

NSDL PAYMENTS BANK LIMITED



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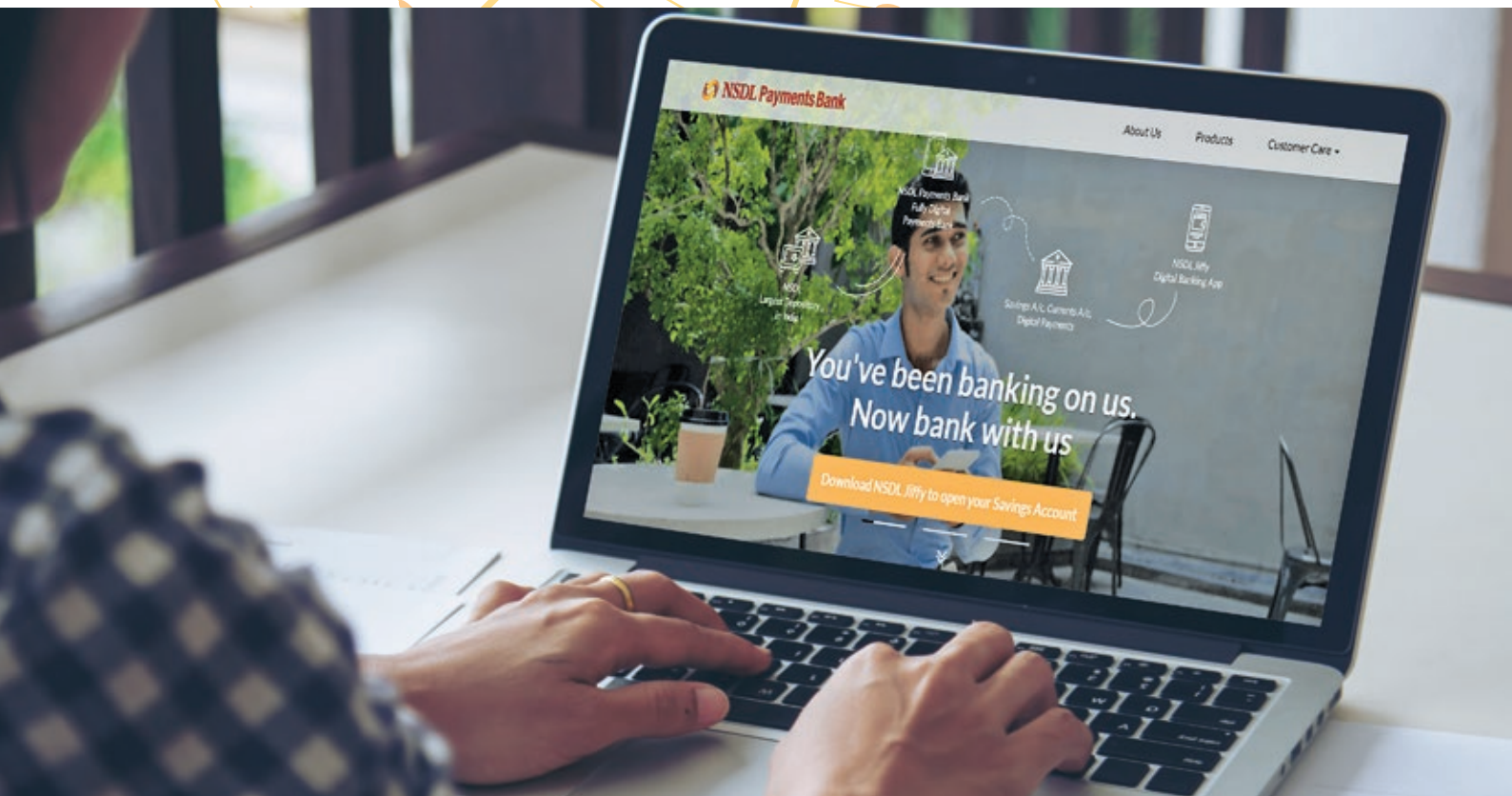
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NSDL Payments Bank went live with its flagship mobile banking app NSDL Jiffy and opened its world of banking for everyone. With this start, the bank envisages promoting end to end digital and seamless banking products through self-service and assisted channels to customers of various segments.

NSDL Payments Bank (“NSDLPB/Bank”) received a license from RBI to carry out the business of Payments Bank in India on March 30, 2017. The bank commenced operations post approval from RBI on October 29, 2018.

This year, the Bank has gone live with its mobile application – NSDL Jiffy and started offering Savings Accounts to the public. NSDL Jiffy allows fully digital account opening process. It provides funds transfer services through various modes including RTGS, NEFT, IMPS and Intra-bank transfer. It also allows Recharge & Bill Payments to a host of billers across categories, virtual debit cards with instant activation and option of requesting a physical debit card. The bank has also been registered as a UPI issuer and it supports UPI transactions on its Savings Account for receiving and sending funds. Its UPI acquirer module is in development and will be available soon.

The bank took the first steps into the business banking segment and went live with Current Account opening and corporate internet banking portal. It has also started partnering with brokers to offer seamless and integrated banking services for their customers by linking their trading accounts with NSDL Payments Banks Savings Accounts. With the launch of stamp duty collection by NSDL, the Bank has become the collecting bank to NSDL with real time payments integration with NSDL, so that transactions can be processed instantly upon payment of stamp duty by issuer companies or demat clients.

NSDL Payments Bank became an active contributor in financial inclusion by providing access to underbanked and unbanked segments. Through Business Correspondents, the bank went live with its Domestic Money Transfer services and is ready to launch MicroATMs. AePS and NACH services will be launched soon.

As part of offering a digital investment market place, the bank initiated partnering with Mutual Funds and Insurance Companies for distribution.

The bank has started acquiring merchants and offering Payment Gateway solutions to them and aims to provide Point of Sale (PoS) solutions soon. With many other products in development, Prepaid Cards and Wallet shall soon join the bank’s product suites.

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

Product Information

Corporate Overview

Statutory Reports

Financial Statements

Subsidiaries

*Mr. Ananth Narayan G. ceased to be a Director w.e.f March 20, 2020

*Mr. S.P. Narayanan ceased to hold office as Managing Director & CEO w.e.f May 3, 2020

Our Team



Mr. Ashutosh Singh[@]
Chief Executive Officer



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. Sunil Mankotia
Head - DP & Broker Alliances

[@] Appointed as Interim CEO w.e.f May 3, 2020

BOARD OF DIRECTORS

Mr. G. V. Nageswara Rao (Chairman)

MD & CEO, NSDL

Mr. SP. Narayanan[@]

(Managing Director & CEO) -
Former Business Head (m-Commerce)
Idea Cellular Ltd.

Mr. L. Ravi Sankar

Partner, Brahmayya & Co.
Chennai

Dr. Santanu Paul

MD, Talentsprint Pvt. Ltd.

Mr. N.S. Venkatesh

CEO, AMFI

Mr. Ananth Narayan G.[#]

Associate Professor
SPJIMR

Dr. (Mrs.) Bala Krishnamoorthy

Associate Dean & Professor -Strategy,
NMIMS

[#] Mr. Ananth Narayan G. ceased to be a Director w.e.f. March 20, 2020

[@] Mr. S.P. Narayanan ceased to hold office as Managing Director & CEO w.e.f. May 3, 2020

COMMITTEES

Audit Committee

Mr. L. Ravi Sankar (Chairman)

Mr. G.V. Nageswara Rao

Mr. N.S. Venkatesh

Mr. Ananth Narayan G.[#]

Nomination and

Remuneration Committee

Dr. Santanu Paul (Chairman)

Mr. L. Ravi Sankar

Mr. G.V. Nageswara Rao

Risk Management Committee

Mr. Ananth Narayan G.[#] (Chairman)

Mr. G.V. Nageswara Rao

Mr. L. Ravi Sankar

Dr. Santanu Paul

Mr. SP. Narayanan^{*}

Customer Service Committee

Mr. G.V. Nageswara Rao (Chairman)

Mr. N.S. Venkatesh

Dr. Bala Krishnamoorthy

Mr. SP. Narayanan^{*}

IT Strategy Committee

Dr. Santanu Paul (Chairman)

Mr. G.V. Nageswara Rao

Mr. L. Ravi Sankar

Mr. N.S. Venkatesh

Mr. SP. Narayanan^{*}

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 and 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

[#] Ceased to be a Chairman and Member of Committees of the Board on March 20, 2020

^{*} Ceased to be a Member of the Committees of the Board on May 2, 2020

Notice of Fourth Annual General Meeting

Notice is hereby given that the Fourth Annual General Meeting of the Members of NSDL Payments Bank Limited will be held on Tuesday, September 22, 2020 at 11:30 a.m. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM").

ORDINARY BUSINESS:

1. **To receive, consider and adopt the Audited Balance Sheet as at March 31, 2020 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.**
2. **To appoint M/s Khimji Kunverji & Co. LLP Chartered Accountants as Statutory Auditors of the Bank.**

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

"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 subject to approval of RBI in this regard M/s Khimji Kunverji & Co. LLP, Chartered Accountants, (Firm Reg. No.105146W) be and is hereby appointed as the Statutory Auditors of the Bank to hold office from the conclusion of this fourth Annual General Meeting (for FY 2020-21) till the conclusion of the fifth Annual General Meeting (FY 2021-22) 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 is hereby authorised to do all such acts, deeds, and things as may be required to give effect of this resolutions, including filing of necessary e-forms with the Registrar of Companies and such other regulatory authorities."

3. **To appoint a Director in place of Mr. G.V. Nageswara Rao who retires by rotation and, being eligible, offers himself for re-appointment.**

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

"RESOLVED THAT Mr. G.V. Nageswara Rao (DIN: 00799504), who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Bank."

SPECIAL BUSINESS

4. **To consider and approve the appointment of Mr. G.V. Nageswara Rao (DIN: 00799504) as the Part time Non Executive Chairman of the Bank.**

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

"RESOLVED THAT pursuant to the provisions of the 10B (1A)(i) of the Banking Regulation Act, 1949, (including any modification(s) or re-enactment(s) thereof), and the approval granted by Reserve Bank of India (RBI) dated June 30, 2020, the approval of the members of the Bank be and is hereby accorded for the appointment of Mr. G. V. Nageswara Rao (DIN: 00799504) as the Part Time Non - Executive Chairman of the Bank with effect from June 30, 2020 for a period of 3 years without any remuneration."

"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 to this resolutions, including filing of necessary e-forms with the Registrar of Companies and such other regulatory authorities."

5. **To consider and approve the remuneration to Mr. S. P. Narayanan, erstwhile MD & CEO and in this connection to consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution: .**

"RESOLVED THAT in accordance with the provisions of Section 196, 197, 203 and other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with schedule V of the Companies Act, 2013 as approved by the Reserve Bank of India, approval of the members of the Bank be and is hereby accorded for revision of remuneration and payment of variable pay to Mr. S P. Narayanan, erstwhile MD & CEO (DIN:02255917), of the Bank as detailed below:

ANNEXURE I

(I) Salary:

- The MD & CEO shall be entitled to a salary of ₹ 29,67,261/- per annum, inclusive of all allowances.
- Annual Performance Linked Incentive (PLI) as may be determined by the Nomination and Remuneration Committee/Board, subject to Reserve Bank of India guidelines
- Malus and clawback arrangements shall be as stipulated by RBI.
- Annual increments to be recommended by the Compensation Committee/Board.

(II) In addition to the above, the MD & CEO shall be entitled to the following:

- (a) House Rent Allowance 50% of the Basic Pay per month. No housing accommodation will be provided by the Company;
- (b) Supplementary allowance of ₹ 35,98,977/- will be paid per annum and will be fully taxable
- (c) Medical benefits of ₹ 15,000/- every year covering self, spouse and dependent children;
- (d) Leave Travel Allowance equal to one month's basic pay every year for travel by the MD & CEO and his family; ('family' for this purpose shall mean spouse, dependent parents and dependent children).
- (e) Group Mediclaim, Group Personal Accident and Term Life Insurance cover will be as per the Company's Insurance policy;
- (f) A Company car with driver or re-imbursement of expenses subject to a ceiling of ₹ 10,80,000/- per annum;
- (g) Telephone and internet facility at the residence;
- (h) Contribution to Provident Fund, Superannuation & Gratuity funds and Leave Encashment as per Staff Rules of NSDL Payments Bank;

III) 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.

IV) Notice period of 3 months from either side.

ANNEXURE II

Remuneration, etc	Proposed (w.e.f. November 1, 2019)	Notes
Remuneration:		Annual increment with effect from November 1, 2019. Variable Pay is for the period of 2018-19 i.e from May 3, 2018 (Date of taking charge as MD & CEO to March 31, 2019)
1 Salary	29,67,261	
2 Dearness allowance	-	
3 House rent allowance (50% of basic)	14,83,631	
4 Conveyance allowance	-	
5 Entertainment allowance	-	
6 Other allowances, if any (please specify)		
Supplementary allowance	35,98,977	
Leave Travel Allowance (LTA) (1 month's basic)	2,47,272	
Perquisites:		
1 Free furnished house	-	
2 Free use of bank's car for:		
(i) Official purposes	10,80,000	
(ii) for private purposes on compensating the bank with suitable amount	-	
3 Provident Fund/Gratuity/Pension	4,98,728	
4 Travelling and Halting Allowances	-	
5 Medical benefits	15,000	
6 Other benefits, if any (please specify)	-	
Variable pay	0	
Leaves:		
1 Casual Leave	-	
2 Ordinary Leave	32	
3 Sick Leave	0	
4 Leave Fare Concession	-	
Total CTC	98,90,868	
Variable Pay 2018-19 (20% of Existing CTC) from May 3, 2018 (Date of taking charge as MD & CEO to March 31, 2019)	16,71,060	

"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 filing of necessary e-forms with the Registrar of Companies and such other regulatory authorities."

6. Re-appointment of Mr. L. Ravi Sankar 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 and Remuneration Committee and approval of the Board of Directors of the Bank, Mr. L. Ravi Sankar (DIN: 00185931) in respect of whom the Bank has received a notice in writing 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 October 11, 2020 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. Re-appointment of Dr. Santanu Paul 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 and Remuneration Committee and approval of the Board of Directors of the Bank, Dr. Santanu Paul (DIN: 02039043) in respect of whom the Bank has received a notice in writing 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 October 11, 2020 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.”

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: September 21, 2020
Place: Mumbai

NOTES:

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, ('the Act') relating to item no. 4 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. 20/2020 dated May 05, 2020 read with General Circular No. 14/2020 dated April 08, 2020 and General Circular No. 17/2020 dated April 13, 2020 and other applicable circulars issued by the Securities and Exchange Board of India (SEBI), has allowed the Companies to conduct the AGM through Video Conferencing (VC) or Other Audio Visual Means (OAVM) during the calendar year 2020. In accordance with, the said circulars of MCA and applicable provisions of the Act, the 4th 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 applicable 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.
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 May 05, 2020 issued by MCA and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by SEBI, 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 2019-20, is available on the website of the Company a www.nsdlbank.com.

PROCEDURE FOR JOINING THE AGM THROUGH VC / OAVM:

8. Members will be able to attend the 4th 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/266188909> 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 Monday, September 21, 2020 shall only be considered and responded during the AGM.

14. Members who would like to express their views or ask questions during the AGM raise their hand as per the functionality available on the BlueJeans VC application, however the Company reserves the right to restrict the number of questions and number of 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 login at NSDL e-voting system at <https://www.evoting.nsdl.com>.
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.
18. To support 'Green Initiative', Members who are holding shares in physical forms are requested to register their email address with the Company

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

Item No 4

Pursuant to the provisions of Section 10B(1A)(i) of the Banking regulation Act, 1949 the Bank was required to appoint a Non-Executive (Part-time) Chairman of the Bank. In accordance with the same the Board at its Meeting held on November 7, 2019 had approved and recommended the appointment of Mr. G. V Nageswara Rao as the Non- Executive (Part-time) Chairman of the Bank subject to approval of Members and Reserve Bank of India on nil remuneration. The RBI vide its letter dated June 30, 2020 approved the appointment of Mr G. V. Nageswara Rao as the Non- Executive (Part-time) Chairman of the Bank for a period 3 years w.e.f. June 30, 2020. The Directors recommend the Resolution at Item No. 4 of the accompanying Notice for approval of the Shareholders of the Bank. None of the Directors, Key Managerial Personnel of the Bank and their relatives other than Mr. G. V Nageswara Rao are in any way concerned

or interested, financially or otherwise in the passing of the resolution set out at Item No. 4.

Item No. 5

Mr. SP. Narayanan had taken charge as the MD & CEO of the Bank for a period of 2 years with effect from May 3, 2018. The RBI Vide its letter dated February 21, 2019 had advised that any revision in the remuneration of MD & CEO shall be considered by them only after completion of atleast one year of commencement of banking operations.

The Board at its Meeting held on November 7, 2019 on completion of one year of the commencement of operations as recommended by the Nomination and Remuneration Committee had approved the increment of 8% in the Remuneration and recommended a payment of variable pay at 20% of fixed pay for the period May 3, 2018 till March 31, 2019. The RBI in response to our application dated February 11, 2020 had on April 23, 2020 approved the payment of variable pay as approved by the Board. The details of the variable pay and revision in remuneration are as follows:

I) Salary:

- The MD & CEO shall be entitled to a salary of ₹ 29,67,261/- per annum, inclusive of all allowances.
- Annual Performance Linked Incentive (PLI) as may be determined by the Nomination and Remuneration Committee/Board, subject to Reserve Bank of India guidelines.
- Malus and clawback arrangements shall be as stipulated by RBI.
- Annual increments to be recommended by the Compensation Committee/Board.

II) In addition to the above, the MD & CEO shall be entitled to the following:

- (i) House Rent Allowance 50% of the Basic Pay per month. No housing accommodation will be provided by the Company;
- (ii) Supplementary allowance of ₹ 35,98,977/- will be paid per annum and will be fully taxable.
- (iii) Medical benefits of ₹ 15,000/- every year covering self, spouse and dependent children;
- (iv) Leave Travel Allowance equal to one month's basic pay every year for travel by the MD & CEO and his family; ('family' for this purpose shall mean spouse, dependent parents and dependent children).
- (v) Group Mediclaim, Group Personal Accident and Term Life Insurance cover will be as per the Company's Insurance policy;

- (vi) A Company car with driver or re-imbursement of expenses subject to a ceiling of ₹ 10,80,000/- per annum;
- (vii) Telephone and internet facility at the residence;
- (viii) Contribution to Provident Fund, Superannuation and Gratuity funds and Leave Encashment as per Staff Rules of NSDL Payments Bank;
- III) 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.
- IV) Notice period of 3 months from either side.

Annexure II

Remuneration, etc	Proposed (w.e.f. November 1, 2019)	Notes
Remuneration:		Annual increment with effect from November 1, 2019. Variable Pay is for the period of 2018-19 i.e from May 3, 2018 (Date of taking charge as MD & CEO to March 31, 2019)
1 Salary	29,67,261	
2 Dearness allowance	-	
3 House rent allowance (50% of basic)	14,83,631	
4 Conveyance allowance	-	
5 Entertainment allowance	-	
6 Other allowances, if any (please specify)		
Supplementary allowance	35,98,977	
Leave Travel Allowance (LTA) (1 month's basic)	2,47,272	
Perquisites:		
1 Free furnished house	-	
2 Free use of bank's car for:		
(i) Official purposes	10,80,000	
(ii) for private purposes on compensating the bank with suitable amount	-	
3 Provident Fund/Gratuity/Pension	4,98,728	
4 Travelling and Halting Allowances	-	
5 Medical benefits	15,000	
6 Other benefits, if any (please specify)	-	
Variable pay	0	

Remuneration, etc	Proposed (w.e.f. November 1, 2019)	Notes
Leaves:		
1 Casual Leave	-	
2 Ordinary Leave	32	
3 Sick Leave	0	
4 Leave Fare Concession	-	
Total CTC	98,90,868	
Variable Pay 2018-19 (20% of Existing CTC) from May 3, 2018 (Date of taking charge as MD & CEO to March 31, 2019)	16,71,060	

The members are requested to note that the payment of the aforesaid remuneration would be in accordance with the provisions of Section 196, 197, 203 and other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with schedule V of the Companies Act, 2013. None of the Directors, Key Managerial Personnel of the Bank and their relatives other than Mr. S P. Narayanan are in any way concerned or interested, financially or otherwise in the resolution set out at item no.5.

Item No. 6

The Board had appointed Mr. L. Ravi Sankar as a Director of the Bank w.e.f. October 11, 2017 for a period of three years Pursuant to the aforesaid appointment the term of office of Mr. L. Ravi Sankar was concluding on October 10, 2020. The Bank has received an application of the nomination of Mr. L. Ravi Sankar for re-appointment 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 October 11, 2020.

In the opinion of the Board, Mr. L. Ravi Sankar fulfils the conditions specified in the Companies Act, 2013 and Banking Regulations Act, 1949 for such an appointment. The Board recommends the resolution in relation to re-appointment of Mr. L. Ravi Sankar as an Independent Director, for the approval by the shareholders of the Bank. Except Mr. L. Ravi Sankar, 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 had appointed Dr. Santanu Paul as a Director of the Bank w.e.f. October 11, 2017 for a period of three years . Pursuant to the aforesaid appointment the term of office of Dr. Santanu Paul was concluding on October 10, 2020. The Bank has received an application of the nomination of Dr. Santanu Paul for re-appointment 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 October 11, 2020.

In the opinion of the Board, Dr. Santanu Paul fulfils the conditions specified in the Companies Act, 2013 and Banking Regulations Act, 1949 for such an appointment. The Board recommends the resolution in relation to re- appointment of Dr. Santanu Paul as an Independent Director, for the approval by the shareholders of the Bank. Except Mr. Dr. Santanu Paul, 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.

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: September 21, 2020
Place: Mumbai

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. L. Ravi Sankar	Dr. Santanu Paul	Mr. G.V. Nageswara Rao
Category	Independent Director	Independent Director	Non Executive Director and (Part Time) Chairman
Date of Birth	31-08-1958	08-05-1968	05-08-1961
Qualifications	Chartered Accountant	Ph.D. in Computer Science and Engineering B.Tech in Computer Science from the Indian Institute of Technology, Madras	IIM-Ahmedabad graduate, Chartered Accountant and Cost Accountant
Experience	Mr. L. Ravi Sankar is a partner of M/s. Brahmayya & Co., Chartered Accountants since 28 years. During his tenure, he was instrumental in planning, supervising and conducting major accounting, audit, due diligence and valuation assignments for several large entities. He has also conducted management consultancy assignments on systems, procedures and accounting policies and has been a consultant on company law matters, RBI formalities and management matters. He has also been the Chairman of the Southern India Regional Council (SIRC) of the Institute of Chartered Accountants of India (ICAI) for the year 2001-02 during which SIRC received the best region award from ICAI for outstanding and exemplary performance in rendering service to members and students. He is a past President of the Institute of Internal Auditors, Madras Chapter and Member, Board of Governors, the Institute of Internal Auditors for the year 2008-09. He has held various posts with the ICAI in the past.	He is the co-founder of TalentSprint, a for-profit, high-impact platform. He has led the gifted TalentSprint team to 15 awards as well as multiple venture capital raises from Nexus Venture Partners and the National Skill Development Corporation (NSDC). Earlier, he served Virtusa Corporation as Senior Vice President for Global Delivery Operations. He also worked as Chief Technology Officer at Openpages and Viveca, both venture-backed technology firms based in Boston. He began his career at the IBM T.J. Watson Research Center in Yorktown Heights, New York. He is the author of twenty academic papers and an inventor on two United States patents. He also teaches entrepreneurship at the Indian Institute of Technology, advises the Indian banking sector on technology trends and talent search, and conducts leadership clinics for corporate leaders.	Unique blend of experience of over 28 years covering the whole gamut of financial services in India including capital markets and securities business, retail banking, corporate and investment banking, project finance and life insurance. Currently the MD & CEO of National Securities Depository Limited (NSDL), holding Company of NSDL Payments Bank

Terms and Conditions of 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.
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.	NIL
Date of first appointment on the Board	11-10-2017	11-10-2017	17-08-2016
Shareholding in the Company	NIL	NIL	NIL
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	None	None	None
Number of Board meetings attended during the year 2019-20	6	5	6
List of other Directorship held	Sree Narasimha Textiles Private Limited Brahmayya Consultants Private Limited NSE Indices Limited NSE Data and Analytics Limited	Talentsprint Private Limited Greenpark Hospitality Services Private Limited National Payments Corporation of India	National Securities Depository Limited and NSDL Database Management Limited
Chairman/Member of the Committees of Board of other Companies	<u>NSE Indices Limited</u> Corporate Social Responsibility Committee, Chairman <u>NSE Data and Analytics Limited</u> , Corporate Social Responsibility Committee, Chairman	<u>Talentsprint Private Limited</u> Nomination and Remuneration Committee, Chairman <u>National Payments Corporation of India</u> Nomination and Remuneration Committee, Chairman Audit Committee, Member HR Committee, Member Committee of Independent Directors, Member Technology and Project Management Committee, Member Business Strategy Committee, Member	<u>NSDL</u> Member Committee - Member Stakeholder's Relationship Committee - Member Pricing Committee - Member IPO Committee - Member CSR Committee – Member <u>NSDL Database Management Limited</u> Nomination and Remuneration Committee- Member Audit Committee – Member CSR Committee - Member

Chairman/Member of the Committees of Board of the Company	Audit Committee, Chairman	IT Strategy Committee – Chairman	Customer Service Committee – Chairman
	Nomination and Remuneration Committee- Member	Risk Management Committee- Member	IT Strategy Committee- Member
	Risk Management Committee- Member	Nomination and Remuneration Committee- Member	Nomination and Remuneration Committee- Member
	IT Strategy Committee - Member		Risk Management Committee – Member
			Audit Committee- Member

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Director's Report

For the year ended March 31, 2020

To the Members,

Your Directors have the pleasure in presenting the 4th Annual Report along with the Audited Financial Statements of your Bank for the year ended March 31, 2020.

BUSINESS OVERVIEW

Your Bank received a license from RBI to carry out the business of Payments Bank in India on March 30, 2017. The bank commenced operations post-approval from RBI on October 29, 2018.

This year, the Bank has gone live with its mobile application – NSDL Jiffy and started offering Savings Accounts to the public. NSDL Jiffy allows fully digital account opening process. It provides money transfer services through various modes including RTGS, NEFT, IMPS and Intra-bank transfer. It also allows Recharge and Bill Payments to a host of billers across categories, virtual debit cards with instant activation and option of requesting a physical debit card. The bank has also been registered as a UPI issuer and it supports UPI transactions on its Savings Account for receiving and sending funds. Its UPI acquirer module is under development and will be available soon.

NSDL Payments Bank became an active contributor in financial inclusion by providing access to underbanked and unbanked segments. Through Business Correspondents, the bank went live with its Domestic Money Transfer services and is ready to launch Micro ATMs. AePS and NACH services will be launched soon.

The Bank has launched commercial operations in the month of January 2020 and has received an enthusiastic response from the markets and the Bank has also started acquiring merchants and offering Payment Gateway solutions to them and aims to provide Point of Sale (PoS) solutions soon.

FINANCIAL POSITION

The financial position of the Bank is as under:

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

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

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 2019-20.

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, 2020, the paid-up share capital stood at ₹ 150 crores comprising of 15,00,00,000 equity shares of ₹ 10 each. During the year under review, the Bank had issued 3,50,00,000 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 2019-20 and retire at the forthcoming Annual General Meeting of the Bank and it is proposed to re-appoint them as Statutory Auditors of the Bank. The Bank has received a certificate from them to the effect that their re-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 MMJC & 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, 2020.

RISK MANAGEMENT

Taking into account various risks involved, an Executive Risk Management Committee has been formed 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.

DEPOSITS

Being a banking company, the disclosures required as per Rule 8(5)(v) and (vi) of the Companies (Accounts) Rules, 2014 read with sections 73 and 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 2019-20.

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, 2020, the Bank has Seven (7) Directors.

During the year under review, following Directors have ceased to be Directors from the board of Bank:

Name of the Director	Designation	Date of Cessation
Mr. Ananth Narayan G	Director	March 20, 2020
Mr. S P Narayanan	MD & CEO	May 2, 2020

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

In accordance with the provisions section 152(6) of the Companies Act, 2013, Mr. G.V. Nageswara Rao is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

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 re-appointment of Mr. L. Ravi Sankar and Dr. Santanu Paul, Independent Directors is being made in view of cessation of their term of office of on October 10, 2020 as in the opinion of the Board they fulfil 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, Six Board meetings were held viz. May 7, 2019; May 19, 2019, July 17, 2019; August 5, 2019, November 7, 2019 and February 3, 2020. Details of attendance of each director at the Board Meetings held during the financial year are as follows:

Name of the Director	May 7, 2019	May 19, 2019	July 17, 2019	August 5, 2019	November 7, 2019	February 3, 2020
Mr. G. V. Nageswara Rao	P	P	P	P	P	P
Mr. S. P. Narayanan	P	P	P	A	P	P
Mr. L. Ravi Sankar	P	P	P	P	P	P
Dr. Santanu Paul	P	A	P	P	P	P
Mr. Ananth Narayan G.	P	P	P	A	P	P
Mr. N. S. Venkatesh	P	P	P	P	P	P
Dr. (Mrs.) Bala Krishnamoorthy	P	A	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 and 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.

The Committee met Five times on May 7, 2019; May 19, 2019; August 5, 2019; November 7, 2019 and February 3, 2020 during the year. The details of composition and attendance of members of the Audit Committee are given hereunder:-

Name of Director	May 7, 2019	May 19, 2019	August 5, 2019	November 7, 2019	February 3, 2020
Mr. L. Ravi Sankar	P	P	P	P	P
Mr. G. V. Nageswara Rao	P	P	P	P	P
Mr. Ananth Narayan G.	P	P	A	P	P
Mr. N. S. Venkatesh	P	P	P	P	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 November 7, 2019 and February 3, 2020. Details of attendance of each member at the Committee Meetings held during the year are as follows:

Name of the Director	November 7, 2019	February 3, 2020
Dr. Santanu Paul	P	P
Mr. L. Ravi Sankar	P	P
Mr. G. V. Nageswara Rao	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 and Cyber Security Committee
- Standing Committee on Customer Service

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. S. P. Narayanan*	Managing Director & CEO
Mr. Abhishek Bagchi	Chief Financial Officer
Mr. Balan Santosh Parthasarathy**	Company Secretary

**Mr. Balan Santosh Parthasarathy was appointed as Company Secretary w.e.f. November 7, 2020

Mr. S.P. Narayanan ceased to hold office as MD & CEO w.e.f. May 3, 2020

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 and 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.

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

The extract of the Annual Return of the Bank in Form MGT-9 is annexed to this Report.

Annual Return i.e. Form MGT-7 can also 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, its holding company or subsidiary 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, bankers and shareholders.

For and on behalf of the Board of Directors

Sd/-

G. V. Nageswara Rao

Chairman

Place: Mumbai

Date: August 05, 2020

FORM NO. MGT.9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2020

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

I. REGISTRATION AND OTHER DETAILS:

- i) CIN:- U65900MH2016PLC284869
- ii) Registration Date: August 17, 2016
- iii) Name of the Company: NSDL Payments Bank Limited
- iv) Category / Sub-Category of the Company: Indian Non-Government Company
- v) Address of the Registered office and contact details: Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (West) Mumbai – 400013.
- vi) Whether listed company: ~~Yes~~/ No
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: NSDL Database Management Limited Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (West) Mumbai – 400013. Tel : 22 49142700 Fax: 91- 22- 49142503 Email: info_ndml@nsdl.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	Financial service activities, except insurance and pension funding	64	Nil

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1	National Securities Depository Limited, Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (West) Mumbai - 400013.	U74120MH2012PLC230380	Holding Company	86.67%	2(87)(ii)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	80	-	80	0.001%	80	-	80	0.001%	-
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.									
e) Banks/FI	11,49,99,920	-	11,49,99,920	99.99%	14,99,99,920	-	14,99,99,920	99.99%	-
f) Any Other..	-					-			
Sub-total (A) (1):-	11,50,00,000		11,50,00,000	100.00%	15,00,00,000		15,00,00,000	100.00%	
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other - Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
Sub-total (A) (2):-									
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	11,50,00,000		11,50,00,000	100.00%	15,00,00,000	-	15,00,00,000	100.00%	
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds									
b) Banks/FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1):-									

Category of Shareholders	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year			% Change during the year
	Demat	Physical	Total	Demat	Physical	Total	
(2) Non-Institutions	-	-	-	-	-	-	-
a) Bodies Corp.							
i) Indian							
ii) Overseas							
b) Individuals							
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh							
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh							
c) Others (specify)							
Sub-total (B)(2):-							
Total Public Shareholding (B) = (B)(1) + (B)(2)							
C. Shares held by Custodian for GDRs & ADRs							
Grand Total (A+B+C)	11,50,00,000	-	11,50,00,000	100 %	15,00,00,000	100 %	-

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	National Securities Depository Limited (NSDL)	9,49,99,920	82.61%	-	12,99,99,920	86.67%	-	+4.06%
2	Krishna Srinivas & NSDL	10	0.00001%	-	10	0.00001%	-	
3	Dnyanesh Nerurkar & NSDL	10	0.00001%	-	10	0.00001%	-	
4	Nityanand Phatarphod & NSDL	10	0.00001%	-	10	0.00001%	-	
5	S. Ganesh & NSDL	10	0.00001%	-	10	0.00001%	-	
6	Samar Banwat & NSDL	10	0.00001%	-	10	0.00001%	-	
7	Prashant Vagal & NSDL	10	0.00001%	-	10	0.00001%	-	
8	Manoj Sathe & NSDL	10	0.00001%	-	10	0.00001%	-	
9	Balkrishna Narayan Shanwalker & NSDL	10	0.00001%	-	10	0.00001%	-	
Total		9,50,00,000	82.61	-	13,00,00,000	86.67	-	4.06%

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

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	9,50,00,000	82.61%	9,50,00,000	82.61%
	Date wise Increase/ Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/ bonus/ sweat equity etc):				
	i) Rights Issue – 19.05.2019	2,50,00,000	3.10%	12,00,00,000	85.71%
	ii) Rights issue – 17.03.2020	1,00,00,000	0.96%	13,00,00,000	86.67%
	At the End of the year	13,00,00,000	82.61%	13,00,00,000	86.67%

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	NSDL Database Management Limited For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	2,00,00,000	17.39	2,00,00,000	17.39
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	-	-	-	-
	At the End of the year (or on the date of separation, if separated during the year)	2,00,00,000	13.33	2,00,00,000	13.33

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	-	-	-	-
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year	-	-	-	-
• Addition				
• Reduction				
Net Change	-	-	-	-
Indebtedness at the end of the financial year	-	-	-	-
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	-	-	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager (Mr. SP. Narayanan)*				Total Amount
1.	Gross salary	75,10,728	-	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	32,400				
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961					
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961					
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-
4.	Commission	-	-	-	-	-
	- as % of profit					
	- others, specify...					
5.	Others, please specify	-	-	-	-	-
	Total (A)	75,43,128	-	-	-	-

Mr. SP. Narayanan ceased to be a MD & CEO of the Bank w.e.f. May 2, 2020

Gross Salary does not include LTA, Car lease, employer contribution to PF, unclaimed gratuity and medical benefits

B. Remuneration to other directors:

(in ₹)

Particulars of Remuneration	Name of Directors						Total Amount
	Mr. G. V. Nageswara Rao	Mr. L. Ravi Sankar	Dr. Santanu Paul	#Mr. Ananth Narayan G.	Mr. N.S. Venkatesh	Dr. (Mrs.) Bala Krishnamoorthy	
1. Independent Directors							
• Fee for attending board / committee meetings	-	15,00,000	11,00,000	9,80,000	12,60,000	6,80,000	55,20,000
• Commission	-	-	-	-	-	-	-
• Others, please specify	-	-	-	-	-	-	-
Total (1)		15,00,000	11,00,000	9,80,000	12,60,000	6,80,000	55,20,000
2. Other Non-Executive Directors							
• Fee for attending board committee meetings	-	-	-	-	-	-	-
• Commission	-	-	-	-	-	-	-
• Others, please specify	-	-	-	-	-	-	-
Total (2)		-	-	-	-	-	-
Total (B) = (1 + 2)		-	-	-	-	-	-
Total Managerial Remuneration		15,00,000	11,00,000	9,80,000	12,60,000	6,80,000	55,20,000

Overall ceiling limit as per Companies Act, 2013:

₹1 lakh per Director for Board and Audit Committee Meeting and ₹0.60 lakh per Director for other Committee meetings.

The sitting fees paid to the Non-Executive Directors for attending the meetings of the Board and Committees, are as per limits prescribed under the Act.

Ceased to be a Director w.e.f. March 20, 2020

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(in ₹)

Sl. no.	Particulars of Remuneration	CEO	Key Managerial Personnel			
			Company Secretary Deepashri Cornelius	Company Secretary Balan Santosh Parthasarathy	Abhishek Bagchi, CFO	Total
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Already covered above in Clause VI (A)	5,50,363@	5,55,899*	40,47,832	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-	-
5.	Others, please specify	-	-	-	-	-
	Total (C)	-	5,50,363	5,55,899	40,47,832	-

@ Salary from April 01, 2019 to October 14, 2019

* Salary from October 22, 2019 to March 31, 2020

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/ NCLT/COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	Not Applicable				
Punishment					
Compounding					
B. DIRECTORS					
Penalty	Not Applicable				
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty	Not Applicable				
Punishment					
Compounding					

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FORM NO. MR.3

SECRETARIAL AUDIT REPORT

For The Financial Year Ended 31st March, 2020

[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, 2020 (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, 2020 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,

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 3,50,00,000 Equity shares of Rs 10/- each at par aggregating to ₹ 35,00,00,000/- on Right Issue basis.

For MMJB and Associates LLP
Practising Company Secretaries

Saurabh Agarwal
Designated Partner
FCS No. 9290
CP No. 20907
UDIN: F009290B000337596

Place: Mumbai
Date: June 12, 2020

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

Practising Company Secretaries

Saurabh Agarwal

Designated Partner

FCS No. 9290

CP No. 20907

UDIN: F009290B000337596

Place: Mumbai

Date: June 12, 2020

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 pay¹ 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.

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) of the Companies Act, 2013, 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

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 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, 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.

¹ 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.

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, Bank 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 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 31st March, 2020 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 31st March, 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.

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

3. 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 charged with governance as required under SA 720 'The Auditor's responsibilities Relating to other Information'

Responsibility of Management for Financial Statements

4. 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.

Independent Auditor's Report (Contd.)

Auditor's Responsibilities for the Audit of the Financial Statements

5. 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. Our audit process in accordance with the SAs is narrated in details in Annexure 1 to this report.

Report on Other Legal and Regulatory Requirements

6. 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.
7. 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.
8. 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. on the basis of the written representations received from the directors as on 31st March, 2020, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in Annexure 2.
- g. 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

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.
- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) the Bank is currently not liable to transfer any amount to the Investor Education and Protection Fund.

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

Mumbai
 17th June, 2020

Vinit K Jain
 Partner (F-145911)
 UDIN: 20145911AAAAAT9220

Annexure 1 to the Independent Auditors' Report **(referred to in para 5 titled "Auditor's Responsibilities for the Audit of the 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 in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Annexure 2 to the Independent Auditors' Report

[referred to in paragraph 10(f) 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 over financial reporting of **NSDL Payments Bank Limited** ("the Bank") as at 31st March, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control 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 over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- 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
- 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 OVER FINANCIAL REPORTING

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

OPINION

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 31st March, 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**
 (formerly Khimji Kunverji & Co)
 Chartered Accountants
 FRN: 105146W/W100621

Vinit K Jain

Partner (F-145911)

Mumbai

17th June, 2020

UDIN: 20145911AAAAAT9220

Balance Sheet

as at 31st March, 2020

(₹ in '000s)

	Schedule No.	As at 31 st March, 2020	As at 31 st March, 2019
CAPITAL & LIABILITIES			
Capital	1	15,00,000	11,50,000
Reserves and Surplus	2	(2,41,741)	(1,03,045)
Deposits	3	1,788	155
Borrowings	4	-	-
Other Liabilities and Provisions	5	43,232	37,450
Total		13,03,279	10,84,560
ASSETS			
Cash and Balances with Reserve Bank of India	6	7,043	1,931
Balances with banks and money at call and short notice	7	8,04,938	7,37,574
Investments	8	1,62,994	39,324
Advances	9	-	-
Fixed Assets	10	2,64,744	2,50,194
Other Assets	11	63,560	55,537
Total		13,03,279	10,84,560
Contingent Liabilities	12	2,500	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 (F-145911)
 Date: 17th June, 2020

Sd/-
G V Nageswara Rao
 Director
 DIN: 00799504

Sd/-
L Ravi Sankar
 Director
 DIN: 00185931
 (Chennai)

Sd/-
N S Venkatesh
 Director
 DIN: 01893686

Place : Mumbai
 Date : 14th June, 2020

Sd/-
Ashutosh D Singh
 Chief Executive Officer

Sd/-
Abhishek Bagchi
 Chief Financial Officer

Sd/-
Balan S Parthasarathy
 Company Secretary

Statement of Profit & Loss

for the year ended 31st March, 2020

(₹ in '000s)

Particulars	Schedule No.	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
I INCOME			
Interest Earned	13	59,492	54,189
Other Income	14	4,186	4,959
Total		63,678	59,148
II EXPENDITURE			
Interest Expended	15	126	872
Operating Expenses	16	2,02,248	1,25,175
Provisions and Contingencies	18(3)(3.1)	-	(1,608)
Total		2,02,374	1,24,439
III PROFIT/LOSS			
Net Profit /(Loss) for the year		(1,38,696)	(65,291)
Profit brought forward		(1,03,045)	(37,754)
Total		(2,41,741)	(1,03,045)
IV APPROPRIATIONS			
Transfer to Statutory Reserve		-	-
Transfer to Investment Reserve		-	-
Balance carried over to Balance Sheet		(2,41,741)	(1,03,045)
Total		(2,41,741)	(1,03,045)
EPS Basic (₹)	18(2.7)	(1.02)	(0.60)
EPS Diluted (₹)		(1.02)	(0.60)
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
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 (F-145911)
 Date: 17th June, 2020

Place : Mumbai
 Date : 14th June, 2020

Sd/-
G V Nageswara Rao
 Director
 DIN: 00799504

Sd/-
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 Chief Executive Officer

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 Director
 DIN: 00185931
 (Chennai)

Sd/-
Abhishek Bagchi
 Chief Financial Officer

Sd/-
N S Venkatesh
 Director
 DIN: 01893686

Sd/-
Balan S Parthasarathy
 Company Secretary

Product Information

Corporate Overview

Statutory Reports

Financial Statements

Subsidiaries

Cash Flow Statement

for the year ended 31st March, 2020

(₹ in '000s)

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
I Cash Flow from Operating Activities		
Net Profit for the Year (before taxes)	(1,38,697)	(66,899)
Adjustments for:-		
Add : Non-Cash Expenditure		
Interest income on T Bills and Term Deposits classified as investing cash flows	(59,492)	-
Profit/(loss) on sale of Mutual Funds	(3,296)	-
Depreciation	42,125	31,949
Cash Flow before Changes in Working Capital	(1,59,359)	(34,950)
<i>Adjustments for working capital changes</i>		
Deposits	1,633	155
Financing		
Other Liabilities	5,601	20,004
Other Assets	(7,212)	(33,950)
Direct Taxes paid	(629)	(72)
(Increase)/Decrease in AFS Investments	-	(39,324)
Cash generated from Operating Activities	(1,59,967)	(88,137)
II Cash Flow from Investing Activities		
Investment in deposits with maturity of more than twelve months		
Addition to Other Fixed Assets	(56,676)	(1,77,624)
(Increase)/Decrease in Investments	(1,23,670)	-
Profit/(loss) on sale of Mutual Funds	3,296	-
Interest income on T Bills and Term Deposits	59,492	-
Interest received on bank deposits	-	-
Addition to Capital Work in Progress	-	92,341
Cash generated from Investing Activities	(1,17,558)	(85,283)
III Cash Flow from Financing Activities		
Proceeds of share issue	3,50,000	1,20,000
Cash generated from financing Activities	3,50,000	1,20,000
IV Increase/Decrease during the Year	72,475	(53,420)
V Opening Cash and Cash Equivalents	7,37,005	7,90,425
VI Closing Cash and Cash Equivalents	8,09,480	7,37,005
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)	7,043	1,931
(ii) Balances with Banks in Current Accounts (Refer Schedule 7)	8,04,938	7,37,574
(iii) Less: Lien Fixed Deposit	2,500	2,500
Cash and cash equivalents at the end of the year	8,09,480	7,37,005

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 (F-145911)
Date: 17th June, 2020

Sd/-
G V Nageswara Rao
Director
DIN: 00799504

Sd/-
L Ravi Sankar
Director
DIN: 00185931
(Chennai)

Sd/-
N S Venkatesh
Director
DIN: 01893686

Place : Mumbai
Date : 14th June, 2020

Sd/-
Ashutosh D Singh
Chief Executive Officer

Sd/-
Abhishek Bagchi
Chief Financial Officer

Sd/-
Balan S Parthasarathy
Company Secretary

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

1. CAPITAL

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
Authorised Capital		
20,00,00,000 Ordinary Shares of ₹ 10/- each	20,00,000	20,00,000
Issued, Subscribed and Paid-up		
15,00,00,000 Ordinary Shares of ₹ 10/- each	15,00,000	11,50,000
Total	15,00,000	11,50,000

2. RESERVES AND SURPLUS

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
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 and Loss Account		
(i) Opening Balance (Refer note 18(3)(3.23))	(1,03,045)	(37,754)
(ii) Addition during the year	(1,38,696)	(65,291)
(iii) Deduction during the year	-	-
Total	(2,41,741)	(1,03,045)
TOTAL	(2,41,741)	(1,03,045)

3. DEPOSITS

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
A. 1. Demand Deposits		
i) From Banks	-	-
ii) From Others	233	-
Total	233	-
2. Savings Bank Deposits	1,555	155
3. Term Deposits		
i) From Banks	-	-
ii) From Others	-	-
Total	-	-
TOTAL	1,788	155
B. i. Deposits of Branches in India	1,788	155
ii. Deposits of Branches outside India	-	-
Total	1,788	155

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

4. BORROWINGS

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
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 31 st March, 2020	As at 31 st March, 2019
1. Bills Payable	-	-
2. Inter Office Adjustments (Net)	-	-
3. Interest Accrued	-	-
4. Others (Including Provisions)	43,232	37,450
TOTAL	43,232	37,450

6. CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1. Cash in hand	-	-
2. Balances with Reserve Bank of India		
(i) In Current Account	7,043	1,931
(ii) In Other Accounts	-	-
TOTAL	7,043	1,931

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

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1. In India		
(i) Balances with Banks		
a) In Current Accounts	6,752	2,186
b) In other Deposit Accounts (Refer Note 18(3) (3.19))	7,98,186	7,35,388
(ii) Money at Call and Short Notice		
a) With Banks	-	-
b) With Other Institutions	-	-
Total	8,04,938	7,37,574
2. Outside India		
(i) In Current Accounts	-	-
(ii) In Other Deposits Accounts	-	-
(iii) Money at Call and Short Notice	-	-
Total	-	-
TOTAL	8,04,938	7,37,574

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

8. INVESTMENTS

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1. Investments in India (Gross)	1,62,994	39,324
Less – Provision for depreciation	-	-
Total	1,62,994	39,324
Investments in India in -		
(i) Government Securities	73,464	39,324
(ii) Other Approved Securities	-	-
(iii) Shares	-	-
(iv) Debentures and Bonds	-	-
(v) Subsidiaries and / or Joint Venture	-	-
(vi) Others	89,530	-
Total	1,62,994	39,324
2. Investments Outside India	-	-
Total	-	-
TOTAL	1,62,994	39,324

9. ADVANCES

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
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, 2020

10. FIXED ASSETS

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
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	1,94,258	16,634
(ii) Additions During the year	64,983	1,77,624
(iii) Deductions During the year	95	-
(iv) Accumulated Depreciation to date	76,777	34,652
Total	1,82,369	1,59,606
3. Capital Work in Progress	82,375	90,588
TOTAL (1+2+3)	2,64,744	2,50,194

11. OTHER ASSETS

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1. Inter-Office Adjustment (Net)	-	-
2. Interest Accrued	13,686	13,714
3. Tax Paid in Advance/Tax Deducted at Source (Net of Provision)	763	134
4. Stationery and Stamps	-	-
5. Deferred Tax Assets (Net)	-	-
6. Others	49,111	41,689
Total	63,560	55,537

12. CONTINGENT LIABILITIES

(₹ in '000s)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
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	-	-
6. Acceptances, Endorsements and other Obligations	-	-
7. Other items for which the bank is contingently liable	-	-
(i) Income tax and other matters (under appeal)	-	-
(ii) Others	2,500	2,500
Total	2,500	2,500

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

13. INTEREST EARNED

(₹ in '000s)

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
1. Interest / Discount on Advances / bills	-	-
2. Income on Investments	1,522	705
3. Interest on balance with RBI and Other Inter bank funds	57,970	53,484
4. Others	-	-
Total	59,492	54,189

14. OTHER INCOME

(₹ in '000s)

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
1. Commission, Exchange and Brokerage	827	1
2. Profit on sale of Investments (Net)	3,295	4,958
3. Profit / (Loss) on sale of land, building and other assets (Net)	-	-
4. Profit on exchange transactions (Net)	64	-
5. Miscellaneous Income	0	-
Total	4,186	4,959

15. INTEREST EXPENDED

(₹ in '000s)

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
1. Interest on Deposits	16	2
2. Interest on Reserve Bank of India / Inter-Bank Borrowings	-	-
3. Others	110	870
Total	126	872

16. OPERATING EXPENSES

(₹ in '000s)

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
1. Payments to and provisions for employees	69,493	41,410
2. Rent, taxes and lighting	17,995	9,362
3. Printing and stationery	230	390
4. Advertisement and publicity	13	125
5. Depreciation on banks property	42,125	31,949
6. Director's fees Allowances and expenses	6,278	3,745
7. Auditors' fees and expenses (Including branch auditor's fees and expenses)	2,580	1,411
8. Law Charges	630	621
9. Postage, Telegrams, Telephones, etc.	105	97
10. Repairs and maintenance	30,248	20,678
11. Insurance	1,306	640
12. Other Expenditure	31,245	14,747
Total	2,02,248	1,25,175

Significant Accounting Policies

17. 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,

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 30th 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.

Significant Accounting Policies

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.

Service revenue is recognised on completion of provision of services. Revenue is recognised on transfer of all significant risks and rewards 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.

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.

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/- and 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	6 years
- End user devices, such as, desktops, laptops, etc.	3 years

Significant Accounting Policies

Asset category	Estimated Useful Life
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. 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.

8. 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 capitalised 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.

Significant Accounting Policies

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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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, 2020

18. NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

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 31 st March, 2020	As at 31 st March, 2019
i) Common Equity Tier-1 capital ratio (%)	265.87%	231.06%
ii) Tier-1 capital ratio (%)	265.87%	231.06%
iii) Tier-2 capital ratio (%)	-	-
iv) Total capital ratio (CRAR) (%)	265.87%	231.06%
v) Percentage of the shareholding of the Government of India in public sector banks		-
vi) Amount of equity capital raised	3,50,000	120,000
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)]		

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 31st March, 2020 is ₹ 10,08,675.81('000s) (as on 31st March, 2019 ₹ 10,46,955 ('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). For FY 2018-19, the Bank has not deducted ₹ 1,48,313 thousand while computing net worth relating to Computer software considering same is classified separately under fixed assets in the Return on Asset, Liabilities and Exposures'.

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.

(₹ in 000's)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1 Value of investments		
(i) Gross value of investments		
(a) In India	1,62,994	39,324
(b) Outside India	-	-
(ii) Provision for depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments		
(a) In India	1,62,994	39,324
(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, 2020

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

(₹ in 000's)

Security	As at 31 st March, 2020				As at 31 st March, 2019			
	HTM	HFT	AFS	Total	HTM	HFT	AFS	Total
Government securities	-	-	73,464	73,464	-	-	39,324	39,324
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Debentures/Bonds	-	-	-	-	-	-	-	-
Others- Mutual Fund	-	-	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 (Face Value)

The Bank did not purchase/sell any securities under repo/reverse repo during the year 2019-20 ("Nil" during the year 2018-19).

1.4 Non SLR Investment Portfolio

- i) Issuer composition of Non SLR investments

(₹ in 000's)

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	-	-	-	-	-
(vii)	Total (I to vi)	-	-	-	-	-
(viii)	Less: Provision held towards depreciation	-	-	-	-	-
Total (viii – viii)		-	-	-	-	-

1.5 Non-Performing Non-SLR investments

The Bank does not have any nonperforming investments during the year 2019-20 ("Nil" during the year 2018-19).

1.6 Provision for Depreciation on Investments

Provision for depreciation on investments under 'Available for Sale' category as on 31st March, 2020 is Nil ("Nil" as on 31st March, 2019).

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 2019-20 ("Nil" as on 31st March, 2019).

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 2019-20. ('Nil' during the year 2018-19) 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 is 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.

Notes forming part of the financial statements

for the year ended 31st March, 2020

1.10 Business Ratios

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
i. Interest income as a percentage to working funds ¹	4.82%	2.33%
ii. Non-interest Income as percentage to working funds ¹	0.34%	0.35%
iii. Operating profit as a percentage to working funds ²	(11.23%)	(3.51%)
iv. Return on assets ³	(11.23%)	(2.90%)
v. Business (Deposit) per employee ⁴ (₹ in actuals)	34,721	4,557
vi. Profit/(Loss) per employee ⁴ (₹ in 000's)	(2,693.14)	(856.24)

- 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.
- Operating Profit means Net Interest Income plus Other Income less Operating Expenses
- Net Profit as a percentage to average working funds
- For the purpose of per employee average number of employees have been considered
- In 2018-19, for the purpose of above ratios except no. v the management has considered the numerator on prorata basis from the commencement of operation, while for FY 2019-20 entire year has been considered. Hence the ratios are not comparable.

1.11 Asset Liability Management

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

(₹ in 000's)

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 months to 1 year	-	-	-	-	-	-
Over 1 to 3 years	1,598	-	-	-	-	-
Over 3 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	1,788	-	1,62,994	-	-	-

Maturity pattern of certain items of assets and liabilities as on 31st March, 2019:

(₹ in 000's)

Maturity Bucket	Deposits	Advances	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	5	-	35,353	-	-	-
2 to 7 days	5	-	-	-	-	-
8 to 14 days	5	-	-	-	-	-
15 to 28 days	-	-	-	-	-	-
Days 29 to 3 months	-	-	-	-	-	-
Over 3 to 6 months	-	-	3,971	-	-	-
Over 6 months to 1 year	-	-	-	-	-	-
Over 1 to 3 years	140	-	-	-	-	-
Over 3 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	155	-	39,324	-	-	-

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

Notes forming part of the financial statements

for the year ended 31st March, 2020

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 2019-20 and 2018-19.

- ii) As per the RBI guidelines issued by RBI for licensing of Payments Bank; the payments bank is 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 unsecured 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 2019-20 ("Nil" during FY 2018-19)

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:

(₹ in 000's)

No.	Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1	Provision as at date	7,590	1,582

Provident Fund

The contribution to the Employee Provident Fund amounted to ₹ 6,083 thousand for the year 2019-20 (₹ 2,723 thousand for the year 2018-2019).

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 000's)

No.	Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1	Defined Benefit Obligation at the beginning of the period	1,355	1,008
2	Service cost	902	828
3	Interest cost	105	79
4	Actuarial losses/(gains)	(1,225)	(560)
5	Benefit payments	-	-
6	Defined Benefit obligation at the end of the period	1,137	1,355

Amount recognised in Balance Sheet:

(₹ in 000's)

No.	Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1	Present value of defined benefit obligation	1,137	1,355
2	Fair value of plan assets	(2,034)	(1,907)
3	Funded status ((surplus)/ deficit)	(897)	(552)
4	Unrecognised past service costs	-	-
5	Net asset / (liability) recognised in the Balance Sheet	897	552

Notes forming part of the financial statements

for the year ended 31st March, 2020

Change in the fair value of Plan Assets during the year

(₹ in 000's)

No.	Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
1	Fair value of plan assets at the beginning of the year	1,907	-
2	Expected Return on Plan Assets	148	-
3	Contributions by the Bank	-	1,885
4	Actuarial Gain/ (Loss) recognised during the year	(22)	22
5	Benefit paid	-	-
6	Fair value of plan assets at the end of the year	2,033	1,907

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 31 st March, 2020	For the year ended 31 st March, 2019
1	Current service cost	902	828
2	Interest on Defined Benefit Obligation	(43)	79
3	Expected Return on Plan Assets	-	-
4	Net Actuarial Losses/(Gains) recognised in the year	(1,204)	(582)
5	Past Service Cost	-	-
6	Actuarial losses / (Gains)	-	-
	Total included in "Employee Benefit Expense" [Schedule 16(I)]	(345)	324

Experience adjustment is as follows:

(₹ in 000's)

No.	Experience Adjustments	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
	Gratuity		
1	Actuarial (Gains)/Losses on Obligations – Due to Experience	(348)	(577)
2	Actuarial (Gains)/Losses on Plan Assets – Due to Experience	(21)	22

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

(₹ in 000's)

No.	Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1	Salary escalations	8.00%	8.00%
2	Discount rate	5.21%	7.78%
3	Attrition rate	30%	2.00%
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

- The bank operates in a single geographical segment i.e. domestic. Hence, segment reporting has not been done for the current year.
- The Bank has classified its business into the following segments, namely:
 - Treasury – primarily comprising investments in Treasury Bills, Mutual Funds, Deposit with Banks.

Notes forming part of the financial statements

for the year ended 31st March, 2020

- b. Banking Operations - comprising business activities like accepting deposits, offering domestic money transfer and other services.

(₹ in 000's)

Business segments	Treasury	Other Banking Operation	Total
Revenue	62,788	890	63,678
Unallocated Revenue			0*
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	280,483	1,269,156
Unallocated Assets			34,123
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:

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) –w.e.f. May 3, 2018 Mr. Abhishek S. Bagchi (CFO) Ms. Deepashri Cornelius (CS)-Upto14/10/2019 Mr. Balan Parthasarathy (CS)-w.e.f. 22/10/2019

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 category at any given point of time, and therefore, those details are also not disclosed. Related parties are identified by the Management and relied upon by the auditors.

Notes forming part of the financial statements

for the year ended 31st March, 2020

(₹ in 000's)

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 Avalied/provided	-	-	-	-	-
Sale/Purchase of fixed assets	-	-	-	-	-
Interest paid	-	-	-	-	-
Interest Received	-	-	-	-	-
Rendering of services	-	-	-	4,017	4,017
Remuneration	-	12,358	-	-	12,358
Management Services	-	-	-	-	-

As on 31st March 2019

(₹ in 000's)

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 Avalied/provided	-	-	-	-	-
Sale/Purchase of fixed assets	-	-	-	-	-
Interest paid	-	-	-	-	-
Interest Received	-	-	-	-	-
Rendering of services	-	-	-	5,000	5,000
Remuneration	-	16,440	-	-	16,440
Management Services	-	-	-	-	-

2.4 Accounting Standard 19 - Lease Disclosures

The total amount paid by the Bank under operating lease for the financial year is ₹ 147.22 lakhs. (₹ 83 lakh during the year 2018-19). The Bank has not entered into any non-cancellable operating lease and financial lease arrangement in the current year.

- Rent paid for lease hold property : ₹ 114.65 lakh
- Rent paid to NDML for shared premises : ₹ 32.57 lakh

(₹ in 000's)

Particulars	For the period ended 31 st March, 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	96.82
b) Later than one year but not later than five years	284.24
c) Later than five years	-
2. Total Expected future lease payment	381.06
3. Lease payment recognised in the statement of Profit and Loss for the period	147.22

Notes forming part of the financial statements for the year ended 31st March, 2020

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

Other Fixed Assets (including furniture and fixtures)

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

(₹ in 000's)

Hardware	For the period ended 31 st March, 2020	For the period ended 31 st March, 2019
At cost at the beginning of the year	11,293	16,634
Additions during the year	8,560	1,002
Deductions during the year	95	-
Accumulated depreciation	4,595	6,343
Closing balance	15,163	11,293

(₹ in 000's)

Software	For the period ended 31 st March, 2020	For the period ended 31 st March, 2019
At cost at the beginning of the year	1,48,313	-
Additions during the year	56,423	1,76,622
Deductions during the year	-	-
Accumulated depreciation	37,529	28,309
Closing balance	1,67,207	1,48,313

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 000's)

Particulars	For the period ended 31 st March, 2020	For the period ended 31 st March, 2019**
Deferred tax asset on account of depreciation	-	129
Deferred tax asset on account of other items	1,671	154
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 recognised during the year. The bank is confident of having probable future taxable profits to allow it to recognise the deferred tax assets in future.

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

(₹ in 000's)

Particulars	For the period ended 31 st March, 2020	For the period ended 31 st March, 2019
Net profit/(loss) after tax (₹ in 000's)	(1,38,696)	(65,291)
Basic weighted average no. of shares	13,53,41,530	1,08,030,137
Diluted weighted average no. of shares	13,53,41,530	1,08,030,137
Basic EPS (₹)	(1.02)	(0.60)
Diluted EPS (₹)	(1.02)	(0.60)
Nominal value of shares (₹)	10/-	10/-

2.8 Accounting Standard 28 – Impairment of Assets

An asset is treated as impaired when it's 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.

Notes forming part of the financial statements for the year ended 31st March, 2020

3. Additional Disclosures as per RBI

3.1 Provisions and contingencies

Break up provisions and contingencies

(₹ in 000's)

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
Provision for depreciation on investments	-	-
Provision towards NPA	-	-
Provision made towards income tax	-	-
- Current tax expense	-	-
- Deferred tax expense	-	(1,691)
- Prior Period	-	83
Total		(1,608)

3.2 Draw down from reserves

The Bank has not drawn any amount from reserves during the year 2019-20 ("Nil" during the year 2018-19).

3.3 Disclosure of complaints/unimplemented awards of Banking Ombudsman

(i) Customer complaints

No.	Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	-	-
(c)	No. of complaints redressed during the year	-	-
(d)	No. of complaints pending at the end of the year	-	-

(ii) Awards passed by the Banking Ombudsman

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

Since the Bank is in Close User Group phase, no formal customer complaint register has been maintained and hence the above disclosures are not applicable.

3.4 Concentration of deposits

(₹ in 000's)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
Total deposits of twenty largest depositors (₹ in 000's)	714	126
Percentage of deposits of twenty largest depositors to total deposits of the Bank	39.91%	81.35%

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 2019-20 ("Nil" during the year 2018-19).

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 31st March, 2020, 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.

Notes forming part of the financial statements for the year ended 31st March, 2020

3.7 Details of provisioning related to fraud accounts

(₹ in 000's)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
No. of frauds reported	1*	-
Amount involved in such frauds (net of recovery) (₹ in 000's)	-	-
Quantum of provision made (₹ in 000's)	-	-
Quantum of unamortised 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 2019-20, the Bank had one reported case of KYC impersonation with however no financial loss to the bank.

3.8 Remuneration of Directors (Non-executive)

(₹ in 000's)

Particulars	As at 31 st March, 2020	As at 31 st March, 2019
- Board Meeting	2,700	1,400
- Audit Committee	840	480
- Nomination and remuneration Committee	240	360
- Risk Management Committee	660	540
- Customer Service Committee	240	360
- IT Strategy Committee	540	180
- Independent Director Committee	300	240
- Strategy Advisory Committee	240	-
Total	5,760	3,560

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

The Bank has earned ₹ 16 thousand from distribution of third party Mutual Fund products during FY: 2019-20 (₹ 336.32 during FY 2018-19).

3.10 Bancassurance Business

No fees/remuneration had been received in respect of the bank assurance business during FY 2019-20 ("Nil" during FY 2018-19).

3.11 Unamortised Pension and Gratuity Liabilities

The Bank does not have any unamortised Pension /Gratuity Liabilities as at 31st March, 2020 ("Nil" as at 31st March, 2019).

3.12 Disclosures on Remuneration

(i) Qualitative Disclosure

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

The Nomination and Remuneration committee comprises of minimum 3 non-executive directors out of which at least one half consist of Independent Directors of the Bank. The Chairman of the Nomination and Remuneration Committee is an Independent Director. The Objective of the Committee is to identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and carry out evaluation of every Director's performance. The Committee is further required to formulate the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

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.

Notes forming part of the financial statements

for the year ended 31st March, 2020

- 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 process is defined for Payments Bank on annual basis.

- 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 Performance measurement process is defined for Payments Bank on annual basis.

- 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 Performance measurement is in the form of performance Bonus

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 (3 During the year 2018-19)

Remuneration paid to the members during the year 2019-20 - ₹ 2,40,000. (₹ 3,60,000 during the year 2018-19)

- b. **Number of employees having received a variable remuneration award during the financial year:**

During the financial year, sixteen (16) employees received variable remuneration award. Total gross fixed component ₹ 3,88,62,567/- and variable pay ₹ 60,46,981/-

During the previous year ten (10) employees received variable remuneration award Total gross fixed component ₹ 4,34,11,371/- and variable pay ₹ 97,01,000/-

- c. **Number and total amount of sign-on awards made during the financial year:** Nil (Nil during the year 2018-19)

- d. **Details of guaranteed bonus, if any, paid as joining/ sign on bonus:** Nil (Nil during the year 2018-19)

- e. **Details of severance pay, in addition to accrued benefits, if any:** Nil (Nil during the year 2018-19)

- f. **Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms:** Nil (Nil during the year 2018-19)

- g. **Total amount of deferred remuneration paid out in the financial year:** Nil (Nil during the year 2018-19)

- h. **Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred:** Nil (Nil during the year 2018-19)

- i. **Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and I or implicit adjustments:** Nil (Nil during the year 2018-19)

- j. **Total amount of reductions during the financial year due to ex- post explicit adjustments:** Nil (Nil during the year 2018-19)

- k. **Total amount of reductions during the financial year due to ex- post implicit adjustments:** Nil (Nil during the year 2018-19)

Notes forming part of the financial statements for the year ended 31st March, 2020

3.13 Credit Default Swaps

The Bank has not issued any Credit Default Swaps (CDS) during the year 2019-20 ("Nil" during the year 2018-19).

3.14 Intra-group Exposure

(₹ in 000's)

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

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

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

There are two cases of delays in payments to micro and small enterprises as required to be disclosed under 'The Micro, Small and Medium Enterprises Development Act 2006'. The Same is disclosed as below.

(₹ in 000's)

Sr No.	Particulars	As at 31 st March, 2020	As at 31 st March, 2019
1.	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	-
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	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 have 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.

Notes forming part of the financial statements for the year ended 31st March, 2020

3.20 Category wise Breakup of Other Expenses (Schedule-12)

(₹ in 000's)

Particulars	For the year ended 31 st March, 2020	For the year ended 31 st March, 2019
Membership Fees	4,175	2,805
Professional Fees	9,766	2,481
Office Maintenance	2,384	2,475
Travelling and Conveyance	1,546	1,874
Recruitment Charges	(60)	1,843
Others	2,071	1,327
IT and Call Centre expenses	10,186	677
Security Charges	1,161	661
Registration Charges	16	604
Total	31,245	14,747

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. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too. Various governments have introduced a variety of measures to contain the spread of the virus. The Indian government had announced countrywide lockdown which is continuing at present. In this nation-wide lock-down period, though all the services across the nation were suspended (except the specified essential services), some establishments including Banking could operate and were exempted from the lock-down. 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.

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 (F-145911)
Date: 17th June, 2020

Sd/-
G V Nageswara Rao
Director
DIN: 00799504

Sd/-
L Ravi Sankar
Director
DIN: 00185931
(Chennai)

Sd/-
N S Venkatesh
Director
DIN: 01893686

Place : Mumbai
Date : 14th June, 2020

Sd/-
Ashutosh D Singh
Chief Executive Officer

Sd/-
Abhishek Bagchi
Chief Financial Officer

Sd/-
Balan S Parthasarathy
Company Secretary