SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended March 31, 2025

Schedule 17

1 CORPORATE INFORMATION

Ujjivan Financial Services Limited (UFSL), was established as a non banking financial services company in the year 2005 with the mission to provide a full range of financial services to the 'economically poor' who were not adequately served by financial institutions. In 2015, the Reserve Bank of India (RBI) licenced the formation of small finance banks - a new category of specialised banks to serve the financially unserved and underserved population, especially the micro-enterprises, workers, small and marginal farmers.

On November 11, 2016, UFSL received a banking licence from RBI to carry out small finance bank business in India. Ujjivan Small Finance Bank Limited (USFB or the Bank) (CIN-L65110KA2016PLC142162) took over the business of UFSL and started its operations on February 01, 2017. The Bank is governed by the Banking Regulation Act, 1949, Operating guidelines issued by the RBI on Small Finance Bank 2016, and the Companies Act, 2013 (the Act). A scheduled bank status was accorded by Reserve Bank of India vide Notification: DBR.PSBD.No. 467/16.02.006/2017-2018 published in the Gazette of India on August 25, 2017. The Bank has its registered and corporate office in Bengaluru and regional offices in Noida, Kolkata, Bengaluru and Pune. The Bank operates in India and branches only in India.

USFB is a mass market focused bank in India, catering to financially unserved and underserved segments and committed to building financial inclusion in the country. USFB has a diversified portfolio with branches spread across 22 states and two union territories. Apart from the network of branches, ATMs and automated cash recyclers, USFB has phone banking unit that serves customers in nine languages, a mobile banking application that is accessible in five languages as well as internet banking facility for individual and corporate customers. USFB also has a portfolio of loans to financial institutions.

The shares of the Bank are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE")."

2 BASIS OF PREPARATION

The accompanying financial statements have been prepared under the historical cost convention and on accrual basis except where otherwise stated, and in compliance with the Generally Accepted Accounting Principles ("GAAP") in India and in accordance with statutory requirements prescribed under the Third Schedule of the Banking Regulation Act 1949, the Master Direction on Financial Statements - Presentation and Disclosures issued by Reserve Bank of India dated on August 30, 2021 , as amended from time to time and various other orders/circulars/directions issued by the RBI and applicable accounting standards referred to in Section 133 of the Act. The financial statements are presented in Indian Rupees rounded off to the nearest thousands unless otherwise stated. These standalone financial statements have been prepared on a going concern basis. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year other than the change in accounting policy relating to investments (Refer Note 3.3)

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 USE OF ESTIMATES

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the period. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the future periods.

3.2 ADVANCES

Advances are classified as Performing Advances (Standard) and Non- Performing Advances (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets. Advances are stated net of specific loan loss provision and Inter Bank Participating Certificates (IBPC) with risk sharing issued. The Bank transfers advances through Inter- Bank Participation arrangements with and without risk, which are accounted for in accordance with the RBI guidelines, as follows:

a) In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from Advances; and participations transferred in to the Bank are classified under Advances.

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

b) In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the Bank is participating , the aggregate amount of participation is reported as due from banks under Advances.

The Bank transfers advances through securitisation arrangements to special purpose vehicles setup for this purpose. Upon due execution/delivery of the requisite transaction documents and payment of purchase consideration, the value of amounts transferred is reduced from advances reported in Schedule 9 to financial statements if the criteria for transfer of receivables in terms of the master directions of the Reserve Bank of India on "Reserve Bank of India (Securitisation of standard assets) Directions, 2021" are satisfied, based on appropriate legal advice regarding compliance with true sale criteria stipulated in the said directions. In case these criteria are not fulfilled, the amount received is reported as borrowings.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

Provisioning:

Specific provisions for Non- Performing Advances and floating provisions are made in conformity with the RBI guidelines or the policy of the Bank , whichever is higher. While framing this policy, the Bank has stipulated accelerated provisioning based on past experience, value/stature of securities and other related factors.

Specific loan loss provision in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account.

Loans reported as fraud are classified appropriately as per relevant RBI guidelines and fully provided for immediately without considering the value of security.

A general provision on standard assets is made in accordance with RBI guidelines or the policy of the Bank whichever is higher. Provision made for standard assets is included in 'Other Liabilities and Provisions'.

Floating Provisions:

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as floating provisions. Creation of floating provisions is considered by the Bank up to the level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are used up to a level approved by the Board only for contingencies under extraordinary circumstances and for making specific provisions as permitted. Based on the approval of the Board of Directors, Floating provisions considered towards calculation of Net NPA and PCR are netted off against advances. If considered as tier-II capital or if unallocated, the same is disclosed under Other Liabilities.

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 advances / 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 and classification thereof is as per the extant RBI guidelines.

An adjustment to the quantum of provisions based on the current status of the assets is made from provisions and contingencies reported in the profit and loss account.

Priority Sector Lending Certificates (PSLCs):

The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the priority sector assets . There is no transfer of risks or loan assets. The fee received from the sale of PSLCs is recognised at the inception and recorded as 'Miscellaneous Income'.

3.3 INVESTMENTS

Classification and Valuation of the Bank's Investments are carried out in accordance with RBI Master Direction on Classification, Valuation and Operations of Investment Portfolio of Commercial Banks, 2023 dated September 12, 2023 and updated from time to time ("Master Directions") , Fixed Income Money Market and Derivatives Association ('FIMMDA') and Financial Benchmark India Private Limited ('FBIL') guidelines prescribed in this regard from time to time as follows:

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

Categorisation of Investments:

Based on the intent or duration for which investments shall be held as well as the ability to hold the securities, the Bank classifies its Investment Portfolio(except investments in their own subsidiaries, joint ventures and associates) into 'Held to Maturity' (HTM), Fair Value through Profit and Loss (FVTPL) and 'Available for Sale' (AFS). Held for Trading (HFT) will be a subcategory within FVTPL.

Classification of Investments:

For the purpose of disclosure in the Balance Sheet, Investments in India are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures and (vi) Other Investments.

Investments outside India are classified under three groups viz., (i) Government Securities (Including local authorities), (ii) Subsidiaries and/or Joint Ventures abroad and (iii) Other Investments

Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Acquisition cost and profit/loss on disposal:

(i) Broken period interest on debt instruments is treated as a receivable at the time of acquisition and post acquisition broken period interest treated as a revenue item

(ii) Brokerage, commission, etc. pertaining to Investments, paid at the time of acquisition is charged to the Profit and Loss Account.

(iii) Profit or loss arising on disposal of investments are computed based on the weighted average cost method.

Classification and Valuation of Investments:

(1) Held to Maturity (HTM) –

i) The security is acquired with the intention and objective of holding it to maturity, i.e., the financial assets are held with an objective to collect the contractual cash flows, that are Solely Payments of Principal and Interest (SPPI) on principal outstanding on specified dates.

ii) Securities held in HTM shall be carried at cost and are not be marked to market (MTM) after initial recognition. However, they are subject to income recognition, asset classification and provisioning norms as specified in the Master Directions.

iii) Any discount or premium on the securities under HTM are amortised over the remaining life of the instrument. The amortised amount is reflected in the financial statements under item II 'Income on Investments' of Schedule 13: 'Interest Earned' with a contra in Schedule 8:'Investments'."

(2) Available for Sale (AFS) –

a) Securities that meet the following conditions are classified under AFS:

i) The security is acquired with an objective that is achieved by both collecting contractual cash flows and selling securities; and

ii) The contractual terms of the security meet the 'SPPI criterion' that are Solely Payments of Principal and Interest (SPPI) on principal outstanding on specified dates. Provided that on initial recognition, a bank may make an irrevocable election to classify an equity instrument that is not held with the objective of trading under AFS.

iii) AFS securities shall inter-alia include debt securities held for asset liability management (ALM) purposes that meet the SPPI criterion where the Bank's intent is flexible with respect to holding to maturity or selling before maturity.

b) Any discount or premium on the acquisition of debt securities under AFS are amortised over the remaining life of the instrument. The amortised amount is reflected in the financial statements under item II 'Income on Investments' of Schedule 13: 'Interest Earned' with a contra in Schedule 8: 'Investments

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

c) The valuation gains and losses across all performing investments, irrespective of classification (i.e., Government securities, Other approved securities, Bonds and Debentures, etc.), held under AFS are aggregated. The net appreciation or depreciation is directly credited or debited to a reserve named AFS Reserve without routing through the Profit & Loss Account.

d) Securities under AFS are subject to income recognition, asset classification and provisioning norms as specified in Master Directions.

e) The AFS-Reserve is reckoned as Common Equity Tier (CET) 1 However, net unrealised gains on Level 3 investments (as defined in Master directions) recognised in the Profit and Loss Account or in the AFS-Reserve will be deducted from CET 1 Capital . The unrealised gains transferred to AFS-Reserve will not be available for any distribution such as dividend and coupon on Additional Tier 1.

f) Upon sale or maturity of a debt instrument in AFS category, the accumulated gain/ loss for that security in the AFS-Reserve is transferred from the AFS Reserve and recognised in the Profit and Loss Account under item II 'Profit on sale of investments' under Schedule 14-Other Income.

In the case of equity instruments designated under AFS at the time of initial recognition, any gain or loss on sale of such investments is not transferred from AFS-Reserve to the Profit and Loss Account. Instead, such gain or loss is transferred from AFS-Reserve to the Capital Reserve.

(3) Fair Value through Profit and Loss (FVTPL) –

Securities that do not qualify for inclusion in HTM or AFS are classified under FVTPL. These shall inter-alia include:

i) Equity shares, other than (a) equity shares of subsidiaries, associates or joint ventures and (b) equity shares where, at initial recognition, the irrevocable option to classify at AFS has been exercised

ii) Investments in Mutual Funds

iii) Alternative Investment Funds, Real Estate Investment Trusts, Infrastructure Investment Trusts (currently not allowed

iv) Investment in securitisation notes which represent the equity tranche of a securitisation transaction.

v) Bonds, debentures, etc. where the payment is linked to the movement in a particular index such as an equity index rather than an interest rate benchmark.

vi) Instruments with compulsorily, optionally or contingently convertible features.

vii) Instruments with contractual loss absorbency features such as those qualifying for Additional Tier 1 and Tier 2 under Basel III Capital Regulations.

viii) Instruments whose coupons are not in the nature of interest as defined in Master Direction

ix) Preference shares and Equity shares.

x) The securities held in FVTPL shall be fair valued and the net gain or loss arising on such valuation shall be directly credited or debited to the Profit and Loss Account. Securities that are classified under the HFT sub-category within FVTPL are fair valued on a daily basis, whereas other securities in FVTPL are fair valued on fortnightly basis.

xi) Any discount or premium on the acquisition of debt securities under FVTPL is amortised over the remaining life of the instrument. The amortised amount will be reflected in the financial statements under item II 'Income on Investments' of Schedule 13: 'Interest Earned' with a contra in Schedule 8:' Investments'.

xii) Securities under FVTPL are subject to income recognition, asset classification and provisioning norms as specified in Master Directions.

(4) Held for Trading/FVTPL HFT –

Held for Trading (HFT), which is a sub-category of Fair Value through Profit and Loss (FVTPL) shall consist of all instruments that meet the specifications for HFT instruments set out in the investment policy of the Bank.

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

Reclassification between categories:

As per RBI circular RBI/DOR/2023-24/104 DOR.MRG.36/21.04.141/2023-24 dated 12th September 2023, bank shall not reclassify investments between categories (viz. HTM, AFS and FVTPL) without the approval of the Board of Directors, the ALCO or IC shall recommend the proposal for approval. Further, reclassification shall also require the prior approval of the Department of Supervision (DoS), RBI. The reclassification should be applied prospectively from reclassification date. As and when such shifting is initiated by the Bank, accounting entries will be made in line with Master directions.

(5) Market value of government securities (excluding treasury bills) is determined based on the prices / YTM declared by Financial Benchmarks India Pvt Limited(FBIL)

(6) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(7) Provision for non-performing Investments is made in conformity with RBI guidelines.

(8) **Equity Shares-**

Equity shares for which current quotations are not available i.e., which are classified as illiquid or which are not listed on a recognised exchange, the fair value for the purposes of these directions shall be the break-up value (without considering 'revaluation reserves', if any) which is to be ascertained from the Company's latest audited balance sheet. The date as on which the latest balance sheet is drawn up shall not precede the date of valuation by more than 18 months. In case the latest audited balance sheet is not available or is more than 18 months old, the shares shall be valued at ₹ 1 per company.

(9) **Mutual Funds Units (MF Units)-**

i. Investment in un-quoted MF units shall be valued on the basis of the latest repurchase price declared by the MF in respect of each scheme.

ii. In case of funds with a lock-in period or any other Mutual Fund, where repurchase price/ market quote is not available, units are valued at Net Asset Value (NAV) of the scheme. If NAV is not available, these are valued at cost, till the end of the lock-in period.

(10) In accordance with the RBI guidelines, repurchase and reverse repurchase 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

(11) Security Receipts shall be marked to marked on half yearly basis as per NAV shared by the trust/ARC

(12) **Sale of investments from HTM:**

Any profit or loss on the sale of investments in HTM shall be recognised in the Profit and Loss Account under Item II of Schedule 14:'Other Income'. The profit on sale of an investments in HTM is appropriated(Net of taxes and the amount required to be transferred to Statutory Reserve) below the line from the Profit and Loss Account to the 'Capital Reserve Account'. The amount so appropriated shall be net of taxes and the amount required to be transferred to Statutory Reserve.

Investment Fluctuation Reserve:

As per the RBI circular RBI/2017-18/147 DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018, to build up adequate reserves to protect against increase in yields in future, the Bank has created an Investment Fluctuation Reserve (IFR) to the extent of the lower of following:

a) net profit on sale of investments during the year;

b) net profit for the year less mandatory appropriations.

This reserve will be created until the amount of IFR is at least 2 % of the HFT and AFS portfolio, on a continuing basis and where feasible, this should be achieved within a period of three years.

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

3.4 REVENUE RECOGNITION

1) Interest income on performing assets and deposits with banks and other institutions are recognised in the Profit and Loss Account on accrual basis. Interest Income on Non- Performing Assets is recognised upon realisation as per the prudential norms of the RBI.

Any income recognised and remaining unrealised, before the asset became non-performing or before disposal is reversed in the profit and loss account. Overdue interest is recognised on realisation basis.

2) Interest on advances transferred under securitisation arrangements meeting the criteria stipulated in para 3.2 above are not recognised in Profit and Loss Account. The Bank's share of the securitisation income is recognised on receipt basis. Profit / premium arising at the time of securitisation / assignment of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is recognised immediately. Income from interest strip (excess interest spread) is recognised in the profit and loss account net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.

3) Revenues from loan documentation charges and processing fees are recognised at the inception of the loan , except in cases where the Bank is uncertain of its ultimate collection.

4) For Micro Finance Loans recoveries are appropriated towards instalment(s) outstanding and on partial collection appropriation will be in the sequence of first Interest component of oldest EMI followed by Principal component of oldest EMI, and so on both for standard and NPA accounts

5) For other than Micro Finance Loans and Relationship Management based products, recoveries in respect of all EMI based performing assets is appropriated towards interest, principal of each EMI followed by penal interest and then charges. For Non-performing assets, appropriation is made towards principal, interest of each EMI followed by oldest penal interest due and then oldest charges for the product defined.

6) Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a constant Yield to Maturity method.

7) Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

8) Income from distribution of third party products is recognised on the accrual basis.

9) Recoveries in respect of purchase of Direct Assignment pools are to be appropriated as per appropriation methodology followed by the originators

10) Charges such as penal charges, EMI bounce charges, Cheque return charges, Legal charges, Seizing charges etc. are recognised on realisation basis. These charges are treated to accrue on realisation, due to the uncertainty of their realisation; and

11) All other fees are accounted for as and when they become due and when service is rendered.

3.5 EMPLOYEE BENEFITS

Provident Fund: Contribution towards provident fund of employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as defined contribution schemes and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees. The Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

Gratuity: Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Bank or retirement, whichever is earlier.

The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognised based on actuarial valuation at the Balance Sheet date. The present value of the of the defined benefit obligation at the balance sheet date less the fair value of plan assets is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognises each period of service, give rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

Short term Employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the period when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Long term Employee benefits:

The Bank accrues the liability for compensated absences based on the actuarial valuation as on the Balance Sheet date 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 on the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the period in which they arise.

Employee Stock Option Plan (ESOP)

The Employee Stock Option Schemes (ESOSs) of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Schemes provide for grant of options on equity shares to employees of the Bank to acquire the equity shares of the Bank that vest in a cliff vesting or in a graded manner and that are to be exercised within a specified period. In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the fair value method. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 18 (27). The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity -settled employee benefits reserve.

In accordance with the RBI circular RBI/2021-22/95 DOR.GOV.REC.44/29.67.001/2021-22 "Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff – Clarification" dated August 30, 2021, Share-linked instruments granted to Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff after the accounting period ended March 31, 2021, is fair valued on the date of grant using Black-Scholes model.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Profit & Loss Account.

Employee Stock Purchase Scheme (ESPS)

ESPS is a contractual promise that permits an employee to acquire an employer's stock at a future date under the terms and conditions established on the grant date. The fair value of the entire purchase discount represents employee compensation. The compensation expense will be the difference between the value of the stock on the date of shareholder approval and the purchase/Exercise price for that offering.

Cash-settled Stock Appreciation Rights (SARs)

The cost of cash-settled transactions, stock appreciation rights (SARs) is measured on fair value basis.

The fair value is amortised on a straight-line basis over the vesting period with a recognition of corresponding liability. This liability is remeasured at each balance sheet date up to and including the vesting date with changes in fair value recognised in the profit and loss account in 'Payments to and provision for employees'.

The SARs that do not vest because of failure to satisfy vesting conditions are reversed by a credit to employee compensation expense, equal to the amortised cost in respect of the lapsed portion.

3.6 FIXED ASSETS AND DEPRECIATION

Fixed Assets are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on Fixed Asset after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives.Tangible fixed assets under construction and tangible fixed assets acquired but not ready for their intended use will be disclosed as capital work-in-progress.

Depreciable amount for Fixed Asset is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on Fixed asset has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Act. Leasehold improvements are amortised over the primary lease period. 'Point of Sale' terminals are fully depreciated in the year of purchase.

The useful life being followed by the Bank as prescribed in Schedule II to the Act is as under:

Asset	Estimated Useful Life as specified under Schedule II of the Act (years)
Computer	3
Furniture and Fittings	10
Office Equipment	5
Motor Vehicle	8
Server	6

Fixed Asset purchased/sold during the year are depreciated on a pro-rata basis.

Fixed Asset costing less than ₹ 5,000/- each are fully depreciated in the year of purchase.

The salvage value considered for computing depreciation is as per Schedule II of the Act (i.e. 5% of Cost) except for Software and Lease hold assets.

Gains or losses arising from disposal or retirement of Fixed Asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, under “Other Income” as Profit/(Loss) on sale of Fixed Asset, as the case maybe, in the Profit and Loss Account in the year of disposal or retirement.

Fixed Asset held for sale is valued at lower of their carrying amount and net realisable value, any write-down is recognised in the Profit and Loss Account. If the management’s estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then the depreciation is provided at a higher rate based on management’s estimate of the useful life/remaining useful life.

3.7 INTANGIBLE ASSETS

Intangible Assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises of its purchase price , trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates to.

Intangible assets are amortised on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable assumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 6 years or license period, whichever is lower.

The amortisation period and the amortisation method are reviewed at each Balance Sheet date. For assets purchased/ sold during the year, amortisation is being provided on pro rata basis by the Bank. If the expected useful life of the asset significantly differs from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

3.8 IMPAIRMENT OF ASSETS

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for indications of impairment, if any. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and the value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.9 LEASES

Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

Lease rentals under operating lease are charged to the Profit and Loss Account on straight line basis over the lease term in accordance with AS-19, Leases.

3.10 SEGMENT REPORTING

In accordance with guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007 and Accounting Standard 17 on "Segment Reporting", the Bank's business has been segregated into Treasury, Retail Banking and Corporate/ Wholesale Segments.

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses, inter segment costs based on a transfer pricing mechanism and provisions. Segment results are net of segment revenues and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth, dividend and tax related liability, if any.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

3.11 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. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the period. For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, except when its results are anti-dilutive.

3.12 TAXES ON INCOME

Income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in Profit and Loss Account.

Deferred tax

Deferred income-tax relating to items recognised directly in equity is recognised in equity and not in the Profit and Loss Account

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Bank writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Current tax and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Significant Accounting Policies forming part of the Financial Statements
for the year ended March 31, 2025 (Contd.)

3.13 PROVISIONS AND CONTINGENCIES

A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

i) a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or

ii) a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A contingent liability also arises where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognise a contingent liability but discloses its existence in the financial statements.

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

3.14 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents includes cash in hand (including balance in ATM), balances with RBI, balances with other Banks and money at call and short notice. Cash and Cash Equivalents for the purpose of Cash Flow Statement comprises of Cash at Bank and in hand and short term Investments with an original maturity of less than three months.

3.15 CASH FLOW STATEMENTS

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

3.16 PROPOSED DIVIDEND

Dividend proposed/declared after the balance sheet date is accounted in the books of the Bank in the year in which the dividend is declared.

As per revised Accounting Standard 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016 the Bank will not appropriate the proposed dividend from the Profit and Loss account and the same will be recognised in the year of actual payment post shareholder's approval.

3.17 TRANSACTIONS INVOLVING FOREIGN EXCHANGE

All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at 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 year-end as notified by Foreign Exchange Dealers Association of India('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Treatment of Exchange differences

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

3.18 CORPORATE SOCIAL RESPONSIBILTY

Expenditure towards CSR, in accordance with section 135 of the Act are recognised in the profit and loss account.

3.19 SHARE ISSUE EXPENSES

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Act.