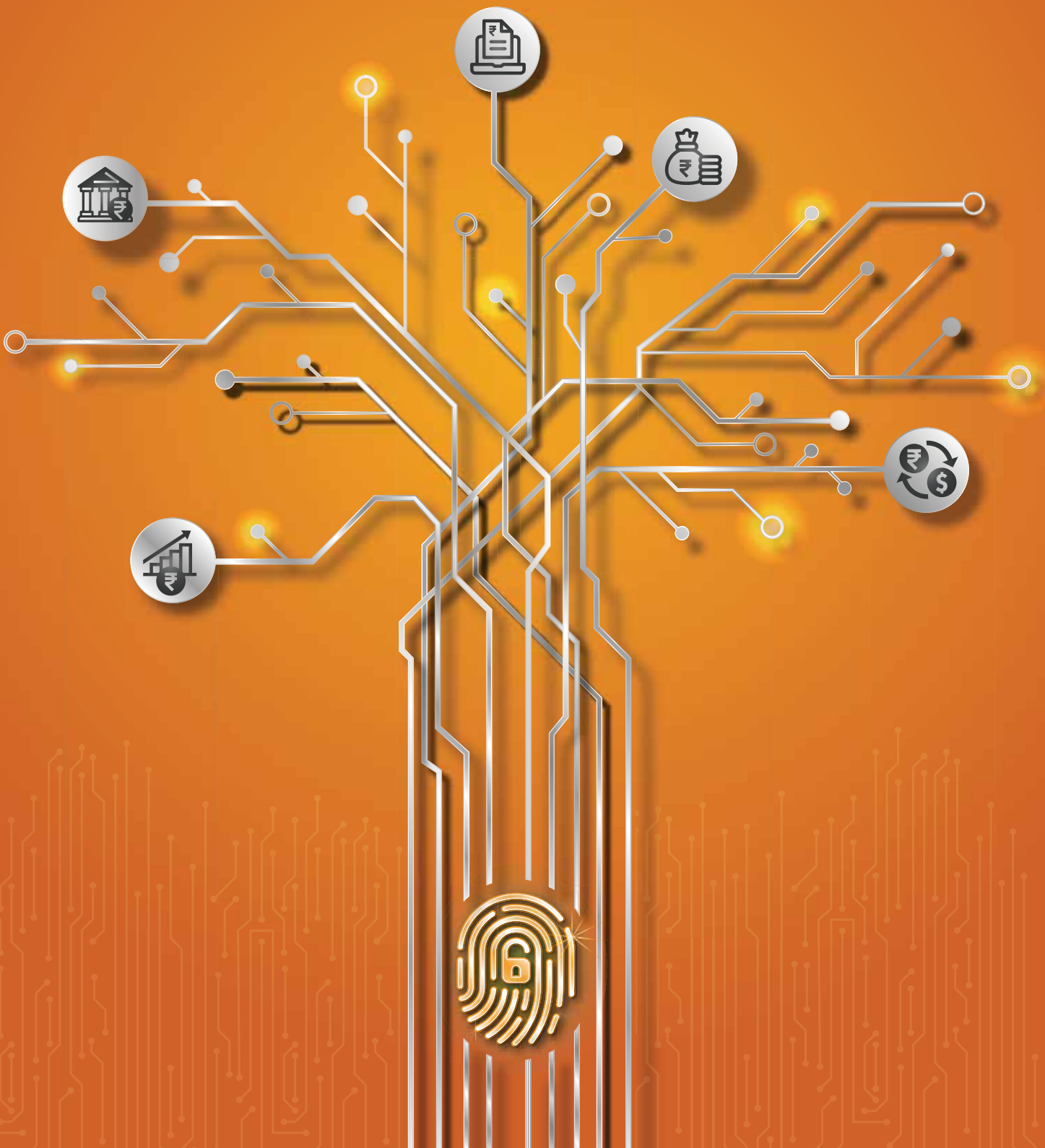




NSDL

Technology, Trust & Reach

NSDL PAYMENTS BANK LIMITED





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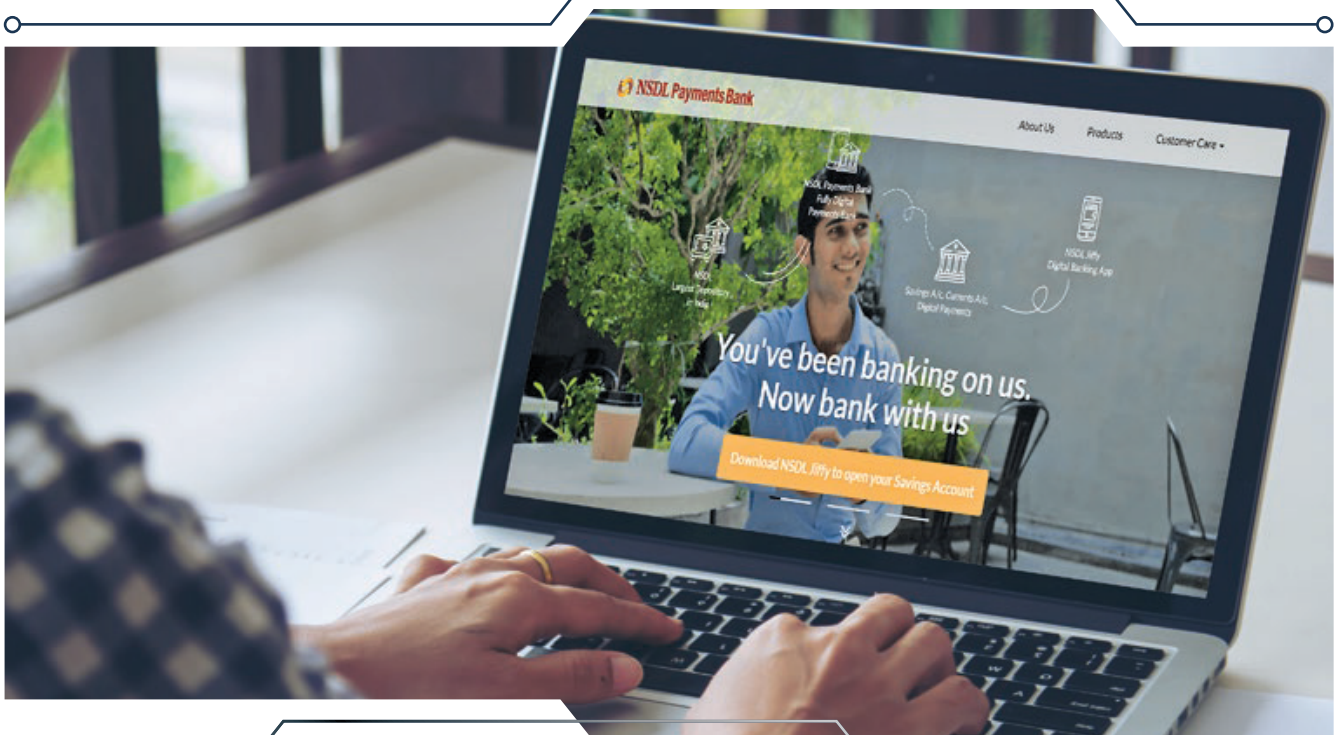
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NSDL Payments Bank expanded its operations in many verticals, keeping the mobile-first approach at its core as a digital bank.

With a consumer proposition from a single app, the bank added features like UPI, Mutual Funds and Insurance as categories on its flagship mobile app - NSDL Jiffy.

The bank grew its pan-India presence by expanding its BC channel business to offer Inclusive Banking products. The bank has created Bespoke solutions in the Capital Market segments and have partnered with the top Brokers in the country for a roll out of these offerings

Apart from this, the bank introduced new product lines by issuing Prepaid Cards and propositions for SME and MSMEs who need better banking services in the digital space thereby strengthening its Business Banking product suite.

This year, the Bank has created a distinct space in the digital arena by acquiring a large user base on the bank's mobile banking application - NSDL Jiffy and through the assisted application.

NSDL Jiffy, the face of the bank, went live on the Apple iOS platform while the Android version already being the showstopper. The app allows a fully digital savings account opening process with features like virtual debit card, fund transfer through NEFT, IMPS and Intrabank transfer while UPI as a feature was added during this year. The app added many biller categories in its Recharge and Bill Payments module making it a one-stop-shop for its users.

As a third-party distributor, the bank launched Mutual Funds and Term Insurance on NSDL Jiffy, while Health Insurance is the next category to be added soon.

To expand its Business Banking product suite, NSDL Payments Bank started offering Current Accounts through Digital and Offline modes along with corporate internet banking facility on desktop and mobile versions. The bank forayed into Capital Market focused solutions by partnering with well-known stock broking companies to provide their customers with specialised banking facilities for day-to-day trading activities.

NSDL Payments Bank became an active contributor in financial inclusion by providing access to the underbanked and unbanked segments. The Bank expanded its Domestic Money Transfer services network through the Business Correspondents and launched Micro ATM and AePS services during the financial year. Also, the bank opened its Customer Service Points and is planning to expand this network rapidly across various states of India.

The bank ventured into the Prepaid Cards business by partnering with numerous program managers. It also established a footprint in the offline merchants space by offering Payment Gateway and Point of Sale (PoS) solutions.

Having crossed some essential landmarks, NSDL Payments Bank envisions a future where every Indian is just a click away from a bank.



Board of Directors



**MR. G. V. NAGESWARA
RAO**

Chairman
MD & CEO, NSDL



MR. L. RAVI SANKAR

Partner,
Brahmayya & Co., Chennai



DR. SANTANU PAUL

MD, Talentsprint Pvt. Ltd.



MR. N.S. VENKATESH

CEO, AMFI



**DR. (MRS.) BALA
KRISHNAMOORTHY**

Associate Dean &
Professor-Strategy, NMIMS



MR. PATRIC BARLA

Ex CGM, Reserve Bank of India



**MR. ABHIJIT MADHUKAR
KAMALAPURKAR**

(Managing Director & CEO) -
Former Head Transaction
Banking (IDFC First Bank
Limited)

Our Team



MR. ASHUTOSH SINGH
President



MR. ABHISHEK BAGCHI
Chief Financial Officer



MR. ASHUTOSH SHIRBHATE
Chief Technology Officer



MR. RANJAN SINGH
Chief Compliance Officer



MR. SHAILESH SHETTY
Head - Investment & Insurance



MR. HEMANT MODAK
Head - Inclusive Banking



MR. ABHINAV CHATURVEDI
Head - Digital Banking



MR. RITESH PARMAR
Head - Risk Management

**BOARD OF DIRECTORS****Mr. G. V. Nageswara Rao (Chairman)**

MD & CEO, NSDL

Mr. Abhijit Madhukar Kamalapurkar*

(Managing Director & CEO) -

Former Head Transaction Banking

(IDFC First Bank Limited)

Mr. L. Ravi Sankar

Partner, Brahmayya & Co. Chartered Accountants

Chennai

Dr. Santanu Paul

MD, Talentsprint Pvt. Ltd.

Mr. N.S. Venkatesh

CEO, AMFI

Mr. Patric Barla

Ex CGM, Reserve Bank of

India

Dr. (Mrs.) Bala Krishnamoorthy

Associate Dean & Professor -Strategy,

NMIMS

* Mr. Abhijit Madhukar Kamalapurkar took charge as MD & CEO of the Bank on March 9, 2021

COMMITTEES**Audit Committee**

Mr. L. Ravi Sankar (Chairman)

Mr. G.V. Nageswara Rao

Mr. N.S. Venkatesh

Nomination and**Remuneration Committee**

Dr. Santanu Paul (Chairman)

Mr. L. Ravi Sankar

Mr. G.V. Nageswara Rao

Risk Management Committee

Mr. L. Ravi Sankar (Chairman)

Mr. G.V. Nageswara Rao

Dr. Santanu Paul

Customer Service Committee

Mr. G.V. Nageswara Rao (Chairman)

Mr. N.S. Venkatesh

Dr. Bala Krishnamoorthy

IT Strategy Committee

Dr. Santanu Paul (Chairman)

Mr. G.V. Nageswara Rao

Mr. L. Ravi Sankar

Mr. N.S. Venkatesh

COMPANY SECRETARY

Mr. Balan Santosh Parthasarathy

AUDITORS**Statutory Auditors**

Khimji Kunverji & Co LLP

LLPIN AAP-2267 Level 19,

Sunshine Tower, Senapati Bapat Marg,

Elphinstone Road, Mumbai – 400 013,

India.

D: +91 22 6143 7327

B: +91 22 6143 7333

W: www.kkc.in

SECRETARIAL AUDITOR**MMJB & Associates LLP**

Company Secretaries Ecstasy,

803/804, 8th Floor, City of Joy,

J.S.D Road, Mulund (West),

Mumbai - 400080

Internal Auditor

Ms. Avani Jain

REGISTRAR &**SHARE TRANSFER AGENT**

NSDL Database Management Limited

Trade World, 'A' Wing, 4th Floor,

Kamala Mills Compound,

Senapati Bapat Marg,

Lower Parel (West),

Mumbai – 400 013

BANKERS

HDFC Bank

IDBI Bank

Bank of America

Bank of India

Yes Bank

REGISTERED OFFICE

Trade World, 'A' Wing, 4th Floor,

Kamala Mills Compound,

Senapati Bapat Marg,

Lower Parel (West),

Mumbai – 400 013

NOTICE OF FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth Annual General Meeting of the Members of NSDL Payments Bank Limited will be held on Monday, September 27th, 2021 at 11:30 a.m. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"). The venue shall be deemed to be Registered Office of the Company i.e. Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (West), Mumbai- 400 013

ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Balance Sheet as at March 31, 2021 and statement of Profit or loss, Cash flow statement for the year ended on that date and the reports of the Board of Directors and Auditors thereon.**
- To appoint M/s V Sankar Aiyar & Co. LLP. Chartered Accountants as Statutory Auditors of the Bank.**

"RESOLVED THAT pursuant to the provisions of sections 139, 141, 142 and other applicable provisions of the Companies Act, 2013, if any, read with relevant Rules and pursuant to Section 30 of the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India (RBI) including any amendments, variations, statutory modification or re-enactment thereof and as approved by RBI M/s V Sankar Aiyar & Co., Chartered Accountants, (Firm Reg. No. 109208W) be and is hereby appointed as the Statutory Auditors of the Bank to hold office from the conclusion of this Fifth Annual General Meeting (for FY 2021-22) till the conclusion of the Eight Annual General Meeting (FY 2023-24) of the Bank, and for such remuneration and expenses thereafter as may be mutually agreed between the Bank and the said Statutory Auditors and as may be further approved by the Board from time to time, with power to the Board, including relevant Committee(s) thereof, to alter and vary the terms and conditions of appointment, etc., including by reason of necessity on account of conditions as may be stipulated by the RBI and / or any other authority, in such manner and to such extent as may be mutually agreed with the Statutory Auditors.

RESOLVED FURTHER THAT any Director or Company Secretary of the Bank be and are hereby severally authorised to do all such acts, deeds, and things as may be required to give effect of this resolutions, including filling of necessary e-forms with the Registrar of Companies and such other regulatory authorities."

SPECIAL BUSINESS:

- To consider and approve the appointment of Mr. Abhijit Madhukar Kamalapurkar as the MD & CEO of the Bank and in this connection to consider and if thought fit, to pass, with or without modification (s), the following as a Special Resolution.**

"RESOLVED THAT pursuant to the provisions of Section 196 and other applicable provisions, if any, of the Companies Act, 2013 (the 'Act') read with the applicable rules made thereunder, Section 10B(1A)(ii), 35B and other applicable provisions of the Banking Regulation Act, 1949 (the 'BR Act'), Guidelines for payments Bank and any other applicable laws (including any statutory modifications or re-enactment thereof for the time being in force), the rules, circulars and guidelines issued by the Reserve Bank of India ('RBI') in this regard, from time to time, the provisions of the Articles of Association of NSDL Payments Bank Limited (the 'Bank') and pursuant to approval of RBI vide its letter dated December 1, 2020 and based on recommendation of the Nomination and Remuneration Committee with the approval of the Board of Directors of the Bank, consent of the members of the Bank, be and is hereby accorded for the re-appointment of Mr. Abhijit Madhukar Kamalapurkar (DIN: 08849177), Managing Director & CEO of the Bank, not liable to retire by rotation, for a period of three years, effective March 9th, 2021 up to March 08, 2024;

RESOLVED FURTHER THAT any Director or Company Secretary of the Bank be and are hereby severally authorised to do all such acts, deeds, and things including the power to settle all questions, difficulties or doubts that may arise with regard to the said appointment or terms of appointment, as they may in their absolute discretion deem fit, and to execute all such agreements, documents, instruments, writings, etc., as may be required, file requisite forms or applications with statutory/regulatory authorities and/or to delegate all or any of its powers as may be required to give effect of this resolution"

- To consider and approve the remuneration to Mr. Abhijit Madhukar Kamalapurkar and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 and all other applicable provisions, if any, of the Companies Act, 2013 (the 'Act'), Section 35B and



NOTICE OF FIFTH ANNUAL GENERAL MEETING (contd.)

all other applicable provisions of the Banking Regulation Act, 1949 (the 'BR Act'), Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff dated November 04, 2019 ('RBI Guidelines') and other applicable circulars issued by the Reserve Bank of India ('RBI') in this regard, from time to time and any other applicable laws (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), provisions of the Articles of Association of NSDL Payments Bank Limited (the 'Bank') and subject to approval of the RBI from time to time, and pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors, consent of the Members of the Bank, be and is hereby accorded for the remuneration payable to Mr. Abhijit Madhukar Kamalapurkar (DIN: 08849177), Managing Director & CEO of the Bank w.e.f. March 9, 2021 and FY 20-21, on the following terms and conditions:

Terms and conditions of appointment:

- The salary and allowances will be as per Annexure I & II.
- The company will be entitled to deduct from the payment due to the incumbent, applicable taxes and statutory levies and any dues payable by you to the Company.
- Staff Rules and Regulations and Code of Ethics framed by the Company from time to time would be applicable.
- The incumbent is required to undergo a medical examination. The appointment would be subject to the incumbent being found medically fit for service in the Company.
- The incumbent shall make available the original and attested photocopies of certificates regarding his age, educational qualifications and experience for our records and verification.
- If any statement, declaration or information given by the incumbent is at any time found to be false or untrue or if any material particular is suppressed, his services are liable to be terminated forthwith without any notice or compensation in lieu thereof.
- The notice period will be three months' from either side.
- The services are liable to be terminated forthwith without any notice or compensation or in the alternative, the incumbent shall be liable to disciplinary action and imposition of penalty in accordance with the Company Staff Rules if after he reports for duty the Company receives information that the incumbent had, prior to joining the company's services, committed any act of misconduct which, in the opinion of the Company renders you unfit to serve in the Company.
- The Compensation shall be as per the Remuneration and Compensation Policy of the Bank, read with the applicable provisions of the Banking Regulation Act, RBI Circular no. DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019 and such other any amendments therein or any circulars/ guidelines as may be notified by RBI from time to time.
- Target variable pay as Performance Linked Incentive (PLI), as may be determined by the Nomination and Remuneration Committee/Board, not below 50% and not exceeding 150% of the fixed pay. Currently the target variable pay is proposed at 50% of fixed CTC.
- Fifty percent of the PLI shall be paid on deferred basis after three years, subject to malus and clawback arrangements.

Annexure I

The MD & CEO shall be entitled to a Fixed CTC of ₹1,31,25,000 per annum. The detailed break-up of salary components is as follows:

- Basic Pay: The MD & CEO shall be entitled to a Basic pay of ₹ 3,28,125/- per month.
- House Rent Allowance: 50% of the Basic Pay per month. No housing accommodation will be provided by the Company.
- Supplementary allowance: This allowance of ₹ 4,78,594/- will be paid per month and will be fully taxable.
- A Company car with driver salary or re-imbursement of expenses subject to a ceiling of ₹ 6,60,000/- per annum.
- Annual Performance Linked Incentive (PLI) as may be determined by the Nomination & Remuneration Committee/Board.
- Annual increments to be decided by the Nomination & Remuneration Committee/Board.
- Medical benefits of ₹ 15,000/- every year covering self, spouse and dependent children.
- Leave Travel Allowance of one month's basic pay on reimbursement basis for each year of service.
- Group Mediclaim, Group Personal Accident and Term Life Insurance cover will be as per the company's Insurance policy.
- Company's contributions to Provident Fund would be made at the rate of 12% of basic pay.
- Gratuity is payable as per the Payment of Gratuity Act and as per rules of the company.
- Leave Encashment will be reimbursed as per Staff Rules of the Company.
- Telephone and internet facility at the residence.
- The MD & CEO shall also be entitled to such other benefits as are made available by the Company to members of the staff from time to time.

Annexure II

CTC Offered:

Salary Components	Yearly (in ₹)
Basic	39,37,500
HRA (50 % of Basic)	19,68,750
Medical	15,000
LTA (1 month Basic)	3,28,125
Supplementary allowance	57,43,125
Car lease (optional)	6,60,000
Employer PF	4,72,500
Total Fixed CTC	1,31,25,000
Gratuity	1,89,300
Total CTC	1,33,14,300

* Car lease facility and driver salary of ₹55,000 per month (optional). If car lease is not opted, the same would be included in the Supplementary allowance.

Target Variable Pay (at 50% of fixed CTC):

Salary Components	Yearly (in ₹)
Cash Component	66,57,150
Total target variable pay	66,57,150

"RESOLVED FURTHER THAT any of the Directors or Company Secretary be and are hereby authorized to take such steps as may be necessary for obtaining approvals, statutory or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto and sign and execute all forms, applications, documents and other writings that may be required, on behalf of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

"RESOLVED FURTHER THAT any of the Directors or Company Secretary of the Bank be and is hereby authorised to sign any copy of this resolution as a certified true copy thereof and furnish the same to whomsoever concerned."

RESOLVED FURTHER THAT any Director or Company Secretary of the Bank be and are hereby severally authorised to do all such acts, deeds, and things as may be required to give effect of this resolutions, including filling of necessary e-forms with the Registrar of Companies, RBI and such other regulatory authorities."

5. Re-appointment of Mr. N. S. Venkatesh as a Director of the Bank

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, and 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014, other applicable rules, if any and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification (s) or re-enactment(s) thereof for the time being in force) and the rules, circulars and guidelines issued by the Reserve Bank of India and basis the recommendation of Nomination & Remuneration Committee and approval of the Board of Directors of the Bank, Mr. N S Venkatesh (01893686) in respect of whom the Bank has received a notice in writing u/s 160(1) from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Bank, not liable to retire by rotation, with effect from November 12, 2021 for a period of three years.

"RESOLVED FURTHER THAT any Director or Company Secretary of the Bank be and is hereby authorised to do all such acts, deeds, and things as may be required to give effect of this resolutions, including filling of necessary e-forms with the Registrar of Companies, RBI and such other regulatory authorities."

6. Re-appointment of Dr. (Mrs) Bala Krishnamoorthy as a Director of the Bank

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, and 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014, other applicable rules, if any and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification (s) or re-enactment(s) thereof for the time being in force) and the rules, circulars and guidelines issued by the Reserve Bank of India and basis the recommendation of Nomination & Remuneration Committee and approval of the Board of Directors of the Bank, Dr. (Mrs.) Bala Krishnamoorthy (08247118) in respect of whom the Bank has received a notice in writing u/s 160 (1) from a member proposing his candidature for the office of



Director, be and is hereby appointed as an Independent Director of the Bank, not liable to retire by rotation, with effect from November 12, 2021 for a period of three years.

RESOLVED FURTHER THAT any Director or Company Secretary of the Bank be and is hereby authorised to do all such acts, deeds, and things as may be required to give effect of this resolutions, including filling of necessary e-forms with the Registrar of Companies, RBI and such other regulatory authorities."

7. Appointment of Mr. Patric Barla as the Independent Director of the Bank

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (the 'Act') read with rules made thereunder Section 10A and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory

modification(s) or re-enactment(s) thereof for the time being in force) the rules, circulars and guidelines issued by the Reserve Bank of India ('RBI') in this regard, from time to time, the provisions of the Articles of Association of NSDL Bank Limited (the 'Bank') and pursuant to the recommendation of the Nomination and Remuneration Committee and the Board of Directors of the Bank, Mr. Patric Barla who was appointed as an Additional Director (Independent), effective August 7, 2021, pursuant to the provisions of Section 161 of the Act to hold office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing under Section 160 of the Act from a Member proposing his candidature for the office of Director, being eligible, be and is hereby appointed as an Independent Director of the Bank, not liable to retire by rotation, for a period of three years effective August 7, 2021 up to August 6, 2024.

"RESOLVED FURTHER THAT any Director or Company Secretary of the Bank be and is hereby authorised to do all such acts, deeds, and things as may be required to give effect of this resolutions, including filling of necessary e-forms with the Registrar of Companies, RBI and such other regulatory authorities."

Registered Office:

Trade World, 'A' Wing, 4th Floor,
Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel (West)
Mumbai- 400 013

**By Order of the Board of Directors
For NSDL Payments Bank Limited**

Sd/-
Balan Santosh Parthasarathy
Company Secretary
Membership No. ACS49602

Date: 07/08/2021
Place: Mumbai

NOTES:

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, ('the Act') relating to item No. 2 ordinary business and item no. 3 to 7 as Special Business to be transacted at the Annual General Meeting ('AGM') is annexed hereto.
2. In view of the continuing restrictions on the movement of people at several places in the country, due to outbreak of COVID-19, the Ministry of Corporate Affairs (MCA), vide its General Circular No. 20/2021 dated 13th January 2021 read with General Circular No. 20/2020 dated 5th May, 2020, General Circular No. 14/2020 dated 8th April, 2020, and General Circular No. 17/2020 dated 13th April, 2020 has allowed the Companies to conduct the AGM through Video Conferencing (VC) or Other Audio Visual Means (OAVM). In accordance with, the said circulars of MCA and applicable provisions of the Act, the 5th AGM of the Company shall be conducted through VC / OAVM.
3. As the AGM shall be conducted through VC / OAVM, the facility for appointment of Proxy by the Members is not available for this AGM and hence the Proxy Form and Attendance Slip including Route Map are not annexed to this Notice. The proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company located at 4th Floor, "A" Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400 013, which shall be deemed venue of the AGM.
4. Members are requested (Institutional/Corporate Shareholders) to send a scanned copy (PDF / JPEG format) of the Board Resolution authorising its representatives to attend and vote at the AGM, pursuant to Section 113 of the Act, at balanp@nsdlbank.co.in

ELECTRONIC DISPATCH OF ANNUAL REPORT AND PROCESS FOR REGISTRATION OF EMAIL ID FOR OBTAINING COPY OF ANNUAL REPORT:

5. In accordance with, the General Circular No. 20/2020 dated 5th May, 2020 issued by MCA, owing to the difficulties involved in dispatching of physical copies of the financial statements (including Report of Board of Directors, Auditor's report or other documents required to be attached therewith), such statements including the Notice of AGM are being sent in electronic mode to Members whose e-mail address is registered with the Company or the Depository Participant(s).
6. Members holding shares in dematerialised mode are requested to register / update their email addresses

with the relevant Depository Participants. In case of any queries / difficulties in registering the e-mail address, Members may write to balanp@nsdlbank.co.in

7. The Notice of AGM along with Annual Report for the financial year 2020-21, is available on the website of the Company at www.nsdlbank.com.

PROCEDURE FOR JOINING THE AGM THROUGH VC / OAVM:

8. Members will be able to attend the 5th AGM through VC/OAVM Facility download BlueJeans app from Google Play Store/iOS App store or from this link (<https://www.bluejeans.com/downloads>). Post installation of BlueJeans app on your device, please use this link <https://bluejeans.com/7863494611/4588> to join the said meeting.
9. For convenience of the Members and proper conduct of AGM, Members can login and join at least 30 (thirty) minutes before the time scheduled for the AGM and shall be kept open throughout the proceedings of AGM.
10. Members who need assistance with the use of technology for joining the AGM through VC/OAVM can contact the Company Secretary at the below mentioned details:

Mr. Balan Santosh Parthasarathy
Company Secretary
Mobile no - +91 9870031277
Email id: balanp@nsdlbank.co.in
11. Please note that participants connecting from Mobile devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio / Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
12. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

PROCEDURE TO RAISE QUESTIONS / SEEK CLARIFICATIONS WITH RESPECT TO ANNUAL REPORT:

13. As the AGM is being conducted through VC / OAVM, for the smooth conduct of proceedings of the AGM, Members are encouraged to express their views/ send their queries in advance mentioning their name, email id, mobile number at balanP@nsdlbank.co.in Questions/ queries received by the Company till 5.00 p.m. on (September 26, 2021) shall only be considered and responded during the AGM.



14. Members who would like to express their views or ask questions during the AGM may raise their hands however the Company reserves the right to restrict the number of questions and number speakers, as appropriate for smooth conduct of the AGM

GENERAL INFORMATION:

15. The voting rights shall be as per the number of equity shares held by the Member(s) as on AGM date, being the cut-off date.
16. During the AGM, the Register of Directors and Key Managerial Personnel and their Shareholding maintained under Section 170 of the Act, the Register of Contracts or arrangements in which Directors are interested under Section 189 of the Act shall be available for inspection upon request.
17. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 2

The RBI vide its circular no. RBI/2021-22/25 Ref. No. DoS. CO. ARG / SEC.01 /08.91.001/2021-22, dated 27th April 2021, has brought about certain significant modifications to "Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)"

These guidelines are applicable to the Commercial Banks (excluding RRBs), UCBs and NBFCs including HFCs (hereinafter referred to as the Entities) for Financial Year 2021-22 and onwards in respect of appointment/reappointment of statutory auditors of the Entities.

In accordance with the aforesaid direction the present statutory auditors of NSDL Payments Bank Limited, M/s. Khimji Kunverji and Co. LLP would be completing their 3 years of continuous statutory audit assignment in the ensuing Annual General Meeting. In this context, the Bank has to appoint a new incumbent statutory audit firm, for a 3 year term from ensuing Annual General Meeting as the existing auditors are not eligible for re-appointment.

Subsequently, the Bank in order to comply with the aforesaid RBI guidelines had invited a commercial proposal from M/s. V Sankar Aiyar & Co., Chartered Accountants and M/s. CNK and Associates LLP to act as the Statutory Auditors of the Company from the conclusion of the 5th Annual General Meeting till the conclusion of the 8th Annual General Meeting of the Company. The Audit firms have also submitted a written declaration to the effect that their appointment, if made, would be subject to the provisions of sections 139, 141 and other applicable provisions of the Companies Act, 2013 and rules made thereunder and the extant directions issued by the RBI. Further, the Bank has also received an eligibility certificate from V Sankar Aiyar & Co. and CNK and Associates LLP in Form-B as prescribed under the aforesaid RBI Guidelines on Appointment as Statutory Auditors. They have also been subject to peer review by ICAI.

Further, on the basis of recommendation of the Audit Committee and considering the profile, experience and specialisation in the audit of banking and financial service sector, the Board of Directors has recommended the appointment of M/s. V Sankar Aiyar & Co., Chartered Accountants, (Firm Reg. No. 109208W) for a period of 3 years from the conclusion of this fifth Annual General Meeting (for FY 2021-22) till the conclusion of the Eighth Annual General Meeting (FY 2023-24) of the Bank for the approval of the shareholders at the ensuing AGM, subject to approval of RBI on an annual basis.

M/s. V Sankar Aiyar & Co., Chartered Accountants, (Firm Reg. No. 109208W) shall act as auditors of the Bank until the conclusion of the 8th AGM at for such remuneration and expenses thereafter as may be mutually agreed between the Bank and the said Statutory Auditors and as may be further approved by the Board from time to time, with power to the Board, including relevant Committee(s) thereof, to alter and vary the terms and conditions of appointment, etc., including by reason of necessity on account of conditions as may be stipulated by the RBI and / or any other authority, in such manner and to such extent as may be mutually agreed with the Statutory Auditors and additionally out of pocket expenses, outlays and taxes as applicable. The remuneration paid to the Statutory Auditors will be disclosed in the Annual financial statements of the Bank.

Your Board of Directors, therefore, recommends the passing of the ordinary resolution as set out in Item no. 2 of the accompanying Notice.

None of the Directors, Key Managerial Personnel of the Bank and their relatives are, in any way, concerned or interested financially or otherwise, in the resolution set out in Item no. 2 of this notice.

Item No. 3

In terms of the RBI Circular dated March 31, 2020 on 'Appointment of Managing Director and Chief Executive Officer (MD & CEO) / CEO / part-time Chairperson (PTC) in Banks 'Declaration and Undertaking' and allied matters,' the Bank was required to submit an application for re-appointment of the MD&CEO to RBI at least six months before the expiry of the current term of the interim CEO. Accordingly, the Nomination and Remuneration Committee (NRC) at its meeting held on August 5, 2020 had assessed and determined that Mr. Abhijit Madhukar Kamalapurkar [DIN: 08849177] is a fit and proper person to be appointed as MD&CEO of the Bank as per the norms prescribed by the RBI, and that he fulfils the conditions specified in the Act and the relevant Rules made thereunder and circulars issued by the RBI, in this regard, from time to time. Accordingly, on the basis of recommendation of the NRC and considering the experience of Mr. Abhijit Madhukar Kamalapurkar [DIN: 08849177], the Board at its meeting held on August 5, 2020 approved and recommended his appointment of Mr Abhijit Madhukar Kamalapurkar [DIN: 08849177] as the MD&CEO of the Bank to RBI for a period of three years effective March 9, 2021. RBI vide its letter dated December 1, 2020 had approved the appointment of Mr. Abhijit Madhukar Kamalapurkar [DIN: 08849177], MD&CEO of the Bank, for a period of three years effective March 9, 2021 being the date of taking charge of the MD & CEO.

In view of the above and on the basis of recommendation of the NRC, the Board at its meeting held on February 10, 2021 had approved the appointment of Mr. Abhijit Madhukar Kamalapurkar, as the MD&CEO and the Key Managerial Personnel of the Bank for a period of three years effective March 9, 2021. In the opinion of the Board, Mr. Kamalapurkar fulfils the conditions for the said appointment as prescribed under the relevant provisions of the Act and the relevant Rules made thereunder, BR act and other guidelines issued by the RBI, from time to time.

Mr. Kamalapurkar has provided his consent/declarations for appointment as required under the Act and the Rules made thereunder including the declaration that he is not disqualified from being appointed as the MD & CEO. He has affirmed that he is not de-barred from holding office of Director by virtue of any order by any authority.

Your Board of Directors, therefore, recommends the appointment of Mr. Abhishek Madhukar Kamalapurkar, as the Managing Director & CEO of the Bank, not liable to retire by rotation, for a period of three years effective March 9, 2021.

Save and except Mr. Kamalapurkar and his relatives, none of the other Directors, Key Managerial Personnel of the Bank

and their relatives are, in any way, concerned or interested financially or otherwise, in the resolution set out at Item No.3 of this Notice.

Item No. 4

The resolution seeks to obtain the Members' approval for the remuneration of Mr. Kamalapurkar effective March 9, 2021, on the following terms and conditions, subject to approval of the RBI.

Terms and conditions of appointment:

- The salary and allowances will be as per Annexure I & II.
- The company will be entitled to deduct from the payment due to the incumbent, applicable taxes and statutory levies and any dues payable by you to the Company.
- Staff Rules and Regulations and Code of Ethics framed by the Company from time to time would be applicable.
- The incumbent is required to undergo a medical examination. The appointment would be subject to the incumbent being found medically fit for service in the Company.
- The incumbent shall make available the original and attested photocopies of certificates regarding his age, educational qualifications and experience for our records and verification.
- If any statement, declaration or information given by the incumbent is at any time found to be false or untrue or if any material particular is suppressed, his services are liable to be terminated forthwith without any notice or compensation in lieu thereof.
- The notice period will be three months' from either side.
- The services are liable to be terminated forthwith without any notice or compensation or in the alternative, the incumbent shall be liable to disciplinary action and imposition of penalty in accordance with the Company Staff Rules if after he reports for duty the Company receives information that the incumbent had, prior to joining the company's services, committed any act of misconduct which, in the opinion of the Company renders you unfit to serve in the Company.
- The Compensation shall be as per the Remuneration and Compensation Policy of the Bank, read with the applicable provisions of the Banking Regulation Act, RBI Circular no. DOR.Appt. BC.No.23/29.67.001/2019-20 dated November 4, 2019 and such other any amendments therein or any circulars/ guidelines as may be notified by RBI from time to time.



- Target variable pay as Performance Linked Incentive (PLI), as may be determined by the Nomination and Remuneration Committee/Board, not below 50% and not exceeding 150% of the fixed pay. Currently the target variable pay is proposed at 50% of fixed CTC.
- Fifty percent of the PLI shall be paid on deferred basis after three years, subject to malus and clawback arrangements.

Annexure I

The MD & CEO shall be entitled to a Fixed CTC of ₹1,31,25,000 per annum. The detailed break-up of salary components is as follows:

- Basic Pay: The MD & CEO shall be entitled to a Basic pay of ₹ 3,28,125/- per month.
- House Rent Allowance: 50% of the Basic Pay per month. No housing accommodation will be provided by the Company.
- Supplementary allowance: This allowance of ₹4,78,594/- will be paid per month and will be fully taxable.
- A Company car with driver salary or re-imbursement of expenses subject to a ceiling of ₹ 6,60,000/- per annum.
- Annual Performance Linked Incentive (PLI) as may be determined by the Nomination & Remuneration Committee/Board.
- Annual increments to be decided by the Nomination & Remuneration Committee/Board.
- Medical benefits of ₹ 15,000/- every year covering self, spouse and dependent children.
- Leave Travel Allowance of one month's basic pay on reimbursement basis for each year of service.
- Group Mediciclaim, Group Personal Accident and Term Life Insurance cover will be as per the company's Insurance policy.
- Company's contributions to Provident Fund would be made at the rate of 12% of basic pay.
- Gratuity is payable as per the Payment of Gratuity Act and as per rules of the company.
- Leave Encashment will be reimbursed as per Staff Rules of the Company.
- Telephone and internet facility at the residence.
- The MD & CEO shall also be entitled to such other benefits as are made available by the Company to members of the staff from time to time.

Annexure II

CTC Offered:

Salary Components	Yearly (in ₹)
Basic	39,37,500
HRA (50 % of Basic)	19,68,750
Medical	15,000
LTA (1 month Basic)	3,28,125
Supplementary allowance	57,43,125
Car lease (optional)	6,60,000
Employer PF	4,72,500
Total Fixed CTC	1,31,25,000
Gratuity	1,89,300
Total CTC	1,33,14,300

* Car lease facility and driver salary of ₹55,000 per month (optional). If car lease is not opted, the same would be included in the Supplementary allowance.

Target Variable Pay (at 50% of fixed CTC):

Salary Components	Yearly (in ₹)
Cash Component	66,57,150
Total target variable pay	66,57,150

Item No. 5:

The Board had appointed Mr N.S. Venkatesh as a Director of the Bank w.e.f. November 12, 2018 for a period of three years. Mr. N S Venkatesh has contributed immensely during the deliberations at the meetings of the Board and the Committees held during his current tenure. He brings to the Board his rich experience and insights in the matters of banking, treasury and risk management. The Bank continues to benefit immensely from his leadership and guidance. Mr. N S Venkatesh (DIN: 01893686), who was appointed as an Independent Director and who holds office as an Independent Director up to November 11, 2021 The Bank has received an application of the nomination of in terms of section 160 (1) for re-appointment of Mr. N. S. Venkatesh as an Independent Director on the Board of the Bank. Hence, it is proposed to re-appoint him as a Director on the Board of the Bank for a period of 3 years with effect from November 12, 2021.

In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and Banking Regulations Act, 1949 for such an appointment. The Board of the Bank is of the opinion that Mr. N. S. Venkatesh is a person of integrity and has relevant experience and expertise to be re-appointed as an Independent Director of the Bank. Accordingly, based on the skills, experience, knowledge and performance evaluation of Mr. N. S. Venkatesh, the Board recommends the resolution in relation to the re-appointment of as an Independent Director, for the approval by the shareholders of the Bank.

The appointment of Mr. N. S. Venkatesh is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949 ('BR Act'), in particular, on account of his having the requisite experience/expertise in the area of Banking, Treasury Management, Accountancy and Finance as required under Section 10A(2) of the BR Act. The Bank would benefit immensely from his rich experience.

Except Mr. N.S. Venkatesh, being an appointee, none of the Directors and Key Managerial Personnel of the Bank and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 5.

Item No. 6

The Board had appointed Dr. (Mrs.) Bala Krishnamoorthy as a Director of the Bank w.e.f November 12, 2018 for a period of three years . Dr. (Mrs) Bala Krishnamoorthy brings to the Board her rich experience and insights in the matters of banking, customer service, management and strategy. The Bank continues to benefit immensely from his leadership and guidance. Dr. (Mrs.) Bala Krishnamoorthy (DIN: 08247118), who was appointed as an Independent Director and who holds office as an Independent Director up to November 11 , 2021. The Bank has received an application of the nomination in terms of section 160 (1) for re-appointment of Dr. (Mrs.) Bala Krishnamoorthy as an Independent Director on the Board of the Bank. Hence, it is proposed to re-appoint her as a Director on the Board of the Bank for a period of 3 years with effect from November 12, 2021 .

In the opinion of the Board, Dr. (Mrs.) Bala Krishnamoorthy fulfils the conditions specified in the Companies Act, 2013 and Banking Regulations Act, 1949 for such an appointment. The Board of the Bank is of the opinion that Dr. (Mrs) Bala Krishnamoorthy is a person of integrity and has relevant experience and expertise to be re-appointed as an Independent Director of the Bank. Accordingly, based on the skills, experience, knowledge and performance evaluation of Dr. (Mrs.) Bala Krishnamoorthy the Board recommends the resolution in relation to re- appointment of Dr. (Mrs.) Bala Krishnamoorthy as an Independent Director, for the approval by the shareholders of the Bank.

Dr. (Mrs.) Bala Krishnamoorthy is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949 ('BR Act'), in particular, on account of his having the requisite experience/expertise in the area of Banking, customer service, Management and strategy as required under Section 10A(2) of the BR Act. The Bank would benefit immensely from her rich experience.

Except Dr. (Mrs.) Bala Krishnamoorthy, being an appointee, none of the Directors and Key Managerial Personnel of the Bank and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

Item No. 7

The Board of Directors (the 'Board') of the Bank at its meeting held on August 6, 2021, pursuant to the recommendation of the Nomination and Remuneration Committee ('NRC'), approved the appointment of Mr. Patric Barla [DIN: 08849177] as an Additional Director (Independent) of the Bank effective August 7, 2021. Pursuant to the provisions of Section 161 of the Act, he continues to hold office as an Additional Director of the Bank, upto the date of the ensuing AGM of the Bank and is eligible for appointment. In terms of Section 160(1) of the Act, the Bank has received a notice in writing from a Member signifying his intention to propose the candidature of Mr. Patric Barla for the office of Director of the Bank. Mr. Patric Barla has furnished consent/ declarations for appointment as required under the Act and the Rules made thereunder including the declaration that he is not disqualified from being appointed as a Director.

The NRC has assessed and determined that Mr. Patric Barla is a fit and proper person to be appointed as a Director of the Bank, as per the norms prescribed by the RBI and that he fulfils the conditions specified in the Act and the relevant Rules made thereunder, guidelines and circulars issued by the RBI, in this regard, from time to time. Accordingly, NRC recommended his appointment to the Board.

The Bank has received the declaration from Mr. Patric Barla to the effect that he fulfils all criteria of independence stipulated in the Act and inclusion of his name in the independent director's databank. In the opinion of the Board, Mr. Patric Barla is independent of the management of the Bank and fulfils the conditions specified in Section 149(6) of the Act, the rules made thereunder for his appointment as an Independent Director. Further, the Board is also of the opinion that Mr. Patric Barla is a person of integrity and has relevant experience and expertise to be appointed as an Independent Director of the Bank.

Mr. Barla's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949 ('BR Act'), in particular, on account of his having the



requisite experience/ expertise in the area of Banking, Risk Management, Accountancy and Finance as required under Section 10A(2) of the BR Act. The Bank would benefit immensely from his rich experience.

Except Mr. Patric Barla, being an appointee, none of the Directors and Key Managerial Personnel of the Bank and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

Place: Mumbai

Registered Office:

Trade World, 'A' Wing, 4th Floor,
Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel (West).
Mumbai – 400 013

**By Order of the Board of Directors
For NSDL Payments Bank Limited**

Sd/-
Balan Santosh Parthasarathy
Company Secretary
Membership No. ACS49602
Date: August 7th, 2021

Other Disclosure relating to Directors seeking appointment/re-appointments pursuant to Clause 1.2.5 of Secretarial Standards-2 on General Meetings

Name of Director	Mr. N S Venkatesh	Dr. (Mrs.) Bala Krishnamoorthy	Mr. Abhijit Madhukar Kamalapurkar	Mr. Patric Barla
Category	Independent Director	Independent Director	Managing Director & CEO	Independent Director
Date of Birth	23-04-1957	28-06-1954	18-07-1972	06-01-1958
Qualifications	BSc, ACA, CAIIB, Diploma in Financial Services	BSc Chemistry, MA, PG Diploma in planning, PHD Management.	B.com, CAIIB	MA in Economics
Experience	Mr. N.S. Venkatesh is currently the CEO of Association of Mutual Funds in India (AMFI), a non-profit trade body of asset management companies (AMCs) of mutual funds in India registered with SEBI. Prior to joining AMFI, he was the Executive Director of Lakshmi Vilas Bank. He has over 3 decades of commercial banking experience at various levels including credit, accounts, audit, taxation, risk management, treasury, international banking, centralised operations, regulatory compliance, asset liability management, budgeting and information technology.	Associate Dean-Accreditation, Professor, SVKM's NMIMS School Business Management, Mumbai 400056. In Service since year 2001. Associate professor of NMIMS since 2001. She has varied and all-around experience in both Academics and Administration, industry-Institute Partnership, Mentoring and guiding Phd Students, Curriculum Development and Accreditation.	Worked in 4 Pvt sector banks (HDFC Bank/ ICICI Bank/ YES Bank/ IDFC First Bank) and One MNC Bank (J.P Morgan) handling Transaction Banking where payments and collection are a key area of expertise. Have experience from Operations to technology to Product development and Sales as a function. Have been in startup of YBL and IDFC FIRST Bank, before operationalisation of the Banks and completely aware of the set up, including setting up of the processes, Products, Technology, accounting systems. Recruitment of the teams and managing them. Covering all the risks and Mitigants for the Operational Risk management frame work. Each of the Product process have been taken through the ORM and subjected to multiple RBI Audits. Under Trade Finance have been instrumental in laying down the processes subject to all the guidelines under FEMA/ UCPDC and RBI frame work. Have been also presenting the cases related to Trade finance in the committees for Credit risk of the borrowers. Very closely associated with most of the Fintechs and hence able to overlay technology to the process automation to ensure right customer delivery.	Professional central banker with working knowledge / experiences for over 31 years in various offices / departments of RBI in different capacities, thereby developing good expertise / skills in the areas of Regulation and Supervision of banks/FIs/NBFCs, Inspection Follow-up & Compliance, Financial Inclusion and development, Consumer Education & Protection, Currency Management, Banking Ombudsman Scheme, Customer Services & Grievance Redressal Mechanism, Government Banking, etc. Ex-CGM, RBI. Post retirement, since June 2018, engaged as a member of External Screening committee set up at SBI, CO, Mumbai for resolution of NPAs. Committee provides advisory services in resolution of bad assets.
Terms & Conditions appointment or reappointment	Appointment is as per Banking Regulation Act 1949; Companies Act, 2013 and guidelines as may be specified by RBI.	Appointment is as per Banking Regulation Act 1949; Companies Act, 2013 and guidelines as may be specified by RBI.	Appointment is as per Banking Regulation Act 1949; Companies Act, 2013 and guidelines as may be specified by RBI.	Appointment is as per Banking Regulation Act 1949; Companies Act, 2013 and guidelines as may be specified by RBI.
Remuneration Details	Remuneration shall be paid in the form of sitting fees within the limits prescribed under the Companies Act, 2013 for attending the Board and Committee meetings.	Remuneration shall be paid in the form of sitting fees within the limits prescribed under the Companies Act, 2013 for attending the Board and Committee meetings.	Remuneration shall be as per the compensation guidelines of November 2019 and as approved by RBI.	Remuneration shall be paid in the form of sitting fees within the limits prescribed under the Companies Act, 2013 for attending the Board and Committee meetings.
Date of first appointment on the Board	12-11-2018	12-11-2018	March 9, 2021	At the ensuing AGM



Shareholding in the Company	NIL	NIL	NIL	NIL
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	None	None	None	None
Number of Board meetings attended during the year 2020-21	3	4	0	0
List of other Directorship held	Dharmista Mithran Omkara Assets Reconstruction Private Limited INTEGRO FINSERVE Private Limited Indel Money Private Limited Clearcorp Dealing Systems (India) Limited International Investment Funds Association (IIFA), Canada	NA	NA	NA
Chairman/Member of the Committees of Board of other Companies	International Investments Funds Association (IIFA), Canada Audit & Finance Committee -Member Governance and Membership Committee – Member Cybersecurity Working Committee- Member Clearcorp Dealing Systems (India) Limited CSR Committee Investment Committee of Directors			
Chairman/Member of the Committees of Board of the Company	Audit Committee – Member IT Strategy Committee- Member Customer Service Committee- Member Committee of Independent Directors - Member	Customer Service Committee- Member	Risk Committee- Member IT Strategy Committee- Member Customer Service Committee- Member	NA

DIRECTOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2021

To the Members,

Your Directors have the pleasure of presenting the 5th Annual Report along with the Audited Financial Statements of your Bank for the year ended March 31, 2021.

BUSINESS OVERVIEW

The pandemic has created unprecedented challenges, affected people's lives and impacted economic activity across the world. At the same time, these events have only accelerated the pace of change and will redefine the way businesses, people and governments engage. Digitisation has gained pace thereby opening more opportunities for your Bank which seeks to create a whole new experience in digital banking in its chosen target segments.

During the year, your Bank has launched its operations in multiple segments and established itself as a user-friendly app-based digital bank. NSDL Jiffy, the bank's app, witnessed good user reviews and gained reputation for a slick interface and intuitive, seamless user journeys. The app allows a fully digital savings account opening process with features like virtual debit card and payments through NEFT, IMPS and UPI. The app offers many biller categories under Recharge and Bill Payments making it a one-stop-shop for its users. The app offers mutual fund investments and simple insurance products using a fully digital process. The app allows seamless technical integration with trading accounts of customers held with partner stockbrokers.

The Bank became an active player in financial inclusion by providing banking access to the underbanked and unbanked segments. The Bank expanded its Domestic Money Transfer services network through the Business Correspondents and launched Micro ATM and AePS services.

The Strategy of the Bank is to concentrate its efforts in Digital Banking, Merchant Acquiring, Financial Inclusion, Capital Markets, Investment products and prepaid cards.

The Bank envisions a future where every Indian is just a click away from a bank.

Financial Position

The financial results of the Bank are as under:

(Amt In '000')			
Particulars	2020-21	2019-20	2018-19
Total income	623,045	63,678	59,148
Total expenses	747,860	202,374	1,24,439
Profit / (Loss) for the year	(124,815)	(138,696)	(65,291)
Loss brought forward	(241,741)	(103,405)	(37,754)
Total Loss After Tax	(366,556)	(241,741)	(103,045)
Basic & diluted EPS	(0.77)	(1.02)	(0.60)

The comparative financial information of the Bank for the year ended March 31, 2019 and March 31, 2020 has been included as per the Banking Regulation Act, 1949.

Total income of the Bank increased to Rs 62.30 crore during the year from Rs 6.37 crore in the previous year, while the loss for the year reduced to Rs 12.48 crore from Rs 13.87 crore in the previous year.

No material changes and commitments have occurred after the close of the year till the date of this Report, which affect the financial position of the Bank.

Your Bank has not undergone any changes in the nature of the business during the financial year.

DIVIDEND

Your Directors do not propose any dividend for the financial year 2020-21.

TRANSFER TO GENERAL RESERVES

Due to absence of profits, no amount has been proposed to transfer to general reserves.

SHARE CAPITAL

As on March 31, 2021, the paid-up share capital stood at ₹180 crores comprising of 18,00,00,000 equity shares of ₹10 each. During the year under review, the Bank had issued 3,00,00,000 equity shares of ₹ 10 each by way of rights issue. None of the Directors of the Bank hold shares in the Bank.

REPORT ON PERFORMANCE OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

During the year under review, your Bank did not have any subsidiary, associate and joint venture company.



STATUTORY AUDITORS

M/s. Khimji Kunverji & Co. LLP, Chartered Accountants, (Firm Registration No. 105146W) had been appointed as the auditors of the Bank for the financial year 2020-21 and retire at the 5th Annual General Meeting of the Bank. It is proposed to appoint M/s. V Sankar Aiyar & Co. as Statutory Auditors of the Bank in the Fifth Annual General Meeting, for a period of three years commencing from FY 2021-22 to FY 2023-24 (i.e. from the conclusion of the Fifth Annual General Meeting till the conclusion of Eight Annual General Meeting) subject to approval of RBI on an annual basis. The Bank has received a certificate from M/s V. Sankar Aiyar & Co. to the effect that their appointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013. The Auditors Report does not contain any qualification, reservation or adverse remark and the points raised in the Audit report are self-explanatory.

SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed MMJB & Associates LLP to undertake the Secretarial Audit. The Secretarial Audit Report in Form MR-3 is annexed herewith as "Annexure". The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

REPORTING OF FRAUDS BY AUDITORS

During the year under review, the Statutory Auditors and Secretarial Auditor have not reported any instance of frauds committed in the Bank by its officers or employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

INTERNAL CONTROLS AND AUDIT

Your Bank has well established processes and clearly defined roles and responsibilities at various levels. Comprehensive policies and standard operating procedures have been/are in process of being put in place in various departments of your Bank. There is an internal auditor appointed for conducting internal and operations audit of the Bank. The report of the Internal Auditor along with management response is before the Audit Committee for review. In order to provide further comfort, the Bank has also appointed a third party auditor to provide independent assurance on policy and processes of the Bank in an advisory capacity. As part of regulatory requirements, your Bank has also undergone IT Audit conducted by CISA certified auditor. Your Bank has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at March 31, 2021.

RISK MANAGEMENT AND INSURANCE

Taking into account various risks involved, an Executive Risk Management Committee has been constituted by the Bank for the identification, assessment, evaluation, monitoring, mitigation and management of risks. The Committee functions as the apex management body to approve policies, processes, products, evaluate/monitor risks and take decisions on mitigation of critical risks and compliance issues.

The Risk Management Policy and Framework approved by the Board of the Directors of the Bank drives the enterprise-wide function of Risk Management, wherein all material risks faced by the Bank are identified and assessed. For each of the risks identified, corresponding controls are assessed and policies and procedures are put in place for monitoring, mitigating and reporting on periodic basis.

DEPOSITS

Being a banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with sections 73 & 74 of the Companies Act, 2013 are not applicable to your bank.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

No material related party transactions were entered during the Financial Year under review, by your Company and hence the disclosure of related party transactions as required under Section 134(3)(h) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, in Form AOC -2, is not applicable to your Company.

POSITIVE WORK ENVIRONMENT

Your company has formulated and adopted a policy on prevention of sexual harassment at work place and takes all necessary measures to ensure a harassment free work place and has instituted an Internal Complaints Committee for redressal of complaints and to prevent sexual harassment.

No complaints were received during the FY 2020-21.

BOARD OF DIRECTORS

A. CHANGES IN BOARD DURING THE YEAR

The selection and appointment of Directors of the Bank is done in accordance with the relevant provisions of

the Companies Act, 2013, the relevant Rules made thereunder, the Banking Regulation Act, 1949 and the Guidelines issued by the RBI. As on March 31, 2021, the Bank has Six (6) Directors.

During the year under review, Mr. Abhijit Kamalapurkar took charge as MD & CEO of the Bank on March 9, 2021.

B. Details of directors seeking appointment / re-appointment at the forthcoming AGM

In accordance with the provisions of Section 149, 150 and 152 of the Companies Act, 2013 and pursuant to the Banking Regulation Act, 1949 the proposal for reappointment of Mr. N. S. Venkatesh and Dr. Mrs. Bala Krishnamoorthy, Independent Directors is being made in view of cessation of their term of office on November 11, 2021 as in the opinion of the Board they fulfill the requirement under the Companies Act, 2013 and the Banking Regulation Act, 1949.

C. Board Procedures and Meetings

A minimum of four Board meetings are held every year. Apart from the above, additional Board meetings are convened by giving appropriate notice in advance to all the Directors to address the specific needs of the Bank. The dates of the Board meetings are decided with the mutual consent of all the Directors. The Board meetings are usually held at the registered office of the Bank. However in case of special and urgent business, the Board also approves by Circular Resolution, important items of business which are permitted by Companies Act.

During the year under review, four Board meetings were held on June 12, 2020, August 5, 2020, November 3, 2020 and February 10, 2021 respectively. Details of attendance of each director at the Board Meetings held during the financial year 2020-21 are as follows:

Name of the Member	Designation	June 12, 2020	August 5, 2020	November 3, 2020	February 10, 2021
Mr. G.V Nageswara Rao	Chairman	P	P	P	P
Mr. L Ravi Sankar	Member	P	P	P	P
Dr. Santanu Paul	Member	P	P	P	P
Mr. N.S.Venkatesh	Member	P	P	A	P
Dr. (Mrs) Bala Krishnamoorthy	Member	P	P	P	P

D. DECLARATION FROM INDEPENDENT DIRECTORS

The Independent Directors have given declaration of independence, as required pursuant to section 149(7) of the Companies Act, 2013, stating that they meet the criteria of independence as provided in section 149(6) of the Companies Act, 2013. In the opinion of the Board, these Independent Directors fulfil the conditions specified in the Companies Act, 2013 and rules made there under for appointment as Independent Directors and confirm that they are independent of the management.

E. POLICY ON DIRECTORS', KEY MANAGERIAL PERSONNEL & OTHER EMPLOYEES APPOINTMENT AND REMUNERATION

The Policy on appointment and remuneration of Directors, Key Managerial personnel and other employees including criteria for determining qualifications, positive attributes, independence and other matters provided under Section 178(3) of the Companies Act, 2013, has been adopted by the Board pursuant to the recommendation of the Nomination and Remuneration Committee.

F. PERFORMANCE EVALUATION OF THE BOARD AND DIRECTORS:

Bank has introduced a evaluation criteria for evaluation of the Board's own performance and the Directors individually and same has been implemented as a prudent governance practice. During the year under review, the annual performance evaluation of the Board's own performance, the Directors individually was carried out by the Bank.

BOARD COMMITTEES

I. Audit Committee

The Board has constituted the Audit Committee in accordance with provisions of Section 177 of the Companies Act, 2013. The Committee has three members with Mr. L. Ravi Sankar as its Chairman. The Audit Committee assists the Board in its responsibility of overseeing the quality and integrity of the accounting, auditing and reporting practices of the Bank and its compliance with the legal and other regulatory requirements. The Committee's purpose is to oversee the accounting and financial process of the Company and review the quarterly and annual financial accounts of the Bank. The Committee reviews reports of the Internal Auditors and Statutory Auditors and discusses their findings, suggestions, internal control system, scope of audit, observations



of the auditors and also reviews accounting policies followed by the Bank.

During the FY 2020-21 the Committee met four times on June 12, 2020, August 5, 2020, November 2, 2020 and February 9, 2021 respectively. The details of composition and attendance of members of the Audit Committee are given hereunder:-

Name of the Director	Designation	June 12, 2020	August 5, 2020	November 2, 2020	February 9, 2021
Mr. L Ravi Sankar	Chairman	P	P	P	P
Mr. G.V. Nageswara Rao	Member	P	P	P	P
Mr. N.S. Venkatesh	Member	P	P	A	P

II. Nomination and Remuneration Committee

The Board has constituted the Nomination and Remuneration Committee in accordance with provisions of Section 178 of the Companies Act, 2013 and rules made thereunder. The Committee has three members with Dr. Santanu Paul as its Chairman. The Nomination and Remuneration Committee discharges such functions as defined in the Companies Act, 2013. The Committee met Two times during the year on June 12, 2020, August 4, 2020, November 2, 2020 and February 9, 2021. Details of compositions and attendance of each member at the Committee Meetings held during the year are as follows:

Name of the Director	Designation	June 12, 2020	August 4, 2020	November 2, 2020	February 9, 2021
Dr. Santanu Paul	Chairman	P	P	P	P
Mr. L Ravi Sankar	Member	P	P	P	P
Mr. G. V. Nageswara Rao	Member	P	P	P	P

In addition to the Committees covered specifically in detail above as per the Companies Act, 2013, the Bank also has following Committees, namely:

i) Strategic Advisory Committee

ii) Board-level Committees

- Risk Management Committee
- Customer Service Committee
- IT Strategy Committee

iii) Executive-level Committees

- Executive Risk Management Committee
- Assets-Liability Management Committee
- Information & Cyber Security Committee
- Standing Committee on Customer Service
- Investment Committee
- Audit Committee of Executives

DETAILS OF KEY MANAGERIAL PERSONNEL (KMPs)

In terms of Section 203 of the Companies Act, 2013, the details of the KMPs are as under:

Name	Designation
Mr. Abhijit M Kamalapurkar	Managing Director & CEO
Mr. Abhishek Bagchi	Chief Financial Officer
Mr. Balan Santosh Parthasarathy	Company Secretary

* Mr. Abhijit Kamalapurkar was took charge as MD & CEO of the Bank on March 9, 2021.

CORPORATE SOCIAL RESPONSIBILITY

Your Bank currently does not fall within the purview of Corporate Social Responsibility (CSR) in accordance with the provision of Section 135 of the Companies Act, 2013.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Bank has a Whistleblower Policy for informing any event fearlessly which goes against the Bank's values and ethical standards to a designated authority in the Bank. This Policy is intended to help Directors and employees of the Bank report major concerns over any wrongdoing within the Bank. The Bank has appointed the Internal Auditor as the Vigilance Officer for the purpose of reporting, enforcing and monitoring the Whistleblower Policy and procedures.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

During the year under review, no significant and material order was passed by the Regulators or Courts or Tribunals impacting the going concern status and Bank's operation in future.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3) (c) of the Companies Act, 2013:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to the material departures, if any;

- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss of the Bank for that period;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing & detecting fraud and other irregularities;
- that internal financial controls to be followed by the Bank are laid down and that such internal financial controls are adequate and were operating effectively.
- that they have prepared the annual accounts on a going concern basis; and
- that they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

COMPLIANCE WITH SECRETARIAL STANDARDS

Your Company is in compliance with Secretarial Standards issued by the Institute of Company Secretaries of India

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO

- a) Conservation of Energy, Technology absorption

The Company has a policy of switching off power after the office time in those areas where staff has left for

the day. Staffs are strictly instructed to switch off their monitors before they leave for the day. The Company also maintains the air conditioning temperatures to conserve energy. The Company continuously strives to optimize its energy usage and efficiency. The nature of business is purely service oriented and does not require substantial energy consumption.

- b) Foreign Exchange earnings/outgo during the period under review
 Earnings -- NIL
 Outgo -- NIL

EXTRACT OF ANNUAL RETURN

Annual Return i.e. Form MGT-7 can be accessed on the Company's website at the web-link https://nsdlbank.com/regulatory_disclosure.php

PARTICULARS OF EMPLOYEES

During the year under review, no employee has received remuneration either from the Bank, and/or its holding company in excess of the limits prescribed under Section 197 (12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

APPRECIATION

Your Directors would like to place on record their sincere appreciation of the support provided by Reserve Bank of India, Ministry of Corporate Affairs, its bankers and shareholders.

For and on behalf of the Board of Directors

Sd/-

G. V. Nageswara Rao

Chairman

Place: Mumbai

Date: 07/08/2021



FORM NO. MR.3

DRAFT SECRETARIAL AUDIT REPORT

For The Financial Year Ended 31st March, 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
NSDL Payments Bank Limited
Trade World, 'A' Wing,
4th Floor, Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel (West),
Mumbai – 400013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **NSDL Payments Bank Limited** (hereinafter called the **"Bank"**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on 31st March, 2021 (hereinafter called the **'Audit Period'**) complied with the statutory provisions listed hereunder and also that the Bank has proper Board- processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on 31st March, 2021 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowing; **(Not applicable to the Bank during the Audit Period)**
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **(Not Applicable to the Bank during the Audit Period)**
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; **(Not Applicable to the Bank during the Audit Period)**
 - (c) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018; **(Not Applicable to the Bank during the Audit Period)**

- (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; **(Not Applicable to the Bank during the Audit Period)**
- (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **(Not Applicable to the Bank during the Audit Period)**
- (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not Applicable to the Company during the Audit Period)**
- (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; **(Not Applicable to the Company during the Audit Period)**
- (h) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; **(Not Applicable to the Bank during the Audit Period)**
- (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not Applicable to the Company during the Audit Period)** and
- (j) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **(Not Applicable to the Company during the Audit Period)**

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India
- (ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. **(Not Applicable to the Bank during the Audit Period)**

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards made thereunder.

We further report that, having regard to the compliance system prevailing in the Bank and on test-check basis, the Bank has generally complied with the following applicable sector specific laws and circulars issued thereunder:

- i. Banking Regulation Act, 1949
- ii. Reserve Bank of India Act, 1934,
- iii. The IRDA (Registration of Corporate Agents) Regulations, 2015

We further report that, the Board of Directors of the Bank is duly constituted with the approval of RBI. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

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



We further report that during the audit period the Bank has issued and allotted 3,00,00,000 Equity shares of Rs 10/- each at par aggregating to ₹ 30,00,00,000/- on Right Issue basis.

For MMJB and Associates LLP
Practising Company Secretaries

Sd/-

Saurabh Agarwal

Designated Partner

FCS No. 9290

CP No. 20907

Peer Review No. L2020MH006700

UDIN No. F009290B000337596

Place: Mumbai

Date: May 18, 2021

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

'Annexure A'

To
The Members,
NSDL Payments Bank Limited
Trade World, 'A' Wing,
4th Floor, Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel (West),
Mumbai – 400013

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

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

For MMJB and Associates LLP

Sd/-
Saurabh Agarwal
Designated Partner
FCS No. 9290
CP No. 20907

Peer Review No. L2020MH006700
UDIN No. F009290B000337596

Place: Mumbai
Date: May 18, 2021



REMUNERATION AND COMPENSATION POLICY

1. PREAMBLE

- 1.1 Pursuant to section 178(3) of the Companies Act, 2013, it is required that the Nomination and Remuneration Committee ("NRC") formulate and recommend to the Board a policy relating to the remuneration for Directors, Key Managerial Personnel ("KMP") and other employees of NSDL Payments Bank Limited (the "Bank" or "NPBL").

This Remuneration and Compensation policy has been formulated pursuant to section 178 (3) of the Companies Act, 2013, Banking Regulation Act, 1949 and as amended in line with RBI guidelines on compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function Staff issued as on November 4, 2019 DOR. Appt.BC.No.23/29.67.001/2019-20 and related guidelines

2. GENERAL PRINCIPLES FOR REMUNERATION OF DIRECTORS, KMP AND OTHER EMPLOYEES

- 2.1 The NRC shall work in close coordination with Risk Management Committee of the bank, in order to achieve effective alignment between remuneration and risks. The NRC shall also ensure that the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- 2.2 Pursuant to section 178(4) of Companies Act, 2013, the following principles shall be ensured:
- 2.2.1 The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMPs, MRT's and other employees of the quality required to run the Bank successfully.
- 2.2.2 Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- 2.2.3 Remuneration to Directors, KMPs, MRT's and other employees involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Bank and its goals.
- 2.2.4 Directors, KMPs, MRT's and other employees are compensated adequately for the efforts put in by them for the growth and profitability of the Bank taking

into consideration their significant professional expertise and rich experience across a wide spectrum of functional areas, time commitment, ensuring compliance with various statutory requirements and current competitive business environment.

- 2.2.5 The remuneration of Directors, KMPs, MRT's and other employees are aligned with the long-term interests of the Bank and its shareholders.

- 2.2.6 Staff engaged in financial and risk control shall be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Bank.

- 2.2.7 There shall be effective alignment of remuneration with prudent risk taking:

2.2.7.1 Remuneration shall be adjusted for all types of risk, wherever applicable

2.2.7.2 Remuneration outcomes shall be symmetric with risk outcomes.

2.2.7.3 Remuneration payout schedules must be sensitive to the time horizon of risks

2.2.7.4 The mix of cash, equity and other forms of remuneration shall be consistent with risk alignment.

3. REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTORS

- 3.1 Non-executive / Independent Directors shall be paid sitting fees, travelling expenses including airfare, hotel stay and such other expenses as are incurred by them and allowed to be reimbursed as per the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 (B.R. Act) and RBI Circulars / Guidelines / Notifications / Directions issued from time to time.
- 3.2 The Non-executive / Independent Directors shall be covered under the Directors and Officers Liability Insurance ("D&O") Policy of the Bank.

4. REMUNERATION TO MANAGING DIRECTOR (MD) / WHOLE-TIME DIRECTOR (WTD) / CHIEF EXECUTIVE OFFICER (CEO)/ MATERIAL RISK TAKERS (MRTs)

- 4.1 The Bank shall ensure that for the MD / WTD/ CEO/ MRT's:
- (a) remuneration is adjusted for all types of risk,

- (b) remuneration outcomes are symmetric with risk outcomes, and
- (c) remuneration payouts are sensitive to the time horizon of the risk.
- (d) The mix of cash, equity and other forms of compensation must be consistent with risk alignment.

The Bank shall evaluate the entire spectrum of risks inherent in the payments bank model while determining the remuneration as mentioned in 4.1. above

The compensation structure for the WTDs/CEOs/MRTs of the bank shall be as under:

- 4.2 The remuneration payable to MD / WTD / CEO/MRT's may include fixed salary, perquisites, variable pay within the overall limit as per Section 197 of the

4.3 Fixed Pay

The Bank shall ensure that the fixed portion of compensation is reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. It may be noted that all perquisites that are reimbursable should also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will be treated as part of fixed pay.

4.4 Variable pay composition and deferral

- 4.4.1 As per Section 62 (iii) (b) in Companies Act, a company other than a listed company which is not required to comply with the SEBI regulations cannot issue further shares under employees stock option scheme for consideration other than cash unless the issue is authorised by a special resolution passed by the company in a general meeting and confirm to other prescribed conditions under the Companies Act 2013.

Due to the statutory restriction above, as the Bank is at present unlisted the variable pay shall not include share linked components at present till the time a special resolution to the effect is passed by the general meeting

Variable pay is defined as pay in the form of performance bonus, guaranteed Bonus (joining/sign-on Bonus), severance package, share linked instruments e.g. Employee Stock option Plan (ESOPs), pension plan, gratuity certain retiral benefits, allowances and other benefits, within the overall limit as per Section 197 of the Companies Act, 2013 and rules framed thereunder and within the limits as may be approved by RBI subject to the approval of the shareholders of the Bank.

Limit on Variable Pay:

The Bank shall ensure that there is a proper balance between fixed pay and variable pay. In accordance with FSB Implementation Standards, read with paragraph 2.1.2 (b) (iv) and bullet (a) of BCBS stipulations furnished in Appendix 2, a substantial proportion of compensation i.e., at least 50%, should be variable and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance, except in cases mentioned in paragraph 2.1.2 (b) (iii) and paragraph 2.2 of these Guidelines. At higher levels of responsibility, the proportion of variable pay should be higher

The variable pay, in the current statutory context, will be capped at 150% of the fixed pay, but shall not be less than 50% of the fixed pay.

The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero.

Deferral of Variable Pay:

- (i) For senior executives, including WTDs, and other employees who are MRTs (see paragraph 2.4 below), in adherence to FSB Implementation Standards, deferral arrangements must invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus should also be deferred.
- (ii) However, in cases where the cash component of variable pay is under ₹25 lakh, deferral requirements would not be necessary.

(d) Period of Deferral Arrangement:

The deferral period should be a minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.

(e) Vesting:

Deferred remuneration should either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The first such vesting should be not before one year from the commencement of the deferral period. The vesting should be no faster than on a pro rata basis². Additionally, vesting should not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex post adjustments.



4.5 Malus / Clawback

In the event of negative contribution of the Bank and/or the relevant line of business in any year, the deferred compensation shall be subject to malus/clawback arrangements.

Banks shall put in place appropriate modalities to incorporate malus/ clawback mechanism in respect of variable pay, taking into account Supplementary Guidance issued by FSB in March 2018 on use of compensation tools to address misconduct risk, and all relevant statutory and regulatory stipulations, as applicable. The bank shall identify a representative set of situations in their Compensation Policies, which require them to invoke the malus and clawback clauses that may be applicable on entire variable pay. When setting criteria for the application of malus and clawback, banks should also specify a period during which malus and/or clawback can be applied, covering at least deferral and retention periods.

4.6 Guaranteed bonus

Any joining / sign on bonus shall only occur in the context of hiring new staff and be limited to first year. The Bank shall not grant severance pay other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute. Further, joining/ sign-on bonus should be in the form of share-linked instruments only, since upfront payments in cash would create perverse incentives. Such bonus will neither be considered part of fixed pay nor part of variable pay. Further, banks should not grant severance pay other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory under any statute.

4.7 Hedging

The Bank shall not provide any facility or funds or permit employees to insure or hedge their remuneration structure to offset the risk alignment effects embedded in their remuneration arrangement. To enforce the same, the Bank shall establish appropriate compliance arrangements.

5. REMUNERATION OF RISK CONTROL / COMPLIANCE / MRT's AND OTHER STAFF

5.1 Members of staff engaged in finance , risk control, including internal audit and other control function staff shall be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Bank. The mix of fixed and variable remuneration for control

function personnel shall be weighted in favour of fixed remuneration. Therefore, the requirement of minimum 50% of total compensation to be paid in the form of variable pay will not be applicable for this category of staff. However, a reasonable proportion of compensation has to be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous. Subject to the above, while devising compensation structure for such staff, banks should adopt principles similar to principles enunciated for WTDs/CEOs, as appropriate.

5.2 The Bank may adopt all / any of the principles similar to the principles enunciated for MD/WTD/CEO/MRTs as appropriate while designing their remuneration structure.

Identification of Material Risk Takers of the bank

2.4.1 Banks should identify their Material Risk Takers (MRTs) whose actions have a material impact on the risk exposure of the bank, and who satisfy the qualitative and any one of the quantitative criteria given below:

Standard Qualitative criteria

- Relate to the role and decision-making power of staff members (e.g., senior manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

Standard Quantitative Criteria:

- Their total remuneration exceeds a certain threshold; the determination of which may be done prudently by the bank, or
- They are included among the 0.3% of staff with the highest remuneration in the bank, or
- Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

The Bank should make disclosure on remuneration of WTDs/CEOs/MRTs on an annual basis at the minimum, in their Annual Financial Statements.

5.3 All Employees shall conduct themselves to ensure that no breach of applicable Codes is committed. Any such breach shall have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.

6. DISCLOSURES

- 6.1 The applicable disclosures as required under the relevant provisions of the Companies Act, 2013, the rules made thereunder and RBI Circulars / Guidelines / Notifications / Directions including DBOD No.BC. 72 /29.67.001/2011-12, issued from time to time, shall be made with regard to the remuneration details of the Directors and other employees in the annual financial statements / Board's report.

7. ATTENDANCE OF CHAIRPERSON OF NRC AT GENERAL MEETINGS

- 7.1 Pursuant to section 178(7) of the Companies Act, 2013, the Chairperson or in his/her absence, any other member of the NRC (who will be deemed to be authorised by the Chairperson) shall attend the general meetings of the Bank.

8. POLICY REVIEW

- 8.1 This Policy may be amended, modified or supplemented, from time to time, to ensure compliance with any amendment, modification or supplementation to the Companies Act, 2013 and rules made there under, RBI regulations / guidelines or any other law relating to employee / Directors' compensation, issued from time to time. At a minimum the policy shall be subject to annual review
- 8.2 The Board of Directors shall actively oversee the remuneration system's design and operation and shall monitor and review the same at least on an annual basis to ensure that the system operates as intended.
- 8.3 Pursuant to Section 10(1)(b)(iii) of the Banking Regulation Act, 1949 (B.R. Act, 1949), the Bank shall neither employ nor continue the employment of any person whose remuneration is, in the opinion of the RBI, excessive.



ANNEXURE 1: DISCLOSURE REQUIREMENTS FOR REMUNERATION

Remuneration		
Qualitative disclosures	a.	Information relating to the composition and mandate of the Remuneration Committee.
	b.	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.
	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
	d.	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.
	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.
	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
Quantitative disclosures (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer/ Material Risk Takers)	g.	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.
	h.	<ul style="list-style-type: none"> Number of employees having received a variable remuneration award during the financial year. Number and total amount of sign-on/Joining Bonus made during the financial year. Details of severance pay, in addition to accrued benefits, if any
	i.	<ul style="list-style-type: none"> Total amount of outstanding deferred remuneration, split into cash, types of sharelinked instruments and other forms. Total amount of outstanding deferred remuneration, split into cash, types of sharelinked instruments and other forms. Total amount of deferred remuneration paid out in the financial year.
	j.	<ul style="list-style-type: none"> Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.
	k.	<ul style="list-style-type: none"> Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. Total amount of reductions during the financial year due to ex- post explicit adjustments. Total amount of reductions during the financial year due to ex- post implicit adjustments.
	l.	<ul style="list-style-type: none"> Number of MRTs identified
	m.	<ul style="list-style-type: none"> Number of cases where malus has been exercised. Number of cases where clawback has been exercised. Number of cases where both malus and clawback have been exercised
General Quantitative Disclosure		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.

INDEPENDENT AUDITOR'S REPORT

To the Members of NSDL Payments Bank Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of NSDL Payments Bank Limited ('the Bank'), which comprise the Balance Sheet as at March 31, 2021 and the Profit and Loss Account and the Cash Flows statement for the year then ended, and 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 together with notes thereon give full information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for banking companies and give true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2020;
- b. in case of the Profit and Loss Account, of the loss of the Bank for the year ended on that date;
- c. in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Basis for Opinion

2. We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and 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.

Emphasis of Matter

3. We draw attention to note no. 18.3.(3.22) of the financial statements, which describes that the extent to which the COVID-19 pandemic will impact on the operations of the Bank and the carrying value of its assets and

liabilities is not likely to be material. Our opinion is not modified in respect of this matter.

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

4. The Bank's Board of Directors is responsible for the preparation of the other information, comprising of the information included in the Management Discussion and Analysis, Directors' Report including Annexures to Directors' Report, and such other disclosures related Information, excluding the financial statements and auditors report thereon ('Other Information'). The other information is expected to be made available to us after the date of this auditors' report. 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read the other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charges with governance as required under SA 720 'The Auditor's responsibilities Relating to other Information'

Responsibility of Management for Financial Statements

5. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under prescribed Section 133 of the Act. 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; design, implementation and maintenance of adequate internal financial controls, that were operating effectively



for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

6. 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 our audit in accordance with SAs we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, to 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 system with reference to financial statements 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.

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.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
8. As required by Section 30(3) of the Banking Regulation Act, 1949, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
 - b. the transactions of the Bank, which have come to our notice have been within the powers of the Bank; and

- c. Since the bank is having only one branch, the question on reporting the number of branches audited by us and the manner of audit thereon does not arise.
9. 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank;
 - e. there are no material observations or comments on the financial transactions or matters which have any adverse effect on the functioning of the Bank;
 - f. on the basis of the written representations received from the directors as on March 31, 2020, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of section 164 (2) of the Act.
 - g. With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
 - h. With respect to the other matters to be included in Auditors' Report in accordance with the requirements of Section 197(16) of the Act, as amended
- i. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us, we report as under:
 - (i) The Bank does not have any pending Litigation, as at the year end which would impact its financial position;
 - (ii) the Bank has made adequate provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 18.3.6 of Schedule 18 to the financial statements;
 - (iii) the Bank is currently not liable to transfer any amount to the Investor Education and Protection Fund.

For Khimji Kunverji & Co LLP
 Chartered Accountants
 FRN: 105146W/W100621

Sd/-
Vinit K Jain
 Partner
 Membership No.: 145911
 UDIN: 21145911AAAABJ4077

Mumbai
 May 18, 2021

In our opinion and to the best of our information and according to the explanations given to us, being a banking company, Section 197 of the Act related to managerial remuneration is not applicable.



Annexure A to the Independent Auditors' Report

[referred to in paragraph 9(g) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls with reference to financial statements of **NSDL Payments Bank Limited ("the Bank")** as at March 31, 2021 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 ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Act.

AUDITORS' RESPONSIBILITY

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

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

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

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

A Bank's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to financial statements includes those policies and procedures that:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and
- (c) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating

effectively as at March 31, 2020, based on internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI

For **Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W100621

Sd/-
Vinit K Jain
Partner
Membership No.: 145911
UDIN: 21145911AAAABJ4077

Mumbai
May 18, 2021



BALANCE SHEET

AS AT 31ST MARCH, 2021

(₹ in Lakh)

	Schedule No.	As at March 31, 2021	As at March 31, 2020
CAPITAL & LIABILITIES			
Capital	1	18,00,000	15,00,000
Reserves and Surplus	2	(3,66,556)	(2,41,741)
Deposits	3	65,295	1,788
Borrowings	4	-	-
Other Liabilities and Provisions	5	9,56,438	43,232
TOTAL		24,55,177	13,03,279
ASSETS			
Cash and Balances with Reserve Bank of India	6	6,12,629	7,043
Balances with banks and money at call and short notice	7	10,96,605	8,04,938
Investments	8	3,13,906	1,62,994
Advances	9	-	-
Fixed Assets	10	2,75,571	2,64,744
Other Assets	11	1,56,466	63,560
TOTAL		24,55,177	13,03,279
Contingent Liabilities	12	4,500	2,500
Bills for Collection			
Significant Accounting Policies	17		
Notes To Accounts	18		

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

The Balance Sheet has been prepared in conformity with Form "A" of the Third schedule to the Banking Regulation Act, 1949

As per our report of even date

For Khimji Kunverji & Co LLP

Chartered Accountants

Firm Registration No.: 105146W/W100621

For and on behalf of the Board of Directors of

NSDL Payments Bank Limited

CIN: U65900MH2016PLC284869

Sd/-

Vinit K Jain

Partner

Membership No. 145911

Sd/-

L Ravi Sankar

Director

DIN: 00185931

Sd/-

G V Nageswara Rao

Director

DIN: 00799504

Sd/-

N S Venkatesh

Director

DIN: 01893686

Place : Mumbai

Date : 18th May, 2021

Sd/-

Abhijit Kamalapurkar

MD & CEO

DIN:08849177

Sd/-

Abhishek Bagchi

Chief financial officer

Sd/-

Balan Santosh Parthasarthy

Company Secretary

STATEMENT OF PROFIT & LOSS

FOR THE YEAR ENDED MARCH 31, 2021

(₹ in '000s)

Particulars	Schedule No.	"For the year ended March 31, 2021"	"For the year ended March 31, 2020"
I INCOME			
Interest Earned	13	55,280	59,492
Other Income	14	5,67,765	4,186
TOTAL		6,23,045	63,678
II EXPENDITURE			
Interest Expended	15	1,338	126
Operating Expenses	16	7,45,888	2,02,248
Provisions and Contingencies	18(3) (3.1)	634	-
TOTAL		7,47,860	2,02,374
III PROFIT/LOSS			
Net Profit /(Loss) for the year		(1,24,815)	(1,38,696)
Profit brought forward		(2,41,741)	(1,03,045)
TOTAL		(3,66,556)	(2,41,741)
IV APPROPRIATIONS			
Transfer to Statutory Reserve		-	-
Transfer to Investment Reserve		-	-
Balance carried over to Balance Sheet		(3,66,556)	(2,41,741)
TOTAL		(3,66,556)	(2,41,741)
EPS Basic (₹)	18(2.7)	(0.77)	(1.02)
EPS Diluted (₹)		(0.77)	(1.02)
Face Value of shares (₹)		10/-	10/-
Significant Accounting Policies	17		
Notes To Accounts	18		

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

As per our report of even date

 As per our report of even date
For Khimji Kunverji & Co LLP
 Chartered Accountants
 Firm Registration No.: 105146W/W100621

 For and on behalf of the Board of Directors of
NSDL Payments Bank Limited
 CIN: U65900MH2016PLC284869

 Sd/-
Vinit K Jain
 Partner
 Membership No. 145911

 Sd/-
L Ravi Sankar
 Director
 DIN: 00185931

 Sd/-
G V Nageswara Rao
 Director
 DIN: 00799504

 Sd/-
N S Venkatesh
 Director
 DIN: 01893686

 Place : Mumbai
 Date : 18th May, 2021

 Sd/-
Abhijit Kamalapurkar
 MD & CEO
 DIN:08849177

 Sd/-
Abhishek Bagchi
 Chief financial officer

 Sd/-
Balan Santosh Parthasarthy
 Company Secretary



CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2021

(₹ in Lakh)

Sr.	Particulars	As at March 31, 2021	As at March 31, 2020
I	Cash Flow from Operating Activities		
	Net Profit for the Year (before taxes)	(1,24,815)	(1,38,697)
	Adjustments for:-		
	Add : Non-Cash Expenditure		
	Depreciation	53,831	42,125
	Provision for doubtful income	634	-
	Cash Flow before Changes in Working Capital	(70,350)	(96,572)
	Adjustments for working capital changes		
	Increase /(Decrease) in deposits	63,507	1,633
	Increase /(Decrease) in other liabilities & provisions	9,13,207	5,601
	(Increase) /Decrease in other assets	(92,260)	(7,212)
	(Increase) /Decrease in Investments classified as AFS	(1,50,913)	(1,23,670)
	Direct Taxes paid	(1,279)	(629)
	Cash generated from Operating Activities	6,61,912	(2,20,849)
II	Cash Flow from Investing Activities		
	Addition to Fixed Assets	(48,608)	(64,984)
	Sale/Deletions in Fixed Assets	1,920	95
	(Additions)/ Deletions - Intangibles under Development (Capital Work in Progress)	(17,970)	8,213
	Cash generated from Investing Activities	(64,658)	(56,676)
III	Cash Flow from Financing Activities		
	Proceeds of share issue	3,00,000	3,50,000
	Cash generated from financing Activities	3,00,000	3,50,000
IV	Increase/Decrease during the Year	8,97,254	72,475
V	Opening Cash and Cash Equivalents	8,09,480	7,37,005
VI	Closing Cash and Cash Equivalents	17,06,734	8,09,480
	Notes to the Cash Flow Statement:		
	Cash and cash equivalents includes the following:		
	(i) Cash and Balances with Reserve Bank of India (Refer Schedule 6)	6,12,629	7,043
	(ii) Balances with Banks in Current Accounts (Refer Schedule 7)	10,96,605	8,04,938
	(iii) Less: Lien Fixed Deposit	2,500	2,500
	Cash and cash equivalents at the end of the year	17,06,734	8,09,480

As per our report of even date

As per our report of even date

For Khimji Kunverji & Co LLP

Chartered Accountants

Firm Registration No.: 105146W/W100621

Sd/-

Vinit K Jain

Partner

Membership No. 145911

Sd/-

L Ravi Sankar

Director

DIN: 00185931

Sd/-

G V Nageswara Rao

Director

DIN: 00799504

Sd/-

N S Venkatesh

Director

DIN: 01893686

Sd/-

Abhijit Kamalapurkar

MD & CEO

DIN:08849177

Sd/-

Abhishek Bagchi

Chief financial officer

Sd/-

Balan Santosh Parthasarthy

Company Secretary

Place : Mumbai

Date : 18th May, 2021

For and on behalf of the Board of Directors of

NSDL Payments Bank Limited

CIN: U65900MH2016PLC284869

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

1 - CAPITAL

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Authorised Capital		
20,00,00,000 Ordinary Shares of ₹ 10/- each	20,00,000	20,00,000
Issued, Subscribed & Paid-up		
18,00,00,000 (PY 15,00,00,000) Ordinary Shares of ₹ 10/- each	18,00,000	15,00,000
TOTAL	18,00,000	15,00,000

2 - RESERVES & SURPLUS

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Statutory Reserve		
(i) Opening Balance	-	-
(ii) Addition during the year	-	-
(iii) Deduction during the year	-	-
Total	-	-
2. Investment Reserve		
(i) Opening Balance	-	-
(ii) Addition during the year	-	-
(iii) Deduction during the year	-	-
Total	-	-
3. Balance in Profit & Loss Account		
(i) Opening Balance	(2,41,741)	(1,03,045)
(ii) Addition during the year	(1,24,815)	(1,38,696)
(iii) Deduction during the year		
Total	(3,66,556)	(2,41,741)
	(3,66,556)	(2,41,741)

3 - DEPOSITS

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
A. 1. Demand Deposits		
i) From Banks (note-1)	2,110	-
ii) From Others	1,403	233
Total	3,513	233
2. Savings Bank Deposits	61,782	1,555



SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
3. Term Deposits		
i) From Banks	-	-
ii) From Others	-	-
Total	-	-
TOTAL	65,295	1,788
B. i. Deposits of Branches in India	65,295	1,788
ii. Deposits of Branches outside India	-	-
TOTAL	65,295	1,788

Note-1: Represents balance maintained in other bank to enable sweep out facility above regulatory threshold limit

4 - BORROWINGS

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks	-	-
(iii) Other Institutions and Agencies	-	-
(iv) Subordinated debt	-	-
Total	-	-
2. Borrowings outside India	-	-
TOTAL	-	-

5 - OTHER LIABILITIES AND PROVISIONS

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Bills Payable	-	-
2. Inter Office Adjustments (Net)	-	-
3. Interest Accrued	-	-
4. Others (Including Provisions)	9,56,438	43,232
TOTAL	9,56,438	43,232

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Cash in hand	-	-
2. Balances with Reserve Bank of India		
(i) In Current Account	6,12,629	7,043
(ii) In Other Accounts	-	-
TOTAL	6,12,629	7,043

7 - BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. In India		
(i) Balances with Banks	-	-
a) In Current Accounts	47,705	6,752
b) In other Deposit Accounts (Refer Note 18(3) (3.19))	10,48,900	7,98,186
(ii) Money at Call and Short Notice		
a) With Banks	-	-
b) With Other Institutions	-	-
Total	10,96,605	8,04,938
2. Outside India		
(i) In Current Accounts	-	-
(ii) In Other Deposits Accounts	-	-
(iii) Money at Call and Short Notice	-	-
Total	-	-
TOTAL	10,96,605	8,04,938

8 - INVESTMENTS

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Investments in India (Gross)	3,13,906	1,62,994
Less – Provision for depreciation	-	-
Total	3,13,906	1,62,994
Investments in India in -		
(i) Government Securities	2,47,873	73,464
(ii) Other Approved Securities	-	-



SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

Particulars	As at 31st March, 2021	As at 31st March, 2020
(iii) Shares	-	-
(iv) Debentures & Bonds	-	-
(v) Subsidiaries and / or Joint Venture	-	-
(vi) Others	66,033	89,530
Total	313,906	1,62,994
2. Investments Outside India	-	-
Total	-	-
TOTAL	3,13,906	1,62,994

9 - ADVANCES

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
A.		
(i) Bills Purchased and Discounted	-	-
(ii) Cash Credits, Overdrafts and Loans Repayable on Demand	-	-
(iii) Term Loans	-	-
Total	-	-
B.		
(i) Secured by Tangible Assets	-	-
(ii) Coverd by Bank/Government Guarantees	-	-
(iii) Unsecured	-	-
Total	-	-
C.1 Advances in India		
(i) Priority Sector	-	-
(ii) Public Sector	-	-
(iii) Banks	-	-
(iv) Others	-	-
Total	-	-
C.2 Advances Outside India		
Total	-	-
TOTAL	-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

10 - FIXED ASSETS

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Premises		
(i) At cost at 31st March of the preceding year	-	-
(ii) Additions During the year	-	-
(iii) Deductions During the year	-	-
(iv) Accumulated Depreciation to date	-	-
Total	-	-
2. Other Fixed Assets		
(i) At cost at 31st March of the preceding year	2,59,146	1,94,258
(ii) Additions During the year	48,608	64,983
(iii) Deductions During the year	1,920	95
(iv) Accumulated Depreciation to date	1,30,608	76,777
Total	1,75,226	1,82,369
3. Capital Work in Progress	1,00,345	82,375
TOTAL (1+2+3)	2,75,571	2,64,744

11 - OTHER ASSETS

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Inter-Office Adjustment (Net)	-	-
2. Interest Accrued	19,566	13,686
3. Tax Paid in Advance/Tax Deducted at Source (Net of Provision)	2,042	763
4. Stationery and Stamps	-	-
5. Deferred Tax Assets (Net)	-	-
6. Others	1,34,858	49,111
TOTAL	1,56,466	63,560

12 - CONTINGENT LIABILITIES

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Claims against the bank not acknowledged as debts	-	-
2. Liability on Account of Outstanding Forward Exchange contracts	-	-
3. Liability on Account of Outstanding Derivative Contracts	-	-
4. Guarantees given on behalf of constituents	-	-
(i) In India	-	-
(ii) Outside India	-	-



SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
6. Acceptances, Endorsements and other Obligations	-	-
7. Other items for which the bank is contingently liable		
(i) Income tax & other matters (under appeal)	-	-
(ii) Others		
(a) Capital commitment	2,000	-
(b) Bank Guarantee issued by other Bank on our behalf	2,500	2,500
TOTAL	4,500	2,500

13 - INTEREST EARNED

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Interest / Discount on Advances / bills	-	-
2. Income on Investments	4,007	1,522
3. Interest on balance with RBI and Other Inter bank funds	51,200	57,970
4. Others	73	-
TOTAL	55,280	59,492

14 - OTHER INCOME

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Commission, Exchange and Brokerage	5,64,818	827
2. Profit on sale of Investments (Net)	1,834	3,295
3. Profit / (Loss) on sale of land, building and other assets (Net)	-	-
4. Profit on exchange transactions (Net)	(198)	64
5. Miscellaneous Income	1,311	0
TOTAL	5,67,765	4,186

15 - INTEREST EXPENDED

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Interest on Deposits	1,195	16
2. Interest on Reserve Bank of India / Inter-Bank Borrowings	-	-
3. Others	143	110
TOTAL	1,338	126

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

16 - OPERATING EXPENSES

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Payments to and provisions for employees	1,10,722	69,493
2. Rent, taxes and lighting	13,278	17,995
3. Printing and stationery	57	230
4. Advertisement and publicity	1,231	13
5. Depreciation on banks property	53,831	42,125
6. Director's fees Allowances and expenses	4,578	6,278
7. Auditors' fees and expenses	2,803	2,580
8. Law Charges	-	630
9. Postage, Telegrams, Telephones, etc.	384	105
10. Repairs and maintenance	36,763	30,248
11. Insurance	2,211	1,306
12. Other Expenditure (Refer 18(3)(3.20))	5,20,030	31,245
TOTAL	7,45,888	2,02,248



SIGNIFICANT ACCOUNTING POLICIES

1. Background

NSDL Payments Bank Limited ('the Bank') was incorporated on 17th August 2016 under the Companies Act, 2013. The Bank is primarily engaged in the business of

- Accepting demand deposits in the form of savings bank deposits,
- To provide payment/ remittance/recharge services through its mobile application,
- Issue of debit cards for point of sale/Ecommerce and ATM transactions,
- Accepting demand deposits in the form of current account deposits,
- Offering domestic money transfer through Business Correspondents
- Offering mutual fund investment services through mobile app,
- Offering Bank verification services for corporate brokers,
- Offering insurance investment services through mobile app,

The RBI has granted license to carry on payments bank business in India, under Section 22(1) of Banking Regulation Act, 1949 subject to terms and conditions mentioned vide their letter dated 30 March 2017. Thus, the Bank commenced banking business on 29th October, 2018.

2. Basis of preparation

2.1 The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting except otherwise stated in accordance with the generally accepted accounting principles in India to comply with the statutory requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and practices generally prevalent in the banking industry in India.

The financial statements are presented in Indian Rupees ("Rupees" or "Rs" and all amounts are

rounded off to the nearest thousands except as stated otherwise).

2.2 Use of estimates

The preparation of the financial statements requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, revenues and expenses during the reporting period and disclosure of contingent liabilities at the date of the financial statements. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

2.3 Going Concern

The Bank is operationally and financially fully supported by the holding company. In view of the Holding company's commitment to the business, the financial statements have been prepared on a going concern basis.

3. Investments

Classification:

In accordance with the RBI guidelines on investments classification and valuation, investments are classified at the time of purchase as:

- Held For Trading (HFT)
- Available For Sale (AFS)
- Held To Maturity (HTM)

However, for disclosure in the Balance Sheet, investments in India are classified under six categories-

- Government Securities,
- Other approved securities,
- Shares,
- Debentures and Bonds,
- Investment in Subsidiaries/Joint Ventures
- Others (MF units, CD/CP, etc.)

Basis of Classification:

Investments that are held principally for sale within a short period are classified as HFT securities. As per the

RBI guidelines, HFT securities, which remain unsold for a period of 90 days, are reclassified as AFS securities.

All other investments are classified as AFS securities.

Acquisition cost:

Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the Profit and Loss Account. Broken period interest on debt instruments and government securities are considered as a revenue item under Profit and Loss account as per RBI guidelines. Cost of Investments is based on first in first out method.

Valuation:

Investments are marked to market on a periodical basis as per relevant RBI guidelines. The market or fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, SGL account transactions, and price list of RBI or prices declared by Financial Benchmark India Private Limited (FBIL) as at the year end.

The market or fair value of unquoted government securities included in the 'AFS' and 'HFT' categories is determined as per the price published by FBIL. Net depreciation, if any, within each category of each investment classification is recognised in the Profit and Loss Account. The net appreciation if any, under each category of each investment classification is ignored, except to the extent of depreciation previously provided.

Treasury Bills, being discounted instruments, are valued at carrying cost.

Units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

Realised gains/losses on investments under the AFS and HFT category are recognised in the Profit and Loss Account.

The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions of securities.

Disposal of Investments

Profit/Loss on sale of investments under the aforesaid three categories are taken to Profit/Loss account. The profit from sale of investments under HTM category if any, net of taxes and transfers to Statutory Reserve is subsequently appropriated to "Capital Reserve".

4. Revenue recognition

Revenue is recognised to the extent, that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

Investing and other activities

Income on account of interest and other activities are recognised on an accrual basis. Interest income on discounted instruments is recognised over the tenure of the instruments so as to provide a constant periodic rate of return. Interest income is recognised in accordance with AS-9, Revenue Recognition on time proportion basis.

Other Revenues

Service revenue is recognised on completion of provision of services. Revenue is recognised on transfer of all significant risks and rewards, reasonable right of recovery is established and when no significant uncertainty exists regarding realisation of consideration.

Minimum balance charges recovery on deposit accounts are recognised on realisation basis. All other fees/commission is accounted for as and when they become due.

Provision for doubtful debts

The Bank provides for the amounts where the management is of the view that the amounts are not recoverable.

5. Property, Plant and Equipment (Tangible and Intangible), Depreciation/Amortisation

Property Plant and Equipment (Fixed assets) are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes initial handling and delivery charges, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Capital work-in-progress includes cost of assets under development that are not ready for their intended use and reflects advances paid to acquire those assets, vendor payments made towards the development of the asset and also includes employee salary cost directly attributable towards development of intangible assets.

Intangible assets with finite useful lives are carried at cost and are amortised on a straight-line basis over



their estimated useful life and charged to Profit and Loss Account. Salary cost included as a part of capital work in progress is capitalised and charged to Profit and Loss account based on allocation of time towards developmental and non-developmental activities based on Management estimate.

Fixed Asset having value of ₹5,000/- & less has been fully depreciated in the year of purchase.

Depreciation is provided over the estimated useful life of a fixed asset on the straight-line method from the date of addition.

The Management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets. The assets residual value and useful lives are reviewed at each financial year end or whenever there are indicators for review and adjusted prospectively.

Asset category	Estimated Useful Life
Application software	5 years
Office Equipment	5 years
Computers and data processing units - Servers and networks - End user devices, such as, desktops, laptops, etc.	6 years 3 years
Electrical Installations and Equipment	10 years
Furniture and Fittings	10 years
Leasehold Improvements	5 years

6. Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. An impairment is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

7. Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange

rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic operations are translated at closing exchange rates notified by FEDAI relevant to the balance sheet date. The resulting gain or loss on revaluation are included in the Profit and Loss Account

8. Employee Benefits

The Bank's post-employment benefits include Defined Benefit Plan and Defined Contribution Plans. The Bank also provides other benefits in the form of compensated absences, by way of Privilege Leave and Sick Leave.

Defined Benefit Plans:

Gratuity:

Under the Defined Benefit plan, the Bank provides retirement obligation in the form of Gratuity. In terms of the plan, a lump sum payment is made to eligible employees at retirement or termination of employment based on respective employee salary and years of experience with the Bank. Gratuity liability is defined benefit obligation and is provided on the basis of actuarial valuation based on projected unit credit method made at the end of each financial year. The Bank contributes towards gratuity fund (defined benefit retirement plan) administered by identified insurer for eligible employees. Under this scheme, the settlement obligations remain with the Bank, although insurer administers the scheme and determine the contribution premium required to be paid by the Bank. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Bank.

For defined benefit plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability in the balance sheet. Scheme liabilities are calculated using the projected unit credit method and applying the principal actuarial assumptions as at the date of balance sheet. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. All expenses in respect of defined benefit plans, including actuarial gains and losses, are recognised as a part of salary cost.

Compensated Absences:

The employees of the Bank are entitled to compensated absences based on the un-availed leave balance as well as other long-term benefits. The Bank records liability based on actuarial valuation computed under projected unit credit method.

Compensated absences by way of Privilege Leave and Sick Leave are provided for based on estimates of encashment/availment of leave. The Bank provides for the compensated absences based on actuarial valuation as per projected unit credit method conducted by an independent actuary. Actuarial gains/losses are considered as a part of salary cost and included in capital work in progress.

Defined Contribution Plan:

The Bank's contributions to defined contribution plans are recognised as a part of salary cost as they fall due. The Bank has no further obligations under these plans beyond its periodic contributions. The distinction between short-term and long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits.

9. Leases

Finance Lease:

Lease contracts where substantially all the risks and rewards incidental ownership has been transferred to the Bank are classified as Finance Lease.

Finance Lease is capitalized at the inception of the lease at fair value of the leased property or present value of minimum lease payments, whichever is lower and corresponding rental obligation with finance costs are included in other Financial Liability. Lease payments are apportioned between finance cost and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognised in finance costs in the statement of Profit and Loss account. A leased asset is depreciated over lower of the useful life of the asset or period of lease term.

Operating Lease:

Leases where the lessor transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance lease and other leases are classified as operating lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

10. Taxation

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the relevant provisions of Income tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between

taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

Deferred tax assets are recognised 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. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

At each balance sheet date, unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably or virtually certain, as the case may be, that future taxable income will be available against which such deferred tax assets can be realised.

11. Earnings Per Share

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings Per Share. Basic earnings per share is computed by dividing the net profit/ (loss) after tax by the weighted average number of equity shares outstanding for the year.

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

12. Provisions, Contingent Liabilities and Contingent Assets

In accordance with AS-29 relating to Provisions, Contingent Liabilities and Contingent Assets; a provision is recognised when the Bank has a present



obligation as a result of past event where 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. 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.

No provision is recognised and a disclosure of contingent liability is made when there is:

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent assets are not recognised in the financial statements.

13. Cash and cash equivalents

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

14. Cash flow Statements

Cash flows are reported using the indirect method, whereby the net 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 items 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

18. NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Statutory disclosures as per RBI

1.1 Capital Adequacy

Capital Adequacy Ratio as per RBI guidelines on Basel I Capital Regulations is detailed below.

Particulars	As at March 31, 2021	As at March 31, 2020
i) Common Equity Tier-1 capital ratio (%)	229.67%	265.87%
ii) Tier-1 capital ratio (%)	229.67%	265.87%
iii) Tier-2 capital ratio (%)	-	-
iv) Total capital ratio (CRAR) (%)	229.67%	265.87%
v) Percentage of the shareholding of the Government of India in public sector banks	-	-
vi) Amount of equity capital raised	3,00,000	350,000
vii) Amount of Additional Tier 1 capital raised; of which	-	-
Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
Perpetual Debt Instruments (PDI)	-	-
viii) Amount of Tier 2 capital raised; of which	-	-
Debt capital instruments:	-	-
Preference Share Capital Instruments: Preference Shares (PCPS) / Redeemable Non-Cumulative Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)	-	-

Bank has raised capital of ₹ 3,00,000('000s) (as on March 31, 2020 ₹ 3,50,000 ('000s)).

As per RBI requirement, the Bank shall maintain a minimum net worth of Rs 10,00,000 ('000s) at all times. The net worth of the Bank as at March 31, 2021 is ₹11,71,521('000s) (as on March 31,2020 ₹10,08,676('000s)). As per the methodology of computing net worth defined in the monthly and quarterly "Return on Asset, Liabilities and Exposures" of the Reserve Bank of India (RBI), Net worth is Total Capital and Reserves minus Revaluation Reserves minus Undisclosed Reserves minus General Provisions minus (Intangible Assets and Deferred Tax Assets).

1.2 Investments

- i) The following table sets forth for the period indicated, the details of investments and movement of provision held towards depreciation on investments of the Bank.

No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	Value of investments		
(i)	Gross value of investments		
(a)	In India	3,13,906	1,62,994
(b)	Outside India	-	-
(ii)	Provision for depreciation		
(a)	In India	-	-
(b)	Outside India	-	-
(iii)	Net value of investments		
(a)	In India	3,13,906	1,62,994
(b)	Outside India	-	-
2	Movement of provisions held towards depreciation on investments		
(i)	Opening balance	-	-
(ii)	Add : Provisions made during the year	-	-
(iii)	Less : Write off/ Write back of excess provisions during the year	-	-
(iv)	Closing balance	-	-



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

- ii) The following table sets forth, for the period indicated, the details of investments categorization in accordance with RBI guidelines.

Security	As at 31st March, 2021				As at 31st March, 2020			
	HTM	HFT	AFS	Total	HTM	HFT	AFS	Total
Government securities	-	-	2,47,873	2,47,873	-	-	73,464	73,464
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Debentures/Bonds	-	-	-	-	-	-	-	-
Others- Mutual Fund	-	-	66,033	66,033	-	-	89,530	89,530
Others- Joint Venture	-	-	-	-	-	-	-	-

HTM – Held for Trading

HFT – Held for Trade

AFS – Available for Sale

1.3 Repo/Reverse Repo Transactions (in Face Value terms)

	Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average outstanding during the year *	Outstanding as on March 31, 2021
Securities Sold under repo				
i. Government Securities	-	-	-	-
ii. Corporate debt securities	-	-	-	-
Securities purchase under reverse repo				
i. Government Securities	25,000	1,00,000	58,929	-
ii. Corporate debt Securities				

* Daily Average outstanding during the year is calculated basis number of days the transaction was done during the year.

1.4 Non SLR Investment Portfolio

- i) Issuer composition of Non SLR investments as at March 31, 2021

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)
(i)	PSUs	-	-	-	-	-
(ii)	FIs	-	-	-	-	-
(iii)	Banks	-	-	-	-	-
(iv)	Private Companies	-	-	-	-	-
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others	66,033	-	-	-	-
(vii)	Total (i to vi)	66,033	-	-	-	-
(viii)	Less: Provision held towards depreciation	-	-	-	-	-
Total (viii – viii)		66,033	-	-	-	-

Issuer composition of Non SLR investments as at March 31, 2020

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)
(i)	PSUs	-	-	-	-	-
(ii)	FIs	-	-	-	-	-
(iii)	Banks	-	-	-	-	-
(iv)	Private Companies	-	-	-	-	-
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others	89,530	-	-	-	-
(vii)	Total (i to vi)	89,530	-	-	-	-
(viii)	Less: Provision held towards depreciation	-	-	-	-	-
Total (viii – viii)		89,530	-	-	-	-

1.5 Non-Performing Non-SLR investments

The Bank does not have any nonperforming investments during the year 2020-21 ("Nil" during the year 2019-20).

1.6 Provision for Depreciation on Investments

Provision for depreciation on investments under 'Available for Sale' category as on March 31, 2021 is Nil ("Nil" as on March 31, 2020).

1.7 Sale and Transfers to/ from HTM Category

The Bank did not sell or transfer any investments to / from HTM category during the year 2020-21 ("Nil" as on March 31, 2020).

1.8 Derivatives

The bank has not entered into any derivative transactions (Forward Rate Agreement/ Interest Rate Swap/ Exchange Traded Interest Rate Derivatives) during the year 2020-21. ("Nil" during the year 2019-20) Therefore, qualitative and quantitative disclosures under RBI guidelines with respect to derivative transactions are not required.

1.9 Asset Quality

As per the RBI guidelines issued by RBI for licensing of Payments Bank; the payments bank are not allowed to give any advance or lend to any person including their directors. Therefore, the disclosure required for asset quality (movement in NPA's, disclosure on accounts subjected to restructuring, provisioning of standard assets etc.) are not applicable to payments bank

1.10 Business Ratios

No.	Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
i.	Interest income as a percentage to working funds ¹	3.37%	4.82%
ii.	Non-interest Income as percentage to working funds ¹	34.65%	0.34%
iii.	Operating profit as a percentage to working funds ²	(7.62%)	(11.23%)
iv.	Return on assets ³	(7.62%)	(11.23%)
v.	Business (Deposit) ⁵ per employee ⁴ (₹ in 000's)	748	35
vi.	Profit/(Loss) per employee ⁴ (₹ in 000's)	(1,477)	(2,693)



1. Working funds represent average of total assets excluding accumulated losses (i.e gross total assets) as reported in Form X returns submitted to RBI under section 27 of the Banking Regulation Act, 1949 during the year.
2. Operating Profit means Net Interest Income plus Other Income less Operating Expenses
3. Net Profit as a percentage to average working funds
4. For the purpose of per employee average number of employees have been considered
5. Business means total of deposits (excluding interbank deposit) as at March 31

1.11 Asset Liability Management

Maturity pattern of certain items of assets and liabilities as on March 31, 2021:

Maturity Bucket	Deposits	Advances	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	4,239	-	66,033	-	-	-
2 to 7 days	2,130	-	-	-	-	-
8 to 14 days	2,130	-	-	-	-	-
15 to 28 days	-	-	14,963	-	-	-
Days 29 to 3 months	-	-	109,654	-	-	-
Over 3 to 6 months	-	-	98,676	-	-	-
Over 6 month to 1 year	-	-	24,580	-	-	-
Over 1 to 3 years	56,796	-	-	-	-	-
Over 3 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	65,295	-	313,906	-	-	-

Maturity pattern of certain items of assets and liabilities as on March 31, 2020:

Maturity Bucket	Deposits	Advances	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	63	-	89,530	-	-	-
2 to 7 days	63	-	-	-	-	-
8 to 14 days	64	-	-	-	-	-
15 to 28 days	-	-	-	-	-	-
Days 29 to 3 months	-	-	-	-	-	-
Over 3 to 6 months	-	-	73,464	-	-	-
Over 6 month to 1 year	-	-	-	-	-	-
Over 1 to 3 years	1,598	-	-	-	-	-
Over 3 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	1,788	-	1,62,994	-	-	-

Classification of assets and liabilities under the different maturity buckets are compiled by management (on gross basis) based are based on the assumptions as used by the Bank and which have been relied upon by the auditors.

1.12 Exposures

i) Sensitive Sectors

The Bank has not entered into any transactions related to capital market and real estate sector during the year 2020-21 and 2019-20.

- ii) As per the RBI guidelines issued by RBI for licensing of Payments Bank; the payments bank are not allowed to give any advance or lend to any person including their directors. Therefore, the disclosure required in respect to exposure to real estate sector, capital market, category wise country risk, single and group borrower limits and uncured advances are not applicable to payments bank.

1.13 Disclosure of penalties imposed by RBI

No penalty has been imposed by RBI during the year 2020-21 ("Nil" during FY 2019-20)

2. Disclosure Requirements as per Accounting Standards

2.1 Accounting Standard 15 - Employee Benefits

Leave Encashment

The actuarially determined liability for Compensated Absences (Privilege Leave) of the employees of the Bank is given below:

No.	Particulars	As at March 31, 2021	As at March 31, 2020
1	Provision as at date	13,864	7,590

Provident Fund

The contribution to the Employee Provident Fund amounted to ₹ 8,702 thousand for the year 2020-21 (₹ 6,083 thousand for the year 2019-2020).

Gratuity

The following tables give the disclosure regarding the Gratuity Scheme in accordance with the Accounting Standard 15 (Revised)

Balance Sheet

Change in Defined Benefit Obligation during the year

(₹ in Lakh)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Defined Benefit Obligation at the beginning of the period	1,137	1,355
Service cost	515	902
Interest cost	59	105
Actuarial losses/(gains)	424	(1,225)
Benefit payments	-	-
Defined Benefit obligation at the end of the period	2,135	1,137

Amount recognised in Balance Sheet:

(₹ in Lakh)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Present value of defined benefit obligation at the end of the period	2,135	1,137
Fair value of plan assets at the end of the period	(2,173)	(2,034)
Funded status ((surplus)/ deficit)	(37)	(897)
Unrecognised past service costs	-	-
Net asset / (liability) recognised in the Balance Sheet	37	897

Change in the fair value of Plan Assets during the year

(₹ in Lakh)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Fair value of plan assets at the beginning of the year	2,034	1,907
Expected Return on Plan Assets	106	148
Contributions by the Bank	-	-
Actuarial Gain/ (Loss) recognised during the year	33	(22)
Benefit paid	-	-
Fair value of plan assets at the end of the year	2,173	2,033



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees)

(₹ in 000's)

No.	Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
i	Current service cost	514	902
ii	Interest on Defined Benefit Obligation	(46)	(43)
iii	Expected Return on Plan Assets	-	-
iv	Net Actuarial Losses/(Gains) recognised in the year	391	(1,204)
v	Past Service Cost	-	-
vi	Actuarial losses / (Gains)	-	-
Total included in "Employee Benefit Expense" [Schedule 16(I)]		859	(345)

Experience adjustment is as follows:

(₹ in 000's)

No.	Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
	Gratuity		
1	Actuarial (Gains)/Losses on Obligations – Due to Experience	(61)	(348)
2	Actuarial (Gains)/Losses on Plan Assets – Due to Experience	33	(21)

The principal actuarial assumptions used as at the Balance Sheet date are as follows:

No.	Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
1	Salary escalations	8%	8.00%
2	Discount rate	5.58%	5.21%
3	Attrition rate	20%	30%
4	Mortality rate	"Indian assured Lives Mortality (2006-08)"	"Indian assured Lives Mortality (2006-08) "

"The above assumptions are considered for determining actuarial liability under Gratuity and Leave Encashment. Liability towards Leave Encashment and Gratuity are non-funded."

2.2 Accounting Standard 17 – Segment Reporting

1. The Bank has classified its business into the following segments, namely:
 - a. Treasury – primarily comprising investments in Treasury Bills , Mutual Funds, Deposit with Banks.
 - b. Banking Operations - comprising business activities like accepting deposits, offering domestic money transfer and other services.”

As at March 31, 2021

(₹ in '000s)

Business segments	Treasury	Other Banking Operation	Total
Revenue	57,114	5,65,931	6,23,045
Unallocated Revenue	-	-	-
Expenses	812	7,46,905	7,47,717
Unallocated Expenses	-	-	143
Operating Profit/(Loss)	-	-	(1,24,815)
Income Tax	-	-	-
Extraordinary Profit/(Loss)	-	-	-
Net Profit/(Loss)	-	-	(1,24,815)
Other Information			
Segment Assets	20,43,318	4,09,817	24,53,135
Unallocated Assets	-	-	2,042
Total Assets	-	-	24,55,177
Segment Liabilities	7	10,21,709	10,21,716
Unallocated Liabilities	-	-	17
Total Liabilities	-	-	10,21,733

As at March 31, 2021

(₹ in '000s)

Business segments	Treasury	Other Banking Operation	Total
Revenue	62,788	890	63,678
Unallocated Revenue	-	-	-*
Expenses	43	202,228	202,271
Unallocated Expenses	-	-	103
Operating Profit/(Loss)	-	-	(138,696)
Income Tax	-	-	-
Extraordinary Profit/(Loss)	-	-	-
Net Profit/(Loss)	-	-	(138,696)
Other Information			
Segment Assets	988,673	313,843	1302,516
Unallocated Assets	-	-	763
Total Assets	-	-	1,303,279
Segment Liabilities	-	44,992	44,992
Unallocated Liabilities	-	-	28
Total Liabilities	-	-	45,020

* Amount less than Rs 1000.

Unallocated segments, income, expense, assets and liabilities includes items which are not allocable to other segments. In allocation of some items of expenses/ income and asset/liabilities, certain estimates and assumptions have been made by the management, which has been relied upon by the auditors.

2.3 Accounting Standard 18 – Related Party Disclosures

Related party disclosure as required in accordance with AS 18 – “Related Party Disclosures” and RBI guidelines, is provided below.

The related parties of the Bank are broadly classified as:



As at March 31, 2021

Relationship	Name of the related Party
Promoters	National Securities Depository Limited
Fellow Subsidiary	NSDL Database Management Limited
Key Management Personnel (KMP)	"Mr. SP. Narayanan (MD & CEO) –Upto May 2, 2020 Mr. Ashutosh Singh (Interim CEO)-w.e. f. May 3,2020 till March 8, 2021 Mr. Abhijit Kamalapurkar (MD & CEO)-w.e.f. March 9, 2021 Mr. Abhishek S. Bagchi (CFO) Mr. Balan Parthasarthy (CS)"

In line with the Reserve Bank of India Circular No. DBR.BC.No.23//21.04.2018/2015-16 dated 1 July 2015; the Bank has not disclosed details pertaining to related parties where under a category there is only one entity. Similarly, there has been only one entity under Promoters and Fellow subsidiary category at any given point of time, therefore, those details are not disclosed. Related parties are identified by the Management and relied upon by the auditors.

As at March 31, 2021

(₹ in '000s)

Items / Related Party	Parent (as per ownership or control)	Key Management Personnel	Relatives of Key Management Personnel	Fellow Subsidiary	Total
Borrowings	-	-	-	-	-
Deposit	-	-	-	-	-
Placement of deposits	-	-	-	-	-
Investments	-	-	-	-	-
Non funded commitments	-	-	-	-	-
Leasing / HP arrangements Availed/provided	-	-	-	-	-
Sale/Purchase of fixed assets	-	-	-	-	-
Interest paid	-	-	-	-	-
Interest Received	-	-	-	-	-
Rendering of services	-	-	-	-	-
Remuneration*	-	17,155	-	-	17,155
Management Services	-	-	-	-	-

As at March 31, 2020

(₹ in '000s)

Items / Related Party	Parent (as per ownership or control)	Key Management Personnel	Relatives of Key Management Personnel	Fellow Subsidiary	Total
Borrowings	-	-	-	-	-
Deposit	-	-	-	-	-
Placement of deposits	-	-	-	-	-
Investments	-	-	-	-	-
Non funded commitments	-	-	-	-	-
Leasing / HP arrangements Availed/provided	-	-	-	-	-
Sale/Purchase of fixed assets	-	-	-	-	-
Interest paid	-	-	-	-	-
Interest Received	-	-	-	-	-
Rendering of services	-	-	-	-	-
Remuneration*	-	12,358	-	-	12,358
Management Services	-	-	-	-	-

* Liability for Gratuity & Compensated Absences are provided on an actuarial basis and calculated for the Bank as a whole and not individual employees, the said liabilities for the KMPs are not known hence not disclosed in above table.

2.4 Accounting Standard 19 – Lease Disclosures

The total amount paid by the Bank under operating lease for FY 2020-21 is ₹ 12,192 thousands. (₹14,722 thousands during FY 2019-20). The Bank has not entered into any non-cancellable operating lease and financial lease arrangement in the current year.

As at March 31, 2020

(₹ in '000's)		
Particulars	For the period ended March 31, 2021	For the period ended March 31, 2020
1. The total of future minimum lease payments under noncancellable operating leases for each of the following periods:"		
a) Not later than one year	9,850	9,682
b) Later than one year but not later than five years	19,124	28,424
c) Later than five years	-	-
2. Total Expected future lease payment	28,974	38,106
3. Lease payment recognized in the statement of Profit and Loss for the period	12,192	14,722

2.5 Accounting Standard 10 and 26 – Fixed Assets and Other application software's Other Fixed

The movement in fixed assets capitalised as hardware and other application software is given below:

As at March 31, 2020

(₹ in '000s)		
Hardware	For the period ended March 31, 2021	For the period ended March 31, 2020
WDV at the beginning of the year	15,163	11,293
Additions during the year	5,379	8,560
Deductions during the year	1,920	95
Depreciation during the year	4,974	4,595
WDV at the close of the year	13,648	15,163

(₹ in '000s)		
Software	For the period ended March 31, 2021	For the period ended March 31, 2020
WDV at the beginning of the year	1,67,207	1,48,313
Additions during the year	43,229	56,423
Deductions during the year	-	-
Depreciation during the year	48,856	37,529
WDV at the close of the year	1,61,580	1,67,207

2.6 Accounting Standard 22: Accounting for taxes

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(₹ in '000s)		
Particulars	For the period ended March 31, 2021	For the period ended March 31, 2020
Deferred tax asset on account of depreciation	1,278	-
Deferred tax asset on account of other items	1,745	1,671
Deferred tax liability on account of depreciation	-	688
Deferred tax liability on account of other items	-	-

** recognised to the extent of reversal of Deferred Tax Liability

Deferred Tax (Net)-Considering the current working results of the bank, deferred tax assets have not been recognized during the year. Currently, Bank is not recognising the Deferred tax assets on accumulated losses of Rs 366,556 (000's). The Bank is confident of having probable future taxable profits to allow it to recognize the deferred tax assets in future."

2.7 Accounting Standard 20 – Earnings Per Share ('EPS')

(₹ in '000s)		
Particulars	For the period ended March 31, 2021	For the period ended March 31, 2020
Net profit/(loss) after tax (₹ in '000's)	(1,24,814)	(1,38,696)
Basic weighted average no. of shares	16,13,15,068	13,53,41,530
Diluted weighted average no. of shares	16,13,15,068	13,53,41,530
Basic EPS (₹)	(0.77)	(1.02)
Diluted EPS (₹)	(0.77)	(1.02)
Nominal value of shares (₹)	10/-	10/-



2.8 Accounting Standard 28 – Impairment of Assets

An asset is treated as impaired when its carrying amount exceeds its recoverable amount. The impairment is recognised by debiting the profit and loss account and is measured as the amount by which the carrying amount of the impaired assets exceeds their recoverable value.

The management has reviewed the carrying value of the assets, as per Accounting Standard 28 - "Impairment of Assets" and assessed that no impairment is required as the value in sale is higher than the carrying value.

3. Additional Disclosures as per RBI

3.1 Provisions and contingencies

Break up provisions and contingencies

(₹in 000's)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Provision for depreciation on investments	-	-
Provision towards NPA	-	-
Provision made towards income tax		
-Current tax expense	-	-
-Deferred tax expense	-	-
-Prior Period	-	-
-Provision for Doubtful Debts	634	-
Total	634	-

3.2 Draw down from reserves

The Bank has not drawn any amount from reserves during FY 2020-21 ("Nil" during the year 2019-20).

3.3. Summary information on complaints received by bank from customers and from the OBOs

(₹in 000's)

Sr.No.	Particulars	FY 2020-21	FY 2019-20
Complaints received by the bank from its customers			
1.	Number of complaints pending at the beginning of the year	-	-
2.	Number of complaints received during the year	114	-
3.	Number of complaints disposed during the year	111	-
3.1	Of which, number of complaints rejected by the bank	-	-
4.	Number of complaints pending at the end of year	3	-
Maintainable complaints received by Bank from OBOs			
5.	Number of maintainable complaints received by the bank from OBOs	104*	-
5.1	Of 5, number of complaints resolved in favour of the bank by Bos	100	-
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Bos	2	-
5.3	Of 5, number of complaints resolved after passing of Awards by BO against the bank	2	-
6.	Number of Awards unimplemented within the stipulated time (Other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered with in the ambit of the scheme.

There are 59 unique account numbers for which the Bank has received complaints from OBOs.

Top five grounds of complaints received by the bank from customers.

(₹ in '000s)

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 2020-21					
Account opening/ difficulty in operation of accounts	0	51	Not Applicable	0	0
Others	0	27		0	0
Internet/Mobile/ Electronic Banking	0	23		1	0
ATM/Debit Cards	0	12		2	0
Levy of charges without prior notice/ excessive charges/ foreclosure charges	0	1		0	0

3.4 Concentration of deposits

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Total deposits* of twenty largest depositors (₹ in 000's)	3,945	714
Percentage of deposits of twenty largest depositors to total deposits of the Bank	6.04%	39.91%

*Includes balance maintained in other bank to enable sweep out facility above regulatory threshold limit

3.5 Off Balance sheet SPVs sponsored (which are required to be considered as per accounting norms)

There is no off-balance sheet SPVs sponsored during the year 2020-21 ("Nil" during the year 2019-20).

3.6 Provision for Long Term Contracts

The Bank has a process whereby periodically all long term contracts are assessed for material foreseeable losses. As at March 31, 2021, the Bank has reviewed and recorded adequate provision as required under applicable RBI laws/ accounting standards for material foreseeable losses on such long term contracts, where applicable, in the books of account and disclosed the same under the relevant notes in the financial statements.

3.7 Details of provisioning related to fraud accounts

(₹ in '000s)

Particulars	As at 31st March, 2021	As at 31st March, 2020
No. of frauds reported	50*	1*
Amount involved in such frauds (net of recovery) (₹ in 000's)	-	-
Quantum of provision made (₹ in 000's)	-	-
Quantum of unamortized provision debited from 'other Reserves' at the end of the Year (₹ in 000's)	-	-

*Bank is reporting regulatory returns relevant to Payments Banks as per directions of Department of Banking

Supervision (DBS), RBI vide mail communication 22nd December, 2017. During the year FY 2020-21, the Bank had forty five reported case of KYC impersonation (as at March 31, 2020 - 1) & five reported cases of fraud. However no financial loss to the bank.



3.8 Remuneration of Directors (Non-executive)

(₹ in '000s)

Particulars	As at March 31, 2021	As at March 31, 2020
- Board Meeting	1,500	2,700
- Audit Committee	420	840
- Nomination & remuneration Committee	480	240
- Risk Management Committee	480	660
- Customer Service Committee	420	240
- IT Strategy Committee	660	540
- Independent Director Committee	240	300
- Strategy Advisory Committee	-	240
Total	4,200	5,760

3.9 Fee/Commission earned in respect of Insurance and other Third Party Products

The Bank has earned ₹121 thousand from distribution of third party. Mutual Fund products during FY: 2020-21 (₹16.00 thousand during FY 2019-20).

3.10 Bancassurance Business

The Bank has earned ₹6 thousand from bancassurance business during FY 2020-21 ("Nil" during FY 2019-20).

3.11 Unamortised Pension and Gratuity Liabilities

The Bank does not have any unamortised Pension /Gratuity Liabilities as at March 31, 2021 ("Nil" as at March 31, 2020).

3.12 Disclosures on Remuneration

(i) Qualitative Disclosure

a. Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of minimum 3 non-executive directors out of which at least o half consist of Independent Directors of the Bank. Key mandate of the Nomination & Remuneration committee is to identify persons who are qualified to become directors and recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. Managing Director and Chief Executive Offi cer is considered as Material Risk taker of the Bank.

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

The current remuneration design offered is a competitive and market aligned remuneration package. The remuneration is designed to attract the required and quality talent in order to implement the start-up process movement of the Bank to a Business oriented approach.

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 incentive structures focus on ensuring sound and effective risk management by aligning with the Banks business strategy, values, key priorities and long-term goals. The bank is in process to develop a clear and predetermined role based KPIs which are set in accordance with the Banks overall strategy. This will further strength the future risk accounted from remuneration process.

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

The performance measurement is based on the KRA mapped. The KRA to each role acts as a parameter based on which the employees are evaluated.

- 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**

The same is governed by the guidelines as per the remuneration and compensation policy approved by the NRC

- f. **Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:**

The bank has Variable remuneration payout in cash which is determined by the end of the performance period. The qualitative disclosure is made by the management and relied upon by the auditors

(ii) Quantitative Disclosure:

- a. **Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members:)**

Number of meetings- 4 (4 During FY 2019-20)

Remuneration paid to the members during the year 2020-21 - Rs 2,40,000 (2,40,000 during FY 2019-20)

- b. **Number of employees having received a variable remuneration award during the financial year:**
One (1) (Previous year NIL)

- c. **Number and total amount of sign-on awards made during the financial year:** Nil (Nil during the year 2019-20)

- d. **Details of guaranteed bonus, if any, paid as joining/ sign on bonus:** Nil (Nil during the year 2019-20)

- e. **Details of severance pay, in addition to accrued benefits, if any:** Nil (Nil during the year 2019-20)

- f. **Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms:** Nil (Nil during the year 2019-20)

- g. **Total amount of deferred remuneration paid out in the financial year:** Nil (Nil during the year 2019-20)

- h. **Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred:**

**Fixed Pay: Basic Salary ₹ 3,071 (000's) (PY ₹ 2,708 (000's), Other Allowances* ₹7,259 ('000's) (PY ₹ 4,835 (000's)

*HRA, Conveyance, Medical Allowances, leave encashment, etc.

Deferred Variable Pay: NIL

Non-Deferred Variable Pay: ₹ 1671 (000's) (PY NIL)#

Variable Pay details pertain to payment made to MD & CEO as full and final settlement. Variable pay for the FY 2020-21 are yet to be reviewed and approved by the committee

**Details pertaining to Material Risk Takers of the Bank as identified by the Bank

- i. **Total amount of outstanding deferred remuneration and retained remuneration exposed to explicit and implicit adjustments:** Nil (Nil during the year 2019-20)

- j. **Total amount of reductions during the financial year due to ex- post explicit adjustments:** Nil (Nil during the year 2019-20)

- k. **Total amount of reductions during the financial year due to ex- post implicit adjustments:** Nil (Nil during the year 2019-20)



3.13 Credit Default Swaps

The Bank has not issued any Credit Default Swaps (CDS) during the year 2020-21 ("Nil" during the year 2019-20).

3.14 Intra-group Exposure

(₹ in '000s)

Particulars	As at March, 31, 2021	As at March, 31, 2020
Total amount of intra group exposures	-	-
Total amount of top 20 intra group exposures	-	-
Percentage of intra group exposures to total exposure of the bank on borrowers / customers	-	-
Details of breach of limits on intra group exposures and regulatory action thereon, if any.	-	-

3.15 Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in '000s)

Particulars	As at March, 31, 2021	As at March, 31, 2020
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred to DEAF during the year	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

3.16 Liquidity Coverage Ratio (LCR)

Disclosure pertaining to Liquidity Coverage Ratio (LCR) is not applicable to the payments bank

3.17 Micro, Small and Medium Enterprises Development Act, 2006

The dues to the micro and small enterprises as required under 'The Micro, Small and Medium Enterprises Development Act 2006' is disclosed as below.

Sr No	Particulars	As at March, 31, 2021	As at March, 31, 2020
1.	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	2,377	-
2	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	-
3	Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	54.50	450.90
4	Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
5	Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
6	Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	-
7	Further interest remaining due and payable for earlier years	-	-

Interest on delay payment of MSME vendors is not paid as the Bank has obtained the interest waiver certificate.

The determination has been made to the extent such parties were identified by the management based on the information available and are relied upon by the auditors.

3.18 As per Operating guidelines for Payments Bank issued by RBI dated 6th October, 2016, a Payments Bank cannot lend to any person except own employees. Accordingly all disclosures in Notes to Accounts pertaining to advances including notes relating to Moratorium, Relief under RBI Package, Restructuring has not been made.

3.19 The Bank has availed a Bank Guarantee for an amount of ₹ 2,500 thousand (Prev. period ₹ 2,500 thousand) in favour of UIDAI against a lien on Fixed Deposit.

3.20 Category wise Breakup of Other Expenses (Schedule-16)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Membership Fees	12,409	4,175
Professional Fees	12,605	9,766
Office Maintenance	794	2,384
Travelling and Conveyance	778	1,546
Others	4,76,672	2,011
IT and Call Centre expenses	14,970	10,186
Security Charges	1,786	1,161
Registration Charges	16	16
Total	5,20,030	31,245

3.21 Corporate Social Responsibility (CSR)

As per the provisions of Section 135 of the Companies Act, 2013, the Bank is not required to spend towards CSR in the current year

3.22 Notes on Covid Impact

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. COVID-19 has taken its toll on not just human life, but business and financial markets too. With substantial increase in Covid-19 cases across different parts of the country, governments have introduced a variety of measures to contain the spread of the virus, including lockdown and restriction on movement of people and goods across different geographies. Certain establishments including Banking could operate and continue to remain exempted from restrictions. The management has assessed the potential impact of the COVID-19 on the Bank. Based on the current assessment, the management is of the view that impact of COVID 19 on the operations of the Bank and the carrying value of its assets and liabilities is not likely to be material.

3.23 Previous Year comparative figures

Previous period figures have been regrouped / reclassified where necessary to make them comparable to the current year classifications.

For Khimji Kunverji & Co LLP

Chartered Accountants

Firm Registration No:105146W/W100621

Sd/-

Vinit K Jain

Partner

Membership No. 145911

Sd/-

L Ravi Sankar

Director

DIN: 00185931

Sd/-

G V Nageswara Rao

Director

DIN: 00799504

Sd/-

N S Venkatesh

Director

DIN: 01893686

For and on behalf of the Board of Directors of

NSDL Payments Bank Limited

CIN: U65900MH2016PLC284869

Sd/-

Abhijit Kamalapurkar

MD & CEO

DIN:08849177

Sd/-

Abhishek Bagchi

Chief financial officer

Sd/-

Balan Santosh Parthasarthy

Company Secretary

Place : Mumbai

Date : 18th May, 2021



NOTES