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**V. Sankar Aiyar & Co.**  
CHARTERED ACCOUNTANTS  
2-C, Court Chambers  
35, New Marine Lines  
Mumbai – 400 020

To  
The Members of Unity Small Finance Bank Limited

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Unity Small Finance Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31,2022, the Profit and Loss Account, 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 and the Companies Act, 2013, as amended ("the Act") in the manner so required for the 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 31,2022, its loss and its cash flows for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

#### Emphasis of Matter

We draw attention to:

- a) Note no. 1(a) of Schedule 18 of the financial statements, regarding the accounting treatment, including the valuation and measurement of assets and reckoning of liabilities taken over from erstwhile Punjab and Maharashtra Co-operative Bank Limited ("PMC") as per the Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 sanctioned by the Government of India in exercise of the powers conferred by sub-section (7) of section 45 of Banking Regulation Act,1949 ( 10 of 1949).
- b) Note no 1(c)(i) of Schedule 18 of the financial statements regarding Fraud in erstwhile PMC Bank for which full provision has been made.



- c) Note no 1(c)-(ii) & (iii) of Schedule 18 of the financial statements regarding disputes relating to erstwhile PMC Bank and the Scheme of Amalgamation for which no outflow of resources/ liability is expected by the Bank.

Our opinion is not modified in respect of the above matters.

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

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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 and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and the Board of Directors 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 provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank 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 the 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. Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.



#### Other Matters

The management of USFBL has carried out valuation of assets and determination of liabilities as on the appointed date of Amalgamation of erstwhile PMC bank with USFBL i.e 25th January 2022, on the basis of balance sheet as at 24th January, 2022 i.e as at the close of business on the date immediately preceding the appointed date i.e January 25,2022 as per the scheme of amalgamation. The balance sheet as at 24th January, 2022 was audited by a firm of Chartered Accountants (auditor) approved by RBI and they have expressed qualified opinion vide their report dated 28th May, 2022. The management has taken cognizance of the matters of qualified opinion expressed by the said auditor and made adjustments in the valuation of assets and determination of liabilities as at the appointed date wherever required.

The financial statements of Centrum Financial Services Limited and Centrum Micro Credit Limited as at and for the period ended 31<sup>st</sup> October 2021, as considered for the purpose of determining the net assets acquired on slump sale basis (refer note 2 of Schedule 18) from the said companies as on November 01,2021, was certified by the statutory auditors of the respective companies.

#### Report on Other Legal and Regulatory Requirements

1. The Balance Sheet, the Profit and Loss Account and the Cash Flow statement for the year ended March 31,2022 have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated December 02,2021, we report that:
  - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit, and have found them to be satisfactory;
  - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
  - c. 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 its branches; we have visited 20 branches for the purpose of our audit.
3. As required by Section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.



- b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- e. On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
- g. In our opinion, the entity being a banking company, the remuneration to the Interim CEO for the year ended March 31, 2022 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949; and
- h. 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, as amended 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 12 and note 17 of Schedule 18 of 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;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
  - iv. (a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;



(b) The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Bank from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

(c) In our opinion and based on the audit procedures, we have considered reasonable and appropriate in the circumstances; nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

- v. The Bank has not declared or paid any dividend during the year.

For V Sankar Aiyar & Co  
Chartered Accountants



Asha Patel  
Partner

(M. No 166048)

UDIN: 22166048AJVTCW6372

Place: Mumbai

Date: May 30, 2022

**Annexure 1 to the Independent Auditor's Report of Even Date on the Financial Statements of Unity Small Finance Bank Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")**

**To the Members of Unity Small Finance Bank Limited**

We have audited the internal financial controls over financial reporting of Unity Small Finance Bank Limited (the "Bank") as of March 31, 2022 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 over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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



### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

We are informed that the bank is in the process of upgradation and automation of the Core Banking Solutions. In our opinion, and to the best of our information and according to the explanations given to us, the Bank has, in all material respects, adequate internal financial controls with reference to these financial statements and such internal financial controls with reference to these financial statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

For V Sankar Aiyar & Co  
Chartered Accountants



A handwritten signature in blue ink, appearing to read "Asha Patel".

Asha Patel  
Partner

(M. No 166048)

UDIN:22166048AJYTCW6372

Place: Mumbai

Date: May 30, 2022



# UNITY SMALL FINANCE BANK LIMITED

## Balance Sheet

at March 31, 2022

		(₹ in 000's)
	Schedule	As at March 31, 2022
<b>CAPITAL AND LIABILITIES</b>		
Capital	1	1,39,25,456
Reserves and Surplus	2	53,14,133
Deposits	3	3,82,23,671
Borrowings	4	1,12,84,004
Other Liabilities and Provisions	5	3,93,60,990
<b>Total</b>		<b>10,81,08,254</b>
<b>ASSETS</b>		
Cash and Balances with Reserve Bank of India	6	15,58,584
Balances with banks and money at call and short notice	7	4,24,84,114
Investments	8	2,77,10,548
Advances	9	2,41,91,264
Fixed Assets	10	30,22,001
Other Assets	11	91,41,743
<b>Total</b>		<b>10,81,08,254</b>
Contingent Liabilities	12	4,61,069
Bills for Collection		22,39,099

Significant Accounting Policies and Notes to the financial statements 17&18

The schedules referred to above form an Integral part of the financial statements

As per our report of even date

For V Sankar Aiyar & Co.

Chartered Accountants

Firm Registration No : 109208W



Asha Patel

Partner

Membership No. 106628



For and on behalf of the Board of Director



Vinod Rai

(DIN: 00041867)

Part-time Chairman

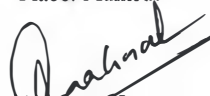
Place: Vietnam



Inderjit Camotra

Interim CEO

Place: Mumbai



Anand Goyal

Company Secretary (CS)

Place: Mumbai



Subhash Kufte

(DIN: 00233322)

Director

Place: Kolhapur



Abhishek Baxi

Chief Financial Officer (CFO)

Place: Mumbai

Date: 30-05-2022



# UNITY SMALL FINANCE BANK LIMITED

## Profit and Loss Account

For the year ended March 31, 2022

	Schedule	(₹ in 000's) Year ended March 31, 2022
<b>I. INCOME</b>		
Interest earned	13	15,43,783
Other Income	14	-1,405
<b>Total</b>		<b>15,42,378</b>
<b>II. EXPENDITURE</b>		
Interest expended	15	10,69,398
Operating expenses	16	18,87,528
Provisions and contingencies		81,560
<b>Total</b>		<b>30,38,486</b>
<b>III. PROFIT</b>		
Net Profit / (Loss) for the year		-14,96,108
Balance in Profit and Loss Account brought forward		-
<b>IV. APPROPRIATIONS</b>		
Dividend payable on PNCPS		40,048
<b>Balance carried over to Balance Sheet</b>		<b>-15,36,156</b>
<b>V. EARNING PER EQUITY SHARE (Face Value of ₹ 10 per share)</b>		
Basic		-2.12
Diluted		-2.12

Significant accounting policies and notes to the Financial Statements 17&18

The schedules referred to above form an Integral part of the financial statements

As per our report of even date  
For **V Sankar Aiyar & Co.**  
Chartered Accountants  
Firm Registration No : 109208W

For and on behalf of the Board of Director

  
**Asha Patel**  
Partner  
Membership No. 166048





**Mr. Vinod Rai**  
(DIN: 00041867)  
Part-time Chairman  
Place: Vietnam



**Subhash Kutte**  
(DIN: 00233322)  
Director  
Place: Kolhapur



**Inderjit Camotra**  
Interim CEO  
Place: Mumbai



**Abhishek Baxi**  
Chief Financial Officer (CFO)  
Place: Mumbai



**Archana Goyal**  
Company Secretary (CS)  
Place: Mumbai



Date: 30-05-2022

**UNITY SMALL FINANCE BANK LIMITED**

**Cash Flow Statement**

for the year ended March 31, 2022

	(₹ in 000's)
	Year ended March 31, 2022
<b>Cash flows (used in) operating activities</b>	
Profit before taxes	(15,73,312)
Adjustments for:	
Depreciation on fixed assets	46,262
Amortisation of Goodwill	9,21,998
Amortisation of premium on held to maturity investment	129
Provision for non performing assets	1,45,910
Provision for standard assets	12,854
Provision on investment	1,31,230
<b>Operating loss before working capital changes</b>	<b>(3,14,929)</b>
Adjustments for:	
Increase in investments	18,69,003
(Increase)/decrease in Advances	(56,03,662)
Increase in deposits	3,82,23,671
Increase in others assets	5,35,687
Increase in other liabilities and provisions	7,32,332
Direct taxes paid (net of refunds)	(2,669)
<b>Net cash flow (used in) operating activities</b>	<b>3,54,39,433</b>
<b>Cash flow used in investing activities</b>	
Purchase of fixed assets	(74,337)
Net Investment in banking book	(42,35,739)
Consideration paid to CML	(11,00,000)
<b>Net cash (used in) investing activities</b>	<b>(54,10,076)</b>
<b>Cash flow from financing activities</b>	
Proceeds from issue of share capital	78,92,228
Issue of Equity warrants	19,000
Increase in borrowings ( net)	(32,92,065)
<b>Net cash flow from financing activities</b>	<b>46,19,163</b>
Net increase in cash and cash equivalents	3,46,48,520
Cash and Cash equivalents arising from -	
- BTA executed with CML ( refer note 18(2))	18,85,466
- BTA executed with CFSL( refer note 18(2))	18,56,293
- Amalgamation with PMCB ( refer note ( refer note 18(1)))	56,52,419
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	<b>4,40,42,698</b>



Notes :

Cash and cash equivalents comprises of Cash in Hand, Balances with RBI, and Balances with Banks and Money at Call and Short Notice.

As per our report of even date  
For V Sankar Aiyar & Co.  
Chartered Accountants  
Firm Registration No. 106133

  
Asha Patel

Partner

Membership No. 106133



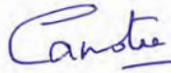
For and on behalf of the Board of Director



**Mr. Vinod Rai**  
(DIN: 00041867)  
Part-time Chairman  
Place: Vietnam



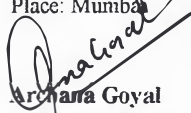
**Subhash Kutte**  
(DIN: 00233322)  
Director  
Place: Kolhapur



**Inderjit Camotra**  
Interim CEO  
Place: Mumbai



**Abhishek Baxi**  
Chief Financial Officer (CFO)  
Place: Mumbai



**Archana Goyal**  
Company Secretary (CS)  
Place: Mumbai

Date: 30-05-2022



# UNITY SMALL FINANCE BANK LIMITED

## Schedules forming Part of Balance Sheet

at March 31, 2022

### SCHEDULE 1 - CAPITAL

	(₹ in 000's)
	As at
	March 31, 2022
<b>Authorised Capital</b>	
4,000,000,000 equity shares of ₹ 10 each	4,00,00,000
<b>Issued, Subscribed and Paid-up Capital</b>	
704,901,960 equity shares of ₹ 10 each fully paid up	70,49,020
<b>Total</b>	<b>70,49,020</b>

### SCHEDULE 1A - CAPITAL

	(₹)
	As at
	March 31, 2022
Share warrant issued (Refer note 18(1)(a))	53,15,824
<b>Total</b>	<b>53,15,824</b>

### SCHEDULE 1B - Capital

	(₹)
	As at
	March 31, 2022
Perpetual Non-Cumulative Preference Shares (PNCPS) (Refer note 18(1)(a))	15,60,612
<b>Total</b>	<b>15,60,612</b>

### SCHEDULE 2 - RESERVES AND SURPLUS

	(₹)
	As at
	March 31, 2022
<b>I. Statutory Reserve</b>	
Opening Balance	-
Addition during the year	-
Deduction during the year	-
<b>Total</b>	<b>-</b>
<b>II. Capital Reserve on Amalgamation</b>	
Opening Balance	-
Addition during the year (Refer note 18(1)(a))	28,47,080
Deduction during the year	-
<b>Total</b>	<b>28,47,080</b>
<b>III. Share Premium</b>	
Opening Balance	-
Addition during the year	40,03,209
Deduction during the year	-
<b>Total</b>	<b>40,03,209</b>
<b>IV. Revenue and Other Reserves</b>	
Opening Balance	-
Addition during the year	-
Deduction during the year	-
<b>Total</b>	<b>-</b>
<b>V. Employee Stock Options Outstanding Account (ESOP)</b>	
Opening Balance	-
Employee compensation expense for the year	-
Transfer to Share Premium Account/Share Capital on exercise of stock options	-
Transfer to General Reserve for Non- exercise of ESOP's	-
<b>Total</b>	<b>-</b>
<b>V. Investment Fluctuation Reserve</b>	
Opening Balance	-
Addition during the year	-
Deduction during the year	-
<b>Total</b>	<b>-</b>
<b>VI. Balance in Profit and Loss Account</b>	
Balance brought from Profit and Loss	-15,36,156
<b>Total</b>	<b>-15,36,156</b>
<b>Total ( I + II + III + IV + V + VI )</b>	<b>53,14,133</b>



**SCHEDULE 3 - DEPOSITS**

		₹
		As at
		March 31, 2022
<b>A. I. Demand Deposits</b>		
(i) From Banks		-
(ii) From Others		35,00,066
<b>Total</b>		<b>35,00,066</b>
<b>II. Saving Bank Deposits</b>		<b>3,44,16,493</b>
<b>III. Term Deposits</b>		
(i) From Banks		2,50,000
(ii) From Others		57,112
<b>Total</b>		<b>3,07,112</b>
<b>Total (I + II + III)</b>		<b>3,82,23,671</b>
<b>B. I. Deposits of branches in India</b>		<b>3,82,23,671</b>
<b>II. Deposits of branches outside India</b>		-
<b>Total</b>		<b>3,82,23,671</b>

**SCHEDULE 4 - BORROWINGS**

		₹
		As at
		March 31, 2022
<b>I. Borrowings in India</b>		
(i) Reserve Bank of India		-
(ii) Other Banks		22,45,622
(iii) Other Institutions and Agencies		30,58,932
(iv) Sub-ordinate debts		-
(v) Bonds and Debentures (excluding subordinated debt)		59,79,450
<b>Total</b>		<b>1,12,84,004</b>
<b>II. Borrowings Outside India</b>		-
<b>Total (I + II)</b>		<b>1,12,84,004</b>
Secured Borrowings included in I & II above is ₹ 1068 crore		

**SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS**

		₹
		As at
		March 31, 2022
<b>I. Bills Payable</b>		30,485
<b>II. Inter - office adjustments (net)</b>		-
<b>III. Interest accrued</b>		12,57,527
<b>IV. Others (including provisions)</b>		
(i) Contingent provisions against standard assets		1,25,199
(ii) Others Liabilities (including provisions) (refer note 18(30))		3,79,47,779
<b>Total</b>		<b>3,93,60,990</b>

**SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA**

		₹
		As at
		March 31, 2022
<b>I. Cash in Hand</b>		1,52,887
<b>II. Balances with Reserve Bank of India</b>		
(i) In Current Account		14,05,697
(ii) In Other Accounts		-
<b>Total</b>		<b>15,58,584</b>



**SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**

	(₹)
	As at
	March 31, 2022
<b>I. In India</b>	
i) Balances with Banks	
a) In Current Account	2,57,91,340
b) In Other Deposit Accounts	1,36,43,901
<b>Total</b>	<b>3,94,35,241</b>
ii) Money at Call and Short Notice	
a) With Banks	28,99,808
b) With Other Institutions	-
<b>Total</b>	<b>28,99,808</b>
<b>Total ( i + ii )</b>	<b>4,23,35,049</b>
<b>II. Outside India</b>	
i) In Current Account	1,49,065
ii) In Deposit Accounts	-
iii) Money at Call and Short Notice	-
<b>Total</b>	<b>1,49,065</b>
<b>Total ( I + II )</b>	<b>4,24,84,114</b>

**SCHEDULE 8 - INVESTMENTS**

	(₹)
	As at
	March 31, 2022
<b>A. Investments in India</b>	
i) Government Securities	2,73,52,030
ii) Other approved securities	-
iii) Shares	10,651
iv) Debentures and bonds	2,90,644
v) Subsidiaries / joint ventures	-
vi) Others	57,223
<b>Total</b>	<b>2,77,10,548</b>
<b>B. Investments Outside India</b>	
i) Government securities (including local authorities)	-
ii) Subsidiaries and/or joint ventures abroad	-
iii) Others investments	-
<b>Total</b>	<b>-</b>
<b>Total ( A + B )</b>	<b>2,77,10,548</b>

**SCHEDULE 9 - ADVANCES**

	(₹)
	As at
	March 31, 2022
<b>A.</b>	
i) Bills purchased and discounted	33,39,040
ii) Cash credits, overdrafts and loans repayable on demand	33,07,594
iii) Term loans	1,75,44,630
<b>Total</b>	<b>2,41,91,264</b>
<b>B.</b>	
i) Secured by tangible assets	1,19,13,606
ii) Covered by Bank / Government guarantees	-
iii) Unsecured	1,22,77,658
<b>Total</b>	<b>2,41,91,264</b>
<b>C. I. Advances in India</b>	
i) Priority Sectors	80,64,755
ii) Public Sector	-
iii) Banks	-
iv) Others	1,61,26,509
<b>Total</b>	<b>2,41,91,264</b>
<b>II. Advances Outside India</b>	
i) Due from Banks	-
ii) Due from Others	-
(a) Bills Purchased and Discounted	-
(b) Syndicated Loans	-
(c) Others	-
<b>Total</b>	<b>-</b>



**SCHEDULE 10 - FIXED ASSETS**

	(₹)
	As at
	March 31, 2022
<b>A. Premises</b>	
At cost on beginning of the year	
Additions: (Asset received Under BTA) refer note 18(2)	3,57,641
Additions: (Asset received Under Amalgamation) refer note 18(1)	21,55,545
Deductions during the year	-
Depreciation to date	-13,152
<b>Total</b>	<b>25,00,034</b>
<b>B. Other Fixed Assets (including Furniture and Fixtures)</b>	
At cost on beginning of the year	
Additions during the year(Asset received Under BTA)	43,997
Additions during the year(Asset received Under Amalgamation)	30,80,635
Additions during the year	9,94,659
Deductions during the year	-
Depreciation to date	-35,99,467
<b>Total</b>	<b>5,19,824</b>
<b>C. Assets Given on Lease</b>	-
<b>D. Capital Work in Progress</b>	<b>2,143</b>
<b>Total ( A + B + C + D )</b>	<b>30,22,001</b>

**SCHEDULE 11 - OTHER ASSETS**

	(₹)
	As at
	March 31, 2022
I. Inter - office adjustments (net)	-
II. Interest accrued	4,64,008
III. Tax paid in advance/tax deducted at source (net of provision for tax)	2,91,486
IV. Stationery and stamps	-
V. Non-banking assets acquired in satisfaction of claims	6,977
VI. Deferred tax assets (net)	74,11,421
VII. Others	9,67,851
<b>Total</b>	<b>91,41,743</b>

**SCHEDULE 12 - CONTINGENT LIABILITIES**

	(₹)
	As at
	March 31, 2022
I. Claims against the bank not acknowledged as debts - taxation	47,059
II. Claims against the bank not acknowledged as debts - others	2,124
III. Liability for partly paid investments	-
IV. Liability on account of outstanding forward exchange contracts	-
V. Guarantees given on behalf of constituents :	-
VI. - In India	1,47,493
- Outside India	-
VII. Acceptances, endorsements and other obligations	-
VIII. Other items for which the Bank is contingently liable	2,64,393
<b>Total</b>	<b>4,61,069</b>





**SCHEDULE 13 - INTEREST EARNED**

	(₹)
	Year ended
	March 31, 2022
I. Interest/discount on advances/bills	10,80,214
II. Income on investments	3,83,795
III. Interest on balances with Reserve Bank of India and other inter-bank funds	79,774
IV. Other interest	-
<b>Total</b>	<b>15,43,783</b>

**SCHEDULE 14 - OTHER INCOME**

	(₹)
	Year ended
	March 31, 2022
I. Commission, exchange and brokerage	1,27,183
II. Profit/(Loss) on sale of investments(net)	-7,103
III. Profit/(Loss) on sale of revaluation of investments	-1,31,231
IV. Profit/(Loss) on sale of land, Building and Other assets	-
V. Profit/(Loss) on exchange transactions	623
VI. a) Lease finance income	-
b) Lease management fee	-
c) Overdue charges	-
d) Interest on lease rent receivables	-
VII. Miscellaneous income	9,123
<b>Total</b>	<b>-1,405</b>

**SCHEDULE 15 - INTEREST EXPENDED**

	(₹)
	Year ended
	March 31, 2022
I. Interest on deposits	1,853
II. Interest on Reserve Bank of India/ inter-bank borrowings	1,15,927
III. Other	9,51,618
<b>Total</b>	<b>10,69,398</b>

**SCHEDULE 16 - OPERATING EXPENSES**

	(₹)
	Year ended
	March 31, 2022
I. Payments to and provisions for employees	4,94,144
II. Rent, taxes and lighting	69,553
III. Printing and stationery	4,527
IV. Advertisement and publicity	7,041
V. Depreciation on Bank's property	9,68,260
VI. Director's fees/remuneration, allowances and expenses	1,690
VII. Auditors' fees and expenses	3,500
VIII. Law charges	7,050
IX. Postage, telegrams, telephones, etc.	4,812
X. Repairs and maintenance	26,259
XI. Insurance	1,157
XII. Other expenditure (including DSA commission, Professional charges and Pre-operating expenses)	2,99,535
<b>Total</b>	<b>18,87,528</b>



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

#### BACKGROUND

Unity Small Finance Bank Limited (the “Bank”) is a private sector small finance bank incorporated on August 25, 2021 in New Delhi, India under the provisions of the Companies Act, 2013 and is licensed by the Reserve Bank of India (RBI) to operate as a Small Finance Bank under the Banking Regulation Act, 1949 vide licence dated October 12, 2021 and has commenced its business on November 1, 2021.

RBI on June 18, 2021, granted an in-principle approval to Centrum Financial Services Limited (“CFSL”), to establish a small finance bank in the private sector under Section 22 of the Banking Regulation Act, 1949. Pursuant to this, Unity Small Finance Bank Limited (“USFB/ the Bank”) was incorporated by CFSL, on August 25, 2021. Further, RBI vide its letter dated October 12, 2021 granted the banking licence to USFB, to carry on the Small Finance Bank (SFB) business. USFB commenced its operations from November 1, 2021. In compliance with the conditions of RBI licence, the entire businesses, comprising of all the assets and liabilities, of CFSL and Centrum Microcredit Limited (“CML”) (the two Non-Banking Finance Companies of the Centrum group) were transferred to USFB, as a going concern, by way of slump sale on November 1, 2021.

The Punjab and Maharashtra Co-operative Bank Limited has been amalgamated with the Bank pursuant to the Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 notified by the Ministry of Finance, Department of Financial Services, Banking Division, Government of India on January 25, 2022 with effect from January 25, 2022.

#### BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India (‘GAAP’), statutory requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (‘RBI’) from time to time (RBI guidelines), Accounting Standards (‘AS’) specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply to banks.

#### Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and necessary assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. The impact of any accounting revision in these estimates is recognised prospectively from the period of change.



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

#### 1. Significant Accounting Policies

##### A. Revenue recognition

- Interest income is recognised in the profit and loss account on an accrual basis. Except in case of non-performing assets (NPAs) where it is recognised upon realisation, as per the income recognition and asset classification and provisioning norms of RBI.
- Income from bill discounting is recognised over the tenure of the instrument so as to provide a constant periodic rate of return.
- Dividend income is accounted on an accrual basis when the Bank's right to receive the dividend is established.
- Profit/premium/loss realised at the time of securitisation of standard assets loan portfolio is reflected in the Profit & Loss account for the accounting period during which the sale is completed
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Loan processing fees collected from the borrowers is recognized upfront when it becomes due.
- Fees paid/received for priority sector lending certificates (PSLC) is amortised on straight-line basis over the period of the certificate.
- All other fees are accounted for as and when they become due where the Bank is reasonably certain of ultimate collection

##### B. Investments

Investments are accounted for in accordance with the extant RBI guidelines on investment classification and valuation, as given below:

##### Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into "Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories (hereinafter called "categories"). and subsequent shifting amongst categories is done in conformity with regulatory guidelines.

Under each of these categories, investments are further classified under six groups (hereinafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

The Bank follows Settlement date accounting for recording purchase and sale transactions in securities.



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

#### Basis of classification

Investments that the Bank intends to hold till maturity are categorised as “Held to Maturity (HTM)”.

Investments that are held principally for resale within 90 days from the date of purchase are categorised as “Held for Trading (HFT)”.

Investments, which are not classified in above two categories, are classified as “Available for Sale (AFS)”.

#### Acquisition Cost

Costs, including brokerage and commission pertaining to investments paid at the time of acquisition and broken period interest (the amount of interest from the previous interest payment date till the date of purchase of instruments) on debt instruments, are charged to the profit and loss account.

#### Valuation of Investments

The valuation of investments is performed in accordance with the RBI guidelines as follows:

##### i) Investments classified as Held to Maturity

These are carried at their acquisition cost and not marked to market. Any premium on acquisition of debt instruments is amortised over the balance maturity of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided.

##### ii) Investments classified as Available for Sale and Held for Trading

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

iii) The market or fair value of quoted investments included in the ‘AFS’ and ‘HFT’ categories are measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, or prices published by Financial Benchmark India Private Limited (FBIL).

iv) Treasury Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

v) Market value of units of mutual funds is based on the latest net asset value declared by the mutual fund.



**Schedule 17 – Significant accounting policies forming part of the financial statements**

**vi) Market value of investments for unquoted Non-SLR securities**

- a) In case of unquoted bonds, debentures, and preference shares where interest / dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity for Government Securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit rating along with residual maturity issued by FBIL is adopted for this purpose;
- b) In case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e., overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received.
- c) Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company.

**Investment in Securities issued by Securitisation Company (SC)/ Reconstruction Company (RC):**

At the end of each reporting period, security receipts issued by the asset reconstruction companies are valued in accordance with the guidelines applicable to such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from security receipts issued by the asset reconstruction companies are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the net asset value obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period end. The security receipts which are outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

**Short Sale**

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is categorised under HFT category and netted off from Investments in the Balance Sheet. The short position is marked to market and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Gain or loss on settlement of the short position is recognised in the Profit and Loss Account.

**Disposal of Investments**

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



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

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

#### Repurchase and reverse repurchase transactions

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

#### C. Advances and Provisions thereon:

Based on the guidelines/ directives issued by the RBI, Loans or Advances are classified as performing and non-performing, as follows:

- i. Interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of term loan;
- ii. the account remains “out of order” in accordance with RBI direction in respect of an overdraft/Cash Credit (OD/CC)
- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
- iv. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021;
- v. In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

- i. Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.
- ii. Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.
- iii. Loss: A loan asset where loss has been identified but the amount has not been fully written off.

Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

- Substandard Assets:
- i. A general provision of 15% on-the total outstanding;
  - ii. Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio);
  - iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.

Doubtful Assets:

- Secured portion:
- i. Upto one year – 25%
  - ii. One to three years – 40%
  - iii. More than three years – 100%
- Unsecured portion 100%
- Loss Assets: 100%.

Advances are net of specific loan loss provisions, interest in suspense for non-performing advances, bills rediscounted and provisions in lieu of diminution in the fair value of restructured assets.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

Amounts recovered against debts written off in earlier years are recognised in the profit and loss account in the year of recovery.

In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines. These provisions are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.

#### D. Priority Sector Lending Certificate (PSLC)

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets.



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

The fee received for the sale of PSLCs is recorded as Other Income and the fee paid for purchase of the PSLCs is recorded as other Expenditure in Profit and Loss Account. These are amortised over the period of the Certificate.

#### E. Fixed assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Depreciation is charged over the estimated useful life of the fixed asset as per Part C of Schedule II to the Companies Act, 2013, on a straight-line basis.

Assets	Estimated useful life specified under schedule II of Companies Act,2013
Owned Premises	60 years
Computer	3 years
Furniture and fittings	10 years
Motor Vehicles	8 years
Office Equipment	5 years
Server	6 years

Improvements to lease hold premises are charged off over the remaining primary period of lease.

For assets purchased and sold during the year, depreciation is provided on pro- rata basis

Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

Profit on sale of immovable property net of taxed and transfer to statutory reserve, are transferred to capital reserve account.

Assets less than INR 5,000 individually, are fully depreciated in the year of purchase.

#### F. Employee Stock Compensation Cost

Employees (including senior executives) of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions). In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI, the cost of equity-settled transaction is measured using the fair value method and recognized, together with a corresponding increase in the "Employees Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the Profit and Loss Account for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.





## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

#### G. Foreign exchange translation

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates on the date of the transaction.

##### Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the period-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

##### Treatment of Exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised in the Profit and Loss Account.

#### H. Lease

##### **Operating Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term is classified as operating leases. Operating lease rentals are recognised as an expense on straight-line basis over the lease period in accordance with the AS 19, Leases.

#### I. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realizability.



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

#### J. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. Impairment loss, if any, is provided in the Profit and Loss Account to the extent carrying amount of assets exceeds their estimated recoverable amount.

#### K. Accounting for Provision, Contingent assets and Contingent liabilities

In conformity with AS 29, “Provisions, Contingent Liabilities and Contingent Assets”, issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, and would result in a probable outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for:

- i. any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
- ii. any present obligation that arises from past events but is not recognised because:
  - a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - b) a reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent assets are neither recognised nor disclosed in the financial statements.

#### L. Derivatives

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.

#### M. Employee benefits

##### Defined Contribution Plan



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

#### Provident Fund

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.

#### Defined Benefit Plan

#### Gratuity

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation carried out by an independent actuary using Projected Unit Credit Method made at the end of the period end. The Company makes contribution to a scheme administered by an Insurance Company approved by the Insurance Regulatory and Development Authority of India (IRDAI) to discharge the gratuity liability to the employees. Provisions made for the funded amount are expensed in the statement of profit and loss.

#### Compensated Absences

The Bank accrues the liability for compensated absences based on the actuarial valuation as at the period end conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the period end. Actuarial gains / losses are recognised in the Profit and Loss Account in the period in which they arise.

#### N. Borrowing Cost

Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transaction cost related to borrowing from banks and other financial institutions. In accordance with Accounting Standard 16, borrowing costs are recognised over the tenor of the borrowings.

#### O. Cash and cash Equivalents

Cash and cash equivalents include Cash and Balances with RBI, Balances with Banks and money at call and short notice.

#### P. Earnings per Share

Basic and diluted earnings per share is computed in accordance with Accounting Standard-20 – Earnings per share. Basic earnings per share is calculated by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per



## Unity Small Finance Bank Limited

### Schedule 17 – Significant accounting policies forming part of the financial statements

share, the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### Q. 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.

#### R. Cash flow statement

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.

#### S. Corporate Social Responsibility

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



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**1 (a) Amalgamation of the Punjab and Maharashtra Co-Operative Bank Ltd with Unity Small Finance Bank Limited**

The Punjab and Maharashtra Co-operative Bank Limited ("PMC") was a Multi-State Scheduled Urban Co-operative Bank registered under the Multi-State Co-operative Societies Act, 2002 (39 of 2002) and carrying on the business of Banking in India. On account of detection of certain instances of fraud in the PMC in September 2019 and consequent to the precarious financial conditions, including complete erosion of capital and substantial deposit erosion of the PMC, RBI issued "All Inclusive Directions" to the PMC under Section 35A read with Section 56 of the Banking Regulation Act, 1949 (10 of 1949) with effect from close of business of September 23, 2019, to protect the interest of the depositors and to ensure that the Bank's available resources are not misused or diverted. RBI in exercise of the powers conferred under sub-sections (1) and (2) of section 36AAA read with section 56 of the Banking Regulation Act, 1949 (10 of 1949) superseded the Board of Directors of the PMC on September 23, 2019 and appointed an Administrator in its place.

Centrum Financial Services Limited, as promoters along with Resilient Innovation Private Limited as "joint investor", had expressed interest in the month of February 2021 in acquiring the Punjab and Maharashtra Co-operative Bank Limited through a suitable scheme of amalgamation with a new Small Finance Bank to be registered by the promoter. Accordingly, the Unity Small Finance Bank Limited ("USFB") was incorporated as Banking Company under the Companies Act 2013 on August 25, 2021 and granted Banking licence by Reserve Bank under section (1) of Section 2 of Banking Regulation Act on October 12, 2021. The said USFB has started transacting business of Banking under section 5(c) of Banking Regulation Act, 1949 from November 1, 2021.

In exercise of the powers conferred by sub-section (7) of section 45 of the Banking Regulation Act, 1949 (10 of 1949), (the "Act"), the Central Government sanctioned Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 vide notification dated January 25, 2022 (hereinafter referred to as the "Scheme" or "SOA") for amalgamation of the PMC with the USFB, which came into force on January 25, 2022 ("Appointed Date" or "Amalgamation Date").

As per the Scheme, upon its coming into effect from the appointed date, the undertaking of PMC Bank including all its assets, liabilities and specified reserves stood transferred/ deemed to be transferred to and vest in the USFB. Further, on and from the appointed date, the entire amount of the paid-up share capital and reserves and surplus of PMC stood written off.

The amalgamation has been accounted for as per the Scheme. In accordance with the Scheme, the assets shall be valued as follows:

- i) Investments other than Government Securities shall be valued at the market rates prevailing on the day immediately preceding the appointed date;
- ii) a) the Government Securities shall be valued as on the day immediately preceding the appointed date in accordance with the extant Reserve Bank guidelines;  
b) the Securities of the Central Government such as Post-Office Certificates, Treasury Savings Deposit Certificates and any other securities or certificates issued under the small savings schemes of the Central Government shall be valued at their face value or the encashable value as on the said date, whichever is higher,  
c) where the market value of any Government Security held by the transferor Bank in respect of which the principal is payable in instalments, is not ascertainable or is for any reason not considered as reflecting the fair value thereof or as otherwise appropriate, the security shall be valued at such amount as is considered reasonable having regard to the instalments of principal and interest remaining to be paid, the period during which such instalments are payable, the yield of any security issued by the Government to which the security pertains and having the same or approximately the same maturity and other relevant factors;
- iii) where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period;
- iv) where the market value of any security, share, debenture, bond or other investments is not ascertainable, only such value, if any, shall be taken into account as is considered reasonable, having regard to the financial position of the issuing concern, the dividends paid by it during the preceding five years and other relevant factors;
- v) premises and all other immovable properties and any assets acquired in satisfaction of claims shall be valued at their market value;
- vi) the furniture and fixtures, stationery in stock and other assets, if any, shall be valued at the written down value as per books or the realisable value as may be considered reasonable;
- vii) advances, including bills purchased and discounted, book debts, sundry assets, and all other remaining tangible/intangible assets will be scrutinised by the transferee Bank and the securities, including guarantees held as cover therefor examined and verified by the transferee Bank and thereafter, the advances including portions thereof, will be classified into two categories namely, "Advances considered good and readily realisable" and "Advances considered not readily realisable and/or bad or doubtful of recovery".
- viii) Liabilities for purposes of the Scheme shall include all liabilities, including contingent liabilities, which the transferee Bank may be required to meet on or after the appointed date and in determining the value of the liabilities (including the liability towards Deposit Insurance and Credit Guarantee Corporation for payments to the insured depositors) for initial recognition in the books of the transferee Bank, the measurement basis maybe decided by the Reserve Bank and could include historical cost, current cost, settlement value, present value or any other measurement basis.
- ix) **Restructured Deposits Payable within 5 years from Amalgamation Date of PMC Bank and Unity Bank:**  
These are liabilities pertaining to erstwhile Retail Depositors of PMC Bank payable between Year 1 and Year 5 from the Amalgamation date. The Bank shall pay to retail depositors between Year 1 and Year 5 from the Amalgamation date as set out in Clause No [6] to [c] of Note [ii to vi] of the Scheme.  
There is no interest payable on these sums.  
These liabilities have been valued on a present value basis and carried in the financial statements as on 31 Mar 2022. The Imputed interest expense arrived at using effective interest rate of this liability over the tenor of the liability shall be charged to Interest expenses in the Profit & Loss Account for the relevant periods.



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**

*(All amounts are in Indian Rupees in crore unless otherwise stated)*

**x) Restructured Deposits Payable at the end of 10 years from the Amalgamation Date of PMC Bank and Unity Bank**

These are liabilities pertaining to erstwhile Retail Depositors of PMC Bank payable at the end of 10 years from the Amalgamation Date.

The Bank shall pay to retail depositors at the end of Year 10 of the Appointed Date as set out in Clause No [6] of Note [c] of Note [vii] of the scheme.

Annual interest of 2.75% is payable from Year 6 till year 10 on these nominal amounts.

These liabilities have been valued on a present value basis and carried in the financial statements as on 31 Mar 2022. The Imputed interest expense arrived at using effective interest rate of this liability over the tenor of the liability shall be charged to Interest expenses in the Profit & Loss Account for the relevant periods

**xi) Support from DICGC**

DICGC has extended support to the Bank to repay Depositors as explained in detail in Clause No [6][c][i to vii] of the scheme.

As on 31 Mar 2022, part of the support has been approved by DICGC and availed of by the Bank.

The Bank shall repay the amount received (no interest is payable on these sums) pursuant to Clause [7] of Note [2] of the scheme

This liability have been valued on a present value basis and carried in the financial statements as on 31 Mar 2022. The Imputed interest expense arrived at using effective interest rate of this liability over the tenor of the liability shall be charged to Interest expenses in the Profit & Loss Account for the relevant periods.

**xii) Perpetual Non-Cumulative Preference Shares (PNCPS)**

The Bank issued PNCPS to institutional depositors with dividend of one per cent, per annum payable annually.

PNCPS have been valued on a present value basis and carried in the financial statements as on 31 Mar 2022.

The Bank shall buy-back the outstanding principal of the Perpetual Non-Cumulative Preference Shares, at the rate of at least 1 per cent of the Total

Perpetual Non-Cumulative Preference Shares issued as explained in details in Clause No [6][G,H] of the scheme

The terms and conditions of the PNCPS and the equity warrants have been submitted to RBI for approval. The approval from RBI is awaited.

The management of USFBL has carried out valuation of assets and determination of liabilities as on the appointed date of Amalgamation of erstwhile PMC Bank with USFBL i.e 25th January 2022, on the basis of balance sheet as at 24th January, 2022 i.e as at the close of business on the date immediately preceding the appointed date i.e January 25,2022 as per the scheme of amalgamation. The balance sheet as at 24th January, 2022 was audited by a firm of Chartered Accountants (auditor) approved by RBI and they have expressed qualified opinion vide their report dated 28th May, 2022. The management has taken cognizance of the matters of qualified opinion expressed by the said auditor and made adjustments in the valuation of assets and determination of liabilities as at the appointed date wherever required.



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**

(All amounts are in Indian Rupees in crore unless otherwise stated)

Details of the assets valued and liabilities reckoned as per the scheme of amalgamation referred to above are as under:

Particulars	As at 25-01-2022
<b>Assets</b>	
Cash and balances with Reserve Bank of India	444
Balances with Banks and money at call and short notice	121
Investments	2,523
Advances	626
Fixed Assets	259
Other Assets	119
Deferred Tax asset on provision for doubtful advances (Refer note (e) below)	730
<b>Total Assets (I)</b>	<b>4,822</b>
<b>Liabilities</b>	
Deposits	-
Borrowings	149
Other liabilities and provisions	745
Restructured liabilities towards depositors liabilities	2,957
Issue of equity warrants and PNCPs towards depositors liabilities	686
<b>Total Liabilities (II)</b>	<b>4,537</b>
<b>Net Assets (III) = (II) - (I)</b>	<b>285</b>
<b>Purchase consideration [IV]</b>	<b>-</b>
<b>Capital Reserve on Amalgamation [IV] - [III]</b>	<b>285</b>

Note:

- i) The USFB scrutinised advances portfolio and considered additional provisioning, on a conservative basis, on advances over and above the provisions as per audited balance sheet as at 24th January referred to hereinabove in respect of standard assets, taking into account the possibility of additional accounts which may have to be classified as NPA, as the process of identification of NPA in the erstwhile PMC Bank was manual.
- ii) The Bank has made adjustments in the carrying value of land and building as at the appointed date taking into account the valuation report obtained from approved valuer.
- iii) The Bank has reckoned additional liabilities as at the appointed date based on its assessment
- iv) Other Assets include refund amount of Rs. 28 crores due from income tax department in respect of various assessment years of erstwhile PMC Bank. The said amount has been arrived at based on the assessment of the Bank that it is reasonably certain that it is recoverable.
- v) Deferred tax asset as at the appointed date has been recognised for the tax effect on provision for doubtful advances to the extent that it is reasonably certain that sufficient future taxable income will be available against which the said deferred tax asset can be realised. The erstwhile PMC Bank had not recognised Deferred Tax Asset on the same based on its own assessment.

However, Deferred tax asset has not been recognised for the tax effect on accumulated loss pertaining to erstwhile PMC Bank for the assessment years upto AY 2021-22 considering that admissibility of these losses for set offs is yet to be clearly established and also considering that assessments of erstwhile PMC for certain years have not yet been completed.

- vi) The Bank has time up to 20 years from the appointed date, to repay the amount received from Deposit Insurance and Credit Guarantee Corporation (DICGC) towards payment to the insured depositors, which can be done in one instalment or in several instalments. The Bank has created a specific DICGC payable account in its books wherein the liability will accrue on a yearly basis, until 20 years, for the purpose of discharging its liability towards DICGC in accordance with the provisions of the Scheme.

**(b) Title deeds of immovable properties and physical verification of fixed assets**

- i) The Bank has carried out physical verification of fixed assets of all the branches of erstwhile PMC Bank. Physical verification of Fixed Assets of Central Office of the erstwhile PMC Bank at Dreams Mall – Bhandup could not be carried out due to major Fire which occurred on 25th March 2021 at the said premises, and the entry to the mall is restricted.
- ii) The Bank has obtained the title deeds of all the immovable properties of erstwhile PMC Bank, except for few premises, the title deeds of which are being traced. The Bank is also in the process of getting these title deeds transferred in its name. Registration formalities/ obtaining occupancy certificate etc. are pending in respect of certain Land and building.

**(c) Fraud in erstwhile PMC Bank and disputes relating to erstwhile PMC Bank and the Scheme of Amalgamation.**

- i) Certain instances of fraud by Housing Development and Infrastructure Limited (HDIL) and its group companies in the erstwhile PMC Bank were detected in September 2019 and the said PMC Bank was placed under All Inclusive Directions (AID). The Bank has made full provision in respect of the advances given to HDIL by erstwhile PMC Bank.
- ii) Public interest Litigation has also been filed against promoters of HDIL and erstwhile PMC Bank for taking criminal/civil action. There are certain legal cases filed against the erstwhile PMC Bank for release of mortgage of the properties held by the Bank and also for certain other claims against the said PMC Bank. The Bank has analysed these cases and does not expect any liability in this regard.



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**

*(All amounts are in Indian Rupees in crore unless otherwise stated)*

iii) Some of the depositors of erstwhile PMC have filed writ petition/public interest litigation against the said Bank and others for protecting the interest of depositors and for repayment of the deposits alongwith interest in full and also against the scheme of amalgamation. Some of the creditors have filed cases against the said PMC Bank for recovering their dues. As per the Scheme of Amalgamation referred to in note 18 (1) (a) depositor or creditor of the transferor Bank shall be entitled to make any demand against the erstwhile PMC Bank or the Bank (USFBL) in respect of any liability of the transferor Bank to the depositor/creditor except to the extent specified by the Scheme referred to hereinabove. Accordingly, the Bank is of the opinion that the said claims of depositors or creditors of erstwhile PMC would not result in outflow of resources beyond the amount to which the Bank is liable as per the said Scheme.

**(d) Automation of IT system**

The erstwhile PMC's Core Banking Solutions (CBS) was not automated fully and the computation of DPD, asset classification and interest capitalisation were being done manually, the Bank is intending to take steps in the future for upgradation and automation of existing system and also integrating the system being used by NBFCs which were acquired on slump sale basis with the CBS system after upgradation and automation. In case of advances pertaining to erstwhile PMC, the management has made provision based on detailed analysis of various portfolios of such advances and does not expect any additional provisioning on this account.

**(e) Internal/concurrent audit/System audit**

The Bank has initiated the process of conducting the internal/concurrent audit of operations of the erstwhile PMC Bank by an external auditor. The same is in progress. The Bank will be carrying out System / EDP audit as required under RBI guidelines for reviewing various IT controls in the future after upgradation/ integration of various systems.

**(f) Transfer to Deposit Education and Awareness Fund (DEAF) by erstwhile PMC Bank**

Since the erstwhile PMC Bank was placed under AID, unclaimed amounts could not be transferred to DEAF by erstwhile PMC Bank. USFB, vide email dated April 29, 2022, had requested few clarifications from RBI- DEAF section, Department of Regulation. The clarifications are awaited. Upon receipt of clarifications, the Bank shall take steps to identify such unclaimed amounts and accordingly transfer the amounts to DEAF.

**(g) Relaxations/forbearances granted by RBI**

i) Reserve Bank of India vide its letter dated October 12, 2021 has granted the relaxation/forbearances to the Bank giving additional time of 3 years over and above the period prescribed by RBI in the Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated December 5, 2019 ("SFB guidelines -2019") to comply with the following provisions:

- a) Achievement of Priority Sector lending target of 75% of Adjusted Net Bank Credit
- b) Requirement of at least 50% of loan portfolio to constitute loans and advances of upto Rs 25 lacs and
- c) Adherence to Exposure limit to single and group obligor for loans acquired from CFSL / CML / erstwhile PMC.

ii) RBI vide its letter dated March 10, 2022 and through subsequent communication has permitted/given the following clarifications:

- a) Equity warrants may be included in the common equity
- b) Bank is permitted to treat payables to retail depositors of PMC Bank (more than 15 lacs) to be repaid at the end of 10 years as Tier II Bonds ("10 year Retail Payables") for the purpose of CRAR calculations.
- c) Certain restructured liabilities i.e. Perpetual Non-Cumulative Preference Shares ("PNCPS") is proposed to be BASEL III instrument. Since, the said instrument is issued pursuant to the Central Government notified scheme ("the Scheme"), to the extent there is any inconsistency, discrepancy or deviation with the applicable law, the provisions of the Scheme shall prevail.
- d) The restructured liabilities i.e. such as Perpetual Non-Cumulative Preference Shares (PNCPS), equity warrants, DICGC 10 years retail payable (allowed to be treated as Tier II capital) may not be included in the Net demand and time liabilities. Further, the deposits that the Bank needs to pay within the span of 5 years (excluding the deposits payable by DICGC) will come under the definition of deposits and attract CRR/SLR requirements.
- e) The Bank is permitted to grandfather the existing contracts in respect of foreign exchange business with customers of erstwhile PMC Bank.

iii) RBI vide its letter dated May 18, 2022 has permitted the Bank to include the fair value of the DICGC and PNCPS liability in CET -1 Capital till the Bank lists itself.

iv) The Bank is carrying The principal protected secured redeemable non-convertible market linked debentures (MLDs) and the Non-Convertible Debentures (NCD) originally issued by the Centrum Financial Services Limited (CFSL), a NBFC from whom the business was acquired on Slump sale basis. The MLDs are fully secured by a first pari-pasu charge over the specified immovable property wherever applicable and present and future book debts, investments & receivables of the Bank. The NCDs are fully secured by first ranking pari passu charge against the Bank's identified receivables.

Banks are precluded from creating floating charge on their assets. Since such borrowings have been acquired from CFSL (an NBFC) by the Bank (SFB), in terms of SFB guidelines -2019 issued by RBI, the grandfathering of the aforesaid borrowings has been permitted till their maturity.

**(h) Reconciliation of office accounts**

The Bank has taken necessary steps to reconcile various account including system related accounts such as Interest payable, Interest receivable account NFS accounts of the erstwhile PMC Bank. Necessary adjustments will be made after completing the reconciliation



Slump sale  
The financial statements of Centrum Financial Service Limited and Centrum Micro Credit Limited as at and for the period ended 31st October 2021, as considered for the purpose of determining the net assets acquired on slump sale basis from the said companies as on November 01, 2021, was certified by the statutory auditors of the respective companies.





**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**3 Regulatory Capital**

**3.1 Composition of Regulatory Capital**

The Capital adequacy ratio ("CAR") has been computed as per operating guideline for Small Finance Bank in accordance with RBI Circular No. RBI/2016-17/81DBR, NBD.No.26/16.13.218/2016-17 dated October 6, 2016.

The Bank has followed Basel II standardized approach for credit risk in accordance with the Operating Guideline issued by the Reserve Bank of India for Small Finance banks. Further, the RBI vide its circular No. DBR, NBD.No. 4502/16.13.218/2017-18 dated November 8, 2017 has provided an exemption to all Small Finance Banks whereby no separate capital charge is prescribed for market risk and operational risk.

The Bank has also considered an additional Risk Weight of 25% on assets under lien for its "grandfathered" legacy borrowings

The following table set forth, for the year indicated, computation of Capital adequacy:

Particulars	As at March 31, 2022
Common Equity Tier 1 capital ( CET 1 ) *	1,475.04
Tier 1 capital *	1,475.04
Tier 2 capital *	948.90
Total capital ( Tier 1 + Tier 2 )	2,423.94
Total Risk weighted assets (RWAs)	3,804.70
Common Equity Tier 1 Capital ratio (%) (CET 1 as a percentage of RWAs)	38.77%
Tier 1 capital ratio (%) (Tier 1 capital as a percentage of RWAs)	38.77%
Tier 2 capital ratio (%) (Tier 2 capital as a percentage of RWAs)	24.94%
Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	63.71%
Leverage Ratio	14.67%
Percentage of the shareholding of the Government of India in public sector banks	0.00%
Amount of Additional Tier 1 capital raised of which;	0.00%
Perpetual Non Cumulative Preference Shares (PNCPS):	0.00
Perpetual Debt Instruments (PDI)	0.00

\* Refer note 18(i)(a), (g)(ii), (g)(iii)

**3.2 Capital Infusion**

The Bank has issued 70,49,01,960 equity shares having face value of ₹ 10 each aggregating to ₹ 704.90 crores excluding share premium.

Details of movement in the paid up equity share capital are as below:

Particulars	March 31, 2022	
	Equity shares	Amount
Equity shares at the beginning of the year	-	-
Addition pursuant to equity shares issued during the year	70,49,01,960	7,04,90,19,600
Equity shares outstanding at the end of the year	70,49,01,960	7,04,90,19,600

**3.3 Earnings per equity share**

Particulars	March 31, 2022
Net loss after tax (in crores)	-149.61
Weighted average number of equity shares in computing the basic earnings per share	70,49,01,960
Basic earnings per share	-2.12
Weighted average number of equity shares in computing the diluted earnings per share	70,49,01,960
Diluted earnings per share	-2.12
Nominal value per Share (₹)	10.00

**3.4 Reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:**

Particulars	March 31, 2022
Weighted average number of equity shares in computing the basic earnings per share	70,49,01,960
Effect of potential equity shares outstanding	-
Weighted average number of equity shares in computing the diluted earnings per share	70,49,01,960

Basic earnings per equity share is computed 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 at the end of the year.

Diluted earnings per equity share is computed by dividing the net profit or loss after tax for the year attributable to equity shareholder by weighted average number of equity shares including potential equity shares outstanding as at the end of the year, except when results are anti dilutive.

**4 Reserve**

**4.1 Statutory Reserve and Investment Fluctuation reserve ( IFR )**

The Bank has reported loss during the year ended March 31, 2022, and hence the Bank has transferred 'Nil' in Statutory Reserve/Investment Fluctuation reserve .

**4.2 Draw down from Reserves**

During the year ended March 31, 2022, there is no drawdown from reserves.



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**5 Asset Liability Management**

**a) Maturity pattern of certain items of assets and liabilities as at March 31, 2022**

	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	28.33	170.00	198.34	0.00	0.00	0.00	0.00	0.30	3,424.13	1.27	0.00	3,824.07
Advances	69.30	22.98	31.02	119.48	141.96	144.26	316.01	379.35	503.78	192.01	498.97	2,419.12
Investments	2,164.68	15.91	19.81	3.19	5.74	14.20	27.36	34.19	391.06	91.62	3.35	2,771.03
Borrowings	0.00	14.92	4.83	8.40	44.75	109.99	204.91	267.88	261.08	186.65	25.00	1,129.40
Foreign Currency Assets	14.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.91
Foreign Currency Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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 returns submitted to the RBI.

**6 a) Liquidity Coverage Ratio (LCR)**

Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended December 31, 2021		Quarter ended March 31, 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>High Quality Liquid Assets</b>				
1 Total High Quality Liquid Assets (HQLA)		868.05		6,887.42
<b>Cash Outflows</b>				
2 Retail deposits and deposits from small business customers, of which:	3.26	0.16	5,718.42	382.24
(i) Stable deposits	3.26	0.16	3,792.11	189.61
(ii) Less stable deposits	0.00	0.00	1,926.31	192.63
3 Unsecured wholesale funding, of which:	0.14	0.14	15.56	15.56
(i) Operational deposits (all counterparties)	0.00	0.00	0.00	0.00
(ii) Non-operational deposits (all counterparties)	0.00	0.00	0.00	0.00
(iii) Unsecured debt	0.14	0.14	15.56	15.56
4 Secured wholesale funding		109.09		257.95
5 Additional requirements, of which	0.00	0.00	0.00	0.00
(i) Outflows related to derivative exposures and other collateral requirements	0.00	0.00	0.00	0.00
(ii) Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00
(iii) Credit and liquidity facilities	0.00	0.00	0.00	0.00
6 Other contractual funding obligations	0.00	0.00	48.61	48.61
7 Other contingent funding obligations	35.00	1.75	8.33	0.42
8 TOTAL CASH OUTFLOWS		111.14		704.76
<b>Cash Inflows</b>				
9 Secured lending (e.g. reverse repos)	95.00	0.00	244.98	0.00
10 Inflows from fully performing exposures	0.00	0.00	0.00	0.00
11 Other cash inflows	0.00	0.00	0.00	0.00
12 TOTAL CASH INFLOWS	95.00	0.00	244.98	0.00
13 TOTAL HQLA		868.05		6,887.42
14 TOTAL NET CASH OUTFLOWS		111.14		704.75
15 LIQUIDITY COVERAGE RATIO (%)		781.01		977.27

Quantitative information on Liquidity Coverage Ratio (LCR) is given below:

The LCR is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 calendar days. The 30-calendar-day stress period is the minimum period deemed necessary for corrective action to be taken by the bank's management or by supervisors.

The RBI requires active banks to hold a stock of HQLA at least as large as expected total net cash outflows over the stress period, as summarised in the following formula:

$$\frac{\text{Stock of HQLA}}{\text{Total Net cash flows over the next 30 calendar days}} \geq 100\%$$

The total expected outflows are determined by multiplying the outstanding balances of various categories of liabilities and off-balance sheet commitments by the supervisory rates at which they are expected to run off or be drawn down. Total expected cash inflows are estimated by applying inflow rates to the outstanding balances of various contractual receivables. The difference between the stressed outflows and inflows is the minimum size of the HQLA stock.

High quality cash or assets that can be converted into cash quickly through sales (or by being pledged as collateral) with no significant loss of value. A liquid asset can be included in the stock of HQLA if it is unencumbered, meets minimum liquidity criteria and its operational factors demonstrate that it can be disposed of to generate liquidity when needed. HQLA comprises of cash in hand, excess CRR, excess SLR securities, maximum liquidity facility allowed by RBI under marginal standing facility (MSF - 2% of NDTL) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR - 16% of NDTL).

The Bank continues to maintain high HQLA due to excess liquidity resulting from inflow of DICGC deposits which fall under 5% outflow category. Bank's LCR will steadily normalize with growing business requirements, repayment of outstanding borrowings and outflow of DICGC deposits



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**6 b) Net Stable Funding ratio (NSFR)**

ASF Item	Unweighted value by residual maturity				Weighted Value	Unweighted value by residual maturity				Weighted Value
	No maturity*	< 6 months	6 months to < 1yr	≥ 1yr		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
1 Capital: (2+3)	0.00	0.00	1475.04	948.90	2423.94	0.00	0.00	998.92	0.00	998.92
2 Regulatory capital	0.00	0.00	1475.04	0.00	1475.04	0.00	0.00	998.92	0.00	998.92
3 Other capital instruments	0.00	0.00	0.00	948.90	948.90	0.00	0.00	0.00	0.00	0.00
4 Retail deposits and deposits from small business customers: (5+6)	0.00	0.00	396.97	0.00	377.10	0.00	0.00	0.01	0.00	0.01
5 Stable deposits	0.00	0.00	396.67	0.00	376.84	0.00	0.00	0.01	0.00	0.01
6 Less stable deposits	0.00	0.00	0.30	0.00	0.27	0.00	0.00	0.00	0.00	0.00
7 Wholesale funding: (8+9)	0.00	0.00	12.00	0.00	6.00	0.00	0.00	18.00	0.00	9.00
8 Operational deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9 Other wholesale funding	0.00	0.00	12.00	0.00	6.00	0.00	0.00	18.00	0.00	9.00
10 Other liabilities: (11+12)	0.00	0.00	267.88	7524.18	7580.97	0.00	0.00	393.69	585.29	705.81
11 NSFR derivative liabilities	0.00	0.00	0.00	77.15				0.00	76.33	
12 All other liabilities and equity not included in the above categories	0.00	0.00	267.88	7447.03	7580.97	0.00	0.00	393.69	508.96	705.81
13 Total ASF (1+4+7+10)					10389.01					1713.74
14 Total NSFR high-quality liquid assets (HQLA)	0.00	0.00	0.00	6464.42	315.45	0.00	0.00	0.00	0.00	0.00
15 Deposits held at other financial institutions for operational purposes	0.00	0.00	0.00	0.00	0.00	0.00	16.41	3.09	5.51	12.50
16 Performing loans and securitised (17+18+19+21+23)	0.00	817.67	351.85	904.74	1240.44	0.00	512.89	294.24	51.26	447.13
17 Performing loans to financial institutions secured by Level 1 HQLA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	0.00	30.00	26.50	0.00	78.25	0.00	3.45	32.73	0.00	18.09
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	0.00	787.67	325.35	791.65	1207.82	0.00	509.44	261.51	51.26	429.04
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21 Performing residential mortgages, of which:	0.00	0.00	0.00	107.95	70.17	0.00	0.00	0.00	0.00	0.00
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23 Securities that are not in default and do not qualify as HQLA, including exchange traded equities	0.00	0.00	0.00	5.14	4.37	0.00	0.00	0.00	0.00	0.00
24 Other assets: (sum of rows 25 to 29)	0.00	0.00	0.00	1781.94	1708.29	0.00	0.00	0.00	749.14	675.80
25 Physical traded commodities, including gold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	0.00	0.00	0.00	2.39	2.03	0.00	0.00	0.00	5.50	4.68
27 NSFR derivative assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
28 NSFR derivative liabilities before deduction of variation margin posted	0.00	0.00	0.00	77.15	3.86	0.00	0.00	0.00	76.33	3.82
29 All other assets not included in the above categories	0.00	0.00	0.00	1702.40	1702.40	0.00	0.00	0.00	667.31	667.31
30 Off-balance sheet items	0.00	0.00	0.00	223.00	11.10	0.00	0.00	0.00	0.00	0.00
31 Total RSF	0.00	817.67	351.85	9373.10	3275.20	0.00	529.30	375.34	1397.17	1201.20
32 Net Stable Funding Ratio (%)					317.16					142.67

The Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) are significant components of the Basel III reforms. The LCR promotes short-term resilience of a bank's liquidity profile. The NSFR on the other hand ensures reduction in funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

The objective of NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in a bank's sources of funding that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding

$$\text{NSFR} = \frac{\text{Available stable Funding (ASF)} \geq 100\%}{\text{Required stable Funding (RSF)}}$$

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

The Bank maintained a comfortable NSFR of 317.16% for year ending March 31, 2022.



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**7 Investments**

**7.1 Composition of Investments Portfolio (Investment in India):**

Sr.No	Particulars	As at March 31, 2022						Total investments in India
		Government securities	Other approved securities	Shares	Debentures and Bonds*	Subsidiaries and/or Joint Ventures	Others	
i)	<b>Held to Maturity</b>							
	Gross	393.01	-	-	-	-	-	393.01
	Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-
ii)								
iii)	Net	393.01	-	-	-	-	-	393.01
i)	<b>Available for Sale</b>							
	Gross	2,355.15	-	1.08	31.20	-	94.84	2,482.27
	Less: Provision for depreciation and NPI	12.95	-	0.01	2.14	-	89.12	104.22
ii)								
iii)	Net	2,342.20	-	1.07	29.06	-	5.72	2,378.05
i)	<b>Held for Trading</b>							
	Gross	-	-	-	-	-	-	-
	Less: Provision for depreciation and NPI	-	-	-	-	-	-	-
ii)								
iii)	Net	-	-	-	-	-	-	-
	<b>Total Investments</b>							
	Gross	2,748.16	-	1.08	31.20	-	94.84	2,875.28
	Less: Provision for non-performing investments	-	-	-	1.98	-	-	1.98
	Less: Provision for depreciation and NPI	12.95	-	0.01	0.16	-	89.12	102.24
	Net	2,735.21	-	1.07	29.06	-	5.72	2,771.06

\* Grand-fathered Investment-NCD in the nature of Loan.

**Composition of Investments Portfolio (Investment Outside India) :**

As at March 31, 2022, the Bank does not have any investment portfolio outside India.

**7.2 Movement of provisions for Depreciation and Investment Fluctuation Reserves :**

Sr. No	Particulars	As at	March
		31, 2021	31, 2022
1	Movement of provisions held towards depreciation on investments		
	(i) Opening balance		-
	(ii) Add: Additions on amalgamation of PMC (schedule 18 note (I))		39.13
	(iii) Add: Provisions made during the year		13.12
	(iv) Less: Write off / write back of excess provisions during the year		-
	(v) Closing balance		102.24
2	Movement of Investment Fluctuation Reserve		
	(i) Opening balance		-
	(ii) Add: Amount transferred during the year		-
	(iii) Less: Drawdown		-
	(iv) Closing balance		-
3	Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category		-

**7.3 Sale and transfer of securities to / from HTM category**

During the year ended March 31, 2022, the Bank has not sold and transferred any securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year.

The 5% threshold referred to above does not include :

- one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the year,
- sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and
- Repurchase of Government securities by Government of India from banks
- sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.
- Additional shifting of securities explicitly permitted by RBI
- Repurchase of State Development board Government securities by respective state Government.



**SCHEDULE 10 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**7.4 Non-SLR investment portfolio**

**i) Issuer composition of Non-SLR investments as at March 31, 2022 :**

Sr. No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
a)	PSUs	5.33	-	-	-	-
b)	FIs	-	-	-	-	-
c)	Banks	5.14	-	-	-	-
d)	Private Corporates	24.47	-	-	18.75	18.75
e)	Subsidiaries / Joint Ventures	-	-	-	-	-
f)	Others	90.20	1.08	-	1.08	90.20
g)	Provision held towards depreciation	89.29	0.01	-	0.01	89.13
	<b>Total</b>	<b>35.85</b>	<b>1.07</b>	<b>-</b>	<b>19.82</b>	<b>19.82</b>

2 Amounts reported under columns 4, 5, 6 and 7 above are not mutually exclusive

**ii) Non performing Non SLR Investments**

Sr. No	Particulars	As at March 31, 2022
a)	Opening balance	-
b)	Addition during the year*	1.98
c)	Reductions during the above period	-
d)	Closing balance	1.98
e)	Total provisions held	1.98

\*Refer note 18(1)(a)

**7.5 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (In face value terms) :**

Sr. No	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2022
1	Securities sold under repo				
	i. Government securities	15.54	15.54	0.10	-
	ii. Corporate debt securities	-	-	-	-
2	Securities purchased under reverse repo				
	i. Government securities	59.87	1,219.74	326.27	246.62
	ii. Corporate debt securities	-	-	-	-



SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022  
(All amounts are in Indian Rupees in crore unless otherwise stated)

B Asset Quality

8.1 Classification of advances and provisions held:

Sr. No	Particulars	Standard		Non Performing		Total Non - Performing Advances	Total
		Total Standard Advances	Sub- Standard	Doubtful	Loss		
	<b>Gross Standard Advances and NPAs</b>						
i)	Opening Balance						
ii)	Add: Additions during the year					3,773.30	
iii)	Less: Reductions during the year*						
iv)	Closing balance	2,222.23	96.33	1,007.93	2,669.05	3,773.30	5,995.52
	*Reductions in Gross NPAs due to:						
i)	Upgradation					-	-
ii)	Recoveries (excluding recoveries from upgraded accounts)					-	-
iii)	Technical/Prudential Write-offs					-	-
iv)	Write-offs other than those under (iii) above					-	-
	<b>Provisions (excluding Floating Provisions)</b>						
i)	Opening balance of provisions held					-	-
ii)	Add: Fresh provisions made during the year					3,576.41	
iii)	Less: Excess provision reversed/ Write-off loans					-	
iii)	Closing balance of provisions held	12.52	21.39	885.97	2,669.05	3,576.41	3,588.93
	<b>Net NPAs</b>						
i)	Opening balance					-	
ii)	Add: Fresh addition made during the year					196.89	
iii)	Less: Reduction during the year					-	
iii)	Closing Balance		74.94	121.95	-	196.89	
	<b>Floating Provisions</b>						
i)	Opening Balance						-
ii)	Add: Additional provisions made during the year						-
iii)	Less: Amount drawn down during the year						-
iv)	Closing balance of floating provisions						-
	<b>Technical write-offs and the recoveries made thereon</b>						
i)	Opening balance of Technical/ Prudential written-off accounts						-
ii)	Add: Technical/ Prudential write-offs during the year						-
iii)	Less: Recoveries made from previously technical/ prudential written-off accounts during the year						-
iv)	Closing balance						-

Sr. No	Ratios ( In Percent)	As at March 31, 2022
1	Gross NPA to Gross Advances	62.94%
2	Net NPA to Net Advances	8.14%
3	Provision coverage ratio	94.78%

8.2 Details of transfer of loan exposure

During the year, the Bank has not transferred/acquired loan exposure (including standard and stressed account) under master direction "RBI (Transfer of Loan Exposure) Directives, 2021.



**SCHEDULE III - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**8.3 Sector-wise Advances and Gross NPAs**

Sr. No	Particulars (Sectors)	As at March 31, 2022		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
<b>I)</b>	<b>Priority Sector</b>			
a)	Agriculture and allied activities	94.54	-	0.00%
b)	Advances to industries sector eligible as priority	137.58	-	0.00%
c)	Services	308.48	-	0.00%
d)	Personal loans of which Micro finance credit	265.88	-	0.00%
	Sub Total (I)	806.48	-	0.00%
<b>II)</b>	<b>Non Priority Sector</b>			
a)	Agriculture and allied activities	101.89	3.41	3.35%
b)	Industry	475.97	132.42	69.84%
c)	Services	3,584.65	2,985.39	83.28%
	of which commercial Real estate	2,567.48	2,529.81	98.53%
d)	Personal loans of which Housing loan	1,026.54	452.08	44.04%
	Sub Total (II)	5,189.05	3,773.30	72.72%
	<b>Total (I+II)</b>	<b>5,995.52</b>	<b>3,773.30</b>	<b>62.94%</b>

**8.4 Overseas assets, NPAs and revenue**

As at March 31, 2022, the Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable.

**8.5 Divergence in asset classification and provisioning**

RBI vide its circular DBR.BP.BC.No.6/21.04.018/2016-17 dated April 18, 2017 and Notification dated April 1, 2019, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:

- (a) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and/or  
(b) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

As at March 31, 2022, there has been an inspection conducted by RBI for the Bank, hence for current year this disclosure is not applicable.

**8.6 Disclosure under Resolution Framework for COVID-19-related Stress**

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of this half-year i.e. 31st March 2022
Personal Loans	86.35	1.23	-	10.21	74.91
Corporate persons	34.54	-	-	8.45	26.09
Of which MSMEs	9.30	4.99	-	0.56	3.74
Others	-	-	-	-	-
<b>Total</b>	<b>130.19</b>	<b>6.22</b>	<b>-</b>	<b>19.23</b>	<b>104.74</b>

**8.7 Details of resolution plan implemented under Prudential Framework for Resolution of Stressed Assets**

There were no account that have been restructured under Prudential Framework for Resolution of Stressed Assets as per RBI circular RBI/2018-19/203 DBR.No.BP.BC.45/21.04.018/2018-19 dated June 7, 2019 during the year ended March 31, 2022.

**8.8**

Particulars of account restructured for Micro, small and medium enterprise sector based on RBI guidelines dated January 01, 2019 and further extended by RBI circular dated February 11, 2020 and August 6, 2020. The Bank has restructured account as below:

Particular	March 31, 2022
No. of Accounts Restructured	71
Outstanding amount	36.20
Provision Amount	3.90



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**9 Exposures**

**9.1 Exposure to real estate sector**

Category	31-Mar-22
<b>I) Direct exposure</b>	
a) Residential Mortgages - (of which housing loans eligible for inclusion in priority sector advances)	378.13
b) Commercial Real Estate	2,581.80
c) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures -	18.75
i) Residential	18.75
ii) Commercial Real Estate	-
<b>II) Indirect exposure</b>	
Fund based and non-fund-based exposures on National Housing Bank and Housing Finance Companies.	-
<b>Total Exposure to Real Estate Sector</b>	<b>2,978.68</b>

**9.2 Exposure to capital market**

Category	31-Mar-22
Direct investment 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;	1.08
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;	28.50
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;	-
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	-
Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-
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	-
Bridge loans to companies against expected equity flows / issues	-
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;	-
Financing to stockbrokers for margin trading	-
All exposures to Venture Capital Funds (both registered and unregistered)	-
<b>Total exposure to capital market</b>	<b>29.58</b>

**9.3 Risk category-wise country exposure**

Risk category	Exposure (net)	Provision held
Insignificant	14.91	-
Low	-	-
Moderately low	-	-
Moderate	-	-
Moderate high	-	-
High	-	-
Very High	-	-
<b>Total</b>	<b>14.91</b>	<b>-</b>

**9.4 Unsecured advances**

Particulars	31-Mar-22
Total unsecured advances of the bank*	4,301
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	-
Estimated value of such intangible securities	-

\*Represents Gross advances

\*Includes HDIL exposure. The said account has been classified as "unsecured advances" as certain instances of fraud were detected (refer note 18(c)). The Bank is undertaking reassessment of legal, due diligence and security value. On completion of the reassessment, necessary changes will be made.

**9.5 Factoring exposures**

During FY 2021-22, the Bank has not entered into any factoring transactions.





**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**

(All amounts are in Indian Rupees in crore unless otherwise stated)

**9.6 Intra-group exposures**

Particulars	31-Mar-22
Total amount of intra-group exposures	9.60
Total amount of top 20 intra-group exposures	9.60
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	0.16%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	Nil

**9.7 Unhedged Foreign Currency Exposure (UFCE)**

The Bank doesn't have any unhedged foreign currency exposure as at March 31, 2022.

**9.8 Details of Single Counterparty limit/limit for group of connected counterparties exceeded by Bank-**

The Bank is within the limit in respect of single counterparty and group of connected counterparties on disbursement made post 1 November 2021. In addition, refer note 18 (1) (g).



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
*(All amounts are in Indian Rupees in crore unless otherwise stated)*

**10 Concentration of Deposits, Advances, Exposures and NPAs**

**10.1 Concentration of Deposits**

Particulars	As at March 31, 2022
Total Deposits of twenty largest depositors	33.59
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	0.88%

**10.2 Concentration of Advances**

Particulars	As at March 31, 2022
Total advances of twenty largest borrowers*	2,693.41
Percentage of advances of twenty largest borrowers to Total advances of the bank	44.92%

\*Advances are computed as per the definition of Credit Exposure as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC. 12/13.03.00/2015-16 dated July 1, 2015

**10.3 Concentration of Exposures \***

Particulars	As at March 31, 2022
Total Exposure of twenty largest borrowers/customers	2,741.00
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	44.51%

\*Exposure is based on Credit and investment Exposure as prescribed in RBI's Master Circular on Exposure Norms.

**10.4 Concentration of NPAs**

Particulars	As at March 31, 2022
Total exposure of twenty NPA accounts	2,693.41
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	71.38%



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**

*(All amounts are in Indian Rupees in crore unless otherwise stated)*

**11 Derivatives**

- a) During the year ended March 31, 2022, the Bank has not undertaken Forward Rate Agreement / Interest Rate Swap/ Credit default Swap and Exchange Traded Interest Rate Derivatives. Therefore, there is no outstanding position as at the year end.
- b) The Bank issues market linked debentures (MLD) which has a component in the nature of "Embedded derivatives- Market linked derivatives". Further to hedge it enters into options which is in the nature of "Index linked derivatives- options". Derivatives are entered for risk management purposes. These include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but the Bank has elected not to apply hedge accounting requirements.

The table below shows the fair values of derivative financial instruments recorded as assets & Liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

Particulars	Notional	Fair value asset	Notional	Fair value liability
(i) Index linked derivatives				
Options purchased	4.38	4.42	-	-
Subtotal(i)	4.38	4.42	-	-
(ii) Embedded derivatives				
In market linked debentures	-	-	-	77.15
Subtotal(ii)	-	-	-	77.15



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
*(All amounts are in Indian Rupees in crore unless otherwise stated)*

**12 Disclosures relating to securitisation**

12.1 As at March 31, 2022, the Bank has no outstanding securitisation transaction.

**12.2 Details of Direct assignment transactions**

During the year ended March 31, 2022, the Bank has not entered into any new direct assignment transaction. Outstanding direct assignment as at March 31, 2022 are stated below:

Sr. No.	Particular	March 31, 2022
(i)	No. of accounts	13,246
(ii)	Aggregate value of accounts sold to SC	-
(iii)	Aggregate Consideration	-
(iv)	Aggregate gain over net book value	-
(v)	Outstanding balance	38.24

Details of book value of investment in Security receipts (SRs):

As at March 31, 2022, the Bank has investment of INR 89.12 crore in security receipts. The Bank has 100% provision against Security receipts.

**12.3 Inter-Bank Participation**

During the period ended March 31, 2022, the Bank has not purchased or sold any Inter Bank Participation Certificate.

**12.4 Off balance sheet SPVs sponsored**

As at March 31, 2022, the Bank does not have any off balance sheet SPVs Sponsored.

**12.5 Transfers to Depositor Education and Awareness Fund (DEA Fund)**

Particulars	31-Mar-22
Opening balance of amounts transferred to DEA Fund*	18.11
Add: Amounts transferred to DEA Fund during the year	-
Less: Amounts reimbursed by DEA Fund towards claims	-
Closing balance of amounts transferred to DEA Fund	18.11

\*Refer Note 18(i)(ii)



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**

*(All amounts are in Indian Rupees in crore unless otherwise stated)*

**13 Disclosure relating to Complaints**

**13.1 Summary information on complaints received by the bank from customers and from the Offices of Banking Ombudsman (OBOs)**

	Particulars	Year ended March 31, 2022
	<b>Complaints received by the bank from its customers</b>	
1	Number of complaints pending at beginning of the year	-
2	Number of complaints received during the year	300
3	Number of complaints disposed during the year	300
3.1	Of which, number of complaints rejected by the bank	-
4	Number of complaints pending at the end of the year	-
	<b>Maintainable complaints received by the bank from OBOs</b>	
5	Number of maintainable complaints received by the bank from Office of Ombudsman	5
5.1	Of 5, number of complaints resolved in favour of the bank by Office of Ombudsman	5
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	-
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-

**13.2 Top five grounds of complaints received by the bank from customers**

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
FY 2021-22					
Account Related	-	1	-	-	-
Deposit Accounts	-	2	-	-	-
Loan	-	255	-	-	-
App	-	2	-	-	-
Staff Behaviour	-	13	-	-	-
Others	-	27	-	-	-
Total	-	300	-	-	-



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**14 Disclosure of penalties imposed by the Reserve Bank of India**

During the year ended March 31, 2022, no penalty was imposed by the RBI on the Bank.

**15 Disclosures on remuneration**

**A) Qualitative Disclosures**

**(a) Information relating to the composition and mandate of the Nomination and Remuneration Committee.**

The Board of Directors of the Bank has constituted a Nomination and Remuneration Committee of the Board as required under the provisions of Companies Act, 2013, SEBI Regulations and RBI Guidelines. The Committee *interalia* performs the functions of formulation of criteria pertaining to qualifications, positive attributes and Independence of a Directors and recommend to the Board on Compensation policy for Directors, Key Managerial Personnel and Senior Management Employees; Identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment or removal; formulate method for evaluation of performance of Board, its committees and individual directors to be carried out by Board or Committee.

The Nomination and Remuneration Committee of the Board consist of Three Independent Directors which is in line with the applicable guidelines. The committee works in coordination with Risk Management Committee & Audit Committee of the Board, for achieving effective alignment between Risk and Remuneration. The Composition of NRC committee is as follow:

Sr. No.	Name	Designation
1	Sandip Ghose	Independent Director ( Chairman )
2	Subhash Kuttie	Independent Director
3	Renu Bam	Independent Director

**(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.**

The Bank's Remuneration Policy (the 'Policy') is aligned to business strategy, market dynamics, internal characteristics and complexities within the Bank. The ultimate objective of the Policy is to provide a fair and transparent structure that helps in acquiring and retaining the talent pool critical to build competitive advantage and brand equity. The Policy has been designed basis the principles for sound compensation practices in accordance with regulatory requirements and provides a framework to create, modify and maintain appropriate compensation programs and processes with adequate supervision and control.

The Remuneration Policy is designed and structured in a way that it ensures that the compensation is reasonable, taking into account all relevant factors including industry practice with a mix of fixed and variable component.

**(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.**

The Bank takes into account various types of risks in its remuneration processes. The Bank follows a comprehensive framework that includes within its ambit the key dimensions of remuneration such as fixed pay & variable pay.

The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year for Whole Time Directors and employees in certain grades. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of bonus payout pertaining to the reference performance year. The deferred bonus is paid out post review and approval by the NRC.

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

The Bank has a robust performance management system for evaluating the performance of its employees. The performance appraisal system is based on qualitative as well as quantitative factors of performance. The main performance metrics include profitability, business growth, compliance, and customer service. The assessment of employees shall be based on their performance with respect to their result areas.

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

For MRTs, KMPs and SMPs the cash component of the variable pay has been paid in 2 tranches. 50% of the cash component of the variable Pay has been deferred by 6 months. We are yet to introduce the ESOP program.

**(f) Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilizes and the rationale for using these different forms.**

The Bank recognises the importance of variable pay in reinforcing a pay for performance culture. Variable pay stimulates employees to stretch their abilities to exceed expectations.

Annual Performance Bonus: These are paid to reward performance for a given financial year. This covers all employees. This is based on performance of the business unit, performance rating, job band and functional category of the individual.

The Bank currently does not have any share linked instruments. However, in future if bank decides to include such instruments as a component of variable pay, the same would be framed by the bank in conformity with relevant statutory provisions. Share-linked instruments would be fair market valued on the date of grant by the bank.



8) Quantitative disclosures

Sr. No	Subject	March 31, 2021
(a)	Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.	Nil
(b) (i)	Number of employees having received a variable remuneration award during the financial year.	Nil
(ii)	Number and total amount of sign-on/joining bonus made during the financial year.	Nil
(iii)	Details of severance pay, in addition to accrued benefits, if any.	Nil
(c) (i)	Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-
(ii)	Total amount of deferred remuneration paid out in the financial year.	-
(d) (i)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	-
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-
(ii)	Total amount of reductions during the financial year due to ex post explicit adjustments.	-
(iii)	Total amount of reductions during the financial year due to ex post implicit adjustments.	-
(f) (i)	Number of MRTs identified.	Nil
(g) (i)	Number of cases where malus has been exercised	-
(ii)	Number of cases where clawback has been exercised.	-
(iii)	Number of cases where both malus and clawback have been exercised.	-
(h)	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	Not applicable



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**16 Other Disclosures**

**a) Business Ratio**

S.No	Ratio	March 31, 2022
(i)	Interest Income as a percentage to Working Funds	6.48%
(ii)	Non interest income as a percentage to Working Funds	-0.01%
(iii)	Operating Profit <sup>1</sup> as a percentage to Working Funds <sup>2</sup>	-5.93%
(iv)	Return on Assets	-6.28%
(v)	Cost of Deposits <sup>3,4,5</sup>	2.28%
(vi)	Net Interest Margin <sup>6</sup>	1.16%
(vii)	Business (deposits plus advances) per employee (₹ in crore)	3.53
(viii)	Profit per employee & (₹ in crore) <sup>7</sup>	-0.08

1. Working funds represents the monthly average of total assets computed for reporting dates of Form X submitted to RBI under section 27 of the Banking Regulation Act, 1949

2. Productivity Ratios are based on average monthly employee numbers

3. Operating Profit is the net profit/(loss) for the year before provisions and contingencies

4. Net Interest Income/Average earning assets. Net Interest Income = Interest Income - Interest Expenses

5. Deposits exclude amount received from DICGC and credited to customer accounts on 31st March 2022

6. Average deposit is based on month end balances

**b) Bancassurance business**

During the year ended March 31, 2022, the Bank has received ₹ 0.16 crore from Bancassurance business.

**c) Marketing and distribution**

During the year ended March 31, 2022, the Bank has not received any fees / remuneration from marketing and distribution.

**d) Disclosures regarding Priority Sector Lending Certificates (PSLCs)**

During the year ended March 31, 2022, No PSLCs have been sold and purchased by the Bank.

**e) Provisions and contingencies**

The following table sets forth, for the periods indicated, the break-up of provisions and contingencies included in Profit and Loss Account:

Sr No.	Provision debited to Profit and Loss Account	31-Mar-22
(i)	Provision towards NPA	14.59
(ii)	Deferred tax assets	-7.72
(iii)	Provision for Standard asset	1.29
	<b>Total</b>	<b>8.16</b>

**Note**

1. The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts. In accordance with the provisions of Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Bank recognizes a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where it is not probable that an outflow of resources will be required to settle the obligation, disclosure to this effect is made as contingent liabilities in the financial statements.

**f) Implementation of IFRS converged Ind AS**

The Minister of Corporate Affairs, in its press release dated January 18, 2016, has issued a roadmap for implementation of Indian Accounting Standards (Ind-As) for scheduled commercial banks, insurers/insurance companies and non banking financial companies, which was subsequently confirmed by RBI through its circular dated February 11, 2016. This roadmap required these institution to prepare Ind-AS financial statements for the accounting periods beginning April 1, 2018 with comparatives for the period beginning April 1, 2017. The implementation of the IND-AS by banks requires certain legislative changes in the format of financial statement to comply with the disclosure required under IND AS. In April 2018, the RBI deferred the implementation of IND AS by a year by when the necessary legislative amendments were expected. The legislative amendments recommended by the RBI are under consideration by the Government of India. Accordingly, the RBI, through its circular dated March 22, 2019, deferred the implementation of IND AS until further notice.

**g) Payment of DICGC Insurance Premium**

Sr.No	Particulars	31-Mar-22
i)	Payment of DICGC Insurance Premium	0.08
ii)	Arrears in payment of DICGC premium	-





**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**17 Contingent liabilities**

Contingent liabilities *	March 31, 2022
Income tax liability	4.71
Guarantee given on behalf of constituents	14.75
DEAF	18.11
Others	8.55
<b>Total</b>	<b>46.11</b>

**Description of contingent liabilities**

**a) Claims against the Bank not acknowledged as debts - taxation**

The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws.

**b) Claims against the Bank not acknowledged as debts - others**

The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

**c) Guarantees given on behalf of constituents, acceptances, endorsements and other obligations:** This item represents the guarantees and documentary credits issued by the Bank in favour of third parties on behalf of its customers, as part of its trade finance banking activities with a view to augment the customers' credit standing. Through these instruments, the Bank undertakes to make payments for its customers' obligations, either directly or in case the customers fail to fulfil their financial or performance obligations.

**d) Other items for which the Bank is contingently liable**

Primarily includes DEAF

\*Also refer Schedule 12 - Contingent liabilities

**18 Provision on Standard Assets**

Particulars	March 31, 2022
Provision towards standard assets	12.52

**19 Fraud accounts**

Particulars	31-Mar-22
Number of frauds reported during the year	3
Amount involved in fraud (₹ crore)	0.02
Amount of provision made for such frauds (₹ crore) excluding recovery	0.01
Amount of Unamortised provision debited from 'other reserves' as at the end of the year (₹ crore)	-

**20 Employee benefits**

**Employee benefits - Gratuity**

The Bank has non-contributory defined benefit arrangement providing gratuity benefits expressed in terms of final monthly salary and years of service. Every employee who has completed five years or more of service gets a gratuity on cessation of employment at 15 days salary (last drawn basic salary) for each completed year of service, subject to a maximum of ₹ 20 Lakhs. The scheme is funded with LIC of India and HDFC Standard Life Insurance Company Ltd. The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet.

Expenses recognised in the Profit and Loss Account	March 31, 2022
Current service cost	0.55
Interest cost on benefit obligation	0.09
Past Service Cost	-
Expected return on plan assets*	-
Net actuarial (gain)/ loss recognized in the year	4.62
Employer Expenses	5.26

\* Represents expected returns determined by the actuary

Net Liability/ (Asset) recognised in the Balance Sheet	March 31, 2022
Present value of Defined Benefit Obligation	-41.43
Fair value of plan assets	32.96
Net liability recognized in balance sheet	-8.48
Less: Unrecognised Past Service Cost	-
Liability recognized in balance sheet	-8.48

Reconciliation of Defined Benefit Obligation (DBO)	March 31, 2022
Present Value of DBO at start of year	-
Interest cost	0.99
Current service cost	0.55
Liability transferred in /Acquisitions	15.89
Past Service Cost	-
Benefits paid	-
Actuarial loss	4.01
Present Value of DBO at end of year	41.43



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

Reconciliation of Fair Value of Plan Assets	March 31, 2022
Fair Value of Plan Assets at start of year	-
Expected return on plan assets	0.90
Contributions by the employer	0.05
Asset transferred In/Acquisitions	32.62
Benefits paid	-
Actuarial ( loss)/ gain	-0.61
Fair value of plan assets at end of year	32.96
Estimated employer contributions for the next year	6.35
Actual return on plan assets	0.29

The principal assumptions used in determining gratuity obligations for the Bank's plan are shown below:	March 31, 2022
Discount rate	5.66%
Expected rate of return on assets	5.66%
Employee turnover	25.00%
Salary growth rate	7.00%
Mortality Rate	Indian Assured Lives Mortality 2012-14 (Urban)
Expected average remaining working lives of employees	3 years

Percentage break-down of total plan assets	March 31, 2022
Insurer Managed Funds (non unit-linked)	100.00%
Total	100.00%

Planned Asset Break up for Non Linked Fund - HDFC Standard Life Insurance Company Ltd	March 31, 2022
Government Securities	55.45%
Corporate Bonds	41.86%
Cash and Deposit	2.69%
Total	100.00%

Planned Asset Break up for Non Linked Fund - LIC	March 31, 2022
Government Securities	71.05%
Corporate Bonds	18.53%
Equity	10.42%
Total	100.00%

Experience Adjustments	March 31, 2022
Particulars	
Present Value of DBO	32.96
Fair Valuation of Plan Assets	41.43
Funded Status (Surplus/(Deficit))	(8.48)
Experience adjustment on plan liabilities : (Gain) / Loss	(0.14)
Experience adjustment on plan Assets : Gain / ( Loss )	(0.60)

**Employee benefits - Compensated Absences**

The actuarial liability in respect of privilege leave granted to employees of the Bank and outstanding as at March 31, 2022 is 4.22 crore

Assumption used:

Discount rate : 5.66%

Salary escalation rate : 7%

The estimates of future salary growth considered in the actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.

All the assets consist of unit-linked and traditional insurer managed debt instruments, the expected rate of return on assets is drawn from the Indian Government bond yields.

**Employee benefits - Provident Fund**

The contribution to Employees Provident Fund included under "Payments to and Provisions for Employees" in Schedule 16 amounted to ₹ 2.10 for the year ended March 31, 2022



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**21 Segment Reporting**

Business segments have been identified and reported taking into account, the customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the guidelines prescribed by RBI. The Bank operates in the following segments:

**a) Treasury**

Treasury performs liquidity management activities for various business segments. Transfer pricing is based on internally approved yield curve or at an agreed transfer rate on the funding provided by treasury to another business segment.

**b) Retail banking**

The retail banking segment serves retail customers through a branch network. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are primarily derived from interest and fees earned on retail loans, interest on deposits placed as collateral with the Bank. Expenses of this segment primarily comprise interest expense on borrowings, deposits, infrastructure and premises expenses for operating the branch network, personnel costs and other direct overheads.

**c) Wholesale banking**

Wholesale banking includes all advances to borrowers, which are not included under Retail banking. Revenues of the wholesale banking segment consist of interest and fees on loans made to customers.

**d) Other Banking Operation**

Other Banking includes other items not attributable to any particular business segment. This segment includes income from para banking activities such as distribution of third party product and the associated costs.

**e) Unallocated**

All items which are reckoned at an enterprise level are classified under this segment. This includes other unallocable assets and liabilities such as deferred tax etc.

**Geographical segments**

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

Segment reporting for the year ended March 31, 2022 is given below:

Particular	Treasury	Retail banking	Corporate	Other banking operations	Total
Segment Revenue	32.84	93.19	28.21	-	154.24
Segment Result	(14.24)	(124.33)	(11.97)	-	(150.54)
Unallocated expenses					(6.79)
Operating Profit					(157.33)
Income taxes					7.72
Extraordinary profit/loss					-
Net Profit					(149.61)
Other information:					
Segment assets	3,343.67	5,075.26	1,528.42		9,947.35
Unallocated assets					863.52
Total assets					10,810.87
Segment Liabilities	2,451.43	5,884.58	544.88		8,880.88
Unallocated liabilities					6.03
Total liabilities					8,886.91
Capital employed					1,923.95
Capital expenditure					99.47
Depreciation					96.83



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**22 Related Party Disclosures**

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below:

Sr. no.	Name of Entity	Nature of relationship
1	Centrum Financial Services Limited	Holding company
2	Centrum Capital Limited	Ultimate Holding company
3	Resilient Innovations Private Limited	Other related entity
4	Centrum Alternatives LLP	Other related entity
5	Centrum Capital International Limited	Other related entity
6	Centrum Capital Advisors Limited	Other related entity
7	Centrum International Services PTE Limited	Other related entity
8	Centrum Retail Services Limited	Other related entity
9	Centrum Broking Limited	Other related entity
10	Centrum Alternative Investment Managers Limited	Other related entity
11	Centrum Housing Finance Limited	Other related entity
12	Centrum Microcredit Limited	Other related entity
13	Centrum Wealth Limited	Other related entity
14	Centrum Insurance Brokers Limited	Other related entity
15	Centrum Investment Advisors Limited	Other related entity
16	CCIL Investment Management Limited	Other related entity
17	Business Match Services (India) Private Limited	Other related entity
18	Acorn Fund Consultants Private Limited	Other related entity
19	JBCG Advisory Services Private Limited	Other related entity
20	BG Advisory Services LLP	Other related entity
21	Ignis Capital Advisors Limited	Other related entity

The Bank's related party balances and transaction for the year ended March 31, 2022 are summarised as follows:

Items/Related party	Holding company	Ultimate holding company	Other related entity	Total
			50	50
<b>Borrowing</b>	-	-	(50)	(50)
Deposits Taken	-	-	-	-
Deposits Placed	-	-	-	-
Advances Given	-	-	-	-
Fixed Assets Purchased From	-	0.00	0.15	0.15
Fixed Assets Sold To	-	-	0.00	0.00
Interest Paid To	-	-	6.40	6.40
Interest Received From	-	-	-	-
Income From Services Rendered To	-	-	0.66	0.66
Expenses For Receiving Services From	-	0.01	3.82	3.83
Equity Investments	43.50	-	745.72	789.22
Other Investments	1.90	-	-	1.90
	37.86	-	-	37.86
Receivable From	(37.86)	-	-	(37.86)
	-	-	0.15	0.15
Payable to	-	-	(5.17)	(5.17)
Guarantees Given	-	-	-	-
Slump sale transaction ( refer note 18(2))	316.00	-	110.00	426.00

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balance as at year end.

A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category.

Particulars	Year ended March 31, 2022
<b>Borrowing:</b>	
Resilient Innovations Private Limited	50
<b>Fixed Assets Purchased From:</b>	
Centrum Wealth Limited	0.14
<b>Interest Paid To:</b>	
Resilient Innovations Private Limited	2.36
Centrum Wealth Limited	4.04
<b>Income From Services Rendered To:</b>	
Centrum Retail Services Limited	0.64
<b>Expenses For Receiving Services From:</b>	
Resilient Innovations Private Limited	1.24
Centrum Retail Services Limited	1.26
Ignis Capital Advisors Limited	0.85
<b>Equity Investments:</b>	
Resilient Innovations Private Limited	746
<b>Slump sale transaction:</b>	
Centrum Financial Services Limited	316
Centrum Microcredit Limited	110



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**  
(All amounts are in Indian Rupees in crore unless otherwise stated)

**23 Deferred Tax Assets**

As at March 31, 2022, the Bank has recorded net deferred tax asset of ₹ 741.14 crore, included in other assets. The composition of Deferred Tax Assets (DTA) is as under :

Particulars	March 31, 2022
<b>Deferred tax asset arising out of:</b>	
Employee Benefit	3.19
Provision for Advances	739.23
Others	1.66
<b>Total (a)</b>	<b>744.08</b>
<b>Deferred tax liability arising out of:</b>	
Depreciation	2.94
<b>Total (b)</b>	<b>2.94</b>
<b>Deferred tax asset (net) (a-b)</b>	<b>741.14</b>

**24 Leases**

Operating lease primarily comprises of office premises, vehicle, computers and tablets, which are renewable at the option of the Bank. The following table sets forth the details of future rentals payable on operating leases :

Particulars	March 31, 2022
Not later than one year	22.41
Later than one year but not later than five years	24.58
Later than five years	8.73
<b>Total</b>	<b>55.72</b>
The total lease payments recognised in the Statement of Profit and Loss account for the year	<b>6.02</b>

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreement.

**25 Corporate Social Responsibility (CSR)**

During the year ended March 31, 2022, the Bank is not required to contribute to Corporate Social Responsibility under section 135 of the Companies Act, 2013.

**26 Small and micro industries**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 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.

**27 Letter of Comfort**

The Bank has not issued letter of comfort during the year ended March 31, 2022.

**28 Investor Education and Protection Fund**

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank for the financial year 2021-22.

**29 Code on social security**

The Code on social security 2020 ("the code") related to employee benefit during the employment and post employment, has received presidential assent on September 28, 2020. The code has been published in the Gazette of India. Further, The ministry of labor and employment has release draft rules for the code on November 13, 2020. The effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are not yet issued. The Bank will assess the impact of the code and will give appropriate impact in the financial statements in the period in which, the code becomes effective and related rules to determine financial impact are published.

**Disclosure under Rule 11(e) of the Companies (Audit and Auditors) Rules, 2014**

The Bank, as part of its normal banking business, grants loans and advances to its constituents including foreign entities with permission to lend or invest or provide guarantee or security or the like in other entities identified by such constituents. Similarly, the Bank accepts deposits from its constituents, who may instruct the Bank to lend/invest/provide guarantee or security or the like against such deposit in other entities identified by such constituents. These transactions are part of Bank's normal banking business, which is conducted after exercising proper due diligence including adherence to "Know Your Customer" guidelines as applicable in respective jurisdiction.

Other than the nature of transactions described above, the Bank has not advanced/lent/invested/provided guarantee or security to or in any other person with an understanding to lend/invest/provide guarantee or security or the like to or in any other person. Similarly, other than the nature of transactions described above, the Bank has not received any funds from any other person with an understanding that the Bank shall lend or invest or provide guarantee or security or the like to or in any other person.

**30 Other Liabilities (including Provision)**

Particulars	March 31, 2022
Payable to Depositors of erstwhile PMC Bank upto 5 years (refer note 18 (1) (a) (ix))	1,475.90
Payable to Depositors of erstwhile PMC Bank at the end of 10 years (refer note 18 (1) (a) (x))	936.37
Payable to DICGC (refer note 18 (1) (a) (xi))	590.41
Liability towards devolved LC / invoke BG	282.40
Contingent Provision	243.00
Others	265.70
<b>Total</b>	<b>3,794.78</b>

Details of payments to auditor as per profit and loss Account

Particulars	March 31, 2022
Audit fees	0.35
Tax audit fees	0.10
Other services	-
Out of pocket expenses	-
<b>Total</b>	<b>0.45</b>



**SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2022**

*(All amounts are in Indian Rupees in crore unless otherwise stated)*

The Bank commenced its banking operation on November 1, 2021. Therefore, the figures reported for year ended March 31 2022 represents the period commenced from November 1, 2021 to March 31,2022.

As per our report of even (For and on behalf of the Board of Director

For **V Sankar Aiyar & Co.**

Chartered Accountants

Firm Registration No : 109208W



**Asha Patel**

Partner

Membership No. 166048

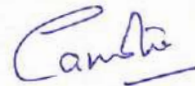


**Mr. Vinod Rai**

(DIN: 00041867)

Part-time Chairman

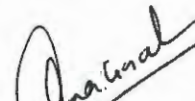
Place: Vietnam



**Inderjit Camotra**

Interim CEO

Place: Mumbai



**Archana Goyal**

Company Secretary (CS)

Place: Mumbai

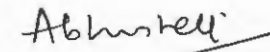


**Subhash Kutte**

(DIN: 00233322)

Director

Place: Kolhapur



**Abhishek Baxi**

Chief Financial Officer (CFO)

Place: Mumbai



Date: 30-05-2022