

INDEPENDENT AUDITOR'S REPORT

To the Members of Utkarsh Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Utkarsh Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2020, the Profit and Loss Account and the Cash Flow Statement for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2020, its profit and its cash flows for the year ended on that date.

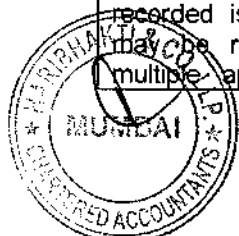
Basis for Opinion

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

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 for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matter
<p><u>Information Technology (IT) Controls Framework</u></p> <p>The Bank has a complex IT architecture to support its day- to- day business operations. The volume of transactions processed and recorded is huge. Moreover, a transaction may be required to be recorded across multiple applications depending upon the</p>	<p>IT audit specialists are an integral part of our engagement team. Our approach of testing IT General Controls (ITGC) and IT Application Controls (ITAC) is risk based and business centric.</p> <p>As a part of our IT controls testing, we have tested ITGC as well as ITAC. The focus of testing of ITGCs was based on the parameters such as Completeness, Validity,</p>



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<p>process and each application has different rules and a different set of user access and authority matrix. These applications are interlinked using different technologies so that data transfer happens in real time or at a particular time of the day; in batches or at a transaction level and in an automated manner or manually. The Core Banking Solution (CBS) itself has many interfaces. All these data streams directly affect the financial accounting and reporting process of the Bank.</p> <p>The Bank has a process for identifying the applications where these controls are embedded. It also has a process to ensure that systems, processes and controls remain relevant. The Bank's IT control framework includes automated, semi-automated and manual controls designed to address identified risks. IT controls are stated in, IT General Controls (ITGC) and IT Application Controls (ITAC).</p> <p>We have identified IT Controls Framework as a Key Audit Matter as the Bank's business is highly dependent on information technology, the IT environment is complex and the design and operating effectiveness of IT controls have a direct impact on a financial reporting process. Review of these controls allows us to provide assurance on the integrity and completeness of data processed through various IT applications which are used for the preparation of financial reports.</p>	<p>Identification/ Authentication and Authorization, Accuracy, Integrity and Accountability. On the other hand, focus of testing automated controls from applications was whether the controls prevent or detect unauthorized transactions and support financial objectives including completeness, accuracy, authorization and validity of transactions.</p> <p>We gathered a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology.</p> <p>In ITGC testing, we reviewed control areas such as User Management, Change Management, Systems Security, Incident Management, Physical & Environmental Security, Backup and Restoration, Business Continuity and Disaster Recovery, Service Level Agreement.</p> <p>For ITAC, we carried out on sample basis, compliance tests of system functionality in order to assess the accuracy of system calculations. We also carried out procedures such as validations and limit checks on data entered into applications, approvals, process dependencies and restriction on time period in which transactions may be recorded.</p> <p>We tested the control environment using various techniques such as inquiry, review of documentation/record/reports, observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our tests.</p> <p>Wherever deviations were noted either the same were explained to our satisfaction or we tested compensating controls and performed alternate procedures, where necessary, to draw comfort.</p>
<p>Classification and Provisioning for Advances (Refer to the accounting policies in note 17.4 (B) of Schedule 17 and Schedule 9 and note 18.4.1, 18.25, 18.47 and 18.48 of schedule 18 to the financial statements)</p> <p>The Bank's portfolio of loans and advances to customers amounts to Rs. 6,281.60 crore (Net of Provisions) as at March 31, 2020 and 90% of portfolio consists of Micro finance</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ol style="list-style-type: none"> 1. Considered the Bank's accounting policies for NPA identification, and provisioning



business.

As required under Income Recognition, Asset Classification and provisioning norms (IRACP) issued by the Reserve Bank of India (RBI), guidelines on COVID 19 related Regulatory Package dated March 27, 2020, April 17, 2020 and clarification on May 6, 2020 issued by the RBI ('Regulatory Package') and other relevant circulars, notifications and directives issued by the RBI, the Bank classifies advances into performing and non-performing advances (NPA) which consists of Standard, Sub-standard, Doubtful and Loss and makes appropriate provisions.

Classification of advances requires consideration of the quantitative and qualitative factors and provisioning for advances including the potential impact arising on account of unprecedented COVID-19 requires assessment of credit risk across a wide range of borrowers, products, industries and geographies and there is a high degree of complexity and judgement involved in estimating recoverability of advances and estimation of provisions thereon.

We have identified classification & provisions for advances as key audit matter in view of the significant judgement involved in estimation, as well as the stringent compliances norms laid down under RBI guidelines.

and assessing compliance with the IRACP prudential norms prescribed by the RBI.

2. Tested on sample basis, the approval of new lending facilities granted against the Bank's credit policies, the performance of annual loan assessments, and controls over the monitoring of credit quality.
3. Evaluated the design of internal controls relating to classification and provisioning of advances. Tested the operating effectiveness of these internal controls.
4. Reviewed NPA identification and corresponding interest reversal based on the prudential norms by selecting samples across NPA, SMA and Regular Accounts of the Loan Portfolio.
5. Tested on sample basis the level of provisions held against different loan products based on the delinquency profile and assumptions made in respect of expected recoveries, primarily from collateral held.
6. In case discrepancies were noted, evaluated the relevant controls and ensured rectification of the same.
7. Made inquiries of management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations.
8. Reviewed the Bank's process for granting moratorium to borrowers as per the Regulatory Package announced by RBI. We tested the completeness and accuracy of data used for computing general provision in line with Regulatory package issued by RBI. With respect to additional provision made by the Bank on account of the impact of COVID -19 pandemic, we broadly reviewed the underlying assumptions and estimates used by the management for the same. However, as the extent of impact is dependent on future developments, which are highly uncertain, we primarily relied on those assumptions and estimates. These assumptions and estimates are a subject matter of periodic review by the Bank.

Disclosure

We assessed the appropriateness and adequacy of disclosures against the extant RBI requirements relating to NPAs including the additional disclosures required to be made in accordance with the Regulatory Package.



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Emphasis of Matter

We draw attention to Schedule 18 - Note 18.47 to the financial statements which explains that the extent to which COVID-19 pandemic will impact the Bank's operations and financial statement is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Other Information

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' Report and Management Discussion and Analysis and other elements forming part of the Annual Report but does not include the financial statements and our auditor's report thereon and the Pillar III Disclosures under the New Capital Adequacy Framework (Basel III disclosures). The other information is expected to be made available to us after the date of this report.

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

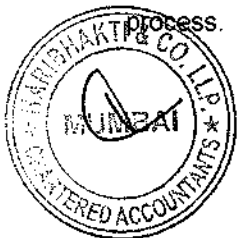
When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We also provide those charged with governance with a statement that we have complied with 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



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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.

Other Matter

The audit of financial statements for the year ended March 31, 2019, was carried out and reported by another firm of Chartered Accountants, vide their unmodified audit report dated May 25, 2019, whose report has been furnished to us by the management and which has been relied upon by us for the purpose of our audit of the financial statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

- (1) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act read with the relevant rules issued thereunder.
- (2) As required by Section 143(3) of the Act and Section 30(3) of the Banking Regulation Act, 1949, we report that:
 - a. We have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b. In our opinion, transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - c. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 11 branches for the purpose of our audit.
 - d. 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;
 - e. The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - f. In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act read with relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - g. On the basis of the written representations received from the directors as on March 31, 2020, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of section 164(2) of the Act;
 - h. With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure";



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- i. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act;

In our opinion and to the best of our information and according to the explanations given to us, requirements prescribed under section 197 of the Act is not applicable by Virtue of section 35B (2A) of the Banking Regulation Act, 1949.

- j. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

(i) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 18 - Note 18.44 and Schedule 12 on Contingent Liabilities to the financial statements;


(ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 18 - Note 18.42 to the financial statements;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048


Puneshottam Nyati
Partner

Membership No. 118970

UDIN: 20118970AAAACH5961

Place: Mumbai

Date: May 22, 2020

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2(h) under 'Report on Other Legal and Regulatory Requirements' section in our Independent Auditor's Report of even date to the members of Utkarsh Small Finance Bank Limited on the financial statements for the year ended March 31, 2020]

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

We have audited the internal financial controls with reference to financial statements of Utkarsh Small Finance Bank Limited ("the Bank") as of March 31, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

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

Meaning of Internal Financial Controls with reference to Financial Statements

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



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

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

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

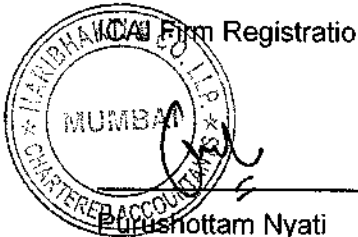
Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal controls stated in the Guidance Note issued by the ICAI.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523WW100048



Purushottam Nyati

Partner

Membership No. 118970

UDIN: 20118970AAAACH5961

Place: Mumbai

Date: May 22, 2020

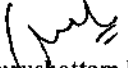
Utkarsh Small Finance Bank Limited
Balance Sheet as at 31 March 2020


(₹ in '000s)

	Schedule	As at 31 March 2020	As at 31 March 2019
CAPITAL and LIABILITIES			
Capital	1	7,592,722	7,370,500
Reserves and Surplus	2	2,602,269	357,063
Deposits	3	52,352,125	37,913,867
Borrowings	4	26,750,368	14,297,673
Other Liabilities and Provisions	5	4,745,677	2,449,346
Total		94,043,161	62,388,449
ASSETS			
Cash and balances with Reserve Bank of India	6	1,916,581	1,575,734
Balances with banks and money at call and short notice	7	14,223,945	3,590,587
Investments	8	11,923,882	8,622,071
Advances	9	62,815,960	46,681,652
Fixed Assets	10	1,097,977	898,815
Other Assets	11	2,064,816	1,019,590
Total		94,043,161	62,388,449
Contingent Liabilities	12	199,445	178,689
Bills for Collection		-	-
Significant accounting policies	17		
Notes to the financial statements	18		


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

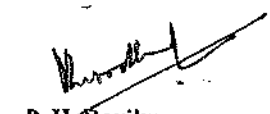
As per our report of even date attached
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048


Purushottam Nyati
Partner
Membership No. 118970



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


Kajal Ghose
Director
DIN : 07702190


P. H. Ravikumar
Director
DIN : 00280010


Govind Singh*
Managing Director & CEO
DIN : 02470880


Mukund Barsagade
Chief Financial Officer
FCA 048560


Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai / *Varanasi
Date : 22 May 2020

Place : Mumbai / *Varanasi
Date : 22 May 2020




Utkarsh Small Finance Bank Limited
Profit and Loss Account for the year ended 31 March 2020

(₹ in '000s)

	Schedule	For the year ended 31 March 2020	For the year ended 31 March 2019
I INCOME			
Interest Earned	13	13,076,867	8,810,445
Other Income	14	985,553	580,463
Total		14,062,420	9,390,908
II EXPENDITURE			
Interest Expended	15	5,794,626	3,822,938
Operating Expenses	16	4,764,841	3,262,699
Provisions and Contingencies	18.23	1,635,526	1,366,390
Total		12,194,993	8,452,027
III PROFIT/LOSS			
Net (Loss)/ Profit for the year		1,867,427	938,881
Balance in Profit and Loss account brought forward		97,085	(593,904)
Total		1,964,512	344,977
IV APPROPRIATIONS			
Transfer to Statutory Reserve		466,857	234,720
Transfer to Investment Fluctuation Reserve		39,242	13,172
Transfer to Capital Reserve		3,588	-
Balance carried over to Balance Sheet		1,454,825	97,085
Total		1,964,512	344,977
V EARNINGS PER EQUITY SHARE	18.5.5		
Basic EPS (₹)		2.49	1.37
Diluted EPS (₹)		2.49	1.37
Face Value per share (₹)		10	10
Significant accounting policies	17		
Notes to the financial statements	18		

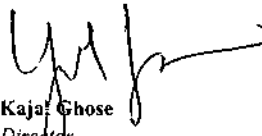
The Schedules referred to above form an integral part of the Profit and Loss Account.


As per our report of even date attached
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048


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


Kaja Ghose
Director
DIN : 07702190


P. H. Ravikumar
Director
DIN : 00280010

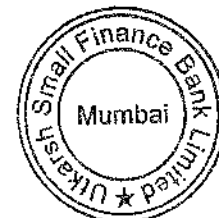

Govind Singh*
Managing Director & CEO
DIN : 02470880


Mukund Barsagade
Chief Financial Officer
FCA 048560


Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai / *Varanasi
Date : 22 May 2020

Place : Mumbai / *Varanasi
Date : 22 May 2020

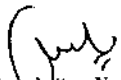


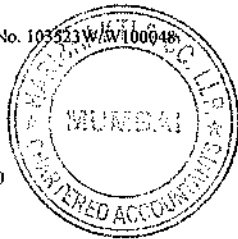
Utkarsh Small Finance Bank Limited
Cash Flow Statement for the year ended 31 March 2020

(₹ in '000s)


Sl. No.	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
I	Cash flow from operating activities		
	Profit before taxes	2,504,150	1,488,081
	Adjustments for:-		
	Depreciation on fixed assets	254,078	162,912
	Depreciation on investments	616	(9,156)
	Amortization of premium on Held to Maturity Investment	74,694	51,214
	Profit on sale & Redemption of HTM portfolio	(6,886)	(221)
	Unrealised loss on external commercial borrowings	9,131	21,431
	Write-off of non performing advances	559,577	298,592
	Provision for standard advances and other contingencies	739,447	70,544
	Provision for non performing advances (net of reversal)	(300,837)	336,779
	Loss/ (Profit) on Sale of Fixed Assets (Net)	190	(21,606)
	Other provisions and write off	38,657	120,431
		3,872,817	2,519,001
	Adjustments for:-		
	(Increase) in investments	(604,574)	(457,715)
	(Increase) in advances	(16,393,048)	(16,299,837)
	Increase in deposits	14,438,257	15,975,199
	(Increase) in other assets	(829,920)	(243,603)
	Increase in other liabilities and provisions	1,559,034	712,731
		(1,830,251)	(313,225)
	Income taxes paid (net)	(890,497)	(23,866)
	Net cash flow from operating activities (A)	1,152,069	2,181,910
II	Cash flow from/(used in) investing activities		
	Purchase of fixed assets including capital work in progress	(455,907)	(309,857)
	Proceeds from sale of fixed assets	140	142,401
	Purchase of held to maturity securities	(2,765,661)	(1,593,456)
	Net cash flow (used in) / generated from investing activities (B)	(3,221,428)	(1,760,912)
III	Cash flow from/(used in) Financing Activities		
	Proceeds from issue of share capital	600,000	-
	Net Proceeds / (repayments) from borrowings	12,443,564	(942,222)
	Net cash flow (used in) / generated from financing activities (C)	13,043,564	(942,222)
IV	Net (decrease)/increase in cash and cash equivalents (A) + (B) + (C)	10,974,205	(521,224)
V	Cash and cash equivalents at the beginning of the period	5,166,321	5,687,545
VI	Cash and cash equivalents at the end of the period	16,140,526	5,166,321
	Notes to the Cash Flow Statement:		
	Cash and cash equivalents includes the following:		
	Cash and Balances with Reserve Bank of India (Refer Schedule 6)	1,916,581	1,575,734
	Balances with Banks in Current Accounts (Refer Schedule 7)	173,945	340,587
	Money at Call and Short Notice (Refer Schedule 7)	14,050,000	3,250,000
	Cash and cash equivalents at the end of the year	16,140,526	5,166,321

As per our report of even date attached
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W/100048


Purushottam Nyati
Partner
Membership No. 118970



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


Kajal Ghose
Director
DIN : 07702190


E. H. Ravikumar
Director
DIN : 00280010


Govind Singh
Managing Director & CEO
DIN : 02470880


Mukund Barsagade
Chief Financial Officer
FCA 048560


Nutan Rane
Company Secretary
ACS 20260

Place : Mumbai / *Varanasi
Date : 22 May 2020

Place : Mumbai / *Varanasi
Date : 22 May 2020



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2020

Schedule 1 - Capital

	As at 31 March 2020	As at 31 March 2019
(₹ in '000s)		
Authorised Capital		
1,000,000,000 Equity shares of ₹10/- each (31 March 2020: 1,000,000,000 Equity shares of ₹10/- each)	10,000,000	10,000,000
Issued, subscribed and fully paid-up capital		
759,272,222 Equity shares of ₹10/- each (31 March 2020: 759,272,222 Equity shares of ₹10/- each) (refer schedule 18.1.3)	7,592,722	7,370,500
TOTAL	7,592,722	7,370,500

Schedule 2 - Reserves and Surplus

	As at 31 March 2020	As at 31 March 2019
(₹ in '000s)		
1. Statutory Reserve		
Opening balance	246,807	12,087
Addition during the year	466,857	234,720
Deduction during the year	-	-
Total	713,664	246,807
2. Investment Fluctuation Reserve		
Opening balance	13,172	-
Addition during the year	39,242	13,172
Deduction during the year	-	-
Total	52,414	13,172
3. Share Premium Account		
Opening balance	-	-
Addition during the year	377,778	-
Deduction during the year	-	-
Total	377,778	-
4. Capital Reserve		
Opening balance	-	-
Addition during the year	3,588	-
Deduction during the year	-	-
Total	3,588	-
5. Balance in Profit and Loss Account	1,454,825	97,085
TOTAL (1+2+3+4+5)	2,602,269	357,063

Schedule 3 - Deposits

	As at 31 March 2020	As at 31 March 2019
(₹ in '000s)		
A. I. Demand Deposits		
i) From banks	78,254	81,701
ii) From others	1,113,372	780,550
Total	1,191,626	862,251
2. Savings Bank Deposits	5,875,021	2,932,108
3. Term Deposits		
i) From banks	18,390,201	15,408,099
ii) From others	26,895,277	18,711,409
Total	45,285,478	34,119,508
TOTAL (1 to 3)	52,352,125	37,913,867
B. i. Deposits of branches in India	52,352,125	37,913,867
ii. Deposits of branches outside India	-	-
TOTAL	52,352,125	37,913,867



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2020 (continued)

Schedule 4 - Borrowings

	(₹ in '000s)	
	As at 31 March 2020	As at 31 March 2019
1. Borrowings in India		
i) Reserve Bank of India	980,000	-
ii) Other banks	1,000,000	1,209,091
iii) Other institutions and agencies *		
a) Government of India	-	-
b) Financial institutions	22,515,000	7,625,000
iv) Borrowing in the form of bonds and debentures (excluding subordinated debt)	-	1,395,000
v) Capital instruments		
a) Borrowing in the form of bonds and debentures (subordinated debt included in Tier 2 capital)	400,000	400,000
vi) Other borrowings**	166,205	173,701
Total borrowings in India	25,061,205	10,802,792
2. Borrowings outside India #		
i) Capital instruments		
a) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	1,500,000	1,500,000
ii) Debentures	-	1,735,550
iii) Other borrowings	189,163	259,331
Total borrowings outside India	1,689,163	3,494,881
TOTAL (1 + 2)	26,750,368	14,297,673
Secured borrowings included in 1 and 2 above	1,213,963	784,881

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

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

** Represents payable under lease obligation

Schedule 5 – Other Liabilities and Provisions

	(₹ in '000s)	
	As at 31 March 2020	As at 31 March 2019
1. Bills payable	85,592	5,782
2. Inter office adjustments (net)	-	-
3. Interest accrued	2,329,727	1,318,521
4. Provision against standard assets	310,671	122,449
5. Others (including provisions)	2,019,687	1,002,594
TOTAL (1 to 5)	4,745,677	2,449,346

Schedule 6 – Cash and balances with Reserve Bank of India

	(₹ in '000s)	
	As at 31 March 2020	As at 31 March 2019
1. Cash in hand	412,741	239,521
2. Balances with Reserve Bank of India		
i) In current account	1,503,840	1,336,213
ii) In other accounts	-	-
TOTAL (1 + 2)	1,916,581	1,575,734



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2020 (continued)

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

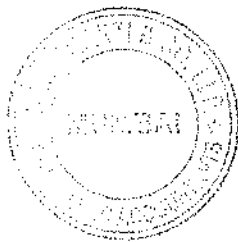
(₹ in '000s)

	As at 31 March 2020	As at 31 March 2019
1. In India		
i) Balances with banks		
a) In current accounts	138,122	198,742
b) In other deposit accounts	35,823	141,845
ii) Money at call and short notice		
a) With banks	14,050,000	3,250,000
b) With other institutions	-	-
Total (i+ii)	14,223,945	3,590,587
2. Outside India		
In current accounts	-	-
In other deposits accounts	-	-
Money at call and short notice	-	-
Total	-	-
TOTAL (1 + 2)	14,223,945	3,590,587

Schedule 8 – Investments

(₹ in '000s)

	As at 31 March 2020	As at 31 March 2019
1. Investments in India (net of provisions)		
i) Government securities*	11,923,882	7,923,116
ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and bonds	-	200,000
v) Subsidiaries / joint ventures	-	-
vi) Others (certificate of deposits and mutual funds)	-	498,955
Total	11,923,882	8,622,071
2. Investments Outside India (net of provisions)		
i) Government securities	-	-
ii) Subsidiaries / joint ventures	-	-
iii) Others (equity shares and bonds)	-	-
Total	-	-
TOTAL (1 + 2)	11,923,882	8,622,071
3. Investments		
i) Gross value of investments		
a) In India	11,924,498	8,622,071
b) Outside India	-	-
	11,924,498	8,622,071
ii) Provision for depreciation		
a) In India	616	-
b) Outside India	-	-
	616	-
iii) Net value of investments		
a) In India	11,923,882	8,622,071
b) Outside India	-	-
	11,923,882	8,622,071



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2020 (continued)

Schedule 9 – Advances (net of provisions)

(₹ in '000s)

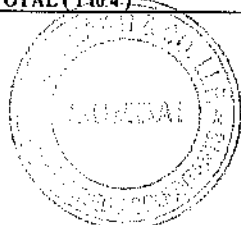
	As at 31 March 2020	As at 31 March 2019
A.		
i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	391,303	1,265,650
iii) Term loans	62,424,657	45,416,002
Total	62,815,960	46,681,652
B.		
i) Secured by tangible assets (includes advances against fixed deposits and book debts)	5,236,407	4,396,271
ii) Covered by Bank/Government guarantees	-	-
iii) Unsecured	57,579,553	42,285,381
Total	62,815,960	46,681,652
C.1 Advances in India		
i) Priority sector*	57,369,462	42,073,717
ii) Public sector	-	-
iii) Banks	39,072	950,539
iv) Others	5,407,426	3,657,396
Total	62,815,960	46,681,652
C.2 Advances Outside India		
i) Due from banks	-	-
ii) Due from others	-	-
a) Bills purchases and discounted	-	-
b) Syndicated loans	-	-
c) Others	-	-
Total	-	-
TOTAL (C.1 + C.2)	62,815,960	46,681,652

*Refer Schedule 18.28

Schedule 10 – Fixed Assets

(₹ in '000s)

	As at 31 March 2020	As at 31 March 2019
1. Premises		
i) At cost at 31st March of the preceding year	121,202	121,202
ii) Additions during the year	-	-
iii) Deductions during the year	-	-
iv) Accumulated depreciation to date	-	-
Total	121,202	121,202
2. Other Fixed Assets (including furniture and fixtures)		
i) At cost at 31st March of the preceding year	917,013	647,296
ii) Additions during the year	464,734	275,017
iii) Deductions during the year	44,576	5,300
iv) Accumulated depreciation to date	502,266	321,212
Total	834,905	595,801
3. Leased Assets		
i) At cost at 31st March of the preceding year	208,977	333,461
ii) Additions during the year	18,007	12,950
iii) Deductions during the year	-	137,434
iv) Accumulated depreciation to date	85,862	54,747
Total	141,122	154,230
4. Capital Work in Progress	748	27,582
TOTAL (1 to 4)	1,097,977	898,815



Utkarsh Small Finance Bank Limited
Schedules forming part of the Balance Sheet as at 31 March 2020 (continued)

Schedule 11 – Other Assets

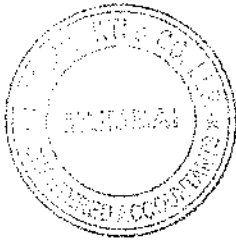
	(₹ in '000s)	
	As at 31 March 2020	As at 31 March 2019
1. Inter-office adjustment (net)	-	7,485
2. Interest accrued	818,828	396,401
3. Tax Paid in advance/tax deducted at source (net of provision)	95,366	50,139
4. Stationery and stamps	-	-
5. Non-banking assets acquired in satisfaction of claims	-	-
6. Deferred Tax Asset (net)	375,142	150,669
7. Others	775,480	414,896
TOTAL (1 to 7)	2,064,816	1,019,590

Schedule 12 – Contingent Liabilities

	(₹ in '000s)	
	As at 31 March 2020	As at 31 March 2019
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	199,445	178,648
TOTAL (1 to 7)	199,445	178,689

Note 1: The Supreme Court of India in its judgement in the case of THE REGIONAL PROVIDENT FUND COMMISSIONER (II) WEST BENGAL v/s VIVEKANANDA VIDYAMANDIR AND OTHERS on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of Provident Fund contribution. The Bank would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from 1 April 2019.

Note 2: Includes capital commitment of ₹ 184,963.60 thousand (31 March 2019: ₹ 55,663 thousands)



Utkarsh Small Finance Bank Limited
Schedules forming part of the Profit and Loss Account for the year ended 31 March 2020

Schedule 13 – Interest Earned

	(₹ in '000s)	
	For the year ended 31 March 2020	For the year ended 31 March 2019
1. Interest / discount on advances / bills	11,922,724	8,063,554
2. Income on investments	947,580	614,605
3. Interest on balance with Reserve Bank of India and Other inter bank funds	205,550	130,771
4. Others	1,013	1,515
TOTAL (1 to 4)	13,076,867	8,810,445

Schedule 14 – Other Income

	(₹ in '000s)	
	For the year ended 31 March 2020	For the year ended 31 March 2019
1. Commission, exchange and brokerage	284,491	165,004
2. Profit/(Loss) on sale/redemption of Investments (net)	7,500	(16,517)
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*	693,562	431,976
TOTAL (1 to 7)	985,553	580,463

* includes fee received on sale of PSLCs of ₹452,700 thousands (31 March 2019: ₹242,795 thousands)

Schedule 15 – Interest Expended

	(₹ in '000s)	
	For the year ended 31 March 2020	For the year ended 31 March 2019
1. Interest on deposits	4,136,774	2,338,978
2. Interest on Reserve Bank of India / Inter-bank borrowings	58,165	159,994
3. Others*	1,599,687	1,323,966
TOTAL (1 to 3)	5,794,626	3,822,938

* includes fee paid on purchase of PSLCs of Nil (31 March 2019: ₹30,000 thousands)

Schedule 16 – Operating Expenses

	(₹ in '000s)	
	For the year ended 31 March 2020	For the year ended 31 March 2019
1. Payments to and provisions for employees	2,621,609	1,865,725
2. Rent, taxes and lighting	349,112	212,506
3. Printing and stationery	109,186	54,385
4. Advertisement and publicity	55,443	55,857
5. Depreciation on Bank's property	254,078	162,912
6. Director's fees allowances and expenses	9,774	17,792
7. Auditors' fees and expenses	13,364	13,910
8. Law charges	145,370	107,416
9. Postage, telegrams, telephones, etc.	89,347	69,470
10. Repairs and maintenance	122,834	72,443
11. Insurance	28,313	14,993
12. Other expenditure*	966,411	615,290
TOTAL (1 to 12)	4,764,841	3,262,699

* Includes service charges for core banking software and ATM, travelling and other expenses.



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

Schedule 17 – Significant accounting policies

17.1 Background

Utkarsh Small Finance Bank Limited (“Company” or “the Bank”), incorporated on 30 April 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 23 January 2017. Scheduled Bank status was accorded by Reserve Bank of India vide notification no. DBR.NBD. (SFB- UMFL). No.2689/16.13.216/2017-2018 dated 4 October 2017 and was published in the Gazette of India on 7 November 2017. The Bank is a wholly owned subsidiary of Utkarsh Core Invest Limited (“the Holding Company”).

The Reserve Bank of India (“RBI”) issued license no. MUM: 125 on 25 November 2015 to the Company to carry on business as SFB with certain terms and conditions. Pursuant to the condition attached in the approval for small finance bank, the Holding Company entered into a business transfer agreement (“BTA”) and transferred its micro finance business to the Bank. Pursuant to the BTA all the assets and liabilities (except certain specified assets and liabilities) as at 21 January 2017 of the Holding Company were transferred to the Bank at book value based on slump sale basis for cash consideration of ₹68.51 crores. Pursuant to BTA, all the employees of the Holding Company (except certain employees) were transferred to SFB on the same employment terms and rights granted under employee stock option scheme of the Holding Company are continued in SFB. Resultant, non-convertible debentures listed on the stock exchange were also transferred in the name of the Bank and a transfer was effected by the exchange effective 3 May 2017.

17.2 Basis of preparation

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

17.3 Use of estimates

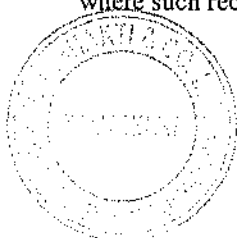
The preparation of the financial statements in conformity with the Indian GAAP requires the management to make estimates and assumptions that are considered in the reported amount of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements and reported income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

17.4 Significant accounting policies

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

A. Revenue Recognition

- a) Interest income on loan portfolio is recognised in the Profit and Loss account on accrual basis, 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 all past due loan accounts including classified as NPA are to be appropriated towards charges, interest, overdue and thereafter towards principal except for micro finance (JLG) loans where such recoveries would be appropriated towards instalment(s) outstanding.



Schedule 17 – Significant accounting policies (continued)

- c) Fees paid / received for priority sector lending certificates (PSLC) is recognised upfront.
- d) Recoveries in respect of debts written off are recognized in the year in which such amounts are recovered and the same are disclosed under “Other Income”
- e) Profit / premium arising at the time of securitization / assignment of loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is recognized immediately. Income from interest strip (excess interest spread) is recognized in the profit and loss account net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognized on realization basis over the life of the underlying loan portfolio.
- f) Loan processing fees collected from the borrowers is recognized over the tenure of the loan.
- g) Interest on term deposits is accrued on time proportion basis, using the underlying interest rate.
- h) Documentation and monitoring charges collected from borrowers are accounted upfront when it becomes due.
- i) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- j) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- k) All other fees are accounted for as and when they become due.

B. Advances

a) Accounting and Classification

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

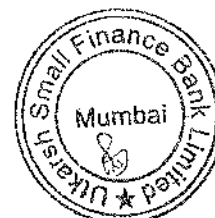
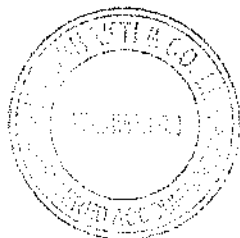
b) Provisioning

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



Schedule 17 – Significant accounting policies (continued)

C. Investments

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

a) Classification

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

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

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

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

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

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

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

b) Valuation

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

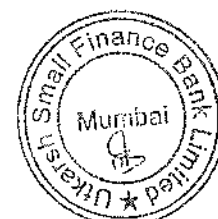
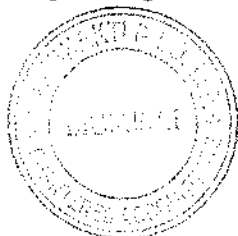
Investments classified as AFS and HFT are marked-to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided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

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

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

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

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



Schedule 17 – Significant accounting policies (continued)

c) Disposal of investments

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

d) Transfer between categories

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

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

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

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

e) Repurchase 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

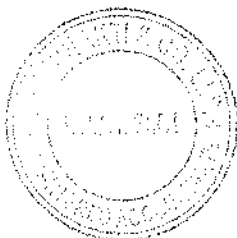
Tangible assets

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.



Schedule 17 – Significant accounting policies (continued)

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.

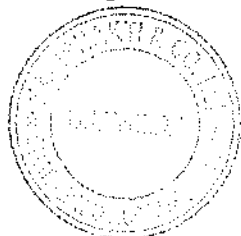
F. Derivative

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.



Schedule 17 – Significant accounting policies (continued)

G. Employee benefits

a. Defined Contribution Plan –

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

b. Defined Benefit Plan and Compensated absences-

The Bank provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by Life Insurance Corporation of India through gratuity trust (Group Gratuity scheme) and the contributions made by the Bank to the scheme is recognised in the Profit and loss account. The liability recognised in the Balance Sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The calculation of the Bank's obligation under the plan is performed annually by qualified independent actuary using projected unit credit method. Actuarial gains and losses arising during the year is immediately recognised in the Profit & Loss account.

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

H. Share Issue Expenses

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

I. Employee Stock Option Scheme

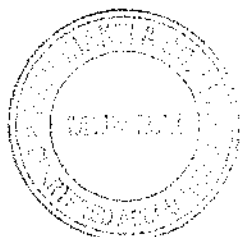
The Bank has formulated Employees Stock Option Scheme. The scheme provides that subject to continued employment with the Bank, employees of the Bank are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period. The compensation cost for all options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



Schedule 17 – Significant accounting policies (continued)

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.

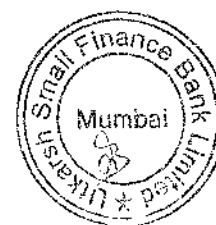
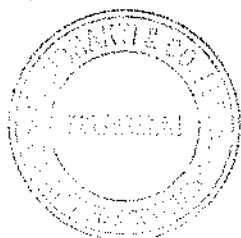
Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

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.



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

Schedule 17 – Significant accounting policies (continued)

N. Cash and cash equivalents

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

O. Cash Flow Statements

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

P. Segment reporting

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

Q. Priority Sector Lending Certificates

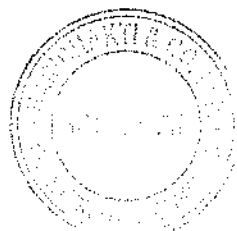
The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated 07 April 2016 trades in Priority Sector portfolio by selling or buying Priority Sector Lending Certificates (PSLCs). There is no transfer of risk on loan assets in these transactions. The fee paid for purchase of the PSLC is treated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

R. Impairment of Assets

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

S. Corporate Social Responsibility

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



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

Schedule 18

Notes to accounts forming part of financial statements for the year ended 31 March 2020

18.1.1 Capital

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

(₹ in crore, except percentages)

	Particulars	As at 31 March 2020	As at 31 March 2019
i)	Common Equity Tier 1 (CET) capital ratio (%)	19.41%	20.34%
ii)	Tier I capital ratio (%)	19.41%	20.34%
iii)	Tier II capital ratio (%)	2.78%	3.80%
iv)	Total capital ratio (CRAR) (%)	22.19%	24.14%
v)	Percentage of the shareholding of the Government of India in public sector banks	-	-
vi)	Amount of equity capital raised	60.00*	267.00**
vii)	Amount of additional Tier I capital raised	-	-
viii)	Amount of Tier II capital raised (Refer 18.1.2 below)	-	40.00

* includes share premium of ₹377,777,774 against the rights issue.

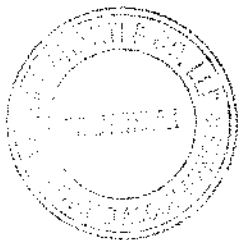
** shares issued upon conversion of compulsory convertible debentures

Notes:

- The Bank has followed Basel II Capital Regulations dated 1 July 2015 and amended thereafter for the purpose of Capital Adequacy Ratio in accordance with the operating guidelines for small finance banks as issued by RBI on 6 October 2016.
- The Bank has followed Master Circular No. DBR.No.BP.BC.4/21.06.001/2015-16 on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) issued by RBI dated 01 July 2015 for the purpose of computing Capital Adequacy Ratio as at 31 March 2020.
- As per RBI, letter DBR.NBD. No. 4502/16.13.218/2017-18 dated 8 Nov 2017, it is clarified that no separate capital charge is being prescribed for market risk and operational risk for the time being.

18.1.2 Tier II Capital

The Bank has not acquired Basel II compliant debt capital instruments during the year ended 31 March 2020 (31 March 2019: ₹40.00 crore).



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

18.1.3 Capital Infusion

During the current year, the Bank has issued 22,222,222 equity shares having face value of ₹10 each at a premium of ₹17 each for cash through rights issue to Utkarsh CoreInvest Limited (Holding Company) aggregating to ₹599,999,994 on 18 September 2019.

In the previous year, the Bank issued 26,70,00,000 equity shares of ₹10 each at par upon conversion of Compulsorily Convertible Debentures (CCD) into equity aggregating to ₹2,67,00,00,000 (Rupees Two Hundred and Sixty Seven crore only) on 13 June 2018 to Utkarsh CoreInvest Limited (the 'Holding Company').

(₹ in crore except share data)

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Number of shares	Amount	Number of shares	Amount
Outstanding as at the beginning of the year	73,70,50,000	737.05	47,00,50,000	470.05
Shares issued upon conversion of compulsorily convertible debentures	-	-	26,70,00,000	267.00
Shares issued during the year	2,22,22,222	22.22	-	-
Outstanding at the end of the year	759,272,222	759.27	73,70,50,000	737.05

18.2 Investments

During the year ended 31 March 2020 and year ended 31 March 2019, there has been no sale from and transfer to/ from, the HTM category in excess of 5% of the book value of the investments held in the HTM category at the beginning of the year.

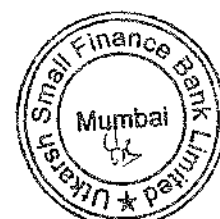
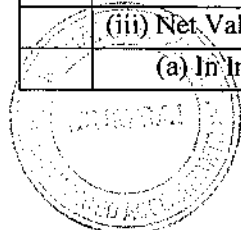
In accordance with the RBI guidelines, sales from, and transfers to / from, HTM category exclude the following from the 5% cap:

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

18.2.1 Movement of Investments:

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	1,192.45	862.21
(b) Outside India		
(ii) Provisions for Depreciation		
(a) In India	0.06	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	1,192.39	862.21



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

	Particulars	As at 31 March 2020	As at 31 March 2019
	(b) Outside India	-	-
(2)	Movement of provisions held towards depreciation of investments		
	(i) Opening balance	-	0.92
	(ii) Add: Provisions made during the year	0.06	-
	(iii) Less: Write-off / write back of excess / provisions during the year	-	0.92
	(iv) Closing balance	0.06	-

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

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2020
	Securities sold under repo/MSF				
i.	Government securities	11.44	180.25	69.95*	92.27
ii.	Corporate debt securities	-	-	-	-
	Securities purchased under reverse repo				
i.	Government securities	9.50	1,412.34	218.13*	1272.43
ii.	Corporate debt securities	-	-	-	-

Repo/Reverse Repo/MSF Transactions during the year ended 31 March 2019 (In Face Value Terms)

Sl. No.	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2019
	Securities sold under repo/MSF				
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



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

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

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

(₹ in crore)

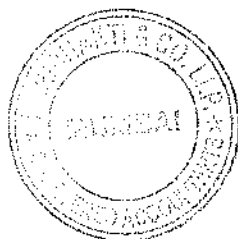
S. No	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	-	-	-	-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

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

(₹ in crore)

S. No	Particulars	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	PSU	-	-	-	-	-
2	FIs	20.00	20.00	-	-	-
3	Banks	49.90	-	-	-	-
4	Private Corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provisions held towards depreciation	-	-	-	-	-
	Total	69.90	20.00	-	-	-

18.2.3 There are no non-performing non-SLR investments as at 31 March 2020 and 31 March 2019.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

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

18.3.1 Notional and concentration of FRAs, IRS, CCS

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
i) The notional principal of swap agreements*	15.86	23.79
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	3.05	2.14
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	2.58	1.51

* Pertains to cross currency swap

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

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

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

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

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

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

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

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



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

18.3.4 Exchange Traded Interest Rate Derivatives and exchange traded currency derivative

(₹ in crore)

Sl. No.	Particulars	As at 31 March 2020	As at 31 March 2019
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 31 March.	-	-
3	Notional Principal amount of exchange traded interest rate derivatives and currency derivatives outstanding and not "highly effective" as on 31 March	-	-
4	Mark-to-Market value of exchange traded interest rate derivatives and currency derivatives outstanding and not "highly effective" as on 31 March.	-	-

18.3.5 Risk Exposure in Derivatives:

The Bank has not engaged in any derivatives contracts during the year ended 31 March 2020 and year ended 31 March 2019. However, Bank acquired a CCS contract pursuant to Business Transfer Agreement from Holding Company in the year ended as at 31 March 2017. The disclosure to the extent applicable is given below.

Qualitative disclosure on risk exposure in derivatives as at 31 March 2020

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



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

Quantitative disclosure on risk exposure in derivatives

(₹ in crore)

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

* Pertains to cross currency swap



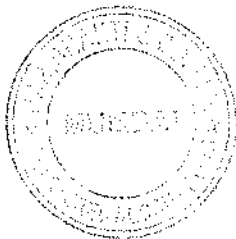
Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

(₹ in crore)

S. No.	Particular	For the year ended 31 March 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	-	-	-	-
	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	-	-	-	-

* Pertains to cross currency swap



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

18.4 Asset Quality

18.4.1 Movement of NPA and NPA Provision

(₹ in crore except percentages)

	Particulars	As at 31 March 2020	As at 31 March 2019
(i)	Net NPAs to Net Advances (%)	0.18%	0.12%
(ii)	Provisioning Coverage Ratio (PCR) (%)	75.16%	91.32%
(iii)	Movement of Gross NPAs		
	(a) Opening balance	65.57	57.47
	(b) Additions during the year	41.19	60.26
	(c) Reductions during the year		
	(i) Up – gradations	4.87	16.23
	(ii) Recoveries (excluding recoveries made from up-graded accounts)	1.28	6.07
	(iii) Write – offs	55.96	29.86
	(d) Closing balance	44.65	65.57
(iv)	Movement of Net NPAs		
	(a) Opening balance	5.69	33.72
	(b) Additions during the year	12.84	3.94
	(c) Reductions during the year	7.44	31.97
	(d) Closing balance	11.09	5.69
(v)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	59.88	23.75
	(b) Provisions made during the year *	28.35	56.32
	(c) Write-off / (write back) of excess provisions during the year	54.67	20.19
	(d) Closing balance **	33.56	59.88

* includes floating provisions amounting to ₹3.76 crores (31 March 2019: ₹2.45 crores)

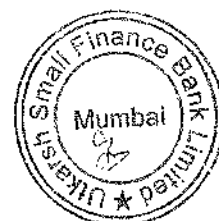
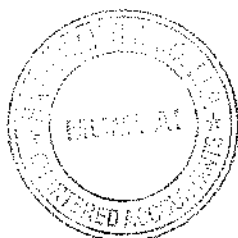
** includes floating provisions amounting to ₹6.21 crores (31 March 2019: ₹2.45 crores)

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

Technical Write-off:

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Opening balance of Technical / Prudential written-off accounts	161.33	141.02
Add : Technical / Prudential write-offs during the year	55.96	29.86
Sub-total (A)	217.29	170.88
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	7.74	9.55
Closing balance as at March 31 (A-B)	209.55	161.33



Utkarsh Small Finance Bank Limited

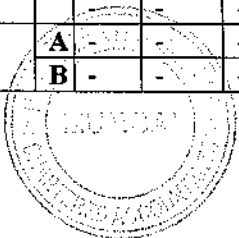
Schedules forming part of the financial statements for the year ended 31 March 2020

18.4.2 Particulars of Restructured Accounts:

The bank has not restructured any accounts during the year ended 31 March 2020 and year ended 31 March 2019.

(₹ in crore)

Type of restructuring	Under CDR					Under SME					Others					Total
	S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Asset Classification																
Details																
Restructured accounts as on 1 April of the FY	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fresh Restructuring during the 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	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

Type of restructuring	Under CDR					Under SME					Others					Total
	S	SS	D	L	Total	S	SS	D	L	Total	S	SS	D	L	Total	
Asset Classification																
Details																
restructured accounts	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts as on 31 March (Closing)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A- No. of borrowers, B- Amt. outstanding, C- Provision thereon
S- Standard, SS-Sub Standard, D-Doubtful, L-Loss

Strategic Debt Restructuring

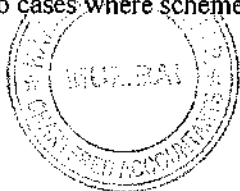
Disclosures on Strategic Debt Restructuring Scheme (accounts that are currently under the stand-still period)

No. of accounts where SDR has been invoked	Amount outstanding as at 31 March 2020						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	
	-		-		-		-		-	
-	-	-	-	-	-	-	-	-	-	-

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

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as at 31 March 2020				Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity / invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard		Classified as NPA		Classified as standard		Classified as NPA		Classified as standard	
	-		-		-		-		-	
-	-	-	-	-	-	-	-	-	-	-

The Bank has not acquired any equity shares under Strategic Debt Restructuring scheme during the year. The Bank has not done any restructuring of loans during the year ended 31 March 2020 and year ended 31 March 2019 and there are no cases where scheme for sustainable structuring of stressed assets (S4A) is implemented.



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

18.4.3 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction:
(₹ in crore)

	Particulars	As at 31 March 2020	As at 31 March 2019
(i)	Number of accounts	-	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
(iii)	Aggregate consideration	-	-
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v)	Aggregate loss over net book value	-	-

18.4.4 Non-performing financial assets purchased:

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
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 crore)

Particulars	As at 31 March 2020	As at 31 March 2019
No. of accounts sold during the year	-	-
Aggregate Outstanding	-	-
Consideration Received	-	-

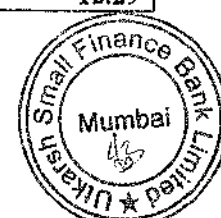
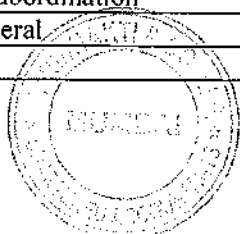
18.4.6 Following are the details of securitization done by the Bank:

(₹ in crore except number of loans)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Total number of loans securitized	-	-
Total book value of loans securitized	-	-
Total book value of loans securitised including loans placed as collateral	-	-
Sale consideration received for loans securitised	-	-
Excess interest spread recognised in the profit and loss account	-	-

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Credit enhancements provided and outstanding:		
Interest subordination	-	1.69
Principal subordination	-	6.24
Cash collateral	-	4.36
Total	-	12.29



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020
18.5 Business Ratios:

(₹ in crore)			
	Particulars	As at 31 March 2020	As at 31 March 2019
(i)	Interest income as % to Working funds ¹	17.30%	17.39%
(ii)	Non-Interest income as % to Working funds ¹	1.30%	1.18%
(iii)	Operating profit / (loss) ² as % to Working funds ¹	4.63%	4.56%
(iv)	Return on Assets ⁴ (Working funds ¹)	2.47%	1.86%
(v)	Business ³ (Deposit plus Net Advance) per employee ⁵	1.26	1.15
(vi)	Profit per employee ⁵	0.02*	0.02*

1. Working funds represents the monthly average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949 (31 March 2019: The Bank has considered monthly average of total assets as working funds)

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. Return on Assets is net profit after tax divided by working funds.

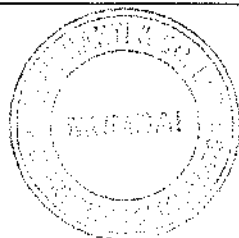
5. Productivity ratios are based on average employee number.

*Profit per employee is ₹244,223 [31 March 2019: ₹156,120]

18.6 Asset Liability Maturity Pattern

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

(₹ in crore)						
Particulars	As at 31 March 2020					
	Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR) **	Foreign currency Assets	Foreign currency Liabilities
1 day	8.57	23.06	30.64	0.01	-	-
2 to 7 days	0.39	27.98	205.73	0.05	-	-
8 to 14 days	-	34.29	252.14	0.06	-	-
15 to 30 Days	14.29	36.05	265.42	0.13	-	-
31 Days to 2 months	16.45	43.64	210.72	110.25	-	-
Over 2 months to 3 months	391.49	23.07	169.42	0.25	-	-
Over 3 months to 6 months	854.02	146.40	827.29	249.40	-	4.73
Over 6 months to 1 year	2,018.93	235.38	1,352.42	297.81	-	4.73
Over 1 year to 3 years	2,845.82	528.93	1885.72	1364.48	-	9.46
Over 3 years to 5 years	80.97	87.67	32.84	611.92	-	-
Over 5 years	50.67	5.92	2.87	40.69	-	-
Total	6,281.60	1,192.39	5,235.21	2,675.05	-	18.92



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

(₹ in crore)

Particulars	As at 31 March 2019					
	Loans & Advances (INR)*	Investments (INR)	Deposits (INR)	Borrowings (INR)**	Foreign currency Assets	Foreign currency Liabilities
1 day	20.61	13.07	86.21	-	-	-
2 to 7 days	57.84	24.17	159.35	-	-	-
8 to 14 days	58.34	62.81	85.20	-	-	-
15 to 30 Days	153.74	31.77	169.16	40.00	-	-
31 Days to 2 months	285.96	38.74	255.50	-	-	-
Over 2 months to 3 months	251.42	53.56	287.19	65.64	-	-
Over 3 months to 6 months	813.32	100.18	337.90	190.26	-	4.32
Over 6 months to 1 year	1,407.13	251.00	1,246.31	407.71	-	4.32
Over 1 year to 3 years	1,541.31	221.69	1,147.32	313.79	-	17.29
Over 3 years to 5 years	48.20	58.95	16.24	372.37	-	-
Over 5 years	30.30	6.27	1.01	40.00	-	-
Total	4,668.17	862.21	3791.39	1,429.77	-	25.93

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

** includes foreign currency liability ₹18.92 crore (31 March 2019: ₹25.93 crore)

Note:

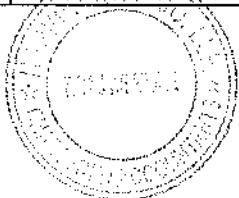
- In view of the COVID-19 pandemic, the Reserve Bank of India on 27 March 2020, announced measures to support the economy and the financial system. The measures permit banks to offer upto three-month moratorium on all term loans outstanding as on 1 March 2020, interest deferment on working capital facilities. As a prudent measure, in view of the potential relief to borrowers, for ALM purposes, the contractual inflows on borrower accounts with respect to loans given to JLG, Housing and MSME have been suitably adjusted for the moratorium.
- For the purpose of disclosing the maturity pattern, loans and advances that have been subject to risk participation vide Inter-Bank Participation Certificates ('IBPCs') has been classified in the maturity bucket corresponding to the contractual maturities of such underlying loans and advances gross of any risk participation. The IBPC amount has been classified in the respective maturities of the corresponding underlying loans.
- Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors

18.7 Exposure

18.7.1 Exposure to Real Estate Sector

(₹ in crore)

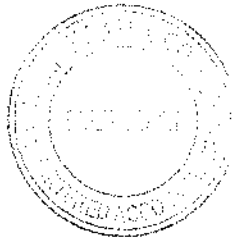
Particulars	As at 31 March 2020	As at 31 March 2019
1) Direct exposure		
(a) Residential Mortgages -	201.65	87.99
Out of which Individual housing loans eligible for inclusion in priority sector advances	50.17	26.70
(b) Commercial Real Estate	-	-



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

	Particulars	As at 31 March 2020	As at 31 March 2019
(c)	Investments in Mortgage Backed Securities (MBS) and other securitized expo		
i.	Residential Mortgages	-	-
ii.	Commercial Real Estate	-	-
2)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	29.45	25.02
	Total Exposure to Real Estate Sector	231.10	113.01



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

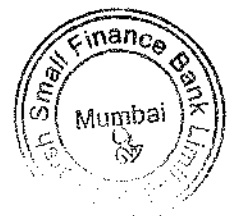
18.7.2 Exposure to Capital Market:

(₹ in crore)

	Particulars	As at 31 March 2020	As at 31 March 2019
(i)	Direct investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-	-
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
(vii)	Bridge loans to companies against expected equity flows/issues	-	-
(viii)	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stockbrokers for margin trading	-	-
(x)	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
	Total Exposure to Capital Market	-	-

18.7.3 Risk Category wise Country Exposure:

The Bank's exposures are concentrated in India, hence country risk exposure as at 31 March 2020 is Nil (31 March 2019: Nil)



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

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

The Bank has complied with the limits prescribed under extant RBI guidelines with regards to exposure to a single borrower and group of the borrower during the year ended 31 March 2020 and year ended 31 March 2019.

18.8 Penalties imposed by RBI

No penalty was imposed by RBI on the Bank during the year ended 31 March 2020 and year ended 31 March 2019.

18.9 Earnings Per Share (EPS) –

(₹ in crore, except per share data)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Basic		
Weighted average number of equity shares	74,89,50,425	68,36,50,000
Net profit after tax available for equity shareholders (₹)	186.74	93.89
Basic earnings per share	2.49	1.37
Diluted		
Weighted average number of equity shares	74,89,50,425	68,36,50,000
Net profit after tax available for equity shareholders (₹)	186.74	93.89
Diluted earnings per share	2.49	1.37
Face value per share	10	10

18.10 Employee Stock Option Plan (“ESOP”) -

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

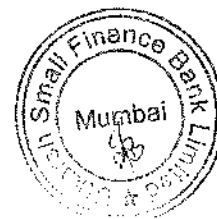
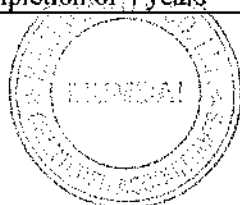
The Holding Company formed Utkarsh ESOP Welfare Trust to issue ESOPs to employees of the Bank as per Employee Stock Option Scheme. Total 12,00,000 equity shares have been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 59,89,594 equity shares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

During the year the Holding Company granted 18,14,225 (for the year ended 31 March 2019: 17,73,725) 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:

Vesting details	General grant
On completion of 1 year	25%
On completion of 2 years	25%
On completion of 3 years	25%
On completion of 4 years	25%



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

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

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

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Number of equity shares:		
Outstanding at the beginning of the year	25,54,036	12,86,837
Granted during the year	18,14,225	17,73,725
Lapsed/Cancel during the year	2,06,874	2,96,513
Exercised during the year	3,04,989	2,10,013
Outstanding at the end of year	38,56,398	25,54,036
Exercisable at the end of year	5,26,482	1,84,076

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

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

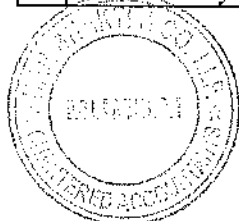
Had the compensation cost for the Bank’s stock option plans outstanding been determined based on the fair value by using Black Scholes model, the Bank’s net profit/loss and earnings/loss per share would have been as per the proforma amounts indicated below:

(₹ in crore, except per share data)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit/(loss) after tax		
- As reported	186.74	93.88
- Proforma	187.99	93.99
(Loss)/Earnings per share		
Basic		
Weighted average number of shares	748,950,425	683,650,000
EPS as reported (₹)	2.49	1.37
Proforma EPS (₹)	2.51	1.37

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

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Dividend yield	0%	0%
Expected volatility	19.60%	29.51%
Risk free interest rate	7.03%	7.40%
Expected life in years	5	5



Utkarsh Small Finance Bank Limited**Schedules forming part of the financial statements for the year ended 31 March 2020**

During the year, the Bank introduced **Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020** to offer, grant and issue in one or more tranches, the Stock Options to Mr. Govind Singh, MD & CEO. As per Section 35B of the Banking Regulation Act, 1949, the Bank mandatory requires RBI approval before granting ESOPs. RBI approval is awaited and hence no accounting adjustment has been made in the financial statements on 31 March 2020.

18.11 Disclosures under AS -15 on employee benefits-**Defined Contribution Plans:**

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

Particulars	(₹ in crore)	
	For the year ended 31 March 2020	For the year ended 31 March 2019
Provident Fund (refer note below)	15.83	8.31
ESI	2.32	2.31

Note: The above amount is netted off with amount of ₹1.50 crores received under the scheme "Pradhan Mantri Rojgar Protsahan Yojana" for the year ended 31 March 2020 (31 March 2019: ₹1.95 crores).

Defined Benefit Plans:

The Bank has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days' salary (last drawn salary) for each completed year of service subject to limit of ₹20,00,000 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 through gratuity trust.

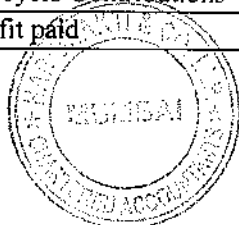
The following table sets out the status of the defined benefit gratuity plan as required under Accounting Standard 15.

Change in the present value of the defined benefit obligation

Particulars	(₹ in crore)	
	As at 31 March 2020	As at 31 March 2019
Opening defined benefit obligation	7.34	4.22
Current service cost	3.46	2.33
Past service costs	-	-
Interest cost	0.56	0.32
Actuarial losses/ (gains)	0.25	0.92
Benefits paid	(0.33)	(0.45)
Closing defined benefit obligation	11.28	7.34

Change in the plan assets

Particulars	(₹ in crore)	
	As at 31 March 2020	As at 31 March 2019
Opening fair value of plan asset	5.92	5.74
Expected return on plan assets	0.45	0.43
Employers Contributions	4.91	0.40
Benefit paid	(0.33)	(0.45)



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

Particulars	As at 31 March 2020	As at 31 March 2019
Actuarial gains / (losses) on plan assets	(0.14)	(0.20)
Closing fair value of plan assets	10.81	5.92

Net liability / (asset) recognized in the balance sheet

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Present value of funded obligation	11.28	7.34
Fair value of plan assets	10.81	5.92
Deficit/ (Surplus)	0.47	1.42
Net liability / (asset) recognized in the balance sheet	0.47	1.42

Net cost recognized in the profit and loss account

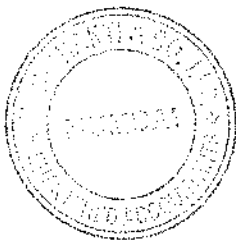
(₹ in crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current service cost	3.46	2.33
Past service costs	-	-
Interest cost	0.56	0.32
Expected return on plan assets	(0.45)	(0.43)
Net actuarial losses / (gains)	0.40	1.12
Total cost of defined benefit plans included in Schedule 16 Payments to and provisions for employees	3.97	3.34

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

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Opening net liability	1.42	(1.52)
Expenses as recognised in profit & Loss account	3.97	3.34
Employers contribution	-	-
Contribution paid to fund	(4.92)	(0.40)
Net liability / (asset) recognised in balance sheet	0.47	1.42



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

Experience adjustment and details of obligations and assets

(₹ in crore)

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

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

Category of assets	As at 31 March 2020	As at 31 March 2019
Funds with LIC	-	100%
Funds with LIC (through gratuity trust)	100%	-

Key actuarial assumptions

Particulars	As at 31 March 2020	As at 31 March 2019
Discount rate	5.40%	7.60%
Expected rate of return on plan asset	5.40%	7.59%
Salary escalation	7% for the first two years and 9% thereafter	9.00%
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.

18.12 Segment Reporting: Information about business segments-

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

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

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



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

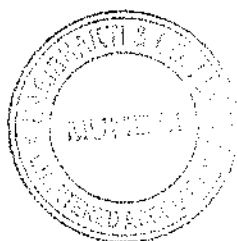
Treasury: includes dealings in SLR and Non SLR investments, maintenance of reserve requirements and resource mobilization from other Banks and financial Institutions.

Other Banking Operations: Includes other activities like para banking activities like Bancassurance, etc.

The following table sets forth the business segment results:

(₹ in crore)

Particulars	For the year ended 31 March 2020				
	Corporate/ Wholesale Banking	Retail Banking	Treasury	Other Banking Operations	Total
Gross Revenue	37.40	1,235.40	116.09	17.35	1,406.24
Unallocated Revenue					-
Less: Inter Segment Revenue					-
Total Revenue					1,406.24
Segment Results	(105.58)	295.22	43.44	17.35	250.43
Unallocated expenses					0.02
Operating Profit/(Loss)					250.41
Income Tax expense (including deferred tax)					63.67
Net Profit					186.74
Segment Assets	310.08	6,066.14	2,834.94	-	9,211.16
Unallocated Assets					193.16
Total Assets					9,404.32
Segment Liabilities	3,214.18	2,460.99	2,691.26	-	8,366.43
Unallocated Liabilities					18.39
Capital & Reserves					1019.50
Total Liabilities					9,404.32
Capital expenditure					48.27
Depreciation					25.41

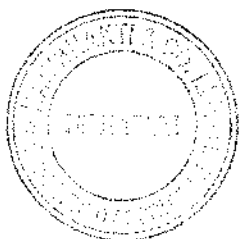


Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

Particulars	For the year ended 31 March 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 Loss					148.81
Income Tax expense (including deferred tax)					54.92
Net Loss					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

Notes:

- The business of the Bank does not extend outside India and it does not have any assets outside India or earnings emanating from outside India. Accordingly, the Bank has reported operations in the domestic segment only.
- Income, expenses, assets and liabilities have been either specifically identified to individual segment or allocated to segments on a reasonable basis or are classified as unallocated.
- Unallocated items include Fixed Assets, Capital expenditure, realized gains/losses on their sale, income tax expense, deferred income tax assets/liabilities and advance tax.
- In computing the above information, certain estimates and assumptions have been made by the management and have been relied upon by the auditors.
- Till 31 March 2019 Treasury includes Share Capital and reserves & surplus as segment liabilities
- The above information is provided as per MIS for internal reporting purpose and relied upon by the auditors



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

18.13 Related Party Transactions

The Bank's related parties for the year ended 31 March 2020 are disclosed below:

1. Holding Company

Utkarsh CoreInvest Limited (erstwhile Utkarsh Micro Finance Limited)

2. Fellow Subsidiary

Utkarsh Welfare Foundation

3. Key Management Personnel ('KMP')

Mr. Govind Singh- Managing Director and CEO

Mr. Mukund Barsagade- Chief Financial Officer

Mr. Anang Shandilya- Company Secretary (till 4 April 2019)

Mr. Vinay Prakash Tripathi- Company Secretary (w.e.f 13 May 2019 till 12 October 2019)

Mrs. Nutan Rane- Company Secretary (w.e.f. 15 October 2019)

4. Enterprise where KMP exercise significant influence

RAAG Family Private Trust

5. Post-employment benefit plan

Utkarsh Small Finance Bank Employees' Gratuity Trust



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

The following represents the significant transactions between the Bank and such related parties including relatives of above mentioned KMP during the year ended 31 March 2020.

(₹ in crore)

Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employees' Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Nutan Rane (CS)	KMP: Vinay Prakash Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 31 March 2020	23.73	1.15	0.06	0.02	0.06	0.00*	-	0.00*	25.02
Amount deposited during the year	208.59	-	-	0.00*	-	-	-	-	208.59
Amount repaid during the year	262.12	-	-	0.00*	-	-	-	-	262.12
Maximum deposit outstanding during the year	74.00	1.00	2.34	0.15	0.17	0.04	-	0.00*	77.70
Interest paid	3.66	0.05	0.05	0.00*	0.01	0.00*	-	0.00*	3.77
Service charges collected	-	-	-	-	-	-	-	0.00*	0.00
Remuneration to KMP	-	-	-	2.16	1.01	0.14	0.15	-	3.46
Equity shares issued**	59.99	-	-	-	-	-	-	-	59.99
Contribution towards CSR	-	1.00	-	-	-	-	-	-	1.00
ESOP cost cross charged (Refer Schedule 17.1)	1.74	-	-	-	-	-	-	-	1.74
Service charge for collections	0.03	-	-	-	-	-	-	-	0.03
Rent for office space	0.08	-	-	-	-	-	-	-	0.08
Fair value of ESOP granted	-	-	-	-	0.73	-	-	-	0.73
Transactions (collection and payment) carried out on behalf of Bank	2.35	-	-	-	-	-	-	-	2.35
Amount Payable/(Recoverable)	0.70	-	-	-	-	-	-	-	0.70



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

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

(₹ in crore)

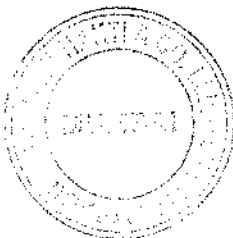
Items / Related Party	Utkarsh CoreInvest Ltd (Holding Company)	Utkarsh Welfare Foundation (Fellow Subsidiary)	Utkarsh Small Finance Bank Employee Gratuity Trust	KMP: Govind Singh (MD & CEO)	KMP: Mukund Barsagade (CFO)	KMP: Anang Shandilya (CS)	KMP : Vinay Prakash Tripathi (CS)	Enterprise where KMP exercise significant influence: RAAG Family Private Trust	Total
Deposits Outstanding as on 31 March 2019	75.87	0.10	-	0.15	0.16	0.16	-	0.00*	76.44
Amount deposited during the year	141.44	-	-	0.00*	-	0.07	-	-	141.51
Amount repaid during the year	65.81	-	-	0.00*	-	0.14	-	-	65.95
Maximum deposit outstanding during the year	75.87	0.65	-	0.71	0.19	0.31	-	0.00*	77.73
Interest paid	5.19	0.00*	-	0.01	0.01	0.02	-	0.00*	5.23
Service charges collected	-	-	-	-	-	-	-	0.00*	0.00
Remuneration to KMP	-	-	-	0.92	0.68	0.18	-	-	1.78
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
Service charge for collections	-	-	-	-	-	-	-	-	-
Rent for office space	-	-	-	-	-	-	-	-	-
Fair value of ESOP granted	-	-	-	-	-	-	-	-	-
Transactions (collection and payment) carried out on behalf of Bank	3.59	-	-	-	-	-	-	-	3.59
Amount Payable/(Recoverable)	2.83	0.03	-	(0.05)	-	0.01	-	-	2.82

* represents amount less than 50 thousand

** 2,22,22,222 (31 March 2019: 26,70,00,000 upon conversion of CCD into common equity) equity shares of ₹10 each on 18 September 2019.

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

2. Refer note 18.10 on ESOP grant to MD & CEO



18.14 Leases

Operating Lease

Lease payments made under cancellable operating lease amounting to ₹34.91 crore (31 March 2019: ₹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 one sublease agreement with Utkarsh CoreInvest Limited (“the Holding Company”).

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

Particulars	(₹ in crore)	
	As at 31 March 2020	As at 31 March 2019
Due within one year	33.27	27.41
Due later than one year and not later than five years	140.53	138.14
Due later than five years	71.46	107.12
Total	245.26	272.67

Finance Lease

The Bank has acquired certain IT hardware assets and ATM machines under finance lease. Lease term of such assets is 7 years. Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2020 are as follows:

Particulars	(₹ in crore)		
	Future MLP	Interest not due	Present Value of MLP
Due within one year	4.69	1.70	2.99
Due later than one year and not later than five years	16.15	3.20	12.95
Due later than five years	0.77	0.08	0.69
Total	21.61	4.98	16.63

Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2019:

Particulars	(₹ in crore)		
	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

18.15 Deferred Tax

Major components of deferred tax assets and deferred tax liabilities are as under:

Particulars	(₹ in crore)	
	As at 31 March 2020	As at 31 March 2019
Deferred tax assets:		
Provision for assets	22.31	5.13
Unamortised processing fees on advances	11.03	9.42
Finance lease	4.18	6.07
Provision against Lease Equalisation	1.83	-
Provision on Casual Leave	0.72	-
Loss on mark to mark on external commercial borrowings	-	0.21



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

Particulars	As at 31 March 2020	As at 31 March 2019
	40.06	20.83
Deferred tax liabilities:		
Depreciation on fixed assets	1.76	4.15
Unamortised processing fee on borrowings	0.75	1.61
Gain on mark to mark on external commercial borrowings	0.04	-
	2.55	5.76
Net deferred tax assets / (liability)	37.51	15.07

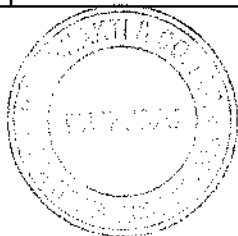
18.16 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 that came into force from 02 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended 31 March 2020 and 31 March 2019. The above is based on the information available with the Bank, which has been relied upon by the statutory auditors.

18.17 Disclosure of customer complaints:

A	Customer Complaints other than ATM transaction disputes	For the year ended 31 March 2020	For the year ended 31 March 2019
a)	Number of complaints pending at the beginning of the year	265	79
b)	Number of complaints received during the year	26,061	14,307
c)	Number of complaints redressed during the year	26,284	14,121
d)	Number of complaints pending at the end of the year	42	265

B	ATM Transaction disputes relating to the Bank's customers on the Bank's ATM	For the year ended 31 March 2020	For the year ended 31 March 2019
a)	Number of complaints pending at the beginning of the year	1	-
b)	Number of complaints received during the year	76	145
c)	Number of complaints redressed during the year	77	144
d)	Number of complaints pending at the end of the year	-	1



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

C	ATM Transaction disputes relating to the Bank's customers on other Bank's ATM	For the year ended 31 March 2020	For the year ended 31 March 2019
a)	Number of complaints pending at the beginning of the year	14	7
b)	Number of complaints received during the year	1495	1,147
c)	Number of complaints redressed during the year	1500	1,140
d)	Number of complaints pending at the end of the year	9	14

D	Total Customer Complaints (A+B+C)	For the year ended 31 March 2020	For the year ended 31 March 2019
a)	Number of complaints pending at the beginning	280	86
b)	Number of complaints received during the year	27,632	15,599
c)	Number of complaints redressed during the year	27,861	15,405
d)	Number of complaints pending at the end of the year	51	280

Award passed by the Banking Ombudsman

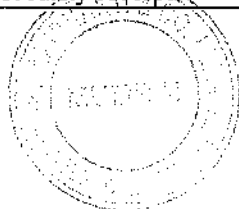
E	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
a)	No. of unimplemented Awards at the beginning of the year	-	-
b)	No. of Awards passed by the Banking Ombudsmen during the year	1	-
c)	No. of Awards implemented during the year	1	-
d)	No. of unimplemented Awards at the end of the year	-	-

18.18 Security Receipts (SR)

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

(₹ in crore)

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



Utkarsh Small Finance Bank Limited**Schedules forming part of the financial statements for the year ended 31 March 2020**

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

(₹ in crore)

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

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

18.19 Restructured / Rescheduled / Renegotiated Investments

There are no such investments during the year ended 31 March 2020 and year ended 31 March 2019.

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

(₹ in crore)

	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
i)	Provision for Income tax	84.59	36.98
ii)	Provision for Deferred tax	(22.45)	19.47
iii)	MAT credit (entitlement) / Reversal	1.53	(1.53)
	Total	63.67	54.92

18.21 Unsecured Advances against Intangible Collaterals:

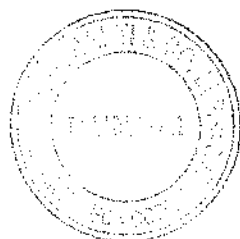
(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Total Advances against intangible securities such as charge over the rights, licenses, authority etc.	-	-
Estimated Value of intangible collateral such as charge over the rights, licenses, authority etc.	-	-

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

(₹ in crore)

	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
i)	Fee / Remuneration from Life Insurance Business	5.91	2.00
ii)	Fee / Remuneration from General Insurance Business	0.02	0.03



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

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

(₹ in crore)

	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
i)	Provisions towards Standard Advances	18.82	4.61
ii)	Provisions towards NPA (net of write back)	(30.08)	33.68
iii)	Floating provision	3.76	2.45
iv)	Provision on COVID 19	49.96	-
v)	Provision on SMA due to COVID 19	1.40	-
vi)	(reversal) / provision for depreciation on investments	0.06	(0.92)
vii)	Provisions towards Income tax	84.59	36.98
viii)	Provision / (credit) towards deferred tax (net)	(22.45)	19.47
viii)	MAT credit reversal / (entitlement)	1.53	(1.53)
	Total provisions	107.59	94.74
viii)	Technical write off	55.96	29.86
ix)	Provision for fixed assets	-	0.48
x)	Write off of other assets	-	11.56
	Total	163.55	136.64

18.24 Drawdown from Reserves

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

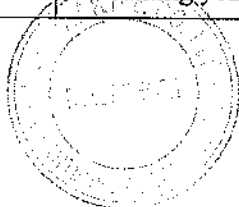
HFT & AFS portfolio as on March 31, 2020 (HFT is Nil)	262.06
Reserve created during FY 2018-19	1.31
Add:- created in H1FY20	5.94
IFR draw down during the end of the year	(2.01)
AFS portfolio reduced from ₹362.8 crores (H1'20) to ₹262.0 crores as on March 31, 2020 and therefore draw down on ₹100.7 crores @ 2%	
Investment Fluctuation Reserve on AFS portfolio as on March 31, 2020.	5.24

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

18.25 Floating Provisions

(₹ in crore)

	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
i)	Opening balance in the floating provisions account	2.45	-
ii)	The quantum of floating provisions made in the accounting year.	3.76	2.45
iii)	Amount of draw down made during the accounting year.	-	-



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
iv)	Closing balance in the floating provision account	6.21	2.45

18.26 Investor Education and Protection Fund

There are no amounts, which are due to be transferred to the Investor Education, and Protection Fund during the year ended 31 March 2020 and year ended 31 March 2019.

18.27 Concentration of Deposits, Advances, Exposures and NPAs

18.27.1 Concentration of Deposits

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Total Deposits of twenty largest depositors	1,898.11	1,736.75
Percentage of deposits of twenty largest depositors to total deposits	36.26%	45.81%

18.27.2 Concentration of Advances

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Total Advances to twenty largest borrowers*	257.66	286.38
Percentage of advances to twenty largest borrowers to total advances	4.08%	6.18%

* excluding advances against Bank's own term deposits

18.27.3 Concentration of Exposures

(₹ in crore)

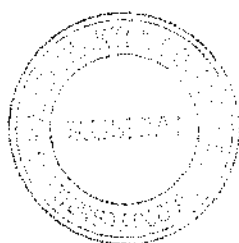
Particulars	As at 31 March 2020	As at 31 March 2019
Total Exposure to twenty largest borrowers / customers	257.66	300.66
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	4.06%	6.47%

Credit Exposure excludes the exposures which are 100% cash backed

18.27.4 Concentration of NPA's

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Total Exposure to top four NPA Accounts (Gross)	0.55	40.32

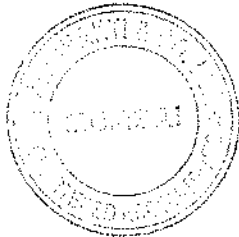


Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

18.28 Sector Wise Advances:

(₹ in crore)				
Sl. No.	Sector	As at 31 March 2020		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
	Priority Sector*			
1	Agriculture and allied activities	3,452.06	21.11	0.37%
2	Advances to industries sector eligible as priority sector lending	177.85	1.35	0.02%
	All engineering	45.45	0.32	0.01%
	Food processing	48.93	0.30	0.01%
	Wood and wood products	39.96	0.33	0.01%
3	Services	2,080.65	17.53	0.30%
	Trade	878.20	9.90	0.17%
4	Personal loans	50.48	0.14	0.00%
	Housing	44.78	0.12	0.00%
	Sub-total (A)	5,761.04	40.13	0.69%
	B			
	Non Priority Sector			
1	Agriculture and allied activities	0.02	0.02	0.00%
2	Industry	0.50	0.10	0.02%
	Beverages (Excluding Tea & Coffee) and Tobacco	0.27	-	0.00%
	Food processing	0.06	0.02	0.00%
	Wood and wood products	0.13	0.05	0.01%
3	Services	499.45	3.75	0.68%
	Non-banking financial companies	309.51	-	0.00%
4	Personal loans	47.94	0.65	0.12%
	Housing	40.71	0.36	0.07%
	Sub-total (B)	547.91	4.52	0.82%
	Total (A+B)	6,308.95	44.65	0.71%



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

(₹ in crore)				
Sl. No.	Sector	As at 31 March 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%
	Trade	664.11	2.95	0.00%
4	Personal loans	53.80	0.21	0.37%
	Housing	23.36	0.12	0.01%
	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%
	Non-banking financial companies	272.55	40.00	0.15%
4	Personal loans	38.63	0.58	1.53%
	Housing	14.45	0.25	0.02%
	Sub-total (B)	503.13	42.75	
	Total (A+B)	4,725.60	65.57	1.39%

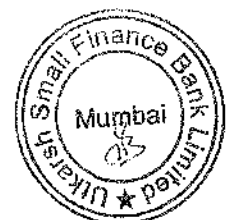
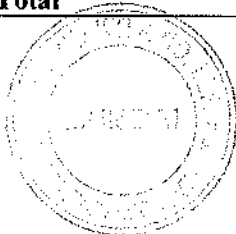
* This includes underlying advances of Priority Sector Lending Certificates sold and does not include underlying advances of Priority Sector Lending Certificates purchased during the year. Refer Schedule 18.29

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

18.29 Details of Priority Sector Lending Certificates (PSLC)

Following are the details of PSLC sold by the Bank.

Particulars	(₹ in crore)	
	As at 31 March 2020	As at 31 March 2019
General category	-	353.00
Micro enterprises	-	-
Small/marginal farmers	2,700.00	1,448.00
Total	2,700.00	1,801.00



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

Following are the details of PSLC purchased by the Bank.

Particulars	(₹ in crore)	
	As at 31 March 2020	As at 31 March 2019
General category	-	600.00
Micro enterprises	-	-
Small/marginal farmers	-	-
Total	-	600.00

18.30 Overseas Assets, NPAs and Revenue

Particulars	(₹ in crore)	
	As at 31 March 2020	As at 31 March 2019
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

18.31 Off- Balance Sheet SPVs sponsored

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

18.32 Disclosures relating to Securitization

Particulars	(₹ in crore)	
	As at 31 March 2020	As at 31 March 2019
1. Number of Special Purpose Vehicles (SPVs) sponsored by the Bank for securitisation / bilateral transactions	-	1
2. Total amount of securitised assets as per books of the SPVs/assignees sponsored by the Bank#	-	18.74
3. Total amount of exposures retained by the Bank 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
* 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		



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

Particulars	As at 31 March 2020	As at 31 March 2019
i) Exposure to own securitizations		
* First loss	-	-
* Others	-	-
ii) Exposure to third party securitizations		
* First loss	-	-
* Others	-	-

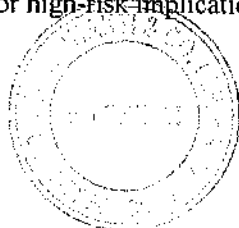
the above information has been prepared based on the confirmations received from SPVs auditor.

18.33 Disclosure on Remuneration**Qualitative Disclosure****A. Information relating to the bodies that oversee remuneration****a) Name, composition and mandate of the main body overseeing remuneration**

The Nomination and Remuneration Committee (NRC) of the Board is the main body overseeing remuneration. As on March 31, 2020, The NRC comprises of four Directors viz Mr. Kajal Ghose, Dr. V.S. Sampath, Ms. Anita Ramachandran and Mr. P. H. Ravikumar

Following are the functions of Nomination and Remuneration Committee:

1. Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon.
2. Evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.
3. Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
4. Advise criteria for evaluation of Independent Directors and the Board and carry out evaluation of every directors' performance.
5. 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.
6. 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.
7. Review and recommend to the Board for approval for 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.
8. Review and recommend to the Board for approval the total increase in manpower cost budget of the Bank as a whole, at an aggregate level, for the next year.
9. Recommend to the Board the compensation payable to the Chairman of the Bank.
10. 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.



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

11. Review and recommend to the Board for approval of 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.
12. Review and recommend to the Board for approval:
 - a. the creation of new positions one level below MD & CEO
 - b. appointments, promotions and exits of senior managers one level below the MD & CEO
13. 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.
14. Review the performance of the MD & CEO and other Whole Time Directors at the end of each year.
15. Review organisational health through feedback from employee surveys conducted on a regular basis.
16. 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.

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 engaged AON Hewitt to conduct the compensation benchmarking study. The scope of the study was to cover the compensation offered by competition and to design competitive reward strategies for the bank. The scope also covered creation of smoothened pay ranges for different department and creation of fixed pay increment grid driving internal equity and performance based differentiation. The study is currently in progress by AON Hewitt on any area of remuneration during the year ended 31 March 2020.

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

The Human Resources Policy of the Bank, approved by the Board of the Bank on 09 January 2017 and the same has been reviewed by the Board of Directors in its meeting in 14 March 2020 pursuant to the guidelines issued by RBI, to cover all employees of the Bank. Further, the Reserve Bank of India, vide its email dated 27 April, 2020, basis the recommendation of the Board of Directors, has approved the Fixed remuneration payable to MD & CEO for FY 2019-20 and the Variable remuneration i.e. performance bonus payable to MD & CEO for FY 2018-19. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO, WTD and Risk Control and Compliance department. The policy is applicable to MD & CEO, WTD and all employees in the grade of AVP and above in Risk and Compliance function.

d) Type of employees covered and number of such employees

All the employees of the Bank are covered. The total number of employees of the Bank as at 31 March 2020 were 8,831 (31 March 2019: 6,282)

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

Key features and objectives of remuneration policy: The Bank, under the guidance of the Nomination and Remuneration Committee ("NRC") and the Board, has 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 provides overall guidance to the compensation paid to other employees.



Alignment of compensation philosophy with prudent risk taking: While the Bank seeks to achieve a mix of fixed and variable remuneration that is prudent, it currently has predominantly a fixed remuneration structure with no guaranteed bonuses. Further, the remuneration of employees in financial and risk control functions is not linked to business outcomes and solely depends on their performance. The Bank seeks to align remuneration with financial and non-financial performance indicators. The Bank also has in place a Policy on Risk Alignment of Compensation applicable for MD & CEO, WTD and Risk Control and Compliance function. 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 FY19-20, guaranteed bonus was approved for one employee after taking due approval from competent authorities.

Whether the remuneration committee reviewed the Bank'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 policy and practices and the same is subject to periodic review. In the FY 2019-20, the Board of the Bank has reviewed the policy in its meeting held on 14 March 2020.

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 to MD & CEO, WTD and Risk Control and Compliance functions. 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

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

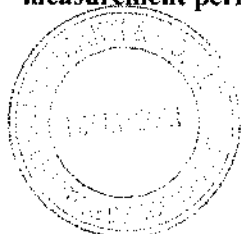
Overview of the key risks that the Bank takes into account when implementing remuneration measures: The Board approves the overall risk management policy including risk framework, limits, etc. The Bank conducts all its business activities within this framework. The NRC while assessing the performance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

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

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

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

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



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

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

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

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

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 pay reaches 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 functions. 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.

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

The Bank has variable pay that is paid based on the performance that is applicable to all levels. The ESOP options of the Holding Company are currently given to eligible employees in Manager and above grade subject to performance. Employees in sales function are covered under a performance pay plan based on their monthly business performance, subject to conditions and constraints stated therein.

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 KRAs at the beginning of the year and achievement against the same.



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

Quantitative Disclosure-

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

(₹ in crore, except numbers)

Sr. No.	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
1(i)	Number of meetings held by the Remuneration Committee during the financial year.	7	4
1(ii)	Remuneration paid to its members during the financial year (sitting fees)	0.06	0.03
2(i)	Number of employees having received a variable remuneration award during the financial year.	16	9
2(ii)	Number and total amount of sign-on awards made during the financial year.	-	-
2(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	0.19	-
2(iv)	Details of severance pay, in addition to accrued benefits, if any.	-	-
3(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-	-
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: 13.73 Variable: 1.52 Deferred: Nil Non-deferred: 15.25	Fixed CTC: 6.76 Variable: 0.28 Deferred: Nil Non-deferred: 7.04
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 of the Holding Company and other retirement benefits related costs, which is accounted at entity level based on actuarial valuation.

18.34 Contingent liabilities

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

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

Refer Schedule 12 for amounts relating to contingent liabilities.

18.35 Bank has not issued any letters of comfort during the year ended 31 March 2020 and year ended 31 March 2019. Further, there are no outstanding comfort letters as at 31 March 2020 and 31 March 2019.



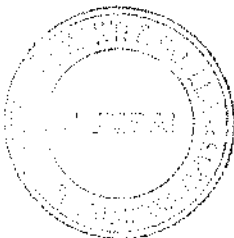
Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

Quantitative Disclosures

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

(₹ in crore)

	Three months ended 31 March 2020		Three months ended 31 December 2019		Three months ended 30 September 2019		Three months ended 30 June 2019		
	Unweighted Amount (average)	Weighted Amount (average)	Unweighted Amount (average)	Weighted Amount (average)	Unweighted Amount (average)	Weighted Amount (average)	Unweighted Amount (average)	Weighted Amount (average)	
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		1,555.86		1,286.38		1,214.61		967.85
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	1781.38	175.02	1544.06	138.17	1283.73	114.83	1016.75	90.82
(i)	Stable Deposits	62.34	3.12	324.64	16.23	270.86	13.54	217.06	10.85
(ii)	Less Stable Deposits	1,719.04	171.90	1,219.42	121.94	1,012.87	101.29	799.69	79.97
3	Unsecured wholesale funding, of which:	1544.32	901.41	1166.91	630.32	1106.69	597.81	976.34	532.99
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	881.42	238.51	705.46	168.87	703.66	194.78	630.34	186.99
(iii)	Unsecured debt	662.90	662.90	461.45	461.45	403.03	403.03	346.00	346.00
4	Secured wholesale funding						20.09		12.1
5	Additional requirements, of which	202.58	10.13	207.09	10.36	190.72	9.54	158.44	7.92



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

(i)	Outflows related to derivative exposures and other collateral requirements								
(ii)	Outflows related to loss of funding on debt products								
(iii)	Credit and liquidity facilities	202.58	10.13	207.09	10.36	190.72	9.54	158.44	7.92
6	Other contractual funding obligations	28.50	28.50	14.50	14.50	9.83	9.83	80.00	57.56
7	Other contingent funding obligations								
8	TOTAL CASH OUTFLOWS		1115.06		793.35		752.10		701.39
Cash Inflows									
9	Secured lending (e.g. reverse repos)								
10	Inflows from fully performing exposures	463.85	231.92	425.29	212.64	388.46	194.23	360.19	180.10
11	Other cash inflows	177.43	177.43	286.65	286.65	387.69	387.69	560.19	560.19
12	TOTAL CASH INFLOWS	641.28	409.35	711.94	499.29	776.15	581.92	920.38	740.29
13	TOTAL HQLA		1,555.86		1,286.38		1,214.61		967.85
14	Total Net Cash Outflows (8-12)		705.71		294.06		170.18		(38.9)
15	25% of Total Cash outflows [8*0.25]		278.77		198.34		188.03		175.35
16	Total Net Cash Outflows [Higher of 14 or 15]		705.71		294.06		188.03		175.35
	Liquidity Coverage Ratio (%)		220.48%		437.47%		645.99%		551.96%



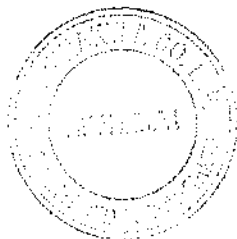
Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

Following is the quantitative disclosures relating to LCR for the year ended March 31, 2019, wherein the amounts are average of daily positions during the quarter.

(₹ in crore)

		Three months ended 31 March 2019		Three months ended 31 December 2018		Three months ended 30 September 2018		Three months ended 30 June 2018	
		Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		748.51		599.36		511.52		512.99
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	770.32	68.70	530.63	47.31	366.61	32.44	243.75	21.44
(i)	Stable Deposits	166.72	8.34	115.13	5.76	84.35	4.22	58.70	2.93
(ii)	Less Stable Deposits	603.60	60.36	415.50	41.55	282.26	28.23	185.05	18.50
3	Unsecured wholesale funding, of which:	616.79	357.74	386.11	147.64	304.67	53.31	271.93	45.49
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	368.18	109.13	264.53	26.05	278.93	27.58	251.36	24.92
(iii)	Unsecured debt	248.61	248.61	121.58	121.58	25.74	25.74	20.57	20.57
4	Secured wholesale funding		39.07		29.25		50.78		21.23
5	Additional requirements, of which	113.37	5.67	36.90	1.85	39.40	1.97	15.95	0.80
(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	113.37	5.67	36.90	1.85	39.40	1.97	15.95	0.80



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

		Three months ended 31 March 2019		Three months ended 31 December 2018		Three months ended 30 September 2018		Three months ended 30 June 2018	
		Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)	Unweighted Amount (Average)	Weighted Amount (Average)
6	Other contractual funding obligations	95.14	95.14	39.17	39.17	3.44	3.44	41.47	41.47
7	Other contingent funding obligations	-	-	-	-	-	-	-	-
8	TOTAL CASH OUTFLOWS		566.31		265.21		141.95		130.43
Cash Inflows									
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	309.16	154.58	286.97	143.48	250.47	125.24	195.17	97.58
11	Other cash inflows	292.14	292.14	215.57	215.57	163.21	163.21	283.02	283.02
12	TOTAL CASH INFLOWS	601.29	446.71	502.54	359.05	413.69	288.45	478.18	380.60
13	TOTAL HQLA		748.51		599.36		511.52		512.99
14	Total Net Cash Outflows (8-12)		119.60		(93.84)		(146.50)		(250.17)
15	25% of Total Cash outflows [8*0.25]		141.58		66.30		35.49		32.61
16	Total Net Cash Outflows [Higher of 14 or 15]		141.58		66.30		35.49		32.61
	Liquidity Coverage Ratio (%)		528.68%		904.01%		1441.41%		1573.11%

Note:

1. Average for all the quarters is simple average of daily observations for the quarter.
2. Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

18.37 Intra-Group exposures

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Total amount of intra-group exposures	-	-
Total amount of top-20 intra-group exposures	-	-
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	-	-

18.38 Details of provisioning pertaining to fraud accounts

The following table sets forth for the year ended 31 March 2020, the details of provisioning pertaining to fraud accounts:

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Number of frauds reported	47	39
Amount involved in frauds	0.85	0.84
Provision made	0.59	0.62
Unamortised provision debited from 'other reserves'	-	-

The Bank has recovered the amount of ₹0.26 crore (31 March 2019 - ₹0.22 crore) against amount involved in frauds.

18.39 Transfers to Depositor Education and Awareness Fund (DEAF)

Below mentioned are the details of funds transferred to Depositor Education and Awareness Fund during the year ended 31 March 2020.

(₹ in crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred to DEAF during the year	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

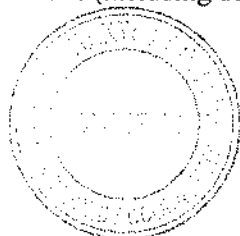
18.40 Credit Default Swap

The Bank has not entered into Credit Default Swap during the year ended 31 March 2020 and year ended 31 March 2019.

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

The borrowers of the Bank do not have any Unhedged Foreign Currency Exposure as at 31 March 2020 and 31 March 2019.

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



Utkarsh Small Finance Bank Limited**Schedules forming part of the financial statements for the year ended 31 March 2020**

18.43 The board of directors in their meeting dated 20 May 2019 decided to contribute towards corporate social responsibility up to ₹1.00 crore which is higher than the amount required to be spent by Section 135 of the Companies Act, 2013.

(₹ in crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
a) Gross amount required to be spent by the Bank during the year	0.40	-
b) Amount spent during the year on purposes other than construction/acquisition of any asset		
Paid in cash	1.00	0.41
Yet to be paid	-	-
Total of amount spent	1.00	0.41

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

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

(₹ in crore)

Particulars	As at 31 March 2020	As at 31 March 2019
At cost at March 31 of preceding year	4.19	5.06
Additions during the year	13.53	2.73
Deductions during the year	-	-
Accumulated depreciation to date	5.19	3.60
Net block	12.53	4.19

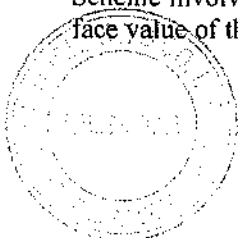
18.46 Application for approval of the composite scheme of arrangement between the Bank (USFBL) and Utkarsh CoreInvest Limited (UCL), its holding company and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad ("NCLT") on 25 October 2019.

The proposed arrangement envisages the reduction in the face value of the equity share capital of the USFBL and for the issuance and allotment of fully paid-up equity shares of USFBL to the shareholders of UCL from the reserves created from such reduction in the face value of the equity share capital of USFBL.

The Proposed Arrangement is expected to:

- Achieve partial satisfaction in the process of compliance of the conditions laid down by RBI in relation to the shareholding of the USFBL (i.e., by dilution of UCL's shareholding in USFBL from one hundred per cent. (100%) to fifty per cent. (50%)); and
- Provide shareholders of UCL with direct shareholding in USFBL, which is presently held through UCL. Consequently, the shareholders of UCL can take independent decisions with respect to their holdings in UCL and USFBL.

The Proposed Arrangement is purely amongst the Companies and their respective shareholders and there is no compromise or arrangement contemplated with any creditor or depositors of the Companies, nor will the Scheme involve any paring of liabilities (other than shareholders liabilities pursuant to the reduction in the face value of the equity share capital of USFBL).



Utkarsh Small Finance Bank Limited

Schedules forming part of the financial statements for the year ended 31 March 2020

The Company is yet to receive the approval from National Company Law Tribunal, Allahabad

18.47 COVID-19 pandemic continues to spread across India and there is unprecedented level of disruption on socio-economic front across the country. Globally, countries and businesses are under lockdown. Considering severe health hazard associated with COVID-19 pandemic, India is also under a 68 days nation-wide lockdown enforced by the Government of India from 25 March 2020 until 31 May 2020. There is high level of uncertainty about the duration of lockdown and the time required for things to get normal. The extent to which COVID-19 pandemic will impact the Bank's operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact, whether government mandated or elected by the Bank.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27 March, 2020 and 17 April, 2020, and clarification issued by RBI through Indian Bankers Association dated 6 May, 2020, the Bank is granting a moratorium on the payment of instalments and / or interest, as applicable, falling due between 1 March, 2020 and 31 May, 2020 ('moratorium period') to all eligible borrowers in case of JLG portfolio and in Retail / WSL portfolio as per Opt-in basis is classified as Standard, even if overdue, as on 29 February, 2020. The moratorium period, wherever granted, shall be excluded by the Bank from the number of days past due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. Pursuant to the aforesaid circular read with clarification, the bank has made provisions of ₹1.40 crore and additionally the bank has made provisions of ₹49.96 crore on the basis management assessment.

18.48 The Reserve Bank of India, vide its circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020, required to disclose the following:

Items	Amount
Amounts of advances that are SMA or overdue as of 29 February 2020, where the moratorium/deferment was extended	28.02
Amount of advances where asset classification benefits was extended	8.49
Provisions made during the Q4FY2020	1.40
Provision adjusted during the respective accounting periods against slippages	-
Residual provisions	1.40


18.49 The Reserve Bank of India, vide its circular dated 17 April 2020, has decided that banks shall not make any dividend pay-outs from profits pertaining to the financial year ended 31 March 2020 until further instructions, with a view that banks must conserve capital in an environment of highlighted uncertainty caused by COVID-19.



Utkarsh Small Finance Bank Limited
Schedules forming part of the financial statements for the year ended 31 March 2020

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


As per our report of even date attached
for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048


Parushottam Nyati
Partner
Membership No. 118970



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


Kajal Ghose
Director
DIN: 07702190


P. H. Ravikumar
Director
DIN: 00280010


Govind Singh*
Managing Director & CEO
DIN: 02470880


Mukund Barsagade
Chief Financial Officer
FCA 048560


Nutan Rane
Company Secretary
ACS 20260

Place: Mumbai / *Varanasi
Date: 22 May 2020

Place: Mumbai / *Varanasi
Date: 22 May 2020

