However, a distinction has to be made between a business loss which has arisen as a consequence of a bonafide commercial decision, and an extraordinary loss which may occur due to fraudulent acts of an employee. While the former may be accepted as a normal part of business, the latter has to be viewed seriously and dealt with accordingly.

Vigilance & Security Department in the Bank was established since inception of the Bank and has been carrying on multifarious tasks viz. investigation of Frauds, bribery cases and complaints including those received under the whistle-blower policy of the Bank. Besides, the Department also attends Departmental Meetings, DO meetings and all training programmes to educate staff about Preventive vigilance, Punitive Vigilance and Surveillance & Detection apart from Tele-calling to JLG customers to check / verify the loans disbursed to them to reduce / minimise the frauds in Micro Banking Outlets of the Bank.

During the year, the Department celebrated Vigilance Awareness Week from October 29, 2018 to November 03, 2018 in terms of CVC guidelines in the organization wherein employees took an Integrity Pledge in respect of Integrity, probity and honesty in their work area. Vigilance & Security team has completed a number of investigations related to frauds, cash loots, cash snatchings, serious misbehaviour of staff etc. and has undertaken branch visits, surprise visits and liaised with local administration.

K. Credit

The credit processes of the Bank revolve around the credit policy, procedures and practices of the Bank as well as RBI guidelines. The Credit Policy has been framed to provide direction to the credit activities of the Bank.

Following are certain key constituents of the credit policy;

- Organization of the Bank, products and product groups covered, and the general credit policies as practiced in the Bank;
- Activities carried out in the basic credit process including coverage of all operational activities taking place in different departments;
- Description of credit policies related to the basic credit process.

The Bank has designed an internal rating model for corporate borrowers which is primarily based on the following three broad criteria:

- Financial Risk
- Business & Industry Risk
- Promoter Risk / Management Risk

The Internal scores generated by the risk scoring model are a measure of the borrower's intrinsic strength assessment based on pre-defined criteria and are incorporated as an integral part of credit approval process.

Before the facility agreement is signed, a pre-commitment scrutiny is conducted to ensure that all the pre-commitment terms are complied with by the borrower, wherever applicable.

Before disbursement of the term loans, it is ensured that the borrower has fulfilled the pre-disbursement conditions as well as outstanding pre-commitment conditions, if any, and only then disbursement is made, taking into account various applicable factors (quantum of promoter's contribution brought in, progress of the project, status of security creation, disbursements by other lenders, etc.).

In all cases, after the disbursement, the Bank monitors proper end use of funds by the borrowers.

L. Branch Operations and Support

During the financial year, Branch operations and support team was further strengthened. Monitoring and supervision of outlets was undertaken through quarterly structured visits. Appropriate structure is laid down at Zonal level to support outlets in their day to day functioning.

The Zonal Operations team has also been involved towards redressal of customer grievances. Zonal Operations Heads have been appointed as Nodal Officers for the states which fall under their area of supervision. Head of Operations is the Principal Nodal Officer of the Bank.

During the financial year, Operations at MSME outlets was brought under the direct supervision of Branch Operations and Support team. This was implemented to ensure that Business, Operations and Credit functions work independently and minimize operational risk.

The Process team has also been working closely with Business / Product team for rolling out processes and implementing these services through Zonal Operations Heads.

Central Operations Team manages access controls for all the Bank staff for the Core Banking System (CBS), Internet Banking-Mobile Banking (IBMB), Customer Relationship Management (CRM) and Utkarsh Gyan (GIOEM).

Operations Head is the overall in-charge for Customer Grievance Redressal and has key responsibility 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.

Call Centre has a Toll Free number for customers and non-customer calls with facilities of Interactive Voice Response (IVR) based Inbound calling teams. Call Centre handles customer calls and service requests and provides instant or deferred resolutions (requests forwarded to CPC). The Call Centre liaises with the respective teams within the Bank for timely resolution.

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 also monitors the inflow / outflow of funds such as maturity collections and obligations for principal and interest / coupons through the various reports. It further reconciles various accounts and ensures timely payments / receipts and forecasting the funds flow for the future periods.

M. Central Processing Centre (CPC)

During this financial year, the Bank commenced opening of liability accounts for the Bank's Micro Banking customers. The Bank has scaled up the account processing capacity and it has quadrupled in a span of 12 months. This has been achieved by bringing in efficiencies and introducing shifts to maximize the existing infrastructure. The CPC has taken over and centralized the disbursement activities of Housing Loan (HL).

CPC is now supporting Bharat Bill Payment System (BBPS) as also overseas remittance business with the Bank's strategic tie-up under Money Transfer Service Scheme (MTSS). Volumes are gradually picking-up on these fronts.

In a major achievement, the Bank has started Automated Clearing House (ACH) services which has given a big boost to our repayment collection capabilities by slowly moving away from the lesser efficient PDC mode of collection. This mode of repayment is adopted for the Bank's MSME lending business. This achievement has made the Bank capable of using cashless mode of collection for about 80% of its MSME repayments.

The Bank is continuously scaling up CPC capacity in line with the business projections. The Bank is working towards implementing LOS & Workflow systems with the ultimate goal of bringing about transparency and efficiency in managing the asset disbursement and liability account opening processes respectively.

CPC is gearing up for the big role that is envisaged in the Corporate Internet Banking (CIB) project. The Bank plans to set up a secondary site at another geographical location. This location will act as a BCP site and also help us scale up our capacity.

N. Corporate Support Services

The Projects Department of the Bank is responsible for managing setting up of new branches, maintenance of existing branch network and providing overall support to all business lines for smooth conduct of their day to day operations. The responsibility of the Projects Department is to ensure that, in the current phase of business expansion, services are provided in a faster, efficient and cost effective manner.

During the financial year, the Projects Department successfully supported network of 436 outlets besides all administrative offices. The Projects Department is also leading the construction of a landmark building for the Bank's Head Office towards consolidating the Bank's operations, which is bound to create a lasting impression on the public.

The Bank has an ambitious target of business expansion which requires Backup support services for faster, efficient & cost effective expansion, maintenance of existing network and also provide overall support to business departments to attain sustainable growth.

The Bank centrally negotiates for the rates for vendors, procures and supplies all capital goods, equipment, stationery, etc. regularly installed at branches and offices. This results in finer negotiation of rates based on bulk procurement, annual rate contracts and helps the Bank in ensuring uniform standard, quality, rates and specifications across all branches and offices.

O. Information Technology (IT)

The Bank recognizes Information Technology (IT) to be one of the key differentiators for bringing in a better Customer Experience. The Bank has focused on developing more flexible structure that can respond quickly to the dynamics of a fast changing market.

During the financial year, the Bank focused on bringing stability to the Core Banking System (Enabling Active – Active for core Banking application and database layer) besides building new platforms like CCIL, LAMS, Control measures interface etc. and enhancing existing functionalities like FD, RD creation, Green PIN, e-statement etc. Also Robotics Process Automation (RPA) was implemented for capability enhancement and reduction in manpower costs.

The Bank has categorized Customer Centricity, Operational Efficiency and Regulatory requirements as the three major themes to drive technology initiatives. With the endeavor of embracing digital banking, the Bank is focused to build a strong technology infrastructure foundation with high availability and strong architectural foundation.

For FY2019-20, the Bank would focus on extending capabilities to enhance business and enrich User Experience to customers. Besides, the Bank will concentrate on building Single Version of Truth on its Data Store which will enable the Bank to further enhance its capabilities in Automation, Analytics and Reporting.

IT team has started new initiatives on Big-Data, Analytics and Automation for process improvement and real time decision making. This will enhance the capabilities of the Bank for better customer service and faster execution of tasks by Business and Operations.

Looking at the current threat landscape, both external and internal, the Bank is gearing to manage and control critical risks with respect to early detection of frauds to mitigate loss and prevent cascading damage. The Bank is working on building Fraud Analytics using Descriptive, Predictive, and Social Network Techniques.

IT Team plans to further enhance the capabilities on the infrastructure front and drive new initiatives. These set of applications will be hosted on Cloud Based Technology thereby enabling scalability, efficiency and cost benefit. The team has the objective to build resilience and agility to the Bank's technology.

P. Human Resources & Training

In alignment with the requirements of the organization, HR & Training initiatives of the Bank have focused on making continuous efforts to get right kind of manpower in place as well as enable them with a supportive environment. Technology based initiatives have been put in place to ensure faster resolution of most of the HR & Trainings needs. Training & Development, Employee Engagement and Retention has been a focused area for the Bank.

In FY2018-19 there has been a net addition of 1,134 employees in the Bank. Besides regular walk-ins and sourcing through career e-mail ID of the Bank, the key sources for manpower acquisition in FY2018-19 were:

- Employee Referral Program
- College and Campus Recruitments
- Placement Consultants
- Job Fairs
- Newspaper Advertisements & Job Portals

Training & Development: Capacity building of employees is at the core of Human Resource Development for the Bank. A blend of both internal as well as external training enables the employees to move up the learning curve. The training intervention is based on the Needs Based Strategy with an Effectiveness measurement mechanism.

All the new joiners in the organization are mandatorily required to undergo Induction program. The Training Needs Analysis (TNA) was conducted in FY2018-19 for various departments of the Bank. Various training programs were conducted for the employees including Refresher Trainings, Promotion Trainings, Capacity Building Certification Programs, Mandatory Certification Programs, Soft Skill Programs and Train-The-Trainers. Over 4,000 employees were trained under various programs during the year.

To enhance the knowledge level of employees and to have a continuous learning environment, a knowledge series was initiated during the year as - 'Wednesday Wisdom' wherein various knowledge capsules are shared using cartoon characters.

HR Operations:

HR Operations is one of the core elements in the HR & Training functions wherein majority of the deliverables under this vertical have become the basic cost of entry which if not delivered creates a high amount of dissatisfaction among the employees.

To ensure timely delivery of all critical HR deliverables it was planned to move to the technology enabled HR Operations services. A platform for employees in HRMS has been introduced.

HR Helpdesk - A platform which helps the employees to raise their HR related queries and get faster resolution. The HR Helpdesk has enabled the department to improve the response rate.

Performance Management System (PMS) on HRMS has been made "live" and all related activities including goal setting, half yearly appraisals, annual appraisals, normalization etc. has been successfully completed using the online platform.

HR Action Matrix -

Developing a fair system of disciplinary action is one of the important objectives of Corporate Governance. In this context, during FY 2018-19, the Bank adopted a disciplinary action matrix to facilitate identification and act as a deterrent in incidents of violation of laid down guidelines.

HR action matrix has been implemented and Staff Action Committee has been formed to ensure good corporate governance in the Bank. This matrix is intended to provide the officials at different levels of escalation with a general idea of the range of penal actions that can be taken as part of the disciplinary action process of the Bank for varying degrees of misconduct. The matrix also provides general guidance to supervisors and managers.

Adherence to the HR Action Matrix is aimed at limiting the discretion and subjectivity of decision-making officials in their role as members of any disciplinary action body. This will ensure uniformity, consistency and rationalisation of extreme punitive action proposed by various decision-making officials based on their subjective analysis of the acts of employee indiscipline under consideration.

Employee Engagement: Employee Engagement is the emotional connect that an employee feels toward his or her organization, which tends to influence his or her behavior and effort in work related activities. It has been found that disengaged employees tend to either leave the organisation or have very low productivity. Employee engagement always takes any organization one step ahead to exhibit sensitivity to its employees.

To engage the employees and encourage emotional connect, the Bank has initiated many activities in the recent past and proposes new initiatives to strengthen the Employee Engagement activities such as mapping of HR employees to branches, Buddy-Mitra Program, Rewards & Recognition, Employee satisfaction Survey etc.

Employee Grievance Redressal Mechanism: Grievance Redressal policy is the procedure provided by the employer to employees to address their workplace related grievances. Employees can lodge complaints as per the prescribed procedure and solution is provided to this by competent authority as per the policy so that a healthy working environment is maintained.

Currently, the following platforms are available for addressing the employee grievance:

- Grievance Redressal Cell
- Whistle Blower Policy
- Internal Complaints Committee (ICC) (For handling Sexual Harassment Cases)

To expedite the process of Grievance Redressal, Zonal Level Grievance Committees are being formed to handle cases at Zonal level. A Grievance Committee at the HO level is also being formed to monitor and handle the cases at central level.

Implementation of Recommendations of International Finance Corporation (IFC) under study titled "Employer of Choice for women": A study titled "Employer of Choice for women" was conducted by an HR expert from IFC for the Bank. A comprehensive study was done by the team comprising of Leadership interviews and Focus Group Discussion (FGD) analysis, Employee Survey and Employee data analysis. Based on the study, a workshop for senior management was conducted by the IFC team.

Concentrated efforts are being made to increase the representation of women in the Bank's workforce. Few of the planned initiatives are - Targeting women who went on a life stage break a few years back through focused campaigns in women networks, Utkarsh alumni, design programs like Second Career Women to help them reintegrate with the workforce seamlessly, invest in specialized development programs targeted towards women and many others.

Q. Branding & Marketing

Branding and Marketing activities today are not limited to certain industries only, it has become the need of the hour for all sectors. Marketing is essential for any business. Since the Banking sector is moving towards a customer-centric approach, Marketing is equally important here also.

The Bank started its Branding and Marketing activities in January 2017, since the commencement of its Banking operations. The First Year was more concentrated on creating basic framework for Branding and Marketing Activities for coming years. The major strategies were focused on establishing Brand identity and creating Brand awareness through different means, both online and offline.

During FY2018-19, the Bank concentrated more on expanding the outreach of its brand through various online and offline mediums. While Above The Line (ATL) initiatives were used in a limited scope related to Branch Launch and some Blast campaigns on Radio regarding products and their features, Major emphasis was on Below The Line (BTL) Activations. A lot of activities have been done at different locations to create awareness about the Brand in different Target groups. These activities have provided a major boost to Brand awareness and recall. Also, OOH (Out of Home) advertising was limited to strategic locations that included some Railway Stations, Airport and Kumbh Mela Branding.

This year the Bank has achieved new milestones in Digital space. Apart from the New Website Launch, the number of followers in Facebook crossed one lakh and a lot of digital campaigns were executed successfully for better and economical reach through Social Media.

R. CSR

The Bank has contributed ₹40.50 lakh towards CSR to Utkarsh Welfare Foundation (UWF). For FY2018-19, thematic areas of intervention under CSR remained financial literacy, primary education (village development programme), skill and vocational trainings. Through goodwill initiatives, the employees of USFBL directly engage on a voluntary basis. The various campaigns focus more on audio visual aids to convey the key messages of the subject matter, viz., Financial Literacy, Government schemes rights and entitlements, etc.

The Bank not only serves as a microfinance solution provider, but also empowers the socio-economic progress of its consumers. From the previous financial year there has been a shift in the CSR intervention approach from outreach to outcomes. Apart from financial literacy, more intensive and impact based programmes under skill and vocational training for micro entrepreneurs were supported.

Our approach to village adoption is reflexive, and socially relevant with an emphasis on moving from ideation to action. UWF has adopted a sector specific intervention. This includes selection and identification of villages which are in need of interventions to enhance their standard of living and then identifying the needs of villages through participatory gap assessment. Village development program envisages integrated and holistic development of identified villages in consultation with village community coupled with convergence of various development interventions.

DIRECTORS' REPORT

Dear Members,

Your Directors take great pleasure in presenting the Third Annual Report of your Bank, together with the Audited Financial Statements of the Bank for the financial year ended March 31, 2019.

Your Bank had a successful year in terms of building long-term stable & profitable business and achieving financial outcomes with a net profit of ₹93.9 crore in the Financial Year 2018-19 (FY 2018-19) as against loss of ₹63.0 crore in previous Financial Year 2017-18 (FY 2017-18). The loss in previous financial year was on account of write-offs carried out by the Bank in its Microfinance business due to challenges faced in collections post demonetization. In the FY2018-19, the Microfinance business has performed exceedingly well, both in terms of growth of the business as well as on collection efficiency.

Your Bank has built good momentum in growing strong liability franchise with Retail & CASA (Current Accounts-Savings Accounts) ratio at 30.8% as against 12.9% in FY2017-18. Your Bank, while continuing to ride on success of its Micro Banking (MB) business, has built significant traction in Retail Segment comprising of Micro, Small and Medium Enterprises (MSME) Loans and Housing Loans (HL). Further, digitization remains key focus to further grow Deposits and Retail Franchise.

The Bank has witnessed improvement in majority of its key financial parameters, increased digitization, social commitment activities and maintained strong capital adequacy in the FY2018-19.

Financial Performance

The comparative financial performance for FY2018-19 with that of FY2017-18 along with changes during the year are summarized in the following table:

(Amount in ₹ Crores)

Particulars	As on March 31, 2019	As on March 31, 2018	Change in %
Deposits	3,791.4	2,193.9	72.8%
Investments	862.2	661.3	30.4%
Advances (Net)	4665.7	3101.7	-
Net Worth	772.8	411.9	87.6%
Net Interest Income	497.4	267.4	85.4%
Other Income	59.8	43.7	34.8%
Net Total Income	557.2	311.1	76.8%
Operating Expenses	326.7	235.5	42.7%
Provisions and Contingencies	136.6	138.6	(58.8)%
Profit Before Tax	148.8	(94.8)	257.0%
Tax	54.9	(31.8)	(272.3)%
Net Profit	93.9	(63.0)	249.2%
Gross NPA Ratio	1.39%	1.85%	(24.9)%
Net NPA Ratio	0.12%	1.09%	(89.0)%
Capital Adequacy Ratio	24.14	17.40%	37.4%
Business Per Employee	1.4	0.77	81.8%
Business Per Branch	19.6	8.86	121.2%

(Amount in ₹ Crores)

Particulars	As on March 31, 2019	As on March 31, 2018	Change in %
Appropriations			
Transfer to Statutory Reserve	23.47	-	-
Transfer to Capital Reserve	-	-	-
Transfer to Revenue And Other Reserves	-	-	-
Transfer to Investment Reserve	1.3	-	-
Dividend for the year, Including Tax Thereon	-	-	-
No. of Branches			
General Banking Branches	61	53	11.5%
Micro Banking Branches	375	111	237.8%
Microfinance Outlet	0*	241	-
Assets Branches	46	35	11
No. of Employees	6,382	5,142	24.1%
No. of Clients	Over 20 lakh	Over 15 Lakh	33.3%

*All Microfinance business locations were converted into Micro Banking Outlets by July 31, 2018.

Business Update and State of Bank's Affairs

The details on state of affairs of the Bank and the business update are separately provided in Management Discussion and Analysis Report which forms an integral part of this Report. However, summary performance of the Bank is covered hereunder-

Liabilities Business

The Liabilities Business of your Bank which is served through the Branch network and other delivery channels is a key focus area. The Bank has built a stable and diversified deposits portfolio during the financial year under review. The aggregate deposit of the Bank at the end of the year stood at ₹3,791.39 crore which represents a growth of 72.82% over previous financial year. The deposits have been mobilized through 61 general banking branches. The share of CASA & Retail Term Deposit (RTD) stood at 3.8% of Total Deposit. This has helped the Bank to retire some high cost debt during the year, thus further bringing down the overall cost of funds of the Bank. With greater thrust on growing retail franchise, the deposits mix during FY2019-20 will continue to move in favour of retail deposits. The Bank expects branches to continue playing a crucial role in deposit mobilisation, customer acquisition and providing localised services. Hence, it would continue to make adequate investments in the branch network.

Assets Business

Presently, the Assets Products of the Bank include portfolio under Micro Banking (Joint Liability Group) Loans; MSME Loans, Housing Loans and Wholesale Banking Loans (including through Business Correspondent Model). The businesses have recorded sustainable growth during the year with the support of business processes.

Micro Banking

Micro Banking (Joint Liability Group) continues to be the core business of the Bank and is an enabler to achieve the Bank's goal of Financial Inclusion. The Bank, keeping aside the challenges faced in last couple of years, has constructively built its Micro Banking business in the FY2018-19 and recorded growth of 53.4% over previous financial year. Total Micro Banking portfolio stood at ₹4,138.70 crore as on March 31, 2019 with total base of over 2 million active clients. This includes 60.98 crore portfolio raised through Business Correspondent model. The Micro Banking business is spread across 120 Districts covering 10 States.

Micro Small & Medium Enterprises (MSME) and Housing Loans (HL)

The Micro, Small & Medium Enterprises (MSME) Loan business has started finding momentum. During FY2018-19, certain structural and product changes were carried out. The in-house collection vertical was set up which has supported in improving collection efficiency. The MSME business is now operative in 10 States through 46 Branches. The MSME portfolio grew by 56% over previous financial year and stood at ₹164.93 crore as on March 31, 2019 with base of 10,868 Active Clients.

Housing Loan business continued its focus on the affordable housing segment. Housing Loan portfolio grew at more than 150% over previous financial year and stood at 38.20 crore as on March 31, 2019 with base of 554 Active Clients.

Wholesale Banking Business

The Wholesale Banking business was launched by the Bank in the FY2017-18. Wholesale Lending (WSL) caters to customer requirement of more than ₹1 crore across India.

The Wholesale Banking Business vertical portfolio stood at ₹333.5 crore as of March 31, 2019 comprising of ₹292.5 crore of Wholesale Lending with a base of 24 Active Clients.

The Wholesale Banking Business portfolio includes an exposure of ₹40 crore towards Infrastructure Leasing Financial Services Ltd. (ILFS). Your Bank has made full provision of ₹40 crore during the FY2018-19 on conservative basis.

Business Correspondent

Business Correspondent (BC) Model was launched in FY2018-19 with primary focus on reaching out in geographies where the Bank does not have its presence. Business Correspondents support acquisition and servicing of customers as an extended arm of the Bank by following all the policies and procedures laid out as per the governance structure of the Bank. These Business Correspondents are experienced and well established in the market place. During the FY2018-19, the Bank has partnered with 3 Business Correspondents in the states of Chhattisgarh, Haryana & West Bengal.

A. Financial Disclosures

Capital Raising and Capital Adequacy Ratio

The Bank is well capitalized with a healthy Capital Adequacy Ratio of 24.1% as on March 31, 2019. The Bank is required to maintain Capital Adequacy Ratio of 15% as per the Regulations applicable to the Small Finance Banks (SFB) and is adequately capitalized.

During the year, the Bank infused capital to an extent of ₹267 crore in June 2018 by converting Compulsorily Convertible Debentures held by the Holding Company to equity capital of the Bank.

The Bank does not have an Employee Stock Option Plan (ESOP) Scheme and hence no capital infusion happened through the ESOP route during the FY2018-19.

The Tier II Capital (which includes all Non-Convertible Debenture) as on March 31, 2019 stood at ₹200 crore.

Ratings

Instruments	Ratings	Rating Agency	Rating Description
Certificate of Deposit	ICRA A1+*	ICRA	Considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk
NCD	CARE A	CARE	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.
Tier II	CARE A	CARE	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.
Tier II	ICRA A	ICRA	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. The outlook of the long term rating is stable.
Bank Loan Rating	CARE A	CARE	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

*Upgraded from ICRA A1 to ICRA A1+ on April 05, 2019.

Dividend

With a view to conserve the profits as well as to support the Bank's future growth by investing in the business of the Bank, your Directors do not recommend any dividend for FY2018-19.

Transfer to Reserves

As required under RBI regulations, the Bank has transferred the following amount to various reserves during Financial Year ended March 31, 2019:

Amount transferred to	(Amount in ₹ Crores)
Statutory Reserve	23.5
Investment Fluctuation Reserve	1.3

Net Worth

The Bank's net worth, as on March 31, 2019 stood at ₹772.8 crore. It comprises paid-up equity capital of ₹737.0 crore and Reserves of ₹35.8 crore (excluding Revaluation Reserve & Intangible assets).

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 and merit-based organization and ensures fairness, transparency and responsiveness in all transactions. The Bank has Corporate Governance framework that lays out various requirements of Corporate Governance as set out under various regulations and best practices.

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 Administration, Audit, Banking, Compliance, Finance, Human Resource, Risk, Strategy, Technology and other related fields. Their experience and professional credentials have helped the Bank to gain insights for strategy formulation, monitoring Control framework and direction setting for the Bank, thus adding value to set a strong foundation enabling the overall growth objectives of the Bank.

As on March 31, 2019, the Board comprises of Seven (7) Directors consisting of Four (4) Independent Directors, Two (2) Nominee Directors and One (1) 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 Companies Act, 2013.

In terms of Section 152 of the CA, 2013, Ms. Anita Ramachandran shall retire at the ensuing Annual General Meeting (AGM) and being eligible, offer herself for re-appointment.

Further, the Board at its meeting held on May 25, 2019 had appointed Mr. PH Ravi Kumar as an Additional Director of the Bank to hold office up to the date of the ensuing Annual General Meeting of the Bank. The appointment of Mr. PH Ravi Kumar as an Independent Director is also proposed at the ensuing AGM of the Bank.

Mr. PH Ravikumar holds Bachelor's Degree in Commerce, Certified Associate of London Institute of Bankers, Certified Associate of Indian Institute of Bankers, Fellow of Securities Investments Institute, London ((honorary) and Senior Diploma in French. He is also a member of the Board of Directors of Chartered Institute of Securities and Investments (CISI) U.K. (the first non-European to be a Director on this Board).

Mr. PH Ravikumar is a seasoned Banker having 47 years of Financial Sector Professional experience with exposure at Top / Senior Management Levels which included 33 years of Banking experience at Bank of India (22 years) and ICICI Bank, (11 years) and has been the founding MD & CEO of NCDEX Ltd, the premier futures commodity exchange of India with focus on agro commodities.

SIDBI vide its letter no- SFB/Ref. No/ 01022/UTKSFB/ND dated May 08, 2018, has changed its nominee director on the Bank's Board and appointed Mr. Prakash Kumar in the place of Mr. Arup Kumar.

Mr. Prakash Kumar is the Chief General Manager at SIDBI. He had been the in-charge of the SIDBI Foundation for Microcredit (SFMC) as also led the prestigious Poorest State Inclusive Growth (PSIG) Project being implemented by SIDBI with support from DFID, UK. He has more than 24 years of experience in SIDBI, in areas such as Microfinance, SME Financing, NPA Management, Business Process Re-engineering etc. Prior to joining SIDBI, he worked for two years at Biotech Consortium India Limited, a company promoted by DBT, GOI and All India Financial Institutions. He has attended several training programmes / Conferences / Seminars both in India & abroad concerning MSME financing & development related areas. He is a graduate in Chemical Engineering from IIT Delhi and postgraduate in Financial Management from the NMIMS, Mumbai.

Mr. Somnath Sengupta, Independent Director resigned on May 25, 2019 due to his personal commitments. The Board places on records its appreciation for his outstanding contributions to the Board during his stint. The Bank has gained meaningfully from his expertise and strategic inputs.

Committees of the Board of Directors

For effective decision making, the Board acts through various Committees which oversee specific operational or strategic matters falling within the ambit of the specific terms of reference of that Committee. The Board has constituted 11 Committees. All the Board Committees have specific charter and these Committees monitor activities falling within their terms of reference. More details on these Board Committees are separately provided in the Annual Report.

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

Board Evaluation and Remuneration Policy

A meeting of Independent Directors of the Bank was held during the year. Independent Directors 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. The Bank has a Policy on Risk Alignment of Compensation for the MD, Whole time Directors (if any) and employees in control functions and remuneration to these employees are carried out in line with the policy.

B. 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 Companies Act, 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. Further, the Annual Return of the Bank in the prescribed Form MGT-7 is available on the website of the Bank i.e. www.utkarsh.bank.

Conservation of Energy and Technology Absorption

The particulars to be disclosed under Section 134(3)(m) of the Companies Act, 2013, relating to conservation of energy and technology absorption 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 no foreign exchange earnings during the financial year under review. However, during the financial year, the total foreign exchange outgo was ₹117,228,801 which includes interest payment of ₹37,928,801 and principal repayment of ₹79,300,000 External Commercial Borrowings.

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:

Sl.	Name of Director / KMP	Designation	Date of Appointment	Date of Cessation
1	Mr. Govind Singh*	MD & CEO	30.04.2016	24.05.2018
2	Mr. Anang Kumar Shandilya@	Company Secretary	01.10.2016	04.04.2019
3	Mr. Govind Singh*	Nominee Director	31.05.2018	20.09.2018
4	Mr. Mukund Barsagade#	Chief Financial Officer	11.06.2018	-
5	Mr. Govind Singh*	MD & CEO	21.09.2018	-

* In line with RBI directions, Mr. Govind Singh had stepped down from the post of MD & CEO on May 24, 2018 and was reappointed as MD & CEO w.e.f. September 21, 2018 after due approval from the Board and RBI. He was appointed as Holding Company's Nominee on the Board of the Bank from May 31, 2018 till September 20, 2019.

@ Mr. Anang Shandilya ceased to be the Company Secretary with effect from close of working hours on April 04, 2019.

Mr. Mukund Barsagade was appointed as Chief Financial Officer in the Board meeting held on May 8, 2018 and this appointment was effective from June 11, 2018.

Whistle Blower Policy (Vigil Mechanism)

The Bank, as a part of prudent practice, established Vigilance Department to develop and execute 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 and conducts investigation arising out of fraud and whistle blower complaints in a transparent and fair manner.

Pursuant to provisions of Section 177(9) of the Companies Act, 2013 and RBI Guidelines and other applicable laws, the Bank has established the Vigil Mechanism, as part of the Whistle Blower Policy, for the Directors and Employees to report concerns about unethical behavior, 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 Whistle Blower policy, thus enabling the staff to escalate any perceived dis-integrity and corruption issues. 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. None of the staff 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. The website of the Bank also has the email and contact details of the Chairman of ACB that would enable complainants to reach out with complaints if any.

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

M/s. BSR and Associates LLP has been the Statutory Auditors of the Bank for a period of last three years and they hold office till the conclusion of ensuing Annual General Meeting (3rd AGM).

Being eligible for re-appointment, the Board has upon recommendation of Audit Committee, proposed the re-appointment of M/s. BSR and Associates LLP for a period of one year as Statutory Auditors from the conclusion of the forthcoming AGM till the conclusion of 4th AGM of the Bank, subject to approval of RBI.

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

The Bank has filed necessary application with RBI for seeking their approval on the aforesaid reappointment.

Employees Stock Option Plan (ESOP)

Your Bank does not have an ESOP Policy / Plan and during the financial year under review therefore the Bank has not issued any employee stock options to any of its employees. However, the Holding Company of the Bank, Utkarsh Coreinvest Limited (erstwhile Utkarsh Micro Finance Limited) has offered Stock Options to certain employees of the Bank, being integral part of the group, and in line with the approved ESOP policy of the Holding Company. While the Holding Company approved the overall options, Employee level allocation of options was based on the performance of the respective employees, and was duly approved by the Nomination and Remuneration Committee of the Board of the Bank.

Deposits

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

Awards & Recognition

Your Bank continues to be awarded and recognized across the industry. The Bank won the "Excellence Award" 2019 in 7th MiNE (Microfinance & NBFC Exhibition Cum Conference) India Summit, 2019. Further, the Bank won the Microfinance Institutions Network (MFIN) Awards, 2018 in the category of "Effective Grievance Redressal Systems".

Particulars of Employees

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of subsection 12 of Section 197 of CA 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are given below:

- (i) the ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the financial year;

Name of Director	Designation	Ratio
Dr. V. S. Sampath	Chairperson	4:1
Mr. Govind Singh	MD & CEO	53:1

* Apart from sitting fees, the Bank is not paying any remuneration to any Non-Executive Directors. Chairman is entitled for a remuneration, as approved by RBI.

- (ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

Name of Director	Designation	Ratio
Dr. V. S. Sampath	Chairperson	0
Mr. Govind Singh	MD & CEO	10
Mr. Mukund Barsagade	Chief Financial Officer	NA
Mr. Anang Shandilya	Company Secretary	16.34

* Apart from sitting fees, the Bank is not paying any remuneration to any Non-Executive Directors. Chairman is entitled for a remuneration, as approved by RBI.

- (iii) the percentage increase in the median remuneration of employees in the financial year;

The percentage increase in the median remuneration of employees in the financial year was 4.5%.

- (iv) the number of permanent employees on the rolls of the Bank;

The number of permanent employees on the rolls of the Bank, as on March 31, 2019 as 6,282.

- (v) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;

Average increase in remuneration is 10.27% for employees other than managerial personnel and 10.66% for managerial personnel (Executive Directors including Managing Director & CEO, Chief Financial Officer and Company Secretary).

- (vi) the key parameters for any variable component of remuneration availed by the directors - refer the details of remuneration policy furnished hereunder.

The statement containing particulars of employees as required under Section 197(12) of CA 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. In terms of Section 136 of CA 2013, the Annual Reports are being sent to the members, excluding the information as required under Rule 5(2) as mentioned aforesaid and the same is open for inspection at the Registered Office of the Bank. A copy of this statement may be obtained by the members by writing to the Company Secretary of the Bank.

Remuneration Policy

Remuneration Policy for Directors

In terms of the provisions of CA 2013 and Listing Regulations, the Board has, on recommendation of the Nominations Remuneration Committee ("NRC"), framed a compensation policy for remuneration of Directors.

Remuneration of Executive Directors

The Board considers the recommendations of NRC and approves the remuneration of Managing Directors & CEO, with or without modifications, subject to members and regulatory approvals.

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

Remuneration of Chairperson

The NRC recommends the remuneration of the Chairperson to the Board which is considered and approved by the Board in the same manner subject to members and regulatory approvals.

The remuneration payable to the Chairperson is subject to prior approval of the RBI. Therefore, the remuneration or any revision in remuneration of the Chairperson is payable only after receipt of the approval from RBI.

Remuneration of Non-Executive Directors (NEDs)

The NEDs are paid sitting fees for attending each meeting of the Board of Directors or any Committee thereof. The NEDs are also entitled to reimbursement of expenses for participation in the meeting of the Board and Committee thereof.

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

Pursuant to the aforesaid RBI Circular, the maximum amount that can be paid as Commission was capped at 10.00 Lakh per director per annum. Also, section 197 of CA 2013 permits payment of profit based commission to the Directors who are neither Managing Directors nor Whole-time Directors not exceeding One per cent (1%) of the net profits of the Bank, if there is a Managing or Whole-time Director or Manager or three per cent (3%) of the net profits in any other case.

During FY2018-19, the Bank has not paid any commission on profit to any NED.

The Bank does not grant any Stock Options to NEDs.

Other Statutory Disclosures:

- The Bank has not changed its nature of business during FY2018-19;
- Pursuant to Section 186(11) of the Companies Act, 2013 loans made, guarantees given or securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from disclosure in the Annual Report;
- All related party transactions that were entered into during FY2018-19 were on an arm's length basis and were in the ordinary course of business and accordingly, AOC 2 is not applicable to the Bank. There are no materially significant related party transactions made by the Bank with Directors, Key Managerial 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 FY2018-19, 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;
- The Bank is the subsidiary company of Utkarsh Coreinvest Limited (erstwhile Utkarsh Micro Finance Limited);
- There are no adverse observations / qualifications in the Statutory Auditors' Report.
- All recommendations of the Audit Committee were approved by the Board;
- Proper internal financial controls are in place, and that the financial controls have been adequate and operating effectively;
- There are no material changes and commitments, affecting the financial position of the Bank that have occurred between the end of the financial year of the Bank i.e. FY2018-19 and the date of the Directors' report.

B. Other Disclosures

Code of Conduct

Transparency and highest standards of corporate governance for a financial institution is one of the prerequisites for establishing a Compliance Oriented Bank. 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 is applicable to all Directors and employees. All the Directors and Employees conduct duties according to the aforesaid Code. 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 & Security

Your Bank has a Vigilance & Security Department for carrying out investigation of Frauds, bribery cases, complaints including complaints received under whistle-blower policy of the Bank.

During FY2018-19, Vigilance & Security team have completed 412 investigations related to frauds, cash loots, cash snatchings, serious misbehaviour of staff, Branch visits, surprise visit and liaison with local administration.

Vigilance & Security Department is making all out efforts to reduce fraud, forgery, burglary, incident in the bank with the help of new ideas, technology, previous experiences and with appropriate tools.

Corporate Social Responsibility (CSR)

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

The Bank has a duly constituted CSR Committee of the Board consisting of majority of Independent Directors.

The Bank has carried out CSR spend of ₹40.50 Lakh during the financial year under review. The contributions were made to Utkarsh Welfare Foundation, Section 8 Company, specially formed by the Holding Company to carry out CSR activities.

The CSR spend was carried out in the field of Financial Literacy, Skill Vocational Training and other philanthropic initiatives (supported special homes). The Bank's CSR Spend are carried out in line the Board approved policy, with the approval of the Corporate Social Responsibility Committee of the Bank.

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

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 centralized AML team. Further, a dedicated team carries out the transaction monitoring process in line with the regulatory requirements. Bank's employees are being imparted training on KYC / AML aspects on a regular basis. Executives of the Bank also attend periodic workshops / seminars organized by FIU, RBI, IBA and NIBM (National Institute of Bank Management) to enhance their awareness in these aspects. Recent changes in the PMLA guidelines notified in June 2017 have been followed and embedded in the customer acquisition processes of the Bank.

Prevention of Sexual Harassment

Your Bank is committed to create a safe environment where all employees are treated with respect and dignity. The Bank takes a strong stand and has a zero tolerance policy on the issue of sexual harassment in the workplace. The Bank follows all the guidelines prescribed under the **Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013** and seeks to protect women from sexual harassment at the place of work. The POSH Policy is implemented for all employees and other stakeholders/ partners and any complaint of sexual harassment made against any individual working on the Bank's premises, including third-party vendors, is investigated in line with this policy.

The Internal Complaint Committee (ICC) is constituted and all the complaints of sexual harassment are dealt by them with the laid down processes and guidelines. Any form of sexual harassment is strictly prohibited at the Bank and all individuals are responsible to ensure a workplace free of harassment.

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

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

Human Resources

The Bank has formulated a sound HR policy and adopted HR strategy to effectively align with business requirements and various HR activities pertaining to recruitment, deployment, training, talent retention and motivational strategies are directed to seamlessly support 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 endeavors to provide a better work life balance through various employee welfare activities. Total head count of the Bank as on March 31, 2019 stood at 6,282 which consists of 627 female employees and 5,655 male employees.

Technology

In a Competitive market, technology has become key differentiator, 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 from Microfinance to a Bank, the Bank have been able to implement technological up gradation enabling our customers, employees and other stakeholders, to have a hassle free way of technologically advanced working. The Bank's Technology strategy is based on reaching out to the unchartered territory and underserved populace with relevant technology that would bring about a change in the carrying out financial transaction and also expand the financial inclusion footprint.

Secretarial Auditors

Pursuant to the section 204 of Companies Act, 2013 and relevant provisions of the Companies (Appointment and remuneration of Managerial Personnel) Rules 2014, the Bank has appointed M/s Pranav Kumar & Associates as the Secretarial Auditors for the FY 18-19. The Secretarial Auditors have carried out an audit and the audit report along with their observations are provided as Annexure – A to the report. The Bank is taking necessary steps/actions on the observations mentioned in the aforesaid report.

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 are of the view 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 tech-enabled products and services aligned with the needs of the prospective clients of the area.

Directors' Responsibility Statement

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

- in the preparation of the annual accounts for financial year ended March 31, 2019, the applicable accounting standards have been followed, and there is no material departure from the same;
- the Directors have opted 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;
- 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;
- the Directors have prepared the annual accounts for the financial year ended March 31, 2019 on a going concern basis;
- The directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and operating effectively;
- The directors had devised proper systems to ensure compliance with the provisions of all applicable laws, and that such systems were adequate and operating effectively.

Acknowledgment

Your Directors place on record their sincere appreciation to the Central and State Governments, Reserve Bank of India, Ministry of Corporate Affairs, SEBI, and all other Regulatory Authorities for the continuous support and guidance provided to the bank.

Your Board of Directors would also like to place on record, sincere gratitude towards customers for posing their continuous faith on the Bank.

The Directors would also like to thank the investors and shareholders of the Bank for their assistance and co-operation extended.

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

The directors would like to thank and appreciate all the employees of the Bank for their continuous support and contribution to the growth of the Bank.

For and on behalf of the Board of Directors

Place : Mumbai
Date : May 25, 2019

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

**Sd/-
Govind Singh**
Managing Director & CEO
DIN : 02470880

ANNEXURE 'A'

Attendance of the Board of Directors

Details of attendance of the Directors at Board Meetings, Committee Meetings and Annual General Meeting held during FY18-19 along with the number of other Directorships and Committee membership(s)/ chairmanship(s) held by them, is given below:

Sl.	Name of Director	DIN	Category	B O D	A C	N R C	S R C	R M C	C S R C	I T C	R C I O W D	C S C	S C M L V F	S C L A	C A C	A G M	No of Directorship	
																	Public	Pvt.
Number of meetings held during FY 2018-19				15	8	4	2	4	4	5	0	2	1	3	4	1		
1	Dr. V. S. Sampath	07594524	Chairman/ Independent Director	15	-	4	-	4	4	-	-	-	1	-	-	0	1	1
2	Ms. Anita Ramachandarn	00118188	Nominee Director	9	6	3	2	-	-	-	-	-	0	-	-	0	14	0
3	Mr. Arup Kumar	07682113	Nominee Director	4	-	-	1	-	-	0	-	0	-	-	1	0	2	0
4	Mr. Kajal Ghose	07702190	Independent Director	15	-	2	-	-	-	5	0	2	1	3	4	0	1	0
5	Mr. Somnath Sengupta	02150691	Independent Director	14	8	4	2	3	-	-	-	1	1	-	2	0	1	1
6	Mr. Tantra Narayan Thakur	00024322	Independent Director	15	8	-	-	-	4	5	0	-	1	3	-	1	6	5
7	Mr. Govind Singh	02470880	MD & CEO	13	-	-	2	4	4	5	0	2	-	3	4	1	1	0

Board Meetings

The Board of Directors of the Bank met fifteen times during FY2018-19. The maximum gap between any 2 Board meetings was not more than one hundred and twenty days at any point of time. Details of the Meetings conducted are as under:

Members	Category	Date of Meeting	No. of Meetings
Dr. V.S. Sampath	Chairperson	May 8, 2018	15
Ms. Anita Ramachandran	Nominee Director	May 24, 2018	
Mr. Arup Kumar	Nominee Director	May 31, 2018	
Mr. Kajal Ghose	Independent Director	June 30, 2018	
Mr. Somnath Sengupta	Independent Director	July 21, 2018	
Mr. Tantra Narayan Thakur	Independent Director	August 10, 2018	
Mr. Govind Singh	Managing Director & CEO	August 11, 2018	
		September 4, 2018	
		September 14, 2018	
		September 24, 2018	
		October 20, 2018	
		November 13, 2018	
		December 13, 2018	
		February 16, 2019	
		March 14, 2019	

Committee of Board of Directors

The Board functions either as a full Board or through various Committees which oversee specific operational or strategic matters.

The Board has constituted various such Committees of Directors to monitor the activities falling within their terms of reference. Composition, date of meetings and name of members of these Committees as on March 31, 2019 are given below:

Sl.	Name of The Committee	Members	No. of Meetings Held During the FY2018-19	Date of Meetings
1	Audit Committee	Mr. Tantra Narayan Thakur (Chairperson) Ms. Anita Ramachandran Mr. Somnath Sengupta	8	May 8, 2018 July 21, 2018 August 10, 2018 October 20, 2018 November 12, 2018 December 12, 2018 February 16, 2018 March 14, 2018
2	Nomination & Remuneration Committee	Mr. Kajal Ghose (Chairperson) Dr. V. S. Sampath Ms. Anita Ramachandran Mr. Somnath Sengupta	5	May 31, 2018 June 30, 2018 August 10, 2018 December 13, 2018 February 15, 2019
3	Stakeholders' Relationship Committee	Mr. Somnath Sengupta (Chairperson) Ms. Anita Ramachandran Mr. Arup Kumar Mr. Govind Singh	2	June 13, 2018 July 11, 2018
4	Risk Management Committee	Dr. V. S. Sampath (Chairperson) Mr. Somnath Sengupta Mr. Govind Singh	4	May 7, 2018 July 20, 2018 November 12, 2018 February 15, 2019
5	Corporate Social Responsibility Committee	Dr. V. S. Sampath (Chairperson) Mr. Tantra Narayan Thakur Mr. Govind Singh	4	May 7, 2018 July 20, 2018 November 13, 2018 February 15, 2019
6	IT Strategy Committee	Mr. Kajal Ghose (Chairperson) Mr. Arup Kumar Mr. Tantra Narayan Thakur Mr. Govind Singh	5	May 7, 2018 July 13, 2018 November 12, 2018 December 10, 2018 February 15, 2019
7	Review Committee for Identification of Willful Defaulters	Mr. Govind Singh (Chairperson) Mr. Kajal Ghose Mr. Tantra Narayan Thakur	Committee meetings are need based. No meeting held during the FY2018-19	-
8	Customer Service Committee	Mr. Somnath Sengupta (Chairperson) Mr. Kajal Ghose Mr. Govind Singh	4	May 7, 2018 November 13, 2018

Sl.	Name of The Committee	Members	No. of Meetings Held During the FY2018-19	Date of Meetings
9	Special Committee to Monitor Large Value Fraud	Mr. Govind Singh (Chairperson) Dr. V. S. Sampath Ms. Anita Ramachandran Mr. Somnath Sengupta Mr. Tantra Narayan Thakur	1	July 20, 2018
10	Credit Approval Committee	Mr. Kajal Ghose (Chairperson) Mr. Somnath Sengupta Mr. Arup Kumar Mr. Govind Singh	4	June 30, 2018 January 29, 2019 March 14, 2019 March 27, 2019
11	Special Committee For Land Acquisition	Mr. Tantra Narayan Thakur (Chairperson) Mr. Kajal Ghose Mr. Govind Singh	3	July 27, 2018 August 24, 2018 December 10, 2018

ANNEXURE 'B'

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
(as on the financial year ended on March 31, 2019)

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

Registration and other Details

- CIN:- U65992UP2016PLC082804
- Registration Date - 30.04.2016
- Name of the Company - Utkarsh Small Finance Bank Limited
- Category - Public Limited Company (Bank)
- Address of the registered office and contact details
S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar, Varanasi- 221002
Ph.: 0542- 2500596
- Whether listed company - No (Debentures are listed with BSE)
- Name, Address and Contact details of Registrar and Transfer Agent, if any

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

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.	Name & Description of Main Products / Services	NIC Code of the Product / Service	% to total turnover of the company
1	Banking Services	K1	100

Particulars of Holding Companies

Sl.	Name & Address of the Company	CIN	Holding	% of Shares Held	Applicable Section
1	Utkarsh CoreInvest Limited	U65191UP1990PLC045609	Holding	99.98%	2 (46)

Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

• Category-wise Share Holding

Category of Shareholder	No. of Shares held on 31.03.2018			No. of Shares held at the end of the year 31.03.2019			% Change during the year
	No. of Share	Total	% of Total Shares	No. of Share	Total	% of Total Shares	
A. Promoters							
i. Indian							
Individual / HUF	-	-	-	-	-	-	-
Central Govt.							
State Govt. (s)							
Bodies Corp.							
Banks / FI	46,99,95,406	46,99,95,406	99.99%	73,69,95,406	73,69,95,406	99.99%	0.00%
Any Other							
Sub-total (A) (1):	46,99,95,406	46,99,95,406	99.99%	73,69,95,406	73,69,95,406	99.99%	0.00%
ii. 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)	46,99,95,406	46,99,95,406	99.99%	73,69,95,406	73,69,95,406	99.99%	0.00%
B. Public Shareholding							
i. Institutions	-	-	-	-	-	-	-
a) Mutual Funds							
b) Banks / FI							
c) Central Govt.							
d) State Govt. (s)							
e) Venture Capital Funds							
f) Insurance Companies							
g) FIs Funds							
h) Others (specify)							
Sub-total (B) (1):-	-	-	-	-	-	-	-

ii. Non-Institutions	-	-	-	-	-	-	-
a) Bodies Corp.							
• Indian							
• Overseas							
b) Individuals							
• Individual shareholders holding nominal share capital upto ₹1 lakh	5,357	5,357	0.00%	5,357	5,357	0.00%	-
• Individual shareholders holding nominal share capital in excess of ₹1 lakh	49,237	49,237	0.01%	49,237	49,237	0.01%	-
c) Others (specify)							
Sub-total (B)(2):-	-	-	-	-	-	-	-
Total Public Shareholding (B)=(B) (1) + (B) (2)	54,594	54,594	0.01%	54,594	54,594	0.01%	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-
Grand Total (A+B+C)	47,00,50,000	47,00,50,000	100%	73,70,50,000	73,70,50,000	100%	-

- Shareholding of Promoters

	Shareholder's Name	Shareholding at the beginning of the FY2018-19			Shareholding at the end of the FY2017-18			% 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	
1	Utkarsh CoreInvest Limited (Holding Company)	46,99,95,406	99.99%	-	73,69,95,406	99.99%	-	0.00421%
	Total	46,99,95,406	99.99%	-	73,69,95,406	99.99%	-	0.00421%

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

	Shareholding at the beginning of the FY2018-19		Cumulative Shareholding during the FY2017-18	
	No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
At the beginning of the year	46,99,95,406	99.99%	73,69,95,406	99.99%
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):	26,70,00,00 conversion of CCD into equity as on June 13, 2018		26,70,00,000	
Total	73,69,95,406	99.99%	73,69,95,406	99.99%

• **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters)**

Name of Shareholders	Number of shares	%
Mr. Govind Singh	49,237	0.00668%
Ms. Revati Govind	1,000	0.00014%
Mr. Raghvendra Singh	1,119	0.00015%
Mr. Trilok Nath Shukla	1,119	0.00015%
Mr. Abhisheka Kumar	1,000	0.000145%
Mr. Ashwani Kumar	1,119	0.00015%
Total Equity Capital	54,594	0.01%

• **Shareholding of Directors and Key Managerial Personnel**

For Each of the Directors and KMP	Shareholding at the beginning of the FY2018-19		Cumulative Shareholding during the FY2017-18	
	No. of Shares (Mr. Govind Singh)	% of total Shares of the company	No. of Shares	% of total Shares of the company
At the beginning of the year	49,237	0.01%	49,237	0.01%
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):	-	-	-	-
Total	49,237	0.01%	49,237	0.01%

Indebtedness

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

	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i. Principal Amount	4,58,74,43,598	10,31,09,74,026	21,93,86,67,937	36,83,70,85,561
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	81,47,88,75	95,47,42,40	4,70,42,39,96	6,47,37,71,11
Total (i+ii+iii)	4,66,89,22,473	10,40,64,48,266	22,40,90,91,933	37,48,44,62,672
Change in Indebtedness during the financial year				
i. Addition	-	11,05,00,00,000	54,00,87,28,450	65,05,87,28,450
ii. Reduction	3,83,89,93,598	8,60,68,83,117	36,97,47,07,149	49,42,05,83,864
Net Change (Total (i+ii))	(3,83,89,93,598)	2,44,31,16,883	17,03,40,21,301	15,63,81,44,586
Indebtedness at the end of the financial year				
I. Principal Amount	74,84,50,000	13,37,55,22,159	37,91,38,67,346	52,03,78,39,505
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	2,37,84,311	11,99,32,788	1,17,46,48,391	1,31,83,65,490
Total (i+ii+iii)	77,22,34,311	13,47,40,23,697	39,08,85,15,737	53,35,62,04,995

Note:

- CD has been addition and reduction has been taken on book value
- Addition and reduction of Deposit does not include CASA
- Unsecured borrowing does not include ₹22.8 crore payable under lease obligation

Remuneration of Directors and Key Managerial Personnel

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

Particulars of Remuneration	Name of MD/ WTD/ Manager	Total Amount (in ₹)
	Govind Singh*	
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 under section 17(3) Income- tax Act, 1961	1,07,39,138/- (Annual Gross Salary)	1,07,39,138/- (Annual Gross Salary)
Stock Option	-	-
Sweat Equity	-	-
Commission - as % of profit - others, specify...	-	-
Others, please specify	-	-
Total (A)		
Ceiling as per the Act		

Note: Remuneration as above includes salary, medical allowances, taxable allowances, LTA, value of perquisites incurred by the Bank as per the Income Tax Rules, 1962, Company's Contribution to Provident Fund, Superannuation Fund and Annual Performance Linked Variable Compensation.

B. Remuneration to other directors:

Particulars of Remuneration	Name of Directors				Total Amount
	Dr. V. S. Sampath	Mr. Tantra Narayan Thakur	Mr. Somnath Sengupta	Mr. Kajal Ghose	
1. Independent Directors Fee for attending board & Committee meetings	12,28,500	23,89,500	23,22,000	18,63,000	78,03,000
Commission	-	-	-	-	-
Others, please specify Non-Executive Part Time Chairman Remuneration	6,48,000	-	-	-	-
Total (1)	18,76,500	23,89,500	23,22,000	18,63,000	84,51,000
2. Other Non-Executive Directors	-	-	-	-	-
• Fee for attending board committee meetings • Commission • Others, please specify					
Total (2)	-	-	-	-	-
Gross Total=(1+2)	18,76,500	23,89,500	23,22,000	18,63,000	84,51,000
Total Managerial Remuneration					
Overall Ceiling as per the Act					

C. Remuneration to Key Managerial Personnel Other Than MD / Manager / WTD

Particulars of Remuneration	Key Managerial Personnel		
	Company Secretary	CFO	Total
Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	18,37,824	71,25,590	89,63,414
(b) Value of perquisites u/s 17 (2) Income-tax Act, 1961			
(c) Profits in lieu of salary u/s 17 (3) Income-tax Act, 1961			
Stock Option		-	-
Sweat Equity		-	-
Commission • as % of profit • others, specify		-	-
Others, please specify		-	-
Total	18,37,824	71,25,590	89,63,414

Note: Remuneration as above includes salary, medical allowances, taxable allowances, LTA, value of perquisites incurred by the Bank as per the Income Tax Rules, 1962, Company's Contribution to Provident Fund, Superannuation Fund and Annual Performance Linked Variable Compensation.

Penalties / Punishment/ Compounding of Offences

NIL

Secretarial Audit Report For the Financial Year Ended March 31, 2019

[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- U65992UP2016PLC082804
S-24/1-2, First Floor, Mahavir Nagar, Orderly Bazar
Varanasi -221002, U.P.**

We 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") for the audit period covering the financial year ended on **March 31, 2019**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's 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, the explanations and clarifications given to us and the representations made by the Management, we hereby report that in our opinion, the Company has, during the audit period under consideration 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:

- A. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019, according to the provisions of:
- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
 - (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
 - (iii) The Depositories Act, 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- not applicable to the Company during the period under review;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- not applicable to the Company during the period under review;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

- (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 (Delisting of Equity Shares) Regulations, 2009;
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and
 - (i) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (vi) Specific laws applicable as mentioned hereunder:
- (a) The Banking Regulations Act, 1949;
 - (b) Reserve Bank of India Act, 1934 and guidelines made there under; and
 - (c) Master circulars, directions, guidelines issued to Small Finance Banks by the Reserve Bank of India from time to time.
 - (d) The Negotiable Instruments Act, 1881.
- (vii) Other laws, including:
- (a) Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013;
 - (b) Employees Provident Funds & Miscellaneous Provision Act 1952;
 - (c) Payments to Gratuity Acts, 1972;
 - (d) Employee State insurance Act, 1948;
 - (e) The Equal Remuneration Act, 1976;
 - (f) The Payment of Bonus Act, 1965;
 - (g) The Maternity Benefit Act, 1961;
 - (h) The Information Technology Act, 2000 and rules made thereunder.

B. We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India.

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

1. The Company has complied with the provisions of the appointment of Chief Financial Officer except filing of MGT-14 as per the provisions of the Companies Act, 2013;
2. The Company has complied with the applicable provisions under the Companies Act for approval of the Board report for the Financial year ended 31st March, 2018 except filing of MGT-14;

We further report that, based on the information provided and the representation made by the Company and also on the review of the internal compliance reports taken on record by the Board of Directors of the Company, in our opinion, adequate systems and processes exist in the Company to monitor and ensure compliance with provisions of applicable industry specific Acts and other general laws.

We further report that, the compliance by the Company of applicable financial laws like direct and indirect tax laws and maintenance of financial records and books of accounts has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.

We further report that The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-executive Directors, Independent Directors and Woman Director in accordance with the provisions of the Companies Act, the Banking Regulation Act, and the applicable Rules, Regulations, Directions thereunder. 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 except the board meetings convened on urgent basis at shorter notice, 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.

All decisions at the Board Meetings and Committee Meetings were carried out with requisite majority as recorded in the minutes of the Meetings of the Board of Directors or Committee(s) of the Board as the case may be.

We 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.

We further report that as informed, the Company has responded appropriately to notice received from various statutory/regulatory authorities including initiating actions for corrective measures, wherever found necessary.

C. We further report that during the audit period, the Company has:

- (i) Pursuant to section 62 of the Companies Act, 2013 converted 2,67,000,000 Compulsorily Convertible Debentures (CCDs) of ₹10/- each into 2,67,000,000 equity shares of ₹10/- each to allotted to Utkarsh Micro finance Limited (UMFL);
- (ii) Obtained approval of members of the Company for increase in authorized share capital of the Company from ₹750 crore to ₹1000 crore and for consequent alteration in the capital clause of Memorandum of Association;
- (iii) Obtained approval of members by way of special resolution under section 180(1)(c) of the Companies Act, 2013 to authorize the Board of Company to borrow as per limits specified in the said resolution.
- (iv) Obtained approval from members for issue of Non-convertible debentures of the Company, on private placement basis from time to time up to the limit of ₹600 Crore ;
- (v) Allotted 4000 listed unsecured Non-convertible debentures of ₹100,000 each amounting to ₹400,000,000

We further report that during the audit period there were no other specific events/actions having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

**For Pranav Kumar & Associates,
Company Secretaries**

Sd/-

Arpita Saxena

Partner

ACS-23822; CP No.: 11962

Place : Mumbai
Date : May 25, 2019

BALANCE SHEET AS AT MARCH 31, 2019

(₹ in '000s)

Particulars	Schedule	As at March 31, 2019	As at March 31, 2018
CAPITAL AND LIABILITIES			
Capital	1	73,70,500	47,00,500
Reserves and Surplus	2	3,57,063	(5,81,818)
Deposits	3	3,79,13,867	2,19,38,668
Borrowings	4	1,42,97,673	1,78,88,464
Other Liabilities and Provisions	5	24,24,856	12,91,432
Total		6,23,63,959	4,52,37,246
ASSETS			
Cash and balances with Reserve Bank of India	6	15,75,734	20,55,641
Balances with banks and money at call and short notice	7	35,90,587	36,31,904
Investments	8	86,22,071	66,12,737
Advances	9	4,66,57,162	3,10,17,186
Fixed Assets	10	8,98,815	8,72,665
Other Assets	11	10,19,590	10,47,113
Total		6,23,63,959	4,52,37,246
Contingent Liabilities	12	1,78,689	2,05,307
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
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

Sd/-
N Sampath Ganesh
Partner
Membership No. 042554

Sd/-
Tantra Narayan Thakur
Director
DIN : 00024322

Sd/-
Kajal Ghose
Director
DIN : 07702190

Sd/-
Govind Singh
Managing Director & CEO
DIN : 02470880

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA : 048560

Place : Mumbai
Date : May 25, 2019

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

(₹ in '000s)

Sl.	Particulars	Schedule	For the year ended March 31, 2019	For the year ended March 31, 2018
I	INCOME			
	Interest Earned	13	87,92,381	51,81,735
	Other Income	14	5,98,527	4,36,897
	Total		93,90,908	56,18,632
II	EXPENDITURE			
	Interest Expended	15	38,18,738	25,07,305
	Operating Expenses	16	32,66,899	23,55,532
	Provisions and Contingencies	19.13	13,66,390	13,85,960
	Total		84,52,027	62,48,797
III	PROFIT/LOSS			
	Net Profit / (Loss) for the year		9,38,881	(6,30,165)
	Balance in Profit and Loss account brought forward		(5,93,904)	36,261
	Total		3,44,977	(5,93,904)
IV	APPROPRIATIONS			
	Transfer to Statutory Reserve		(2,34,720)	-
	Transfer to Investment Fluctuation Reserve		(13,172)	-
	Balance carried over to Balance Sheet		97,085	(5,93,904)
V	EARNINGS PER EQUITY SHARE	18.5.5		
	Basic EPS (₹)		1.37	(1.73)
	Diluted EPS (₹)		1.37	(1.73)
	Face Value per share (₹)		10	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
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

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Sd/-
Mukund Barsagade
Chief Financial Officer
FCA : 048560

Place : Mumbai
Date : May 25, 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

(₹ in '000s)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
I	Cash flow from operating activities		
	Profit/ (Loss) before taxes	14,88,081	(9,48,103)
	Adjustments for:-		
	Depreciation and amortisation	1,62,912	1,63,721
	Depreciation on investments	(9,156)	4,141
	Technical write off	2,98,592	14,25,749
	Provision for standard advances	46,054	36,457
	Floating provision	24,490	-
	Provision made for NPA	3,36,779	2,37,550
	(Gain)/ Loss on Sale of Fixed Assets	(21,606)	172
	Provision made towards other assets	4,849	-
	Write off other assets	1,15,582	-
		24,46,577	9,19,687
	Adjustments for:-		
	(Increase)/ decrease in investments	(4,57,715)	18,36,310
	(Increase) in advances	(1,62,99,837)	(1,65,49,423)
	(Increase)/ decrease in other assets	(2,43,603)	5,05,762
	Increase in deposits	1,59,75,199	2,17,51,445
	Increase in other liabilities and provisions	7,12,731	6,26,040
		(3,13,225)	81,70,134
	Income taxes paid (net)	(23,866)	(36,980)
	Net cash flow from operating activities (A)	21,09,486	90,52,841
II	Cash flow from/(used in) investing activities		
	Purchase of fixed assets including capital work in progress	(3,09,857)	(8,20,430)
	Proceeds from sale of fixed assets	1,42,401	30
	Purchase of held to maturity securities	(15,42,463)	(11,65,036)
	Net cash flow used in from investing activities (B)	(17,09,919)	(19,85,436)
III	Cash flow from/(used in) Financing Activities		
	Proceeds from issue of share capital	-	5,00,000
	Net proceeds/ (repayments) from borrowings	(9,20,791)	(37,99,819)
	Net cash flow used in from financing activities (C)	(9,20,791)	(32,99,819)
IV	Net increase/ (decrease) in cash and cash equivalents (A) + (B) + (C)	(5,21,224)	37,67,586
V	Cash and cash equivalents at the beginning of the period	56,87,545	19,19,959
VI	Cash and cash equivalents at the end of the period	51,66,321	56,87,545
	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)	15,75,734	20,55,641
(ii)	Balances with Banks in Current Accounts (Refer Schedule 7)	3,40,587	14,31,904
(iii)	Money at Call and Short Notice (Refer Schedule 7)	32,50,000	22,00,000
	Cash and cash equivalents at the end of the year	51,66,321	56,87,545

As per our report of even date
for **B S R & Associates LLP**
Chartered Accountants
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For and on behalf of the Board of Directors of
Utkarsh Small Finance Bank Limited
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DIN : 02470880

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA : 048560

Place : Mumbai
Date : May 25, 2019

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2019

Schedule 1 - Capital

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
Authorised Capital 1,000,000,000 Equity shares of ₹10/- each (March 31, 2018: 750,000,000 Equity shares of ₹10/- each)	1,00,00,000	75,00,000
Issued, subscribed and fully paid-up capital 737,050,000 Equity shares of ₹10/- each (March 31, 2018: 470,050,000 Equity shares of ₹10/- each) (refer schedule 18.1)	73,70,500	47,00,500
Total	73,70,500	47,00,500

Schedule 2 - Reserves and Surplus

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Statutory Reserve (created pursuant to Sec 17(2) of Banking Regulation Act, 1949)		
i) Opening Balance	12,087	12,087
ii) Addition during the year	2,34,720	-
iii) Deduction during the year	-	-
Total (1)	2,46,807	12,087
2. Investment Fluctuation Reserve		
i) Opening Balance	-	-
ii) Addition during the year	13,172	-
iii) Deduction during the year	-	-
Total (2)	13,172	-
3. Balance in Profit and Loss Account	97,085	(5,93,905)
Total (1+2+3)	3,57,063	(5,81,818)

Schedule 3 - Deposits

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
A. 1. Demand Deposits		
i) From Banks	81,701	74,013
ii) From others	7,80,550	4,26,117
Total (1)	8,62,251	5,00,130
2. Savings Bank Deposits	29,32,108	6,65,149
3. Term Deposits		
i) From Banks	1,54,08,099	1,31,21,025
ii) From others	1,87,11,409	76,52,364
Total (3)	3,41,19,508	2,07,73,389
Total A (1+2+3)	3,79,13,867	2,19,38,668
B. i. Deposits of branches in India	3,79,13,867	2,19,38,668
ii. Deposits of branches outside India	-	-
Total B	3,79,13,867	2,19,38,668

Schedule 4 - Borrowings

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	12,09,091	28,87,890
iii) Other Institutions and Agencies		
a) Government of India	-	-
b) Financial Institutions*	76,25,000	47,04,757
iv) Borrowing in the form of bonds and debentures (excluding subordinated debt)	13,95,000	25,85,000
v) Capital Instruments		
a) Hybrid debt capital instruments issued as debentures (not qualifying as Tier 2 capital)	-	26,70,000
b) Borrowing in the form of bonds and debentures (subordinated debt qualifying as Tier 2 capital)	4,00,000	-
vi) Other borrowings**	1,73,701	3,20,046
Total Borrowings in India	1,08,02,792	1,31,67,693
2. Borrowings Outside India		
i) Capital Instruments		
a) Unsecured redeemable debentures / bonds # (subordinated debt included in Tier 2 capital)	15,00,000	15,00,000
ii) Debentures	17,35,550	28,95,550
iii) Other Borrowings	2,59,331	3,25,221
Total Borrowings Outside India	34,94,881	47,20,771
Total (1+2)	1,42,97,673	1,78,88,464
Secured borrowings included in 1 and 2 above	7,84,881	45,87,444

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

**Represents payable under lease obligation. Refer Schedule 19.4

#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)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Bills Payable	5,782	-
2. Inter Office Adjustments (net)	-	-
3. Interest Accrued	13,18,521	6,47,392
4. Provision Against Standard Assets	1,22,449	76,395
5. Others (including provisions)	9,78,104	5,67,645
Total (1 to 5)	24,24,856	12,91,432

Schedule 6 - Cash and Balances with Reserve Bank of India

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Cash in hand	2,39,521	1,53,412
2. Balances with Reserve Bank of India		
i) In Current Accounts	13,36,213	19,02,229
ii) In Other Accounts	-	-
Total (1 + 2)	15,75,734	20,55,641

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

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
1. In India		
i) Balances with Banks		
a) In Current Accounts	1,98,742	4,49,964
b) In other Deposit Accounts	1,41,845	9,81,940
ii) Money at call and short notice		
a) With Banks	32,50,000	18,00,000
b) With other Institutions	-	4,00,000
Total (1)	35,90,587	36,31,904
2. Outside India		
In Current Accounts	-	-
In Other Deposits Accounts	-	-
Money at call and short notice	-	-
Total (2)	-	-
Total (1+2)	35,90,587	36,31,904

Schedule 8 - Investments

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Investments in India (net of provisions)		
i) Government Securities	79,23,116	56,64,086
ii) Other Approved Securities	-	-
iii) Shares	-	-
iv) Debentures and Bonds	2,00,000	2,00,000
v) Subsidiaries / Joint Ventures	-	-
vi) Others (certificate of deposits and mutual funds)	4,98,955	7,48,651
Total (1)	86,22,071	66,12,737
2. Investments Outside India (net of provisions)		
i) Government Securities	-	-
ii) Subsidiaries / Joint Ventures Outside India	-	-
iii) Others (equity shares and bonds)	-	-
Total (2)	-	-
Total (1+2)	86,22,071	66,12,737
3. Value of Investments		
i) Gross value of Investments		
a) In India	86,22,071	66,21,893
b) Outside India	-	-
Total 3 (i)	86,22,071	66,21,893
ii) Provision for depreciation		
a) In India	-	9,156
b) Outside India	-	-
Total 3 (ii)	-	9,156
iii) Net value of investments		
a) In India	86,22,071	66,12,737
b) Outside India	-	-
Total 3 (iii)	86,22,071	66,12,737

Schedule 9 - Advances (net of provisions)

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
A. i) Bills purchased and discounted	-	-
ii) Cash Credits, Overdrafts and Loans Repayable on demand	12,65,650	-
iii) Term Loans	4,53,91,512	3,10,17,186
Total (A)	4,66,57,162	3,10,17,186
B. i) Secured by tangible assets (includes advances against fixed deposits and book debts)	43,96,271	29,33,241
ii) Covered by Bank/Government Guarantees	-	-
iii) Unsecured	4,22,60,891	2,80,83,945
Total (B)	4,66,57,162	3,10,17,186
C. 1. Advances in India		
i) Priority Sector*	4,20,49,227	2,85,04,383
ii) Public Sector	-	-
iii) Banks	9,50,539	-
iv) Others	36,57,396	25,12,803
Total (C1)	4,66,57,162	3,10,17,186
C. 2. Advances Outside India		
i) Due from banks	-	-
ii) Due from others	-	-
a) Bills purchases and discounted	-	-
b) Syndicated loans	-	-
c) Others	-	-
Total (C2)	-	-
Total (A+B+C)	4,66,57,162	3,10,17,186

*Refer Schedule 19.18

Schedule 10 - Fixed Assets

(₹ in '000s)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Premises		
i) At cost at 31st March of the preceding year	1,21,202	-
ii) Additions during the year	-	1,21,202
iii) Deductions during the year	-	-
iv) Accumulated depreciation to date	-	-
Total (1)	1,21,202	1,21,202
2. Other Fixed Assets (including furniture and fixtures)		
i) At cost at 31st March of the preceding year	6,47,296	2,27,466
ii) Additions during the year	2,75,017	4,20,199
iii) Deductions during the year	5,300	369
iv) Accumulated depreciation to date	3,21,212	1,87,358
Total (2)	5,95,801	4,59,938
3. Leased Assets		
i) At cost at 31st March of the preceding year	3,33,461	-
ii) Additions during the year	12,950	3,33,461
iii) Deductions during the year*	1,37,434	-
iv) Accumulated depreciation to date	54,747	47,628
Total (3)	1,54,230	2,85,833
4. Capital Work in Progress	27,582	5,692
Total (1 to 4)	8,98,815	8,72,665

*Represents adjustment on account of ATM finance lease accounting. Refer note 19.37(c).

Schedule 11 - Other Assets

(₹ in '000s)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
1	Inter-office adjustment (net)	7,485	-
2	Interest accrued	3,96,401	2,75,213
3	Tax Paid in advance / tax deducted at source (net of provision)	50,139	26,272
4	Stationery and stamps	-	-
5	Non-banking assets acquired in satisfaction of claims	-	-
6	Deferred Tax Asset (net)	1,50,669	3,45,333
7	Others	4,14,896	4,00,295
	Total (1 to 7)	10,19,590	10,47,113

Schedule 12 - Contingent Liabilities

(₹ in '000s)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
1	Claims against the bank not acknowledged as debts	41	-
2	Liability for partly paid investment	-	-
3	Liability on account of outstanding forward exchange contracts	-	-
4	Liability on account of outstanding derivative contracts	-	-
5	Guarantees given on behalf of constituents		
	i) In India	-	-
	ii) Outside India	-	-
6	Acceptances, endorsements and other obligations	-	-
7	Other items for which the bank is contingently liable	1,78,648	2,05,307
	Total (1 to 7)	1,78,689	2,05,307

Note1: there has been a Supreme Court (SC) judgement dated February 28, 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the EPF Act. There are interpretative aspects related to the Judgement including the effective date of application. The Company will continue to assess any further developments in this matter for the implications on financial statements, if any.

Note2: includes capital commitment of ₹55,663 thousands.

Schedule 13 - Interest Earned

(₹ in '000s)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
1	Interest / discount on advances / bills	80,63,554	46,39,715
2	Income on investments	5,96,541	3,97,784
3	Interest on balance with Reserve Bank of India and Other inter bank funds	1,30,771	1,42,477
4	Others	1,515	1,759
	Total (1 to 4)	87,92,381	51,81,735

Schedule 14 - Other Income

(₹ in '000s)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
1	Commission, exchange and brokerage	1,65,004	1,36,148
2	Profit / (Loss) on sale / redemption of Investments (net)	(16,517)	(15,832)
3	Profit / (Loss) on 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*	4,50,040	3,16,581
	Total (1 to 7)	5,98,527	4,36,897

*Includes fee received on sale of PSLCs of ₹2,42,795 thousands (March 31, 2018: 2,45,301 thousands).

Schedule 15 - Interest Expended

(₹ in '000s)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
1	Interest on Deposits	23,38,978	5,72,709
2	Interest on Reserve Bank of India / Inter-Bank Borrowings	1,59,994	4,31,496
3	Others*	13,19,766	15,03,100
	Total (1 to 3)	38,18,738	25,07,305

*Includes fee paid on purchase of PSLCs of ₹30,300 thousands (March 31, 2018: Nil).

Schedule 16 - Operating Expenses

(₹ in '000s)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
1	Payments to and provisions for employees	18,65,725	12,65,763
2	Rent, taxes and lighting	2,12,506	1,60,154
3	Printing and stationery	54,385	32,365
4	Advertisement and publicity	55,857	25,489
5	Depreciation on Bank's property	1,62,912	1,63,721
6	Director's fees allowances and expenses	17,792	6,738
7	Auditors' fees and expenses	13,910	5,014
8	Law charges	18,909	7,295
9	Postage, telegrams, telephones, etc.	69,470	32,866
10	Repairs and maintenance	72,443	48,023
11	Insurance	2,320	1,960
12	Other expenditure*	7,20,670	6,06,144
	Total (1 to 12)	32,66,899	23,55,532

* Includes professional charges, service charges for core banking software and ATM, traveling and other expenses

Schedule 17 - Significant Accounting Policies

17.1 Background

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

The Reserve Bank of India ("RBI") issued license no. MUM: 125 on November 25, 2015 to the Company to carry on business as SFB with certain terms and conditions. Pursuant to the condition attached in the approval for small finance bank, the Holding Company entered into a business transfer agreement ("BTA") and transferred its microfinance business to the Bank. Pursuant to the BTA all the assets and liabilities (except certain specified assets and liabilities) as at January 21, 2017 of the Holding Company were transferred to the Bank at book value based on slump sale basis for cash consideration of ₹68.51 crore.

Pursuant to BTA, all the employees of the Holding Company (except certain employees) were transferred to SFB on the same employment terms and rights granted under employee stock option scheme of the Holding Company are continued in SFB. Resultant, non-convertible debentures listed on the stock exchange were also transferred in the name of the Bank and a transfer was effected by the exchange effective May 03, 2017.

17.2 Basis of Preparation

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

17.3 Use of Estimates

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

17.4 Significant Accounting Policies

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

A. Revenue Recognition

- a) Interest income on loan portfolio is recognised in the Profit and Loss account on accrual basis, except in the case of interest on Non-Performing Advances (NPA) where it will be recognized upon realization as per the Income Recognition and Asset Classification norms of RBI;
- b) Recoveries in respect of past due loan accounts classified as NPA are appropriated towards charges, interest, overdue and thereafter towards principal;
- c) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront;
- d) Recoveries in respect of debts written off are recognized in the year in which such amounts are recovered and the same are disclosed under "Other Income";
- e) Profit / premium arising at the time of securitization / assignment of loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is recognized immediately. Income from interest strip (excess interest spread) is recognized in the profit and loss account net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognized on realization basis over the life of the underlying loan portfolio;
- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan;
- g) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate;
- h) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due;
- l) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis;
- j) Dividend is accounted on an accrual basis when the right to receive the dividend is established;
- k) All other fees are accounted for as and when they become due.

B. Advances

a) Accounting and Classification

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

b) Provisioning

Provisions in respect of non-performing and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed under RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification & Provisioning prescribed from time to time. In case of restructured accounts, provision is made for erosion / diminution in fair value of restructured loans, in accordance with RBI guidelines.

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

c) Floating Provision

The Bank recognises floating provision as per the Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision is utilised, with the approval of Board and RBI, in case of contingencies which do not arise in the normal course of business and are exceptional and non-recurring in nature and for making specific provision for impaired loans as per the requirement of extant RBI guidelines or any regulatory guidance / instructions. Floating provisions are netted off from gross advances to arrive at net advances.

C. Investments

Classification and valuation of Bank's Investments is carried out in accordance with RBI circular DBR No. BP.BC.6/21.04.141/2015-16 dated July 01, 2015 and Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines prescribed in this regard from time to time.

a) Classification

Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' (HTM) categories at the time of purchase. Investments that are acquired with an intention to hold till maturity are classified as "HTM". Investments that are held primarily for sale within 90 days from the date of purchase are classified as "HFT". Investments, which are not classified in the above two categories, are classified as "AFS". Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities. The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines. For the purpose of disclosure in the financial statements, the Investments are classified under six groups:

- i. Government Securities
- ii. Other Approved Securities
- iii. Shares
- iv. Debentures and Bonds
- v. Subsidiaries / Joint Ventures and
- vi. 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.

a) Valuation

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

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

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

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

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

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

c) Disposal of Investments

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

d) Transfer Between Categories

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

- i. Transfer from AFS / HFT to HTM is made at the lower of book value or market value at the time of transfer.
- ii. Transfer from HTM to AFS / HFT is made at acquisition price / amortised cost if originally placed in HTM at par or at a discount and at amortised cost if originally placed in HTM at a premium.
- iii. 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 respectively. Accordingly, securities given as collateral under an agreement to repurchase them continue to be held under the investment account of the Bank and the Bank would continue to accrue the coupon / discount on the security during the repo period. The Bank continues to value the securities sold under repo as per the investment classification of the security. Borrowing cost on repo transactions is accounted for as interest expense and income on reverse repo transactions are accounted for as interest income.

f) Broken Period Interest, Brokerage Etc.

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

D. Fixed Assets and Depreciation / Amortisation

Tangible Assets

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

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

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

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

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

Intangible Assets

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

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

Impairment

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

E. Foreign Currency Transactions

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

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

F. Derivative

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

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

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

The Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. Hedge effectiveness is ascertained at the time of the inception of the hedge and periodically thereafter. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Profit and Loss account.

Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI as at the balance sheet date.

G. Employee Benefits

- i. Defined Contribution Plan:** The Bank makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Bank's contribution is recognised as an expense in Profit and loss account during the period in which the employee renders the related service.
- ii. Defined Benefit Plan and Compensated Absences:** The Bank provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by Life Insurance Corporation of India (Group Gratuity Scheme) and the contributions made by the Bank to the scheme is recognised in the Profit and Loss account. The liability recognised in the Balance Sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The calculation of the Bank's obligation under the plan is performed annually by qualified independent actuary using projected unit credit method. Actuarial gains and losses arising during the year is immediately recognised in the Profit & Loss account.

Compensated absence, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method at the balance sheet date, carried out by an independent actuary. Compensated absence is covered under a scheme administered by Life Insurance Corporation of India. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period and are not deferred.

H. Share Issue Expenses

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

I. Employee Stock Option Scheme

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

J. Lease Transactions

A lease is classified at the inception date as finance lease or an operating lease. Assets taken on lease where the Bank acquires substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance lease is capitalised at the commencement of the lease at an amount equal to lower of its fair value and present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of lease liability so as to achieve constant rate of interest on the remaining balance of the liability. The rental obligations, net of finance charges, are reflected as borrowings. Finance charges are recognised as finance costs in the profit and loss account.

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

K. Taxation

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

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

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

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

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

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

L. Provisions and Contingencies

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

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

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

M. Earnings Per Share (EPS)

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

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

N. Cash and Cash Equivalents

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

O. Cash Flow Statements

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

P. Segment Reporting

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

Q. Priority Sector Lending Certificates

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

R. Impairment of Assets

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

S. Corporate Social Responsibility

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

Schedule 18 - Notes to accounts forming part of financial statements for the year ended March 31, 2019

18.1 Capital

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

(₹ in crores, except percentages)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
i)	Common Equity Tier 1 (CET) Capital Ratio (%)	20.34%	12.95%
ii)	Tier I capital ratio (%)	20.34%	12.95%
iii)	Tier II capital ratio (%)	3.80%	4.45%
iv)	Total capital ratio (CRAR) (%)	24.14%	17.40%
v)	Percentage of the shareholding of the Government of India in Public Sector Banks	-	-
vi)	Amount of equity capital raised	267.00	170.00
vii)	Amount of additional Tier I capital raised	-	-
viii)	Amount of Tier II capital raised (Refer 18.1.2 below)	40.00	-

Notes: • The Bank has followed Basel II Capital Regulations dated July 01, 2015 and amended thereafter for the purpose of Capital Adequacy Ratio in accordance with the operating guidelines for small finance banks as issued by RBI on October 08, 2016.

• As per RBI letter DBR.NBD. No. 4502/16.13.218/2017-18 dated November 08, 2017, it is clarified that no separate capital charge is being prescribed for market risk and operational risk for the time being.

18.1.2 Tier II Capital

The Bank has acquired Basel II compliant debt capital instruments, details of which are as follows:

(₹ in crores)

Particulars	Nature of Security	Date of Issue	Coupon Rate %	Tenure	Amount
Redeemable Unsecured Non-Convertible	Debenture	09-07-2018	10.58%	7 Years	25.00
Redeemable Unsecured Non-Convertible	Debenture	30-08-2018	10.58%	7 Years	15.00
Total					40.00

18.1.3 Capital Infusion

During the year ended the Bank issued 267,000,000 equity shares of ₹10 each at par upon conversion of Compulsorily Convertible Debentures (CCD) into equity aggregating to ₹2,670,000,000 (Rupees Two Hundred and Sixty-Seven Crore only) on June 13, 2018 to Utkarsh CoreInvest Limited (The 'Holding Company').

In the previous year the Bank issued 120,000,000 equity shares of ₹10 each through conversion of Compulsorily Convertible Debentures (CCD) into equity aggregating to ₹1,200,000,000 (Rupees One Hundred and Twenty Crore only) on September 21, 2017 to its Holding Company. On March 26, 2018, the Bank allotted 50,000,000 equity shares of ₹10 each aggregating to ₹500,000,000 (Rupees Fifty Crore only) through a rights issue to its existing shareholders.

(₹ in crores, except percentages)

Particulars	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Number of Shares	Amount	Number of Shares	Amount
Outstanding as at the beginning of the year	47,00,50,000	470.05	30,00,50,000	300.05
Shares issued upon conversion of compulsorily convertible debentures	26,70,00,000	267.00	12,00,00,000	120.00
Shares issued during the year	-	-	5,00,00,000	50.00
Outstanding at the end of the year	73,70,50,000	737.05	47,00,50,000	470.05

18.2 Investments

There has been no sale / transfer to / from HTM category during the year ended March 31, 2019 and year ended March 31, 2018.

18.2.1 Movement of Investments:

(₹ in crores)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
(1)	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	862.21	662.19
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	0.92
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	862.21	661.27
	(b) Outside India	-	-
(2)	Movement of provisions held towards depreciation of investments		
	(i) Opening Balance	0.92	0.50
	(ii) Add: Provisions made during the year	-	1.08
	(iii) Less: Write-off / write back of excess / provisions during the year	0.92	0.66
	(iv) Closing Balance	-	0.92

Repo / Reverse Repo Transactions (In Face Value Terms)

Sl.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on March 31, 2019
Securities Sold Under Repo					
(i)	Government Securities	4.90	4.90	4.90*	-
(ii)	Corporate Debt Securities	-	-	-	-
Securities Purchased Under Reverse Repo					
(i)	Government Securities	2.80	414.95	125.02*	283.56
(ii)	Corporate debt securities	-	-	-	-

*in computation of average balance, actual number of days of transactions have been considered
There were no repo/reverse repo transactions during the year ended march 31, 2018.

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

Issuer composition as at March 31, 2019 of non-SLR investments

(₹ in crores)

Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
PSU	-	-	-	-	-
FIs	20.00	20.00	-	-	-
Banks	49.90	-	-	-	-
Private Corporates	-	-	-	-	-
Subsidiaries / Joint Ventures	-	-	-	-	-
Others	-	-	-	-	-
Provisions held towards depreciation	-	-	-	-	-
Total	69.90	20.00	-	-	-

Issuer composition as at March 31, 2018 of non-SLR investments

(₹ in crores)

Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
PSU	-	-	-	-	-
FIs	20.00	20.00	-	-	-
Banks	74.86	-	-	-	-
Private Corporates	-	-	-	-	-
Subsidiaries / Joint Ventures	-	-	-	-	-
Others	-	-	-	-	-
Provisions held towards depreciation	-	-	-	-	-
Total	94.86	20.00	-	-	-

18.2.3 There are no non performing Non-SLR investments as at March 31, 2019 and March 31, 2018.

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

18.3.1 Notional and concentration of FRAs IRS, CCS

(₹ in crores)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
i)	The notional principal of swap agreements*	23.79	31.72
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	2.14	0.80
iii)	Collateral required by the Bank upon entering into swaps	-	-
iv)	Concentration of credit risk arising from the swaps	-	-
v)	The fair value of the swap book	1.51	0.02

*Pertains to cross currency swap

18.3.2 The nature and terms of Cross Currency Swaps (CCS) – FCY as on March 31, 2019 are set out below

Nature	Nos.	Notional Principal (₹ in crores)	Benchmark	Terms
USD	1	23.79	USD LIBOR	Floating receivable vs Fixed payable

The nature and terms of Cross Currency Swaps (CCS) – FCY as on March 31, 2018 are set out below –

Nature	Nos.	Notional Principal (₹ in crores)	Benchmark	Terms
USD	1	31.72	USD LIBOR	Floating receivable vs Fixed payable

18.3.3 The nature and terms of Interest Rate Swaps (IRS) – ₹ as on March 31, 2019 are set out below –

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

The nature and terms of Interest Rate Swaps (IRS) – ₹ as on March 31, 2018 are set out below –

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

18.3.4 Exchange Traded Interest Rate Derivatives and exchange traded currency derivative

(₹ in crores)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
1	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives undertaken during the year.	-	-
2	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding as on 31st March.	-	-
3	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding and not “highly effective” as on 31st March	-	-
4	Mark-to-Market value of exchange traded interest rate derivatives and currency derivatives outstanding and not “highly effective” as on 31st March.	-	-

18.3.5 Risk Exposure in Derivatives:

The Bank has not engaged in any derivatives contracts during the year ended March 31, 2019 and year ended March 31, 2018. However, the Bank acquired a CCS contract pursuant to Business Transfer Agreement from Holding Company in year ended as at March 31, 2017. The disclosure to the extent applicable is given below.

Qualitative disclosure on risk exposure in derivatives as at March 31, 2019

The Bank's treasury function is responsible for bank's access to financial markets. Further, treasury function monitors and manages various risks relating to treasury operations of the Bank including currency risk, market risk and liquidity risk. In course of managing these risks, the Bank may use various market instruments as permissible for the Bank based on RBI guidelines and internal approvals.

Further, compliance with various policies and exposure limits is reviewed by the internal auditors as required. The Bank does not enter into any trade in financial instruments including derivative financial instruments for speculative purposes. The existing exposure is fully hedged exposure which is towards external commercial borrowings borrowed prior to conversion into Small Finance Bank and are grandfathered on conversion and there are no derivatives entered into during the financial year as per operating guidelines of Small Finance Bank issued by RBI.

Quantitative disclosure on risk exposure in derivatives as at March 31, 2019

(₹ in crores)

Sl.	Particulars	For the year ended March 31, 2019			
		Currency Derivatives			Interest Rate Derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	23.79*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	-	-	1.51	-
	b) Liability (-)	-	-	-	-
(iii)	Credit Exposure	-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	-	-	-	-

*Pertains to cross currency swap

(₹ in crores)

Sl.	Particulars	For the year ended March 31, 2018			
		Currency Derivatives			Interest Rate Derivatives
		Forward Contract	Currency Option	Currency Swap	
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	31.72*	-
	b) For trading	-	-	-	-
(ii)	Marked to Market Positions				
	a) Asset (+)	-	-	-	-
	b) Liability (-)	-	-	0.02	-
(iii)	Credit Exposure	-	-	-	-
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	-	-	-	-

*Pertains to cross currency swap

18.4 Asset Quality

18.4.1 Movement of NPA and NPA Provision

(₹ in crores, except percentages)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
i)	Net NPAs to Net Advances (%)	0.12%	1.09%
ii)	Provisioning Coverage Ratio (PCR) (%)	91.32%	41.33%
iii)	Movement of Gross NPAs		
	(A) Opening balance	57.47	-
	(B) Additions during the year	60.26	200.04
	(C) Reductions during the year		
	(I) Up - Gradations	16.23	-
	(II) Recoveries (Excluding Recoveries Made From Up-Graded Accounts)	6.07	-
	(III) Write - Offs	29.87	142.57
	(D) Closing Balance	65.57	57.47
iv)	Movement of Net NPAs		
	(a) Opening balance	33.72	-
	(b) Additions during the year	3.94	33.72
	(c) Reductions during the year	31.97	-
	(d) Closing balance	5.69	33.72
v)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	23.75	-
	(b) Provisions made during the year*	56.32	84.52
	(c) Write-off / (write back) of excess provisions during the year	20.19	60.77
	(d) Closing balance*	59.88	23.75

*Includes floating provisions amounting to ₹2.45 crore (March 31, 2018: Nil).

Technical Write-off:

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Opening balance of Technical / Prudential written-off accounts	141.02	-
Add: Technical / Prudential write-offs during the year	29.86	142.57
Sub-Total (A)	170.88	142.57
Less: Recoveries made from previously technical / prudential written-off accounts during the year (B)	9.55	1.55
Closing Balance As At 31st March (A-B)	161.33	141.02

18.4.2 Particulars of Restructured Accounts

The Bank has not restructured any accounts during the year ended March 31, 2019 and year ended March 31, 2018.

(₹ in crores)

Type of Restructuring	Asset Classification	Under CDR					Under SME					Others					Total
		S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Restructured accounts as on 1st April of the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fresh Restructuring during the year	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in outstanding of Restructured cases	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard during the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured standard advances which cease to attract higher provision at the year 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 31st March (Closing)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A- No. of Borrowers, **B-** Amount Outstanding, **C-** Provision Thereon **S-** Standard, **SS-** Sub Standard, **D-** Doubtful, **L-** Loss

Strategic Debt Restructuring

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

(₹ in crores)

No. of Accounts where SDR has been Invoked	Amount Outstanding as at March 31, 2019		Amount Outstanding as on the Reporting Date with Respect to Accounts where Conversion of Debt to Equity is Pending		Amount Outstanding as on the Reporting Date with Respect to Accounts where Conversion of Debt to Equity has Taken Place	
	Classified As Standard	Classified As NPA	Classified As Standard	Classified As NPA	Classified As Standard	Classified As NPA
-	-	-	-	-	-	-

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

(₹ in crores)

No. of accounts where banks have decided to effect change in ownership	Amount Outstanding as at March 31, 2019		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified As Standard	Classified As NPA	Classified As Standard	Classified As NPA	Classified As Standard	Classified As NPA	Classified As Standard	Classified As NPA
-	-	-	-	-	-	-	-	-

The Bank has not acquired any equity shares under Strategic Debt Restructuring scheme during the year. The Bank has not done any restructuring of loans during the year ended March 31, 2019 and year ended March 31, 2018 and there are no cases where scheme for sustainable structuring of stressed assets (S4A) is implemented.

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

(₹ in crores)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
i)	Number of Accounts	-	-
ii)	Aggregate Value (Net of Provisions) of Accounts Sold to SC / RC	-	-
iii)	Aggregate Consideration	-	-
iv)	Additional Consideration Realized in Respect of Accounts Transferred in Earlier Years	-	-
v)	Aggregate Loss Over Net Book Value	-	-

18.4.4 Non-performing financial assets purchased

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
1 (a) No. of accounts	-	-
(b) Aggregate Outstanding	-	-
2 (a) Of these, number of accounts restructured during the year	-	-
(b) Aggregate Outstanding	-	-

18.4.5 Non-performing financial assets sold

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
No. of accounts sold during the year	-	-
Aggregate Outstanding	-	-
Consideration Received	-	-

18.4.6 Following are the details of securitization done by the Bank

(₹ in crores except number of loans)

Particulars	For the year ended March 31, 2019*	For the year ended March 31, 2018
Total number of loans securitized	-	76,230
Total book value of loans securitized	-	118.57
Total book value of loans securitised including loans placed as collateral	-	124.81
Sale consideration received for loans securitised	-	118.57
Excess interest spread recognised in the profit and loss account	-	2.85

* during the year, the Bank has not done securitisation.

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Credit enhancements provided and outstanding:		
Interest subordination	1.69	9.92
Principal subordination	6.24	6.24
Cash collateral	4.36	4.36
Total	12.29	20.52

18.5 Business Ratios:

(₹ in crores)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
i)	Interest income as % to Working funds ¹	17.39%	14.23%
ii)	Non-Interest income as % to Working funds ¹	1.18%	1.31%
iii)	Operating profit / (loss) ² as % to Working funds ¹	4.56%	(7.23%)
iv)	Return on Assets (Working funds ¹)	1.86%	(1.93%)
v)	Business ³ (Deposit plus Net Advance) per employee ⁴	1.10	0.77
vi)	Profit/ (loss) per employee ⁴	0.01*	(0.01)*

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

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 closing employee number.

*Profit / (Loss) per employee is ₹149,456/- (March 31, 2018: ₹(13,158/-))

18.6 Asset Liability Maturity Pattern

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

(₹ in crores)

Particulars	As at March 31, 2019					
	Loans & Advances (₹)*	Investments (₹)#	Deposits (₹)	Borrowings (₹)**	Foreign currency Assets	Foreign currency Liabilities
1 day	20.61	307.12	86.21	-	-	-
2 to 7 days	57.84	24.20	159.35	-	-	-
8 to 14 days	58.34	62.83	85.20	-	-	-
15 to 30 Days	153.74	31.81	169.16	40.00	-	-
31 Days to 2 months	285.96	38.79	255.50	-	-	-
Over 2 months to 3 months	251.42	53.63	287.19	65.64	-	-
Over 3 months to 6 months	813.32	100.28	337.90	190.26	-	4.32
Over 6 months to 1 year	1,407.13	251.31	1,246.31	407.71	-	4.32
Over 1 year to 3 years	1,541.31	221.96	1,147.32	313.79	-	17.29
Over 3 years to 5 years	45.75	59.02	16.24	372.37	-	-
Over 5 years	30.30	6.25	1.01	40.00	-	-
Total	4,665.72	1,157.20	3,791.39	1,429.77	-	25.93

*Amounts disclosed are net off provision for non-performing assets and floating provision.

** Includes foreign currency liabilities

Includes ₹295 crore of reverse repo with RBI which is grouped under schedule 7-Balance with banks and money at call and short notice

(₹ in crores)

Particulars	As at March 31, 2018					
	Loans & Advances (₹)	Investments (₹)#	Deposits (₹)	Borrowings (₹)	Foreign currency Assets	Foreign currency Liabilities*
1 day	39.73	-	0.03	-	-	-
2 to 7 days	48.42	49.96	164.53	5.00	-	-
8 to 14 days	37.04	15.00	85.07	13.42	-	-
15 to 30 Days	95.86	24.91	77.91	39.81	-	-
31 Days to 2 months	184.00	-	201.70	65.37	-	-
Over 2 months to 3 months	167.05	-	142.04	37.63	-	-
Over 3 months to 6 months	513.43	9.72	375.39	160.30	-	4.07
Over 6 months to 1 year	889.12	20.23	688.88	178.30	-	4.07
Over 1 year to 3 years	1091.18	194.08	451.62	591.40	-	16.28
Over 3 years to 5 years	29.41	99.97	6.70	255.33	-	8.10
Over 5 years	11.04	247.40	-	409.77	-	-
Total	3,106.28	661.27	2,193.87	1,756.33	-	32.52

18.7 Lending to Sensitive Sector

18.7.1 Exposure to Real Estate Sector

(₹ in crores)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
1)	Direct exposure		
(a)	Residential Mortgages	78.71	47.62
	Out of which Individual housing loans eligible for inclusion in priority sector advances	23.36	43.03
(b)	Commercial Real Estate	3.13	-
(c)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
	i Residential Mortgages	-	-
	ii Commercial Real Estate	-	-
2)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	25.02	20.00
	Total Exposure to Real Estate Sector	106.86	67.62

18.7.2 Exposure to Capital Market:

(₹ in crores)

Sl.	Particulars	As at March 31, 2019	As at March 31, 2018
i)	Direct investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances';	-	-
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
vii)	Bridge loans to companies against expected equity flows/issues;	-	-
viii)	Underwriting commitments taken up by the Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix)	Financing to stockbrokers for margin trading	-	-
x)	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
	Total Exposure to Capital Market	-	-

18.7.3 Risk Category wise Country Exposure:

The Bank's exposures are concentrated in India, hence country risk exposure as at March 31, 2019 is Nil (March 31, 2018: Nil).

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

The Bank has complied with the limits prescribed under extant RBI guidelines with regards to exposure to a single borrower and group of the borrower during the year ended March 31, 2019 and year ended March 31, 2018.

18.8 Penalties imposed by RBI

No penalty was imposed by RBI on the Bank during the year ended March 31, 2019 and year ended March 31, 2018.

18.9 Earnings Per Share (EPS) -

(₹ in crores, except per share data)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Basic		
Weighted average number of equity shares	68,36,50,000	36,38,58,219
Net profit / (loss) after tax available for equity shareholders (₹)	93.89	(63.02)
Basic earnings / (loss) per share	1.37	(1.73)
Diluted		
Weighted average number of equity shares (including dilutive potential equity shares)	68,36,50,000	68,77,34,931
Net profit / (loss) after tax available for equity shareholders (₹)	93.89	(62.98)
Diluted earnings / (loss) per share #	1.37	(1.73)
Face value per share	10.00	10.00

#During previous year ended march 31, 2018 the Compulsorily Convertible Debentures had anti-dilutive effect on loss per share and accordingly basic loss per share is considered as dilutive loss per share.

18.10 Employee Stock Option Plan ("ESOP")

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

The Holding Company formed Utkarsh ESOP Welfare Trust to issue ESOPs to employees of the Bank as per Employee Stock Option Scheme. Total 1,200,000 equity shares have 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.

During the year the Holding Company granted 1,806,725 options to the Bank's employees. The options vested can be exercised within a year of 24 months from the date of vesting. The plan is administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Holding Company in accordance with the authority delegated to the Compensation Committee in this regard from time to time.

These options are vested on graded basis as follows:

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 April 01, 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: (₹ in crores)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Number of equity shares		
Outstanding at the beginning of the year	12,86,837	6,36,584
Granted during the year	17,73,725	9,19,500
Lapsed / Cancel during the year	2,96,513	60,000
Exercised during the year	2,10,013	2,09,247
Outstanding at the end of year	25,54,036	12,86,837
Exercisable at the end of year	1,84,076	51,687

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

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

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

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit / (Loss) after tax		
- As reported	93.88	(63.02)
- Proforma	93.99	(63.36)
(Loss) / Earnings per share		
Basic		
Weighted average number of shares	68,36,50,000	36,38,58,219
EPS as reported (₹)	1.37	(1.73)
Proforma EPS (₹)	1.37	(1.74)

The following assumptions are used for calculation of fair value of grants issued. (₹ in crores)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Dividend yield	0%	0%
Expected volatility	29.51%	10.00%
Risk free interest rate	7.4%	8.00%
Expected life in years	5	4.5

19 Disclosures as per Accounting Standards ('AS')

19.1.1 Disclosures under AS -15 on employee benefits-

Defined Contribution Plans:

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

(₹ in crores)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Provident Fund	8.31	6.72
ESI	2.31	1.61

Note : The above amount is netted off with amount of ₹1.95 crores received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended March 31, 2019 (March 31, 2018: ₹0.2 crores).

Defined Benefit Plans:

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days' salary (last drawn salary) for each completed year of service subject to limit of 2,000,000 as per the Payment of Gratuity Act, 1972 as amended from time to time. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

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

Change in the present value of the defined benefit obligation

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Opening defined benefit obligation	4.22	2.60
Current service cost	2.33	1.37
Past service costs	-	0.09
Interest cost	0.32	0.19
Actuarial losses / (gains)	0.92	(0.01)
Benefits paid	(0.45)	(0.02)
Closing defined benefit obligation	7.34	4.22

Change in the plan assets

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Opening fair value of plan asset	5.74	2.69
Expected return on plan assets	0.43	0.21
Employers Contributions	0.40	3.00
Benefit paid	(0.45)	(0.02)
Actuarial gains / (losses) on plan assets	(0.20)	(0.14)
Closing fair value of plan assets	5.92	5.74

Net liability / (asset) recognized in the Balance Sheet

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Present value of funded obligation	7.34	4.22
Fair value of plan assets	5.92	5.74
Deficit / Surplus	1.42	(1.52)
Net liability / (asset) recognized in the balance sheet	1.42	(1.52)

Net cost recognized in the profit and loss account

(₹ in crores)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Current service cost	2.33	1.37
Past service costs	-	0.09
Interest cost	0.32	0.19
Expected return on plan assets	(0.43)	(0.20)
Net actuarial losses / (gains)	1.12	0.12
Total cost of defined benefit plans included in Schedule 16 Payments to and provisions for employees	3.34	1.57

Reconciliation of opening and closing net liability / (asset) recognized in Balance Sheet

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Opening net liability	(1.52)	(0.09)
Expenses as recognised in profit & Loss account	3.34	1.57
Employers contribution	-	-
Contribution paid to fund	(0.40)	(3.00)
Net liability / (asset) recognised in balance sheet	1.42	(1.52)

Experience adjustment and details of obligations and assets

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Present value of funded obligation at 31 st March	7.34	4.22	2.60
Fair value of plan assets at 31 st March	5.92	5.74	2.69
Deficit / (Surplus)	1.42	(1.52)	(0.09)
On Plan Liabilities (gains) / losses	0.35	0.29	0.12
On Plan Assets (losses) / gains	(0.20)	(0.14)	0.02

A breakup of Investments under plan assets of gratuity fund is as follows

Particulars	As at March 31, 2019	As at March 31, 2018
Funds with LIC	100%	100%

Key actuarial assumptions

Particulars	As at March 31, 2019	As at March 31, 2018
Discount rate	7.60%	7.60%
Expected rate of return on plan asset	7.59%	7.55%
Salary escalation	9.00%	8.00%
Attrition rate	2% to 25.00%	2% to 25.00%

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

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

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

19.2. Segment Reporting: Information about business segments-

In terms of AS-17 (Segment Reporting) issued by ICAI and RBI circular Ref. DBOD.No. BP.BC.81/21.04.018/2006-07 dated April 18, 2007 read with DBR.BP. BC No.23/21.04.018/2015-16 dated July 01, 2015 and amendments thereto, the following business segments have been disclosed:

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

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

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

Other Banking Operations: Includes other activities like sale of PSL certificates, para banking activities like Bancassurance, etc.

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

The following table sets forth the business segment results:

(₹ in crores)

Particulars	For the year ended March 31, 2019				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	38.63	823.43*	72.91	1.96	936.93
Unallocated Revenue	-	-	-	-	2.16
Less: Inter Segment Revenue	-	-	-	-	
Total Revenue					939.09
Segment Results*	(82.13)	194.87	48.44	1.76	162.94
Unallocated expenses	-	-	-	-	16.29
Operating Profit/(Loss)*	-	-	-	-	148.81
Income Tax expense (including deferred tax)	-	-	-	-	54.92
Net Profit					93.89
Segment Assets	273.22	4,450.26	1,395.68	-	6,119.16
Unallocated Assets	-	-	-	-	117.24
Total Assets					6,236.40
Segment Liabilities	2,816.44	2,640.92	773.66	-	6,231.02
Unallocated Liabilities	-	-	-	-	5.38
Total Liabilities					6,236.40
Capital expenditure	-	-	-	-	28.80
Depreciation	-	-	-	-	16.29

*Also refer note 19.37

(₹ in crores)

Particulars	For the year ended March 31, 2018				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	6.33	471.43	53.30	24.97	556.03
Unallocated Revenue	-	-	-	-	5.83
Less: Inter Segment Revenue	-	-	-	-	-
Total Revenue					561.86
Segment Results	0.26	(25.62)	9.65	24.44	8.73
Unallocated expenses	-	-	-	-	(103.54)
Operating Loss	-	-	-	-	(94.81)
Income Tax expense (including deferred tax)	-	-	-	-	(31.79)
Net Loss					(63.02)
Segment Assets	246.74	2,898.31	1,244.70	-	4,389.75
Unallocated Assets	-	-	-	-	133.96
Total Assets					4,523.72
Segment Liabilities	2,027.23	1,947.14	492.18	-	4,466.55
Unallocated Liabilities	-	-	-	-	57.17
Total Liabilities					4,523.72
Capital expenditure	-	-	-	-	87.49
Depreciation	-	-	-	-	16.37

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 and advance tax.
- In computing the above information, certain estimates and assumptions have been made by the management and have been relied upon by the auditors.
- Segment liabilities for Treasury includes Share Capital and reserves and surplus.

19.3 Related Party Transactions –

As per AS 18 “Related Party Disclosures”, the Bank's related parties for the year ended March 31, 2019 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Fellow Subsidiary

Utkarsh Welfare Foundation

3. Key Management Personnel ('KMP')

Mr. Govind Singh– Managing Director and CEO (till May 24, 2018 and w.e.f September 21, 2018)

Mr. Abhisheka Kumar– Chief Financial Officer (till December 31, 2017)

Mr. Mukund Barsagade– Chief Financial Officer (w.e.f. June 11, 2018)

Mr. Anang Shandilya– Company Secretary

4. Enterprise where KMP Exercise Significant Influence

RAAG Family Private Trust

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended March 31, 2019.

(₹ in crores)

Items / Related Party	Utkarsh CoreInvest Ltd. (Parent Company)	Utkarsh Welfare Foundation	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Anang Shandilya (CS)	Relatives of KMP: RAAG Family Private Trust	Total
Deposit#	75.87	0.10	0.15	0.16	0.16	0.00	76.45
Maximum deposit during the year#	75.87	0.65	0.71	0.19	0.31	0.00	77.74
Interest paid	5.19	0.00	0.01	0.01	0.02	0.00	5.23
Remuneration to KMP	-	-	0.92	0.68	0.18	-	1.77
Equity shares issued*	267.00	-	-	-	-	-	267.00
Contribution towards CSR	-	0.41	-	-	-	-	0.41
ESOP cost cross charged (refer schedule 17.1)	0.14	-	-	-	-	-	0.14
Transactions (Collection & Payment) carried out on behalf of Bank	3.59	-	-	-	-	-	-
Amount Payable / (Recoverable)	2.83	0.03	(0.05)	-	0.01	-	2.82

#represents outstanding at the year end the maximum outstanding during the year

*26,70,00,000 compulsorily convertible debentures (March 31, 2018; 12,00,00,000) converted into equal number of equity shares of ₹10 each on June 13, 2018.

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

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended March 31, 2018

(₹ in crores)

Items / Related Party	Utkarsh CoreInvest Ltd. (Parent Company)	Utkarsh Welfare Foundation	KMP: Govind Singh (MD & CEO)	KMP: Abhisheka Kumar (CFO)	KMP: Anang Shandilya (CS)	Total
Deposit#	69.55	0.01	0.07	0.00	0.10	69.74
Maximum deposit during the year#	69.55	0.07	0.36	0.48	0.10	272.17
Interest paid	1.25	-	0.00	0.02	0.00	1.27
Remuneration to KMP	-	-	1.20	0.36	0.15	1.72
Equity shares issued	169.99	-	-	-	-	169.99
Contribution towards CSR	-	0.40	-	-	-	0.40
ESOP cost cross charged (refer schedule 17.1)	0.41	-	-	-	-	0.41
Transactions (Collection & Payment) carried out on behalf of Bank	14.16	-	-	-	-	14.16
Refund of excess purchase consideration by Holding Company	38.58	-	-	-	-	38.58
Amount Payable / (Recoverable)	(1.53)	0.03	-	-	-	(1.49)

The outstanding at the year end and the maximum during the year are to be disclosed

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

19.4 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹21.25 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.

The requirement of minimum lease payments does not arise as the Bank do not have any non-cancellable operating leases.

Finance Lease

The Bank has acquired certain IT hardware assets and ATM machines under finance lease. Lease term of such assets is 7 years. Minimum lease payments (MLP) outstanding in respect of leased assets as at March 31, 2019 are as follows:

Particulars	Future MLP	Interest Not Due	Present Value of MLP
Due within one year	4.18	1.69	2.49
Due later than one year and not later than five years	18.09	3.91	14.18
Due later than five years	0.77	0.07	0.70
Total	23.04	5.67	17.37

Minimum lease payments (MLP) outstanding in respect of leased assets as at March 31, 2018.

Particulars	Future MLP	Interest Not Due	Present Value of MLP
Due within one year	5.13	3.18	1.95
Due later than one year and not later than five years	13.20	7.92	22.28
Due later than five years	8.51	0.74	7.77
Total	43.84	11.84	32.00

19.5 Deferred Tax

Major components of deferred tax assets and deferred tax liabilities as on March 31, 2019 are as under:

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Deferred Tax Assets:		
Provision for assets	5.13	9.60
Unabsorbed depreciation and losses	-	23.23
Unamortised processing fees on advances	9.42	5.61
Finance lease	6.07	0.31
Loss on mark to mark on external commercial borrowings	0.21	-
Deferred Tax Liabilities:		
Depreciation on fixed assets	4.15	2.21
Unamortised processing fees on borrowings	1.61	2.01
Net Deferred Tax Assets / (Liability)	15.07	34.53

19.6 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Based on the information received and available with the Bank, there are no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended March 31, 2019 and March 31, 2018.

19.7 Disclosure of customer complaints

(₹ in crores)

A	Customer Complaints other than ATM transaction disputes	For the year ended March 31, 2019	For the year ended March 31, 2018
(a)	Number of complaints pending at the beginning of the year	79	245
(b)	Number of complaints received during the year	14,307	7,307
(c)	Number of complaints redressed during the year	14,121	7,473
(d)	Number of complaints pending at the end of the year	265	79

(₹ in crores)

B	ATM Transaction disputes relating to the Bank's customers on the Bank's ATM	For the year ended March 31, 2019	For the year ended March 31, 2018
(a)	Number of complaints pending at the beginning of the year	-	-
(b)	Number of complaints received during the year	145	137
(c)	Number of complaints redressed during the year	144	137
(d)	Number of complaints pending at the end of the year	1	-

(₹ in crores)

C	ATM Transaction disputes relating to the Bank's customers on other Bank's ATM	For the year ended March 31, 2019	For the year ended March 31, 2018
(a)	Number of complaints pending at the beginning of the year	7	-
(b)	Number of complaints received during the year	1,147	405
(c)	Number of complaints redressed during the year	1,140	398
(d)	Number of complaints pending at the end of the year	14	7

(₹ in crores)

D	Total Customer Complaints (A+B+C)	For the year ended March 31, 2019	For the year ended March 31, 2018
(a)	Number of complaints pending at the beginning of the year	86	245
(b)	Number of complaints received during the year	15,599	7,849
(c)	Number of complaints redressed during the year	15,405	8,008
(d)	Number of complaints pending at the end of the year	280	86

Award passed by the Banking Ombudsman

(₹ in crores)

E	Total Customer Complaints (A+B+C)	For the year ended March 31, 2019	For the year ended March 31, 2018
(a)	No. of unimplemented Awards at the beginning of the year	-	-
(b)	No. of Awards passed by the Banking Ombudsmen during the year	-	-
(c)	No. of Awards implemented during the year	-	-
(d)	No. of unimplemented Awards at the end of the year	-	-

19.8 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 March 31, 2019 are as follows-

(₹ in crores)

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	-	-	-

Details of the book value of investments held as security receipts received by sale of NPA to Securitization / Reconstruction Company as at 31 March 2018 are as follows-

(₹ in crores)

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	-	-	-

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

19.9 Restructured / Rescheduled / Renegotiated Investments

There are no such investments during the year ended March 31, 2019 and year ended March 31, 2018.

19.10 Amount of provisions made for income-tax during the year:

(₹ in crores)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
i)	Provision for Income tax	36.98	0.47
ii)	Provision for Deferred tax	19.47	(32.26)
iii)	MAT credit entitlement	(1.53)	-
	Total	54.92	(31.79)

19.11 Unsecured Advances against Intangible Collaterals:

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
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.	-	-

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

(₹ in crores)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
i)	Fee / Remuneration from Life Insurance Business	1.50	0.31
ii)	Fee / Remuneration from General Insurance Business	0.53	0.12

19.13 Breakup of Provisions and Contingencies debited to Profit & Loss Account

(₹ in crores)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
i)	Provisions towards Standard Advances	4.61	3.65
ii)	Provisions towards Non Standard Advances	33.68	23.75
iii)	Floating provision	2.45	-
iv)	(reversal) / Provision for depreciation on investments	(0.92)	0.42
v)	Provisions towards Income tax	36.98	0.47
vi)	Provision / (credit) towards deferred tax (net)	19.47	(32.26)
vii)	MAT credit entitlement	(1.53)	-
	Total Provisions	94.74	(3.97)
viii)	Technical write off	29.86	142.57
ix)	Provision for other assets	0.48	-
x)	Write off other assets	11.56	-
	Total	136.64	138.60

19.14 Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the year ended March 31, 2019 and year ended March 31, 2018.

19.15 Floating Provisions

(₹ in crores)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
i)	Opening balance in the floating provisions account	-	-
ii)	The quantum of floating provisions made in the accounting year	2.45	-
iii)	Amount of draw down made during the accounting year	-	-
iv)	Closing balance in the floating provision account	2.45	-

19.16 Investor Education and Protection Fund

There are no amounts which are due to be transferred to the Investor Education and Protection Fund during the year ended March 31, 2019 and year ended March 31, 2018.

19.17 Concentration of Deposits, Advances, Exposures and NPAs

19.17.1 Concentration of Deposits

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Total Deposits of twenty largest depositors	1,736.75	668.52
Percentage of deposits of twenty largest depositors to total deposits	45.81%	32.18%

19.17.2 Concentration of Advances

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Total Advances to twenty largest borrowers	286.38	296.62
Percentage of advances to twenty largest borrowers to total advances	6.18%	9.29%

* Credit Exposure excludes the exposures which are 100% cash backed

19.17.3 Concentration of Exposures

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Total Exposure to twenty largest borrowers / customers	300.66	316.24
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	6.47%	9.85%

* Credit Exposure excludes the exposures which are 100% cash backed

19.17.4 Concentration of NPA's

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Total Exposure to top four NPA Accounts (Gross)	40.32	0.34

19.18 Sector Wise Advances:

(₹ in crores)

Sl.	Sector	As at March 31, 2019		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	2,600.73	11.48	0.44%
2	Advances to industries sector eligible as priority sector lending	78.21	0.38	0.49%
3	Services	1,489.73	10.75	0.72%
4	Personal loans	53.80	0.21	0.37%
	Sub-Total (A)	4,222.47	22.82	
B	Non Priority Sector			
1	Agriculture and allied activities	0.24	0.06	23.89%
2	Industry	17.80	0.91	5.11%
3	Services	446.46	41.20	9.23%
4	Personal loans	38.63	0.58	1.53%
	Sub-Total (B)	503.13	42.75	
	Total (A+B)	4,725.60	65.57	1.39%

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

(₹ in crores)

Sl.	Sector	As at March 31, 2018		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	1,728.95	7.09	0.41%
2	Advances to industries sector eligible as priority sector lending	-	-	-
3	Services	1,126.01	50.29	4.47%
4	Personal loans	-	-	-
	Sub-Total (A)	2,854.96	57.38	2.01%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	-
2	Industry	246.74	-	-
3	Services	4.58	0.09	1.97%
4	Personal loans	-	-	-
	Sub-Total (B)	251.32	0.09	0.04%
	Total (A+B)	3,106.28	57.47	1.85%

* This includes underlying advances of Priority Sector Lending Certificates sold during the year. Refer Schedule 19.19.

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

19.19 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
General category	353.00	1,203.25
Micro enterprises	-	58.00
Small / marginal farmers	1,448.00	1,565.00
Total	1,801.00	2,826.25

Following are the details of PSLC purchased by the Bank.

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
General category	600.00	-
Micro enterprises	-	-
Small / marginal farmers	-	-
Total	600.00	-

19.20 Overseas Assets, NPAs and Revenue

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

19.21 Off- Balance Sheet SPVs sponsored

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

19.22 Disclosures relating to Securitization

(₹ in crores)

Particulars	Number / Amount in Rupees	Number / Amount in Rupees
	As at March 31, 2019	As at March 31, 2018
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Company for securitisation / bilateral transactions	1	1
2. Total amount of securitised assets as per books of the SPVs/assignees sponsored by the Company#	18.74	124.81
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#	4.36	4.36
* Others	-	-
4. Amount of exposures to securitisation transactions other than MRR	-	-
a) Off-balance sheet exposures	-	-
i) Exposure to own securitizations	-	-
* First loss	-	-
* loss	-	-
ii) Exposure to third party securitizations	-	-
* First loss	-	-
* Others	-	-
b) On-balance sheet exposures	-	-
i) Exposure to own securitizations	-	-
* First loss	-	-
* Others	-	-
ii) Exposure to third party securitizations	-	-
* First loss	-	-
* Others	-	-

the above information has been prepared based on the confirmations received from SPVs auditor.

19.23 Disclosure on Remuneration

Qualitative Disclosure

1. 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, 2019, The NRC comprises of four Independent Directors viz. Mr. Kajal Ghose, Dr. V. S. Sampath, Ms. Anita Ramachandran and Mr. Somnath Sengupta.

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;
- Review organisation 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 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, 2019 and year ended March 31, 2018.

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 Resource Policy of the bank, approved by the Board of the Bank on January 09, 2017 and the same has been reviewed by the Board of Directors in its meeting of February 17, 2018 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further, the NRC has approved the revised remuneration structure of Managing Director and CEO subject to approval of Reserve Bank of India. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. The policy is applicable to MD & CEO and WTD and all employees in the grade of AVP and above in Risk and Compliance functions.

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, 2019 were 6,282 (March 31, 2018: 5,142).

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

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

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

Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has predominantly a fixed remuneration structure with no guaranteed bonuses. 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. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. The policy is applicable to MD & CEO and Whole Time Director and all employees in the grade of AVP and above in Risk and Compliance functions.

In FY2018-19, guaranteed bonus was approved for one employee after taking due approval from competent authorities.

Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made: The Board / NRC has been apprised of the Bank's remuneration practices and will review periodically. In the FY2018-19 the Board of the Bank has reviewed the policy in its meeting held on February 16, 2019.

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. The Bank also has in place a policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. The policy is applicable to MD & CEO and WTD and all employees in the grade of AVP and above in Risk and Compliance functions.

3. 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

4. Description of the ways in which the Bank seeks to link performance during a performance measurement year 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.

5. Description of the ways in which the Bank seeks to link performance during a performance measurement year 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 has a portion of Variable pay that can be deferred to the MD & CEO. However, this would be applicable only when the variable pays reach a specified limit of CTC as mentioned in the policy. During the year the limit was not breached for any levels and MD & CEO was not paid any variable pay.

Discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements: The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO and Risk Control and Compliance. This policy deals with the deferred payment of variable pay and claw back rule. However, during the year the same was not applicable as the MD & CEO was not paid any variable pay.

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

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

Overview of the forms of variable remuneration offered. A discussion of the use of different forms of variable remuneration and if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance: The variable remuneration is offered in the form of annual performance bonus. The same is determined on the basis of comprehensive performance appraisal system wherein the performance of each employee is evaluated on the basis of defined Goal Sheet and KRA at the beginning of year and achievement against them.

Quantitative Disclosure -

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

(₹ in crores)

Sl.	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
1(i)	Number of meetings held by the Remuneration Committee during the financial year.	4	1
1(ii)	Remuneration paid to its members during the financial year (sitting fees)	0.03	0.01
2(i)	Number of employees having received a variable remuneration award during the financial year.	9	8
2(ii)	Number and total amount of sign-on awards made during the financial year.	-	-
2(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
2(iv)	Details of severance pay, in addition to accrued benefits, if any.	-	-
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-	-
3(ii)	Total amount of deferred remuneration paid out in the year.	-	-
4	Breakdown of amount of remuneration awards for the year: Fixed Variable Deferred Non-deferred	Fixed CTC: 6.76 Variable: 0.28 Deferred: Nil Non-Deferred: 7.04	Fixed CTC: 5.09 Variable: 0.22 Deferred: Nil Non-Deferred: 5.31
5(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-
5(ii)	Total amount of reductions during the year due to ex- post explicit adjustments.	-	-
5(iii)	Total amount of reductions during the year due to ex- post implicit adjustments	-	-

*Remuneration excludes the cost accounted under Employee Stock Option Plan and other retirement benefits related costs which is accounted at entity level based on actuarial valuation.

19.24 Contingent Liabilities

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

- 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.
- There is a capital commitment towards open purchase orders.
- Pending litigation against the Bank.

Refer Schedule 12 for amounts relating to contingent liabilities.

19.25 The Bank has not issued any letters of comfort during the year ended March 31, 2019 and year ended March 31, 2018. Further there are no outstanding comfort letters as at March 31, 2019 and March 31, 2018

19.26 Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (LCR) is a global minimum standard for Bank's liquidity. The ratio aims to ensure that the 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 crores)

	Three months ended 31 March 2019		Three months ended 31 March 2018		Three months ended 31 December 2018		Three months ended 30 September 2018		Three months ended 30 June 2018	
	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount	Unweighted Amount	Weighted Amount
High Quality Liquid Assets										
1 Total High Quality Liquid Assets (HQLA)		748.5		539.7		599.4		511.5		512.99
Cash Outflows										
2 Retail deposits and deposits from small business customers, of which:		68.7		17.0		47.3		32.4		21.4
(i) Stable Deposits	166.7	8.3	54.3	2.7	11,512.9	5.8	84.4	4.2	38.7	2.9
(ii) Less Stable Deposits	603.6	60.4	142.9	14.3	41,590.2	41.6	282.3	28.2	185.1	18.5
3 Unsecured wholesale funding, of which:		357.2		51.3		147.6		53.3		45.5
(i) Operational deposits (all counterparties)		-		-		-		-		-
(ii) Non-operational deposits (all counterparties)	368.18	109.1	268.84	26.6	264.53	26.1	278.93	27.8	251.36	24.9
(iii) Unsecured debt	248.6	348.6	24.6	24.6	121.6	121.6	25.7	25.7	20.6	20.6
4 Secured wholesale funding		39.1		23.7		29.3		50.8		21.2
5 Additional requirements, of which:		100.81		81.07		41.02		5.41		42.26
(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	113.4	5.7	0.6	0.0	36.9	1.9	39.4	1.97	1,994.6	0.8
6 Other contractual funding obligations	95.1	95.1	81.0	81.04	39.2	39.2	3.4	3.4	4,146.7	41.5
7 Other contingent funding obligations		-		-		-		-		-
8 TOTAL CASH OUTFLOWS		566.3		173.0		265.2		142.0		130.4
Cash Inflows										
9 Secured lending (e.g. reverse repo)		-		-		-		-		-
10 Inflows from fully performing exposures	309.2	154.6	180.0	90.0	287.0	143.5	250.5	125.2	195.2	97.6
11 Other cash inflows	292.1	292.1	237.0	236.97	215.6	215.6	163.2	163.2	263.0	263.0
12 TOTAL CASH INFLOWS	601.3	446.7	417.0	326.97	502.5	359.1	413.7	288.5	478.2	360.6
13 TOTAL HQLA		748.5		539.7		599.4		511.5		512.99
14 Total Net Cash Outflows (8-12)		119.60		(153.97)		(93.84)		(146.50)		(150.17)
15 25% of Total Cash outflows (8*0.25)		141.58		43.25		66.30		35.49		52.61
16 Total Net Cash Outflows (Higher of 14 or 15)		141.58		43.25		66.30		35.49		52.61
Liquidity Coverage Ratio (%)		328.68%		1247.82%		904.01%		1,441.41%		1,573.11%

19.27 Intra-Group Exposures

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Total amount of intra-group exposures	-	-
Total amount of top-20 intra-group exposures	-	-
Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	-	-

19.28 Details of provisioning pertaining to fraud accounts

The following table sets forth for the year ended March 31, 2019, the details of provisioning pertaining to fraud accounts.

(₹ in crores)

Particulars	As at March 31, 2019	As at March 31, 2018
Number of frauds reported	39	30
Amount involved in frauds	0.84	0.94
Provision made	0.62	0.58
Unamortised provision debited from 'other reserves'	-	-

The Bank has recovered the amount of ₹0.22 crores (March 31, 2018 - ₹0.22 crore) against amount involved in frauds.

19.29 Transfers to Depositor Education and Awareness Fund (DEAF)

Below mentioned are the details of funds transferred to Depositor Education and Awareness Fund during the year ended March 31, 2019.

(₹ in crores)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred to DEAF during the year	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

19.30 Credit Default Swap

The Bank has not entered into Credit Default Swap during the year ended March 31, 2019 and year ended March 31, 2018.

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

The borrowers of the Bank do not have any Unhedged Foreign Currency Exposure as at March 31, 2019 and March 31, 2018.

19.32 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.

19.33 The board of directors in their meeting dated July 20, 2018 decided to contribute towards corporate social responsibility up to ₹0.41 crore which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

(₹ in crores)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
a) Gross amount required to be spent by the Company during the year	-	0.10
b) Amount spent during the year on purposes other than construction / acquisition of any asset	-	-
Paid in cash	0.41	0.40
Yet to be paid	-	-
Total of amount spent	0.41	0.40

19.34 The Bank have Nil pending litigations as at March 31, 2019 (March 31, 2018 - Nil).

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

(₹ in crores)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
At cost at March 31 of preceding year	5.06	2.63
Additions during the year	2.73	2.43
Deductions during the year	-	-
Accumulated depreciation to date	3.60	1.81
Net Block	4.19	3.25

19.36 During the quarter ended June 2018, the Bank identified a few issues relating to reconciliation of certain accounts classified under Other Assets in the balance sheet. These also included control accounts relating to disbursement and collections of Microfinance loans. The Bank has undertaken a detailed exercise with the assistance of external experts to reconcile / identify the root cause and impact of these matters. Basis the above, the Bank concluded that these arose as a result of operational and reconciliation issues and also resulted in excess credit given to borrowers but did not identify any other significant matters / impacts. The Bank for unreconciled balances had provided for ₹9.22 crore in June 2018 and further provided ₹1.24 crore subsequent to June 2018. The Bank has now written off the total amount of ₹10.46 crore as the exercise carried out internally and by external expert, on overall basis, further indicated that unreconciled balances primarily resulted due to excess credit given to borrowers. The Bank has put in strong governance process to avoid occurrence of any such issues during the year.

19.37 Prior period items

- The interest income is net of ₹19.15 crore pertaining to erroneous interest income recognized in prior periods.
- The interest expenses and other expenses include prior period expenses of ₹2.18 crore and ₹0.23 crore respectively.
- The Bank has readjusted its ATM finance lease accounting to reflect ATM deployment as against accounting for overall contractual obligation over a period of contract with the lessor. The resultant impact is considered in the assets under lease, lease obligation, interest and depreciation during the period. Interest of ₹1.18 crore and depreciation of ₹2.18 crore pertaining to prior period adjusted during the year.

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

As per our report of even date
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

Sd/-
N Sampath Ganesh
Partner
Membership No. 042554

Sd/-
Tantra Narayan Thakur
Director
DIN : 00024322

Sd/-
Kajal Ghose
Director
DIN : 07702190

Sd/-
Govind Singh
Managing Director & CEO
DIN : 02470880

Sd/-
Mukund Barsagade
Chief Financial Officer
FCA : 048560

Place : Mumbai
Date : May 25, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Utkarsh Small Finance Bank Limited

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Utkarsh Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2019, and the Profit and Loss Account, Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 ("BR Act") as well as Companies Act, 2013 ("Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2019, and profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

Key Audit Matter	How the matter was addressed in our Audit
Identification of Non-Performing Asset ('NPA') and Provisions on Advances	
P&L Charge (including write-off): ₹63.54 crore for year ended March 31, 2019 Provision on Advances: ₹59.88 crore as at March 31, 2019	
Refer to the accounting policies in "Note 17.4(B) to the Financial Statements: Significant accounting policies - Advances" and "Note 18.4.1 to the Financial Statements: Asset Quality"	
Significant Estimate and Judgment Involved	Our key audit procedures included:
<p>Identification of NPAs is made based on the assessment of criteria stipulated in the Reserve Bank of India ('RBI') guidelines with regard to the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' such as past due status. NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA.</p> <p>Provisions in respect of such NPAs 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, prescribed from time to time and Bank's internal credit policy.</p> <p>We identified NPA identification and provision on loans and advances as a key audit matter because of the significant efforts involved by the management in identifying NPA and provisions for NPA based on the RBI guidelines and Bank's internal credit policy and on account of the significance to these estimates to the financial statements of the Bank.</p>	<p>Design and Operating Effectiveness of Controls</p> <ul style="list-style-type: none"> Performed process walkthroughs to identify the key controls used in the process on provision for loan portfolio. Assessed the design and implementation of controls in respect of the Bank's provision for loan portfolio process such as the identification of NPA accounts, measurement and timely recognition of provision, the completeness and accuracy of reports used in the provision process and management review processes over the calculation of provision. Assessed the reliability of management information, which included overdue reports. Involved our information system specialists in the audit of this area to gain comfort over data integrity and calculations of days past due. <p>Substantive Tests</p> <ul style="list-style-type: none"> Performed test of details, on a sample basis, of the borrower-wise NPA identification, calculation of provisions as at March 31, 2019 to assess the completeness, accuracy and relevance of data and determine whether the same is in compliance with the RBI prescribed guidelines with regard to the Asset Classification & Provisioning and Bank's accounting policy. Assessed the appropriateness of the disclosure in the financial statements.
Reconciliations of Disbursal and Collection Related Sundry Control Accounts	
Refer to the note relating to the significance of certain operational and financial control related issues observed by the Bank around these control accounts in "note 19.36 to the Financial Statements"	
Significant Estimate and Judgment Involved	Our key audit procedures included:
<p>Control Accounts</p> Control accounts are accounts used for the purpose of routing disbursements, collections and inter-branch transactions and are grouped under 'other assets' / 'other liabilities' as applicable.	<p>Design and Operating Effectiveness of Controls</p> <ul style="list-style-type: none"> Tested the design, implementation and operating effectiveness of management's key internal controls instituted over transactions routed through these Control accounts and reconciliation of these Control accounts.

We identified reconciliation of Control accounts as a key audit matter because of the significant manual intervention involved in reconciliations process around these control accounts and certain issues observed in the transactions routed through these accounts as explained in note 19.36 to the Financial Statements.

- Assessed the appropriateness of the reconciliation procedures on the disbursement and collection related control accounts performed by the management.

Substantive Tests

- Obtained an understanding on the steps undertaken by the management to reconcile / adjust the unreconciled transactions / balances appearing in these accounts.
- Assessed the appropriateness of the reconciliation exercise carried out by the Management and consequent provision / write off carried out by the Management.
- Confirmed the board approval for such provision / write off of balances.
- Performed test of details, on a sample basis, to understand the nature of the reconciliation items identified by the management.
- Assessed the appropriateness of the disclosure made in relation to certain issues observed.

Information Technology ('IT')

IT Systems and Controls

The Bank's key financial accounting and reporting processes are dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses few systems for its overall financial reporting.

We have identified 'IT systems and controls' as key audit matter because of the automation, number of systems being used by the management and the complexity of the IT architecture.

Our key IT audit procedures included:

- Obtained an understanding of the General IT Control i.e. Access Controls, Program / System Change, Program Development, Computer Operations (i.e. Job Processing, Data / System Backup Incident Management) over key financial accounting and reporting systems, and supporting control systems (referred to as in-scope systems).
- Tested the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems.
- Obtained an understanding of the IT application controls covering.
 - user access and roles, segregation of duties, and
 - key interfaces, reports, reconciliations and system processing.
- Tested the select IT application controls for design and operating effectiveness for the audit period.
- For a selected group of key controls over financial and reporting system, we performed testing to determine that these controls remained unchanged during the audit period or were changed following the standard change management process.
- We understood IT infrastructure i.e. operating systems and databases supporting the in-scope systems.

Information Other than the Financial Statements and Auditor's Report Thereon

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

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Bank's Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's Responsibility for the Financial Statements

The Bank's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit 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, provisions of section 29 of the Banking Regulation Act, 1949 ("BR Act") 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act.

A. 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) since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we have visited 20 Bank branches.

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

- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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 accounts.
- d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, 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 March 31, 2019 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2019 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 March 31, 2019 - Refer Schedule 12 to the financial statements.
 - 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 - Refer note 19.32 to the financial statements.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
- h) The disclosures required on holdings as well as dealing in specified bank notes during the period from November 08, 2016 to December 30, 2016 as envisaged in notification G.S.R. 308(E) dated March 30, 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank.

C. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Companies Act, 2013:

The Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply.

Place : Mumbai
Date : May 25, 2019

For **BSR & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W / W-100024

Sd/-
N. Sampath Ganesh
Partner
Membership No. - 042554

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

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

- a) We have reviewed financial statements and the cash flow statement for the Financial Year ended March 31, 2019 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 the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting in the Bank and we have evaluated the effectiveness of the internal control systems of the Bank pertaining to financial reporting and 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 taken or proposed to be taken 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 of the financial statements; and
 - iii. Instances of significant fraud of which we have become aware and involvement therein, if any, of the Management or an employee having a significant role in the Bank's internal control system over financial reporting.
- 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).

Sd/-
Govind Singh
Managing Director & CEO

Sd/-
Mukund Barsagade
Chief Financial Officer

The Annual Report on Corporate Social Responsibility (CSR) Activities

Financial Year 2018-19

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

Policy Statement

The Bank's CSR initiatives aim to contribute to the social and economic development of the underprivileged and underserved community in low income geographies. Through impact oriented interventions, the Bank seeks to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment. Initiatives will largely focus on education, health, promoting livelihoods through skill building and vocational training. The Bank shall also promote initiatives that preserve, restore and enhance environment, ecological balance, and natural resources, and improve sanitation and hygiene. All activities undertaken by the Bank through its CSR projects and programmes shall be as per areas or subjects as specified in Schedule VII under Section 135 of the Companies Act, 2013.

The Bank's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations.

CSR Philosophy & Guiding Principles

CSR policy covers the entire process by which 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 the 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 the cardinal principle to make a meaningful and measurable impact in the lives of economically, physically and socially challenged communities of the country.

The Bank puts in continuous efforts to positively impact the society, particularly the underserved and unserved communities in the area of its operations. The Bank has formulated policies for social development based on the following guiding principles:

- 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 underserved segments by providing financial and non-financial services through a socially responsible, sustainable and scalable institution.

Organization Setup

For the purpose of various development and welfare interventions, a separate entity named Utkarsh Welfare Foundation (UWF) has been incorporated as a section 8 company under the provisions of the Companies Act, 2013. UWF is a subsidiary of Utkarsh Coreinvest Limited (erstwhile Utkarsh Micro Finance Ltd.) and has been assigned with the responsibility to undertake Corporate Social Responsibility activities on behalf of the Bank. UWF aims to make a meaningful and sustainable impact in the lives of the under privileged and underserved sections of the community through a multi-pronged service oriented market led approach. UWF initiatives are focused on a range of issues such as education, health, skill development, environment, micro enterprise training, sustainable livelihoods and water & sanitation.

The Bank has constituted a CSR Committee of the Board consisting of three or more directors including at least one Independent Director. The Committee meets at least three times in a year. The following are 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.

Scope of Activities

Identified CSR activities are in line with the CSR Rules (Sec.135 of Companies Act, 2013). Under CSR activities, the identified thematic areas of interventions are health, financial literacy, environment protection, water, sanitation and skill & vocational training activities. The Bank initiated many such programmes through UWF. The Bank is committed to provide not less than 2% of its average net profit before tax for preceding three financial years to UWF to carry out the programmes on the broad themes of financial awareness and village development.

During the financial year 2018-19, prime focus under CSR initiatives was on financial awareness, primary education, skill & vocational training and supporting special homes for children and elderly.

Financial Awareness (FA)

Financial awareness initiatives are aligned with the Bank's mission to support underprivileged and underserved segments of the population by providing financial and non-financial services in a socially responsible, sustainable and scalable manner. Financial awareness programmes are aimed at building financial decision making capabilities of the targeted beneficiaries through right information, instructions and advice. The total beneficiary outreach of such Credit Plus initiatives of the Bank for financial awareness of the target sections supported under USFBL-CSR since its inception has been 1,42,173.

For the Financial Year 2018-19, the total beneficiary outreach achieved through CSR initiatives under financial awareness programmes is 28,394.



Financial Literacy- Class Room Training Initiatives:

The Bank adopts intensive approach towards the delivery of financial literacy to the target population. Trainings are organized in small batches of 20-25 and around 12 hours of inputs spread across 3 days of classroom training are provided covering modules on financial planning, budgeting, savings, borrowings, investments, insurance, banking services and targeted Government schemes. The training methodology adopted is participatory & interactive. Audio-visuals, posters, banners, group discussion, role plays, exercises, games and other participatory training tools and aids are used. Trainers effectively communicate and transmit the key messages to the participating women / men beneficiaries.

Such programmes were conducted across 18 locations in 7 districts in Bihar, 2 districts in Madhya Pradesh, 1 district in Uttarakhand and 4 districts in Uttar Pradesh. For FY2018-19, total 10,725 beneficiaries have successfully completed the 3 days class room training in 696 batches.

USFBL's CSR contribution has helped to strengthen the Financial Literacy programmes and replicate and scale up the model with the support of new partnerships.

Financial Literacy- Mass awareness Camps:

One-day mass awareness camps are organized to introduce financial literacy to the masses (village communities) as well as to assess the response of the grassroots beneficiaries in a particular area. It results in a clear understanding of the area of emphasis and the efforts estimated for bringing about the desired change. These campaigns focus more on audio visual aids to convey the key messages viz., Financial Literacy, rights and entitlements of beneficiaries under various Government schemes, etc. Target Groups include the entire village community, that is, around 50-200 villagers including women and other members from their household, especially males and elders, who are influencers in the financial decision making process.

During FY2018-19, total 100 mass awareness camps were organized which were attended by 4,882 beneficiaries. Mass awareness camps include special camps organized during the first week of June, i.e. June 4th-8th, 2018 celebrated as Financial Literacy Week every year with the underlying theme of "Consumer Protection" under the aegis of Reserve Bank of India. The programme was successfully completed at 97 locations across the states of Bihar, Delhi & NCR, Madhya Pradesh, Maharashtra, Uttar Pradesh, and Uttarakhand with the support of the Bank. At 22 locations, UWF organized special camps with a total outreach of 1,629 beneficiaries. During the programme, sessions on consumer rights protection were held with the use of flip charts and RBI posters for spreading financial awareness among participants mainly belonging to nearby villages.

Digital Financial Literacy Initiative:

Total 11,888 beneficiaries attended the digital financial literacy programmes in 841 batches during FY2018-19.

Dialogue on Business Programme for Micro and Small Business Entrepreneurs:

Under advanced financial literacy programme, training on business and entrepreneurship development was provided to micro and small business entrepreneurs at Allahabad and Varanasi. Since its inception, total 2,811 beneficiaries have successfully completed the classroom training in 332 batches. During FY2018-19, total 899 participants attended the training programme.

Village Development Programme

Village Development Programme envisages integrated and holistic development of identified villages in consultation with the village community coupled with convergence of various development interventions. Emphasis under this programme is on participatory planning and convergence of various development programmes for bringing about overall development of the targeted villages.

5 Villages namely Bhimchandi, Deendaspur, Dholapur, Karnadadi and Mehmedpura under Arajiline block in Varanasi district have been identified for the intensive approach under development intervention.

Activities conducted under Village development Programme

Learning Enhancement Programme (LEP) for School Children: Around 94 children in the age group of 5-12 years were identified and enrolled for LEP under which UWF is organizing tutorial classes on Language skills (Hindi and English), Numeracy skills, Science and Drawing, with the use of various creative learning tools, audio-visuals, games and participatory tools. Further, the LEP was also extended to four villages namely Bhimchandi, Deendasapur, Karnadadi, Mehmedpur covering 100 children under Arajiline block in Varanasi with the support of community resource persons for facilitating the programme at field level. Under LEP, special events such as quiz competition and Christmas celebrations were organized for children on December 24th and 25th, 2018. This also included activities such as craft making through popsicle sticks, cotton, velvet paper, etc.

The LEP activities also focused on the following broad themes:

- 1. Building Financial Capability through Financial Literacy:** During FY2018-19, total 1085 beneficiaries were trained under classroom training through 62 batches.
- 2. Access to Banking & Financial services:** 4 kirana shops were identified for kiosk model BC.

Skill and Vocational Training Programmes: USFBL CSR funded SIDBI-PSIG supported pilot projects for establishing / upscaling / diversifying women led micro & small business enterprises. The pilot project is intended to create opportunities for women entrepreneurs to diversify / take up new enterprises and scale up existing enterprises. Technical support is provided by "Udyogini" an institution of repute in the domain of micro enterprise development. Total 8,000 women led enterprises are supported under the project with business development services, credit and market linkage support. Relevant skill and vocational training is being organized under the project.

Intensive approach project is being implemented across 2 districts in Uttar Pradesh namely Ghazipur and Varanasi. Project timeline is of 15 months and as on March 31, 2019, total 6,683 women entrepreneurs were on-boarded for the project, of which 3,955 were provided with 12 hours of enterprise development training and 1,550 beneficiaries were provided with credit linkage support.

Supporting Homes for Special Children, Elderly & the Destitute: The Bank continued its support to special homes for children, elderly and the destitute. The Bank also sponsored meals and provided them with items for their daily use. For improved engagement and better understanding of their needs monthly visits to special homes are organized.

Activities conducted during FY2018-19:

- Picnic for children: Twice, picnics were organized at Sarnath (attended by 22 children) and Varanasi (attended by 24 children) on December 21, 2018 and March 31, 2019 respectively;
- Provision of winter clothes: Winter clothes were provided at Old Age Home and Orphanage for children. Total 155 beneficiaries were covered under this activity;
- Repairing of beds was undertaken at old age homes for senior citizens. Total 81 elderly inmates benefitted under this initiative.

Blood Donation Camps

A blood donation camp was organized in association with Pandit Deen Dayal Upadhyaya Government Hospital, Varanasi on March 16, 2019. 45 Volunteers from Utkarsh participated in this noble cause and donated blood in the camp.



Geographical Span

During the Financial Year 2018-19, the CSR activities were spread across various districts in four states namely Bihar, Madhya Pradesh, Uttarakhand and Uttar Pradesh.

Web Link to CSR policy, projects and programmes: Annual Report on CSR Activities is also available on the Bank's website <https://utkarsh.bank/>

2. Composition of the CSR committee

Dr. V.S. Sampath (Chairperson)
Mr. Tantra Naryan Thakur
Mr. Govind Singh

3. Average net profit before tax of the Bank for last three financial years is ₹20.16 crore.

4. Prescribed CSR expenditure (i.e. 2% of the amount as in 3 above)

The year closed with a Net Interest Income (NII) of ₹497.4 crore and an Operating Profit of ₹230.5 crore. The Bank has generated ₹148.8 crore as Profit Before Tax (PBT) which further resulted in ₹93.9 crore of Profit After Tax (PAT).

The Bank spent ₹40,50,000/- which was higher than 2% of its average net profit before tax for last three financial years as prescribed under Sec.135 of Companies Act, 2013.

5. Details of the CSR spent during FY2018-19

CSR Project or Activity Identified	Sector in Which the Project is Covered	Projects / Programmes- Specify the State / Union Territory Where the Project / Programme was Undertaken	Projects / Programmes- Specify the District Where Project / Programme was Undertaken	Amount Outlay (Budget) Project / Programme Wise (₹)	Amount spent on the Project / Programme (₹)	Expenditure on Administrative Overheads (₹)	Mode of Amount spent
Financial Awareness Programmes	Promoting Education, Gender equality, Empowering women	Bihar Madhya Pradesh Uttar Pradesh Uttarakhand	Bihar (Buxur, East Champaran, Kaimur, Katihar, Khagariya, Patna, Rohtas); Madhya Pradesh (Rewa, Satna) Uttar Pradesh (Allahabad, Chandauli, Ghazipur, Gorakhpur, Jaunpur, Kushinagar, Maharajganj, Mirzapur, Varanasi, Uttarakhand (Dehradun and Haridwar)	28,95,959	23,58,596	5,37,363	Direct Expenditure
Educational Initiatives	Promoting Education	Uttar Pradesh	Varanasi	50,000	50,000	-	Direct Expenditure
Skill & Vocational training	Promoting Education, Gender equality, Empowering women, vocational skills and livelihood enhancement	Uttar Pradesh	Ghazipur and Varanasi	11,04,041	11,04,041	-	Direct Expenditure
Amount Spent on Local Area				40,50,000	35,12,637	5,37,363	Direct Expenditure
Amount Spent on other Area							
Total Amount Spent on CSR				40,50,000	35,12,637	5,37,363	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 CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Bank.

**Sd/-
Mr. Govind Singh**
Managing Director & CEO

**Sd/-
Dr. V. S. Sampath**
Chairman, CSR Committee

BASEL – PILLAR 3 DISCLOSURES – MARCH 31, 2019

Utkarsh Small Finance Bank Limited (hereafter referred as the “Bank”), is a wholly owned subsidiary promoted by Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Limited) incorporated on April 30, 2016 under the provision of the Companies Act, 2013. The Bank is licensed by the Reserve Bank of India (RBI) to operate as Small Finance Bank (SFB) under the Banking Regulation Act, 1949 on November 25, 2016. As per the Business Transfer Agreement, the entire balance sheet of Utkarsh CoreInvest Ltd. was transferred to Utkarsh Small Finance Bank Limited (USFBL) as at the close of business on January 21, 2017. Subsequently, soft launching of banking operations commenced on January 23, 2017 with the opening of five branches in Delhi, Nagpur, Patna & Varanasi and full-fledged launching of the banking operations commenced on September 22, 2017. It was included in the second schedule of the RBI Act, 1934 vide a notification dated November 16, 2017 and is therefore a Scheduled Commercial Bank.

The Bank aims to provide affordable & accessible banking services which are process centric, technology enabled and people oriented resulting in reliable, scalable and sustainable institution facilitating socioeconomic change. The purpose is to provide banking products to the unserved and underserved sections of the country, which includes small and marginal farmers, micro and small industries, and other organized sector entities, at an affordable cost. The Bank's vision is to be the trusted financial service provider to over 10 million customers by 2021.

The Bank has prepared this disclosure document in compliance with the directions of RBI vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. The document provides a review of key observations pertaining to the Bank's capital adequacy, credit quality, key business highlights and a review of its key risks as at September 30, 2018.

I. Scope of Application

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

II. Capital Adequacy Framework and Capital Structure

Framework

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

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

Assessment

For better assessment of the capital, the Bank is having Internal Capital Assessment Process (ICAAP) with Simplified Approach, in view of the balance sheet size and requisite risk management practices.

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

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

a) Capital Funds

(₹ in Crores)

Sl.	Particulars	Amount as on March 31, 2019
A	Tier I Capital	
	Paid-up Share Capital	737.05
	Reserves	34.39
	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	6.15
	Deferred Tax Assets	15.07
	Good will and Adjustments for less liquid position	-
	Deferred revenue expenditure	9.22
	Intangible assets	4.47
C	Net Tier 1 Capital	736.53
D	Tier II Capital	
	General Provisions	12.24
	Upper Tier 2 capital instruments	130.00
	Lower Tier 2 capital instruments	-
	Investment fluctuation reserve	1.32
E	Deductions	
	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	-
	Securitisation exposures including credit enhancements	6.15
F	Net Tier 2 Capital	137.41
	Total Eligible Capital	873.94

b) Capital Requirement for various Risks and Risk Weighted Assets

(₹ in Crores)

Sl.	Particulars	Amount as on March 31, 2019
(a)	Capital Requirement for Credit Risk:	
	Portfolios subject to Standardized Approach	543.15
	Securitization	-
(b)	Capital Requirement for Market Risk:	
	Interest Rate Risk	-
	Foreign exchange Risk (including Gold)	-
	Equity Risk	-
(c)	Capital Requirement for Operational Risk:	
	Basic Indicator Approach	-
(d)	Total Capital Requirement (a+b+c)	543.15
(e)	Total Risk Weighted Assets	3,621.01
(f)	Total Capital Fund	873.94
(g)	Capital Adequacy Ratio	
	Common Equity Tier-1	20.35%
	Tier-1	20.35%
	Tier-2	3.79%
(h)	Total CRAR	24.14%

III. Leverage Ratio

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

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

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

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

(₹ in Crores)

Sl.	Items	Amount as on March 31, 2019
On-Balance Sheet Exposure		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	6,236.40
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	6,236.40
Derivative Exposure		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities Financing Transaction Exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Total securities financing transaction exposures (sum of lines 12 to 15)	-
16	Other off-balance sheet exposures	12.50
17	Off-balance sheet exposure at gross notional amount	-
18	(Adjustments for conversion to credit equivalent amounts)	-
19	Off-balance sheet items (sum of lines 17 and 18)	-
Capital and Total Exposures		
20	Tier 1 capital	736.53
21	Total exposures (sum of lines 3, 11, 16 and 19)	6,248.90
Leverage Ratio		
22	Basel III leverage ratio	11.79%

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

(₹ in Crores)

Sl.	Particulars	Amount as on March 31, 2019
1	Total consolidated assets as per published financial statements	6,236.40
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	-
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
4	Adjustment for entities outside the scope of regulatory consolidation	-
5	On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)	6,236.40

b) Summary Comparison of accounting assets and leverage ratio exposure

(₹ in Crores)

Sl.	Particulars	Amount as on March 31, 2019
1	Total consolidated assets as per published financial statements	6,236.40
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	12.50
	Other adjustments	-
	Leverage ratio exposure	11.79%

IV. 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. The 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.

a) 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.

b) Risk Governance Framework

The Bank believes that the role of risk management should not be biased by consideration of profits or performance evaluation of units. It 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.

c) 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:

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

• Management Level Committees

At a management level, three separate committees for Credit Risk Management, Operational Risk Management, Asset Liability Management, Information System Security committees and Fraud Risk Council meet at regular intervals to support the Board level committees in executing its responsibilities.

V. Credit Risk

Credit risk is the risk of loss that may occur due to default of the counterparty or from its failure to meet its obligations as per the terms of the financial contract. Any such event will have an adverse effect on the financial performance of the Bank.

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.

a) Structure and Organization

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 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
- Business Units

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

b) Strategies and Processes

The Bank has defined and implemented various risk management policies, procedures and standards 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.

The product credit policy details the credit norms to be adhered to for each customer segment within specific products. Credit Committees, comprising of various senior officials from the Bank including representation from the Risk Department, are constituted for approval of various loan proposals. All credit proposals other than Micro Finance Loans (MFL) are approved by various committee as per authority matrix approved by the Board.

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

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

c) Credit Risk Measurement

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

Total gross credit risk exposure by facility:

(₹ in Crores)

Sl.	Facility Type	Credit Exposure as on March 31, 2019
1	Gross Loans & Advances	4,725.60
	Add: Non SLR Investments	69.90
	Total Fund Based	4,795.50
2	Non-Fund Based	-
Total		4,795.50

Total gross credit risk exposure by geography:

(₹ in Crores)

Sl.	Facility Type	Credit Exposure as on March 31, 2019
1	Domestic	4,795.50
2	Overseas	-
Total		4,795.50

Total gross credit risk exposure between secured and unsecured businesses:

(₹ in Crores)

Sl.	Facility Type	Credit Exposure as on March 31, 2019
1	Secured	482.18
2	Unsecured	4,313.32
Total		4,795.50

Residual maturity breakdown of Assets:

(₹ in Crores)

Particulars	As on March 31, 2019					
	Loans & Advances	Investments	Deposits	Borrowings	Foreign currency Assets	Foreign currency Liabilities
1 day	20.61	307.12	86.21	-	-	-
2 to 7 days	57.84	24.20	159.35	-	-	-
8 to 14 days	58.34	62.83	85.20	-	-	-
15 to 30 Days	153.74	31.81	169.16	40.00	-	-
31 Days to 2 months	285.96	38.79	255.50	-	-	-
Over 2 months to 3 months	251.42	53.63	287.19	65.64	-	-
Over 3 months to 6 months	813.32	100.28	337.90	190.26	-	4.32
Over 6 months to 1 year	1,407.13	251.31	1,246.31	407.71	-	4.32
Over 1 year to 3 years	1,541.31	221.96	1,147.32	313.79	-	17.29
Over 3 years to 5 years	45.75	59.02	16.24	372.37	-	-
Over 5 years	30.30	6.25	1.01	40.00	-	-
Total	4,665.72	1,157.20	3,791.39	1,429.77	-	25.93

Classifications of Non-Performing Assets & Provisioning

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

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

Position of Non-performing Assets (NPA):

Particulars	(₹ in Crores)
	Amount at March 31, 2019
Gross Advances	4,725.60
Net Advances	4,665.72
Gross NPA	65.57
Sub-standard	59.96
Doubtful 1	5.61
Doubtful 2	-
Doubtful 3	-
Loss	-
NPA Provision	59.88
Net NPA	5.69
Gross NPA to Gross Advances (%)	1.39%
Net NPA to Net Advances (%)	0.12%

Movement of Non-performing Assets (NPA Gross):

Particulars	(₹ in Crores)
	Amount at March 31, 2019
Opening Balances (As on April 01, 2018)	57.47
Additions	60.26
Write Offs	30.83
Reductions	21.33
Closing Balances	65.57

Movement of NPA Provisions:

(₹ in Crores)

Particulars	Amount at March 31, 2019
Opening Balances (As on April 01, 2018)	23.75
Add: Provisions made during the period	56.32
Less : Write offs	20.19
Less : Write Back of excess provision	-
Closing Balances	59.88

Movement of provisions for depreciation on investments:

(₹ in Crores)

Particulars	Amount at March 31, 2019
Opening Balances (As on April 01, 2018)	0.92
Add: Provisions made during the period	-
Less : Write offs	-
Less : Write Back of excess provision	0.92
Closing Balances	-

VI. 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 25 lakh.

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

(₹ in Crores)

Category	Amount at March 31, 2019
Below 100% Risk Weight	3,217.06
100% Risk Weight	403.95
More than 100% Risk Weight	-
Closing Balance	3,621.01

VII. 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.

VIII. Liquidity Risk Qualitative Disclosures

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

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

IX. Market Risk Qualitative Disclosures

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

a) Structure and Organization

The organizational structure for Market Risk Management is as follows:

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

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

b) Strategies and Processes

Risk identification entails ensuring all instruments that result in Market Risk both on 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.

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

c) Market Risk Measurement

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

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

X. Operational Risk Qualitative Disclosures

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

a) Structure and Organization

The operational risk management governance structure is as follows:

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

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

b) Strategies and Processes

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

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

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

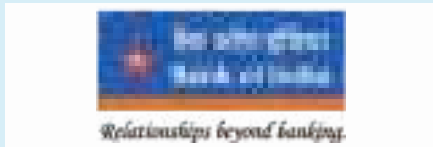
The Bank also has a Whistle blower policy, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event. The Bank have separate Risk containment unit to prevent fraudulent applications from entering into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

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

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

PARTNERS IN PROGRESS

Public Sector Banks



Development Financial Institutions (DFIs)



Private Sector Banks



Financial Institutions



Foreign Institutional Investors



System Partners



Credit Bureau Partners



Cards Payments & Digital Banking



Business Correspondent



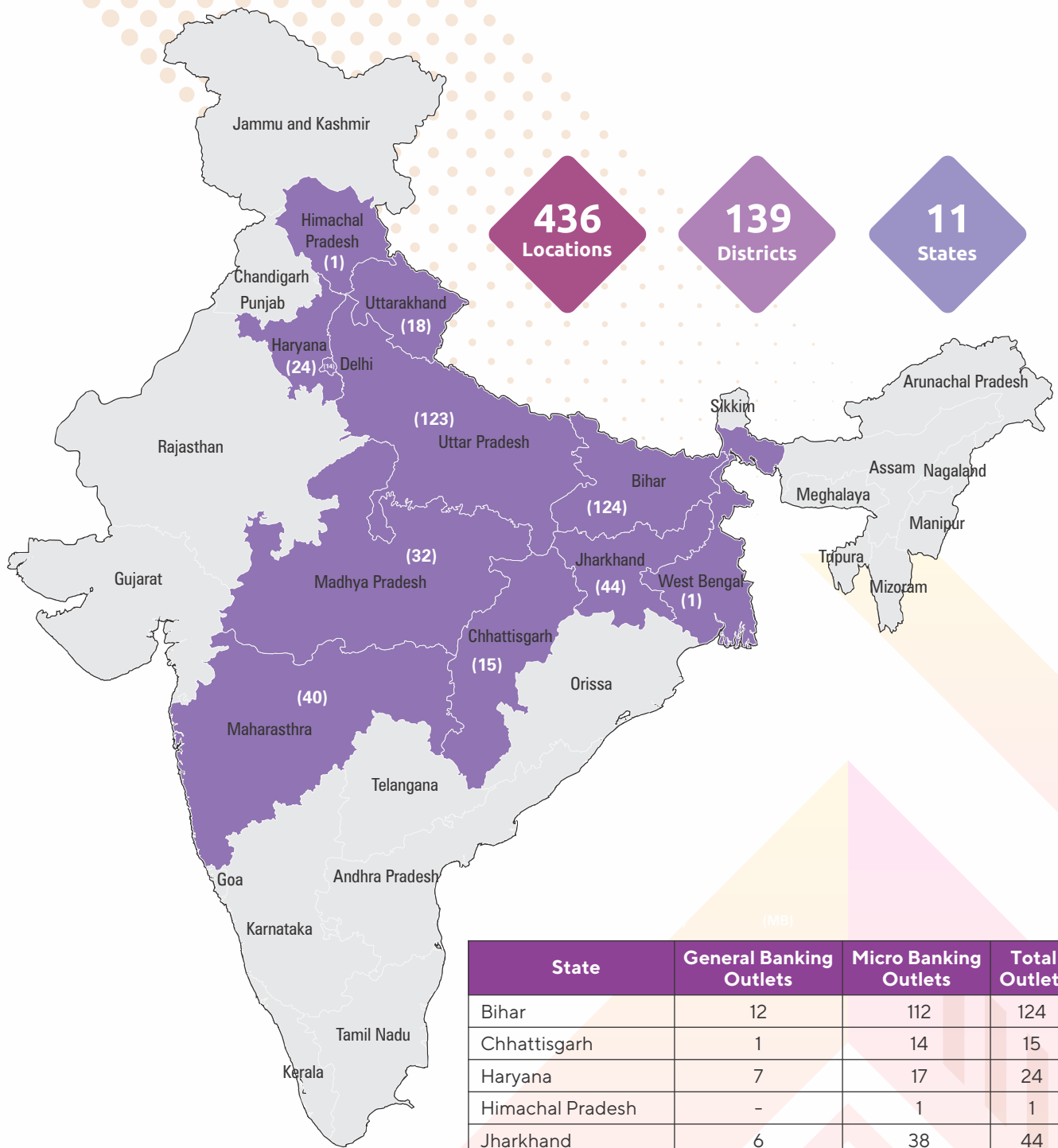
Insurance



Auditors



UTKARSH PRESENCE



State	General Banking Outlets	Micro Banking Outlets	Total Outlets
Bihar	12	112	124
Chhattisgarh	1	14	15
Haryana	7	17	24
Himachal Pradesh	-	1	1
Jharkhand	6	38	44
Madhya Pradesh	3	29	32
Maharashtra	2	38	40
NCT of Delhi	6	8	14
Uttar Pradesh	18	105	123
Uttarakhand	5	13	18
West Bengal	1	-	1
Grand Total	61	375	436



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