

NSDL Payments Bank

Annual Report 2022-23



Achieving Digital Financial Inclusion

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KEY HIGHLIGHTS

No. 1

In AePS
Aquiring

Top 3

In MATM
Transaction

Top

Contributors in
Domestic Remittance

18,500+

Pin Code presence

20L+

Merchant Agents
Onboarded

1,070+

Customer
Service Points

4L+

Savings Accounts

8+ Crore

Profit

130+ Crore

Net Worth

NSDL Payments Bank – An Overview

NSDL Payments Bank is a digital bank established in 2018 with a vision to provide digital financial inclusion to the masses. Promoted by National Securities Depository Limited (NSDL), it aims to offer basic banking services to individuals with limited access to traditional channels. The bank prioritises integrity, transparency, and customer trust while delivering seamless and secure banking experiences.

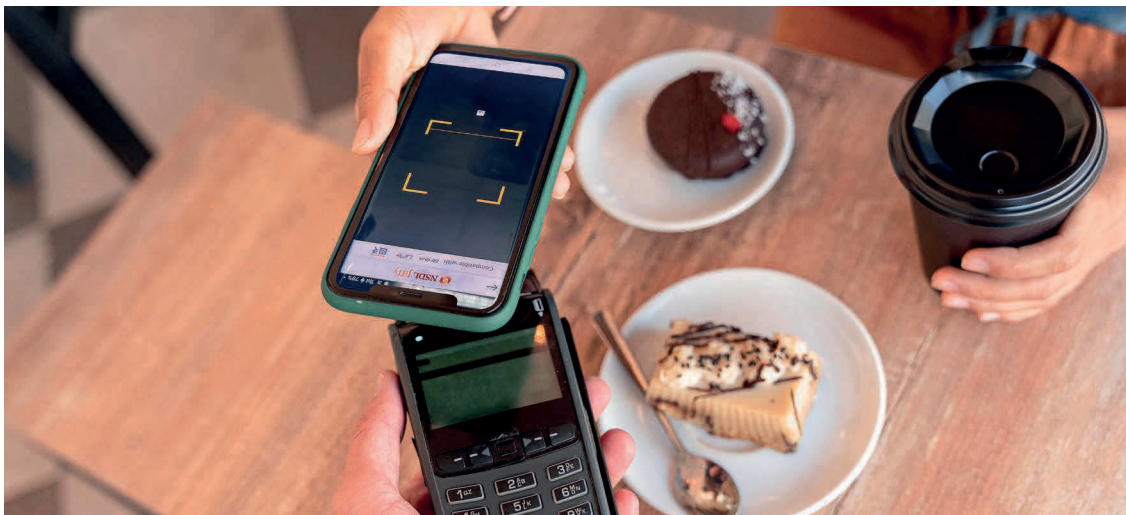
As an innovative player in the Indian banking industry, the bank leverages technology to bridge the gap between individuals and financial services. With a focus on financial inclusion and a digital-first approach, the bank empowers individuals, drives economic growth, and contributes to the development of a more inclusive society.

Account holders of NSDL Payments Bank enjoy 24/7 access to a range of services, including zero balance savings accounts, current accounts, physical and digital debit cards, remittance facilities, and a variety of digital banking solutions through the flagship app, NSDL Jiffy.

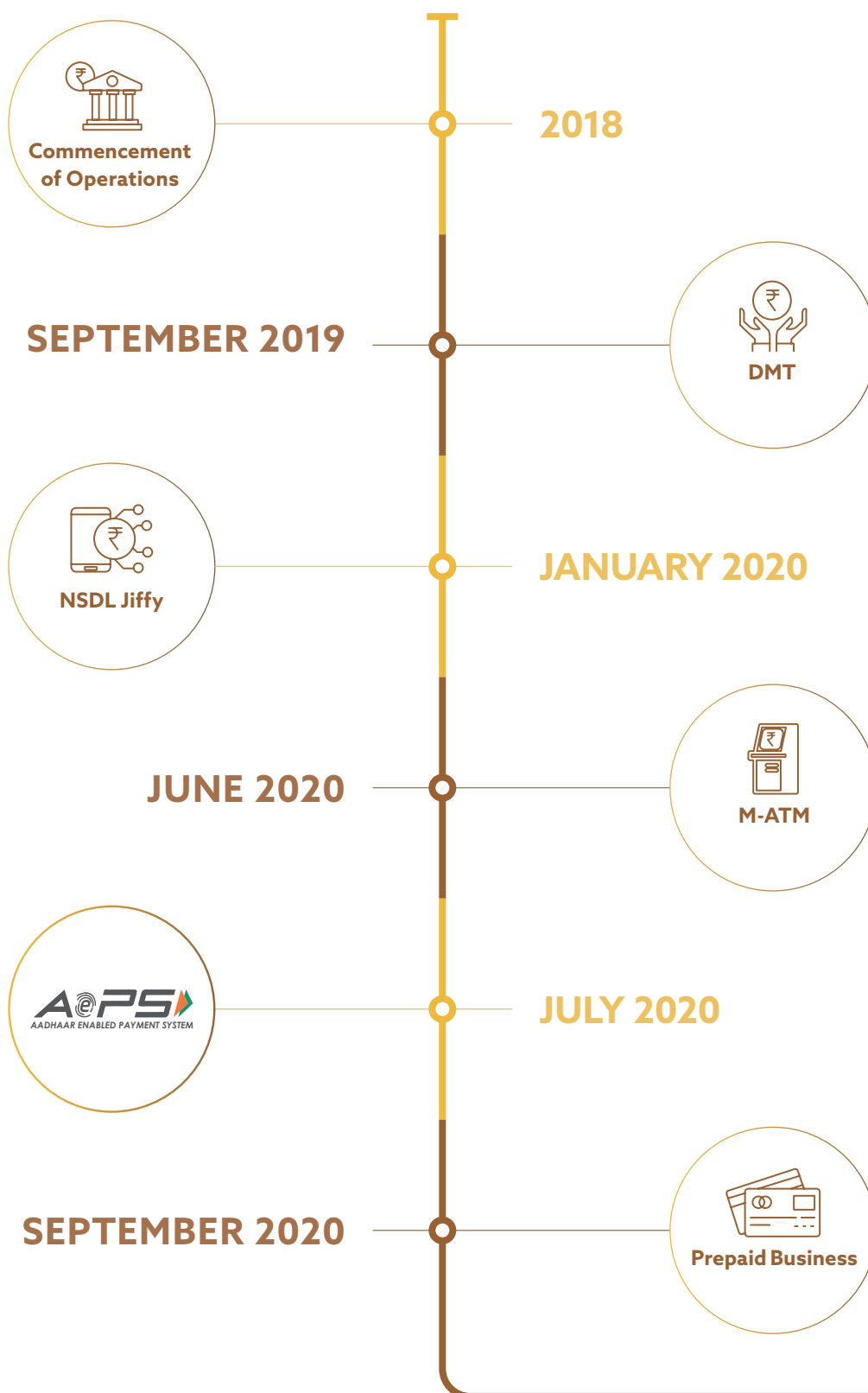
The bank has established a nationwide merchant agent network through its BC Channels with over 20 lakhs+ touchpoints. This extensive network enables basic banking transactions through AePS, Micro ATMs and DMT.

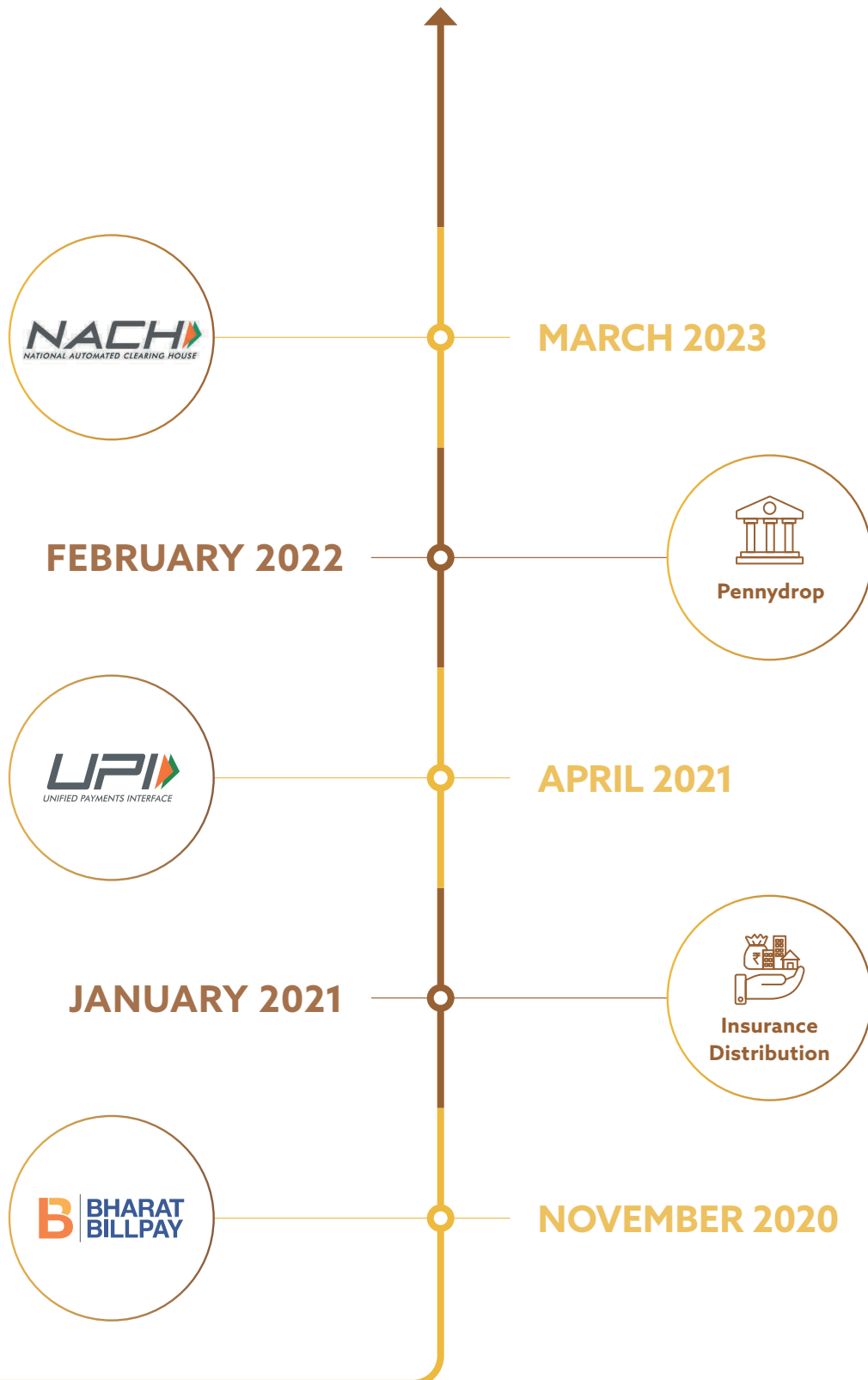
NSDL Payments Bank actively strengthens partnerships and collaborations to expand its service offerings and reach. These alliances span various sectors, including government entities, fintech and other financial institutions. Through this the bank aims to provide customers with a comprehensive suite of banking solutions that cater to their evolving needs.

All things considered, NSDL Payments Bank's journey is a testament to its vision of fostering financial inclusion and building an inclusive society. Through its forward-looking initiatives, technological prowess, and customer-centric approach, the bank is poised to play a pivotal role in shaping the future of the Indian banking industry, empowering individuals and uplifting communities along the way.



Bank's Journey and Accomplishments





Awards and Achievements



MARCH 2023

Crossed a throughput of 10,000 cr in financial inclusion business

MARCH 2023

Recognised as one of the best BFSI brands in India by ET Edge at the Economic Times – Best BFSI Brands Conclave 2023

FEBRUARY 2023

Industry Leader in AEPS acquiring

DECEMBER 2022

Payments Bank of the year and digital service innovator award by 3rd BFSI & Fintech Conclave and awards

OCTOBER 2022

Best customer and programme impact for its inhouse solution at Annual IBSI Neochallenger Bank Awards 2022, by IBS intelligence

AUGUST 2022

Awarded fastest growing payments Bank-2022 by Alden Global in association with Hyperscience

MARCH 2022

Amongst top 3 banks for the highest value of AePS transactions

OCTOBER 2021

Among top 10 banks for number of M ATM across India

Product Suite



MD's Message



Your Bank is delighted to present the Annual Report for the fiscal year 2022-23, highlighting its growth and progress. Relentless commitment to promoting inclusion has been the driving force behind its success. Guided by the pillars of Technology, Trust, and Reach, inherited from its parent organisation NSDL, your bank has expanded its operations, achieved significant milestones, and strengthened its dedication to inclusive banking.

Looking Back 2022-23

Your bank has silently pursued the goal of creating a financially inclusive and technologically advanced society. The accomplishments include:

- No. 1 in AePS acquiring business for three consecutive months.
- No. 3 in Micro ATM issuance business.
- One of the top contributors in Domestic Remittance.
- One of the top fifteen IMPS remitter banks.

These accomplishments reflect your bank's commitment to inclusive banking even at the grassroots level.

In the fiscal year 2022-23, the bank reported a profit of ₹8.09 crores with a top line of ₹541.20 crores. It has consistently generated sustainable growth and created value for the shareholders, reporting profits for the last nine consecutive quarters. Your bank's net worth has grown from ₹125.45 crores in 2021-22 to ₹131.97 crores in 2022-23.

Your Bank achieved this by offering innovative products, transforming transactions, implementing seamless automation, and leveraging technology for the greater good. The bank's digital channels provide a seamless experience for opening partner-assisted customer accounts, with features like Digital Doc Consolidation and Wallet-Based Account Validation. The bank ensures compliance with AML, FRM, and KYC regulations through robust measures such as continuous transaction monitoring and enhanced anti-money laundering capabilities. Its strong KYC compliance framework

prioritises regulatory requirements while serving financially or socially disadvantaged individuals.

The comprehensive range of Inclusive Banking products, such as AePS, Micro ATM, DMT, and Assisted Account Opening, has played a vital role in establishing a vast nationwide network of over 20,00,000 BC Agents through its Corporate Business Correspondents (CBC). As a result, the bank has successfully reached 97% of the country across 18,500 pin codes, contributing significantly to the remarkable growth of the inclusive banking business volume from ₹23,296 crores in FY 2021-22 to ₹77,355 crores in FY 2022-23. It has achieved industry leadership in AePS Transactions (acquiring) for February, March, and April 2023, demonstrating the commitment to financial inclusion.

Talking of inclusion, with over 1 million downloads, NSDL Jiffy app, offers a range of services such as Zero Balance savings accounts, fund transfers, digital debit cards, physical debit cards on request, bill payments, and more. Your Bank has opened approximately 6,07,000 savings accounts, with 2,29,140 opened in FY 2022-23 alone.

Your bank's strong B2B partnerships have driven the growth and increased gross revenues. It collaborated with various stakeholders to promote financial inclusion, empower women, extend digital banking to feature phones. The suite of offerings caters to the distinct needs of customers, empowering small business owners and aspiring entrepreneurs with convenient and accessible banking services.

The Prepaid cards too have advanced significantly, with a market share of 15%+ in RuPay prepaid card issuance in 2022-23. Contactless bands and keychains have revolutionised transactions, and it is also working on the National Common Mobility Card (NCMC) in collaboration with RuPay, enabling seamless travel through different transport systems across the country.

The year 2022-23 saw your bank's upgradation to a larger office space. Additionally, it has become one of the leading digital banks in India, earning various prestigious honours and awards. Notably, the bank was recognised as one of the best BFSI brands in India by ET Edge at The Economic Times – Best BFSI Brands Conclave in March 2023.

NSDL Payments Bank is all about its workforce, they are the backbone of the bank. Its passionate and high-performing employees consistently exceed customer expectations. Your bank values diversity, which fuels innovation. With 25% female representation and employees from all

over the country, the bank promotes an inclusive culture and as well as their well-being through year-round programs. Comprehensive Group Medilaim coverage is provided for employees and families, prioritising health and security. It also has an ESOP policy to reward contributions and foster ownership. Recognition and development programs further enhance its commitment to growth.

Vision for the Future

Looking ahead, your bank's core focus remains on becoming a tech-savvy institution, prioritising product innovation, and delivering exceptional banking experiences to the customers. It is dedicated to expanding its customer service network by establishing Customer Service Points (CSPs) across the country. Furthermore, the goal is to target Tier 2 to Tier 6 cities by introducing women-centric savings products, strengthening the bank's corporate BC partnerships and many more such initiatives.

To provide comprehensive banking solutions, your bank is expanding its product suite to include digital Cash Management Services (CMS), pay-out services, and an enhanced range of account verification and Bharat Bill Payment System (BBPS) services. The Bank is also forging collaborations with Non-banking Financial Companies (NBFCs) and Microfinance Institutions (MFIs) to tackle industry-wide challenges and explore cross-selling opportunities.

By embracing innovation, prioritising customer-centric solutions, and maintaining the leadership position, NSDL Payments Bank is well-positioned for continued success in the digital banking landscape. Your bank is committed to creating value for the customers, partners, and stakeholders.

Conclusion

Your bank is grateful for the support, trust, and confidence bestowed upon it by the workforce, stakeholders, customers and regulators. Together, the bank will successfully navigate the path towards true digital financial inclusion and build a brighter future for all.

Jai Hind!

Mr. Abhijit Kamalapurkar

Managing Director & Chief Executive Officer

Transforming Operations

In our relentless pursuit of innovation, we have implemented state-of-the-art digital solutions to revolutionise the banking experience for our customers. Our focus is to deliver cutting-edge technology that simplifies processes, enhances security, and promotes financial inclusion.



State-of-the-Art Digital Solutions

We have implemented a range of technological advancements to enhance the banking experience for our customers. Our Digital Doc Consolidation feature allows for convenient document uploading and secure storage in a digital format, eliminating the need for physical paperwork and improving accessibility. To ensure the security of every transaction, we have implemented two-factor authentication, providing an extra layer of protection for our customers. Additionally, we have integrated with BOU and BBPS billers, with plans to expand our network further. Through ongoing innovation and a strong focus on customer satisfaction, we are committed to delivering cutting-edge solutions and personalised services that cater to the evolving needs of our valued customers.

Robust Risk Management at the Customer and Transaction Levels

To ensure compliance with regulatory standards, we have implemented Anti-Money Laundering (AML) and Fraud Risk Management (FRM) checks at both the customer and transaction levels. These checks play a crucial role in safeguarding our operations and maintaining a secure banking environment. Moreover, we have introduced Wallet-based Account Validation, allowing our partners who do not have an account with us to validate their customer accounts seamlessly through our platform.

Streamlining Customer Onboarding by Partners and BCs

Seamless partner-assisted customer accounts are now opened through our digital channels. With our mobile Insta Kits, our partners and BCs can easily open a full KYC account for unbanked and underbanked customers.

These imminent advancements prove our unwavering commitment to utilising technology as a means to financial inclusion.

Inclusive Banking Initiatives

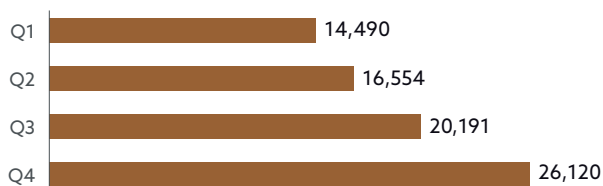
Inclusive banking lies at the core of NSDL Payments Bank's value as it ensures that everyone has access to banking services. The Bank strives to ensure that its banking services are accessible and beneficial to all members of society, irrespective of their background or circumstances.

NSDL Payments Bank has implemented products such as DMT (Domestic Money Transfer), Micro ATM, AePS (Aadhar Enabled Payment System), and Assisted Savings Account opening. These initiatives leverage the extensive network of the Bank's Business Correspondents (BCs), who are typically local vendors like small kiranas, stationery shops, pharmacies etc.

The Bank experienced substantial growth in its Inclusive Banking division during FY 2022-23. Its operations expanded manifold, with a total business volume of ₹77,355 crores reflecting its successful journey in the financial inclusion sector. The graph below represents this success story.

Inclusive Banking Transaction Volume (FY 2022-23)

(in ₹ Crores)



Inclusive Banking Partners

NSDL Payments Bank's inclusive banking services have established a strong presence pan India, reaching every nook and corner of the country. It has successfully penetrated even the remotest villages, ensuring access to financial services for individuals in previously underserved areas. Whether it's a remote village nestled in the mountains or a far-flung region, inclusive banking has made its services available, empowering individuals and communities with the convenience of banking facilities.

This impressive achievement can be attributed largely to the extensive network established by the Corporate Business Correspondents (BCs). Their invaluable support has enabled the bank to broaden its horizons with 18,500+ pin code presence covering 97% of the country.

By the fiscal year 2022-23, the bank successfully onboarded 20 lakh+ BC Agents through the network of 30+ corporate BCs and is actively pursuing further expansion to augment its reach and impact.



Inclusive Banking Initiatives



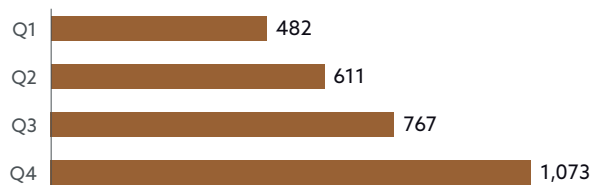
Customer Service Points

CSP's play a crucial role in financial inclusion. They act as a bridge, facilitating various banking transactions and providing customer support on behalf of the bank. These Points offer customers a wide range of services, including account opening, cash deposit and withdrawal, fund transfers, balance inquiries along with AePS, Micro ATM and DMT etc.

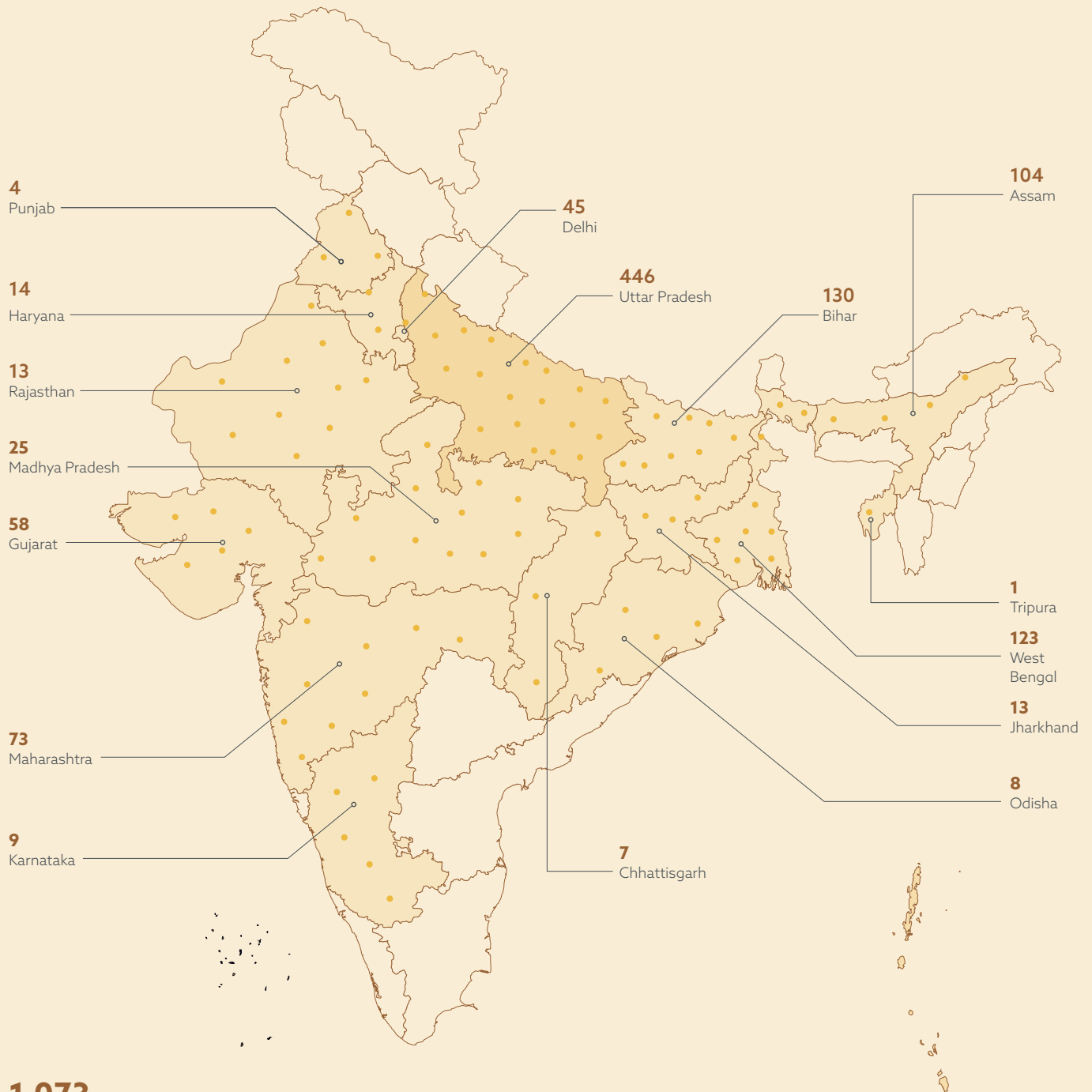
The bank witnessed a gradual increase in the number of CSP's throughout the four quarters. In FY 2022-23, we enrolled a total of 699 CSP's across India, bringing our grand total to 1,073. The bank is exerting significant effort to increase the number to advance financial inclusion.

Customer Service Points (CSPs) (FY 2022-23)

(No. of CSPs at the end of each quarter)



Customer Service Points



1,073

CSP. Own Channel

Note: Map not to scale

● Distribution of CSP's

Inclusive Banking Initiatives

Aadhar Enabled Payments Scheme (AePS)

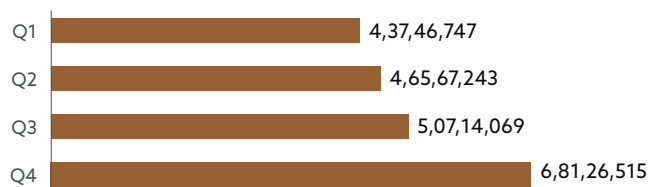
Aadhar Enabled Payments Scheme (AePS) has been a shining example in terms of financial inclusion. AePS enables offline bank customers to perform basic banking transactions like cash deposits, cash withdrawals, fund transfers (intra/interbank), and balance enquiries through trusted Business Correspondents.

The number of AePS transactions showed notable growth throughout the course of the fiscal year, rising from 4,37,46,747 in the first quarter to a staggering 6,81,26,515 in the fourth quarter.

More impressively, the total volume of these transactions increased significantly from the first quarter to the fourth, from 11,046.13 crores to 17,127.93 crores.

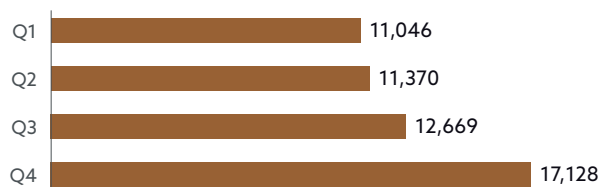
In recent months, NSDL Payments Bank has become an Industry Leader in AePS transactions, demonstrating its continued commitment to promoting financial inclusion via this mechanism.

AePS Transaction Count (FY 2022-23)

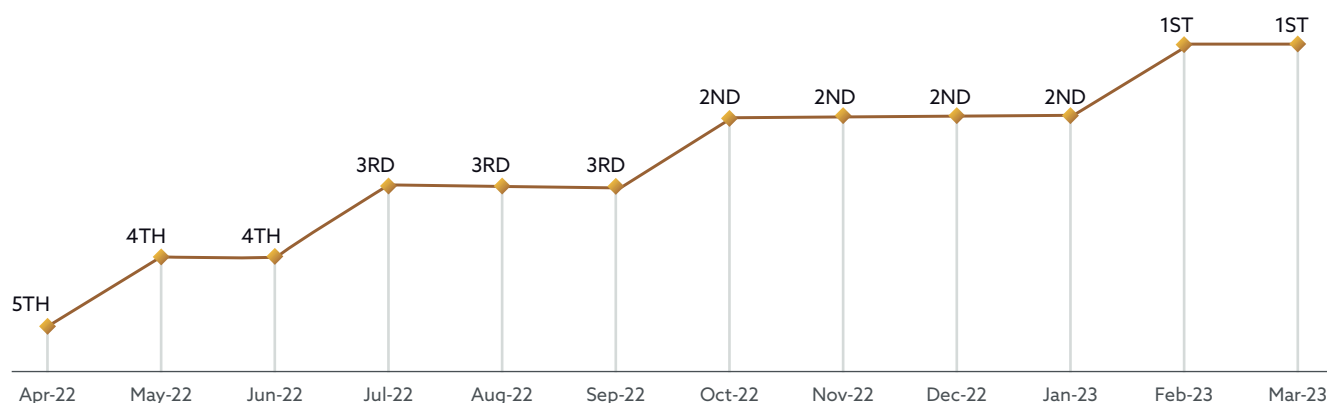


AePS Volume (FY 2022-23)

(In ₹ Crores)



NPCI RANKING FOR AEPS ACQUIRING



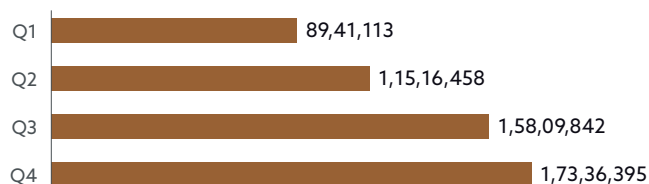
Direct Money Transfer (DMT)

DMT plays a significant role in fostering the spread of financial access to people who do not have bank accounts. Through DMT, customers can send money to people who have bank accounts via the Bank's BC Agent network. This service demonstrated significant growth, both in count and value, playing a crucial role in advancing financial inclusion.

This year the total number of DMT transactions experienced a remarkable surge, almost doubling from 89,41,113 in Q1 to 1,73,36,395 in Q4. As a result,

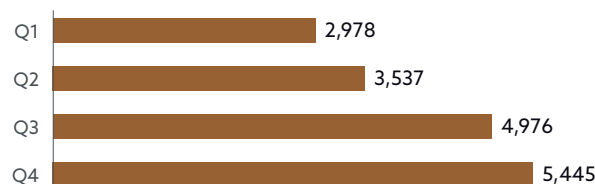
NSDL Payments Bank has emerged as one of the top five banks in the DMT services sector. Also, the overall volume of DMT transactions increased dramatically, going from ₹2,797.80 crores in Q1 to ₹5,444.96 crores in the most recent quarter.

DMT Transaction Count (FY 2022-23)



DMT Transaction Volume (FY 2022-23)

(In ₹ Crores)



Micro ATM (MATM)

The Bank's Micro ATM services, provided by the BC Agents appointed by Corporate Business Correspondents of NSDL Payments Bank, offer crucial banking facilities such as cash withdrawal and balance enquiry. Throughout the fiscal year, the bank saw a surge, signifying the increasing adoption and reliance on its Micro ATM network.

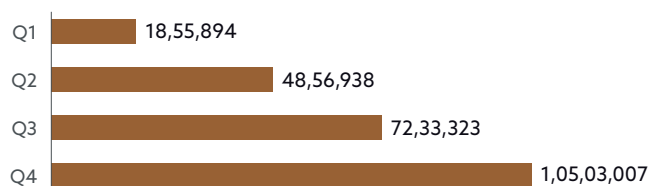
There was a massive increase in the use of micro-ATMs during FY 2022-23, with quarterly transactions increasing from 18,55,894 to 1,05,03,007 in the fourth quarter.

Furthermore, the total volume of these transactions witnessed substantial growth, escalating from ₹646.26 crores in the first quarter to ₹3547.62 crores in the last quarter.

The bank is also proud to mention that NSDL Payments Bank has consistently held the coveted top 3 positions in Micro ATM, affirming its commitment to empowering communities and driving financial inclusion.

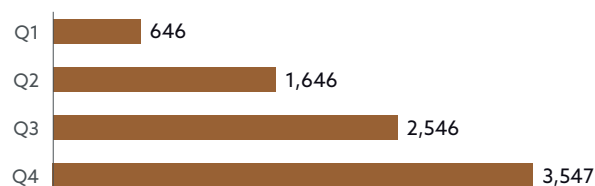
The bank's inclusive banking services demonstrate its commitment to creating a financially inclusive society in which no one is left behind. It has empowered innumerable individuals and communities by making banking services easily accessible, enabling economic growth and prosperity. Even in future, NSDL Payments Bank remains committed to growing its reach and effect all over the country.

MATM Transaction Count (FY 2022-23)



MATM Transaction Volume (FY 2022-23)

(In ₹ Crores)



Transforming Digital Banking

In the fiscal year 2022-23, NSDL Payments Bank achieved remarkable progress in its quest to simplify and redesign customer journeys, revolutionising the banking experience through its advanced mobile banking app, NSDL Jiffy.



This year a significant milestone was achieved, as of March 31, 2023, the bank digitally opened over 5.05 lakh Savings Accounts through its Mobile App, with 1.73 lakh accounts opened in FY 2022-23 alone. NSDL Jiffy Mobile App is designed to prioritise personalisation, intuitiveness, and simplicity, providing users with superior banking experience. Here are some standout features that set it apart:

Seamless and Secure Login

The app ensures a seamless and secure login process, prioritising the privacy and safety of user data.

Dashboard

NSDL Jiffy presents users with a single comprehensive dashboard, providing a holistic overview of their banking and investment activities. It enables users to conveniently track their account balances, recent transactions, investments, and other vital information.

Quick and Simple Transactions

Fund transfers become quick and hassle-free with NSDL Jiffy. The app offers multiple options for the mode of transfer like UPI, NEFT and IMPS, ensuring flexibility and convenience. To guarantee the security of transactions, the app incorporates a beneficiary validation feature, verifying that the money is transferred to the correct recipient.

Bill Payments & Recharges

NSDL Jiffy simplifies bill payments and recharges with a wide range of billers to choose from. Users can swiftly settle their monthly bills and recharge services, all with just a few taps on their mobile devices.

Payment Assist

The app provides valuable assistance to users when it comes to managing payments. Users can set reminders for upcoming payments or schedule future transactions, ensuring they never miss a due date. Additionally, for bill payments, NSDL Jiffy offers the convenience of autopay registration, allowing users to automate recurring payments and save time.

NSDL Jiffy: Driving Innovation in Digital Banking

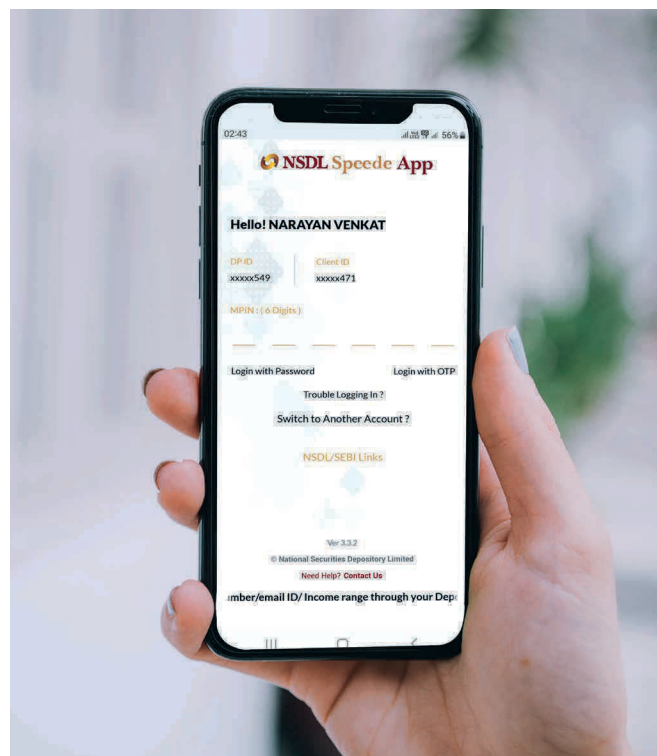
As NSDL Payments Bank strives for excellence in mobile banking and user experience, it is delighted to share its accomplishments and progress over the past year. In its continuous pursuit of providing exceptional services, the bank has made significant advancements to its app's Android and iOS versions. These updates have been instrumental in enhancing its users' banking experience, resulting in widespread adoption and recognition.

Throughout the fiscal year, the app was installed 4,00,000 times with an impressive 50% of those installations coming from new users. This remarkable achievement was made possible through the power of word-of-mouth and its successful Referral Campaign. By encouraging users to refer to their friends and family, the bank not only attracted new users but also rewarded its existing loyal customers.

To ensure that its app consistently delivers a seamless experience, the bank closely monitored ratings and reviews across various platforms. This diligent effort allowed it to maintain a commendable rating of around 4 stars on the Google Play store. Furthermore, in FY 2022-23, the average daily ratings for the app reached an impressive 4.1, surpassing those of its peers by 5%.

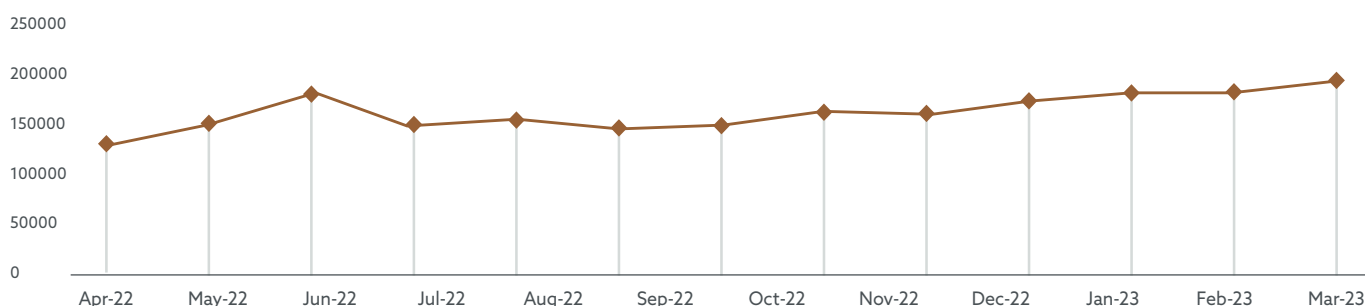
Engagement with its users has been a top priority throughout the year. By fostering a strong connection with its app users, the bank was able to achieve a remarkable 28% increase in its Monthly Active User base during FY 2022-23. This growth is a testament to its commitment to providing valuable and user-friendly mobile banking services.

In Business Banking, the bank has experienced notable growth among individual and non-individual customer segments. Its tailored Current Account offering has provided businesses with premium banking services, enabling them to manage their finances more efficiently and profitably. Bank successfully opened over 6000+ accounts, with 56% of these accounts acquired during FY 2022-23.



Looking ahead, the bank envisions a future of digital banking filled with hope and anticipation. It is eagerly preparing to collaborate with digital partners and offer use case-based products through their interfaces. Additionally, it is also working towards introducing a seamless sweep facility for its current account customers, ensuring a comprehensive digital banking experience. Expanding its services further, the bank aims to integrate significant billers into the BBPS ecosystem as a Bank of Utility (BOU). Moreover, it aspires to explore opportunities for providing credit products such as co-branded credit cards and small ticket loans through strategic banking partnerships. Aligning with the national goal of digital financial inclusion, NSDL Payments Bank is also striving to introduce a savings account for minors on NSDL Jiffy.

MONTHLY ACTIVE USERS



Transforming Digital Banking



Third-party Product Distribution

The bank has embraced a fresh approach to third-party product distribution, catering to diverse customer needs. Mutual fund schemes, life insurance, health insurance, and general insurance plans are among the array of products offered by the bank. To ensure convenience and accessibility, the bank leverages technology-enabled delivery mechanisms across all customer touchpoints.

With a primary focus on digital initiatives, the bank aims to streamline client onboarding and servicing operations. Through its digital channels, the bank now distributes mutual fund schemes from 29 prominent Asset Management Companies. In the life insurance domain, a collaboration with ICICI Prudential Life Insurance has been established. Furthermore, the bank is actively expanding its client reach in general insurance by introducing contextually driven products powered by HDFC Ergo General Insurance.

To enhance customer experiences, the bank has implemented a Direct-to-Customer (D2C) sales fulfilment process for term and health products through mobile banking platforms, ensuring seamless journeys.

The bank continues to work on redesigning the end-to-end journeys and creating a digital ecosystem for the efficient distribution of third-party products.

Banking Partnerships

As a forward-thinking digital bank, NSDL Payments Bank actively seeks partnerships to extend its services. One exciting collaboration is with capital market brokers, introducing integrated 3-in-1 savings accounts. This groundbreaking offering combines Savings, Demat, and Trading accounts for a seamless trading experience. With a single click, clients can access margins by blocking funds without traditional fund transfers, providing a unique and efficient experience.

Leveraging secure authentication methods and advanced data validation techniques, NSDL Payments Bank enables individuals and businesses to verify their accounts through its Bank Account Verification Services which helps them enjoy seamless and secure banking.

The Bank has tied up with BBPS (Bharat Bill Payment System) to provide secure and convenient recharge and bill payment platform to its customers.

NSDL Payments Bank, in collaboration with NPCI and ToneTag, has launched 'UPI123,' enabling UPI payments through feature phones. This addresses the challenge faced by feature phone users in utilising UPI payment services.

The bank has formed alliances to open savings and current accounts for SMEs, providing them with simplified banking services tailored to their needs. These alliances expand the bank's reach and enhance its offerings for small businesses.

Through strategic relationships with digital partners, the bank has revolutionised and streamlined banking operations for various end-user groups. Building on this foundation, NSDL Payments Bank has proactively collaborated to empower women by making digital banking more accessible to them. In addition to delivering women-specific banking services, the bank is working towards providing them with the knowledge and skills they need to make informed financial decisions, manage their affairs successfully, and confidently sail through the digital banking world. Through initiatives like these, it is tearing down barriers and creating a more inclusive and empowered banking experience for everyone.

Merchant Acquiring

NSDL Payments Bank has recognised merchant acquisition as a key area of growth, focusing on providing digital payment collection solutions to merchants. Here the Bank can have a direct arrangement with the merchants or through Payment Facilitators (Aggregators).

The bank is currently focused on moving the Aggregator model forward by allowing retailers to process cards, net banking, and UPI transactions. This assists merchants in increasing sales by giving their clients the most up-to-date online payment choices. Currently, the Bank has 168 active merchants who are onboarded on POS and PG using the Aggregator model. The merchant category is sharply divided from the government category, sole proprietorship, partnership, and so on.

To enhance that number, the bank is collaborating with a variety of partners. It has also begun to offer UPI to merchants as a payment option, including QR, VPA push, collect, UPI Plugin services, and IVR modalities.

NSDL Payments Bank looks ahead to 2023 to reshape the merchant services and transaction processing ecosystems. The Bank is actively working towards tie-ups with new PA/PGs on the aggregator model. It is also focusing on onboarding more merchants via the aggregator model in UPI QR and VPA collect format. Having said that, UPI Static QR will soon go live with the Bank's payment partners. There will be an increase in the Government merchant category onboarded Bank PG services by the end of the 2023 Quarter onboarded under NDML as an Aggregator.

Prepaid Cards

At the forefront of payment innovation, the Bank remains committed to advancing money transfer dynamics. The digital transformation of B2B payments, including aspects such as employee expenses, partner engagement, and reimbursements, is one of its top priorities. This revolution has been spearheaded by NSDL Payments Bank, which has introduced Prepaid Cards as an efficient and seamless solution to revolutionise B2B payments.

The diverse selection of Prepaid Cards includes corporate gift cards, Student cards, Meal cards, and Payroll cards, among others. These Visa/RuPay-approved cards are both physical and virtual. The bank also provides innovative contactless wearable cards, facilitating transactions via commonplace accessories such as Bands, Keychains, and more. The Bank's Prepaid Cards have acquired tremendous popularity because of its extensive network of programme managers and partnerships with renowned processors.

The bank is presently working on a revolutionary card based on an indigenously created multi-wallet platform. This National Transit Card will allow cardholders to travel on all public transport in India that accepts bank-issued cards. It can be utilised for transactions at fits channels, including ATM, POS, Ecommerce, and Metro Travel. The card will also function as an Employee Tax Benefit Instrument and a platform for Corporate Expense Management.

NSDL Payments Bank's prepaid card segment facilitated a throughput of approximately ₹7,300 crores in the 2022-23 and is committed to maintaining its growth momentum even in the future.

By collaborating with various processors, it is actively expanding its partner base for reloadable use cases and investing in new opportunities, such as Multi-Wallet Cards, Fuel Cards, Fleet Management Cards, and RuPay-On-The-Go. In addition to the bank issuing scheme-based interoperable prepaid cards, as per interoperability guidelines, it is also working on – Add-On Cards, Parent-Child Cards, expense management cards and others – which will make transactions more convenient and adaptable.

With NSDL Payments Bank Prepaid Cards, the bank is redefining the future of B2B payments by providing efficiency, security, and limitless options.

Board of Directors



Ms. Padmaja Chunduru
Non-executive Director



Mr. Abhijit Kamalapurkar
Managing Director &
Chief Executive Officer



Mr. L. Ravi Sankar
Independent Director



Dr. Santanu Paul
Independent Director



Mr. N. S. Venkatesh
Independent Director



Dr. (Mrs.) Bala Krishnamoorthy
Independent Director



Mr. Patric Barla
Independent Director



Mr. Dhananjaya Tambe
Independent Director

Leadership Team



Mr. Abhijit Kamalapurkar
Managing Director &
Chief Executive Officer



Mr. Ashutosh Singh
President & Chief Business Officer



Mr. Jigar Shah
Chief Financial Officer



Mr. Ashutosh Shirbhate
Chief Technology Officer



Mr. Dhanesh Jukar
Chief Compliance Officer



Mr. Hemant Modak
Head - Inclusive Banking



Mr. Balan Santosh Parthasarathy
Company Secretary & Legal Head

Corporate Governance

Effective corporate governance is the cornerstone of NSDL Payments Bank operations, ensuring transparency, accountability, and responsible decision-making. Its commitment to strong governance practices is deeply embedded in the organisational culture.



By adhering to the highest standards of ethical conduct, sound risk management, and regulatory compliance, the bank strives to build trust and maintain the confidence of its stakeholders. It prioritises the establishment of robust internal controls, an independent audit function, and a diverse and competent Board of Directors to oversee and guide the bank's strategic direction. Through transparent communication, engagement with all the stakeholders, and continuous improvement, the bank aims to foster a corporate governance framework that supports sustainable growth and long-term value creation.

Fostering Compliance Culture

In a continuously changing financial landscape, NSDL Payments Bank appreciates the critical role compliance plays in safeguarding the integrity of its operations and defending the interests of its stakeholders. This section presents an overview of the bank's robust compliance system, demonstrating the bank's proactive commitment to meeting regulatory standards while also ensuring openness, accountability, and ethical practices throughout the business.

Key regulatory criteria, including anti-money laundering (AML) and know-your-customer (KYC) regulations, data protection and privacy legislation, consumer protection rules, and other related industry standards, were met in the 2022-23.

The bank has taken critical steps to implement the provisions of the Prevention of Money-Laundering Act, 2002, and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, by implementing underlying principles for customer acceptance, customer identification, transaction monitoring, and risk management. The bank recently modified its AML system to allow for continuous transaction monitoring.

To maintain KYC compliance, the bank has also implemented a strong system that combines manual and system-enabled methodologies. However, while implementing the policy, the Bank ensures that those who are financially or socially disadvantaged are not denied banking services.

Identifying and Managing Risks

NSDL Payments Bank emphasises its commitment to effective risk management to prevent business losses, defend its brand, protect the interests of stakeholders, and comply with regulations and laws. To manage risks, the bank employs several measures, including:

A framework of policies, processes, and controls

NSDL Payments Bank has put in place a sturdy risk management structure that includes a comprehensive set of policies, processes, and controls. This structure serves as a reference for the employees, outlining the steps they should follow to identify, assess, and manage risks. The bank ensures that these policies and controls are regularly reviewed and updated in order to manage evolving risks and stay up to date with the industry's best practices.

Monitoring the bank's overall risk profile

The bank monitors its whole risk profile on a proactive basis. This entails constantly assessing various risks, such as market, operational, and liquidity. NSDL Payments Bank can identify areas of vulnerability and take suitable measures to control and minimise them by monitoring these risks.

Identifying and assessing emerging risks

NSDL Payments Bank acknowledges the significance of identifying and assessing emerging risks that may arise due to changing market conditions, technological advancements, regulatory changes, or other factors. The bank closely monitors external and internal elements to detect any emerging risks as soon as possible. By doing so, they can adopt suitable measures to address these risks and prevent any adverse impacts.

Improving the risk management framework

The bank continuously evaluates the efficacy of its risk management framework. This involves regular evaluation of the adequacy of existing policies, processes, and controls. NSDL Payments Bank strives to make

improvements and updates to its risk management structure to ensure it complies with industry standards and regulatory requirements.

Defining and monitoring risk appetite

NSDL Payments Bank defines its risk appetite and sets specific parameters and thresholds to define acceptable levels of risk. Regular surveillance of risk appetite is undertaken to ensure that the bank's risk-taking activities remain within the defined limits and are consistent with its strategic goals.

Managing risk transfer

NSDL Payments Bank employs risk transfer mechanisms to minimise the impact of potential risks. This may involve purchasing insurance policies to cover potential losses or entering into third-party contracts that allocate certain risks to external parties. By transferring risks, the bank aims to reduce its exposure and protect its financial stability, thereby safeguarding stakeholders' interests.

Reporting risk exposure

As part of its commitment to transparency and compliance, NSDL Payments Bank provides regular reports on risk exposure to relevant committees and regulators as required. These reports offer insights into the bank's risk profile, risk management practices, and compliance with applicable laws and regulations. By providing accurate and timely risk exposure information, the bank enables stakeholders and regulators to assess its financial stability and risk management capabilities effectively.

NSDL Payments Bank's diligent risk management practices ensure that the bank is well-prepared to address potential risks, protect its reputation, and fulfil its obligations to stakeholders and regulatory authorities. By effectively managing risks, the bank aims to maintain its financial stability and deliver sustainable value to its customers and shareholders.



Corporate Governance

Internal Controls and Financial Reporting

At NSDL Payments Bank, the Internal Audit function operates independently, with sufficient authority and resources enabling internal auditors to fulfil their assignments objectively and provide independent assurance. The Head of Audit directly reports to the Audit Committee of the Board, ensuring its autonomy.

To adhere to regulatory guidelines and enhance risk-based internal audit practices, NSDL Payments Bank has adopted a robust internal audit policy. This policy is designed to factor in the bank's risk assessment framework and align with the RBI's recommendations.

The Bank's Internal Audit function's key role is to provide an independent view of the quality and effectiveness of internal controls, risk management systems, and governance processes. It ensures compliance with both internal policies and regulatory requirements. Additionally, the function integrates concurrent audits to bolster its effectiveness, making it more robust and comprehensive. The observations and management responses from both internal and concurrent audits are regularly placed before the Audit Committee.

To keep pace with the bank's digitalisation initiatives, the Internal Audit function also performs information systems and security audits. External resources with specialised skills and efficiency are leveraged to conduct these audits. The Internal Audit function holds overall responsibility for the audit planning process, including follow-up on compliance. The findings from information systems audits, along with management responses, are presented to the Audit Committee for review.

In summary, NSDL Payments Bank emphasises the importance of an independent and well-resourced Internal Audit function. It plays a vital role in evaluating internal controls, risk management, and governance practices, ensuring compliance with internal and regulatory guidelines. The function integrates concurrent audits and conducts information systems audits to address evolving digital challenges. The findings of the Audits are placed before the Audit Committee along with the Management responses.

Effective Workforce Planning

NSDL Payments Bank is proud to be a Digital Bank with a dedicated team of 110+ employees. The Bank prioritises fostering a culture of diversity, equity, and inclusion. It strongly believes in promoting gender balance and recognising the valuable contributions of all employees, regardless of their gender, age, race, or sexual orientation.



Within its workforce, women represent 25% of the total employees, and the bank is committed to further increasing this representation across all levels of the organisational hierarchy. The Bank also believes that diverse perspectives and experiences drive innovation and excellence.

NSDL Payments Bank places the foremost importance on the role of its employees in achieving its present and future organisational goals. To ensure a well-rounded and capable workforce, the bank has developed a comprehensive roadmap for acquiring appropriate and need-based human resources. The bank prioritises the development of its employees through training, job enrichment, rewards and recognition for exceptional performance, career progression opportunities, and employee welfare initiatives.

It provides curated learning opportunities to its workforce, aiming to enhance their skills and bridge any knowledge gaps. In the fiscal year 2022-23, the bank conducted training programs focused on key areas such as IDRBT, Cybersecurity (ISMS), Prevention of Sexual Harassment (POSH), KYC-AML, and Bank Products. These programs were designed to equip its employees with the necessary knowledge and expertise to achieve measurable dive-in outcomes.

At NSDL Payments Bank, it is firmly believed that investing in its employees' growth and development leads to a stronger, more capable organisation. It remains committed to providing a supportive and inclusive work environment that fosters individual and collective success.

Corporate Information

Board of Directors

Ms. Padmaja Chunduru

Non-Executive Director

Mr. Abhijit Kamalapurkar

Managing Director & Chief Executive Officer

Mr. L. Ravi Sankar

Independent Director

Dr. Santanu Paul

Independent Director

Mr. N. S. Venkatesh

Independent Director

Dr. (Mrs.) Bala Krishnamoorthy

Independent Director

Mr. Patric Barla

Independent Director

Mr. Dhananjaya Tambe

Independent Director

Bankers

HDFC Bank

IDBI Bank

Bank of America

Bank of India

Yes Bank

Kotak Mahindra Bank

Statutory Auditors

M/s V. Sankar Aiyar & Co.

Chartered Accountants
Sarojini House (GF), 6, Bhagwan Das Road,
New Delhi – 110001

Internal Auditors

Ms. Avani Jain

Secretarial Auditors

M/s MMJB & Associates LLP

Company Secretaries
803-804, Ecstasy, City of Joy, JSD Road,
Mulund – West, Mumbai – 40080.

Registered Office

4th Floor, Tower 3, One International Centre,
Senapati Bapat Marg, Prabhdevi,
Mumbai – 400013

Email: care@nsdlbank.co.in

Tel: 022 – 49142756

CIN: U65900MH2016PLC284869

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NSDL Payments Bank

Notice of Seventh Annual General Meeting

Notice is hereby given that the Seventh Annual General Meeting of the Members of NSDL Payments Bank Limited will be held on Tuesday, August 29, 2023, at 11.00 A.M. IST at shorter notice through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM"). The venue shall be deemed to be Registered Office of the Bank i.e., 401, 4th Floor, Tower 3, One International Center, Senapati Bapat Marg, Prabhadevi, Mumbai 400013.

ORDINARY BUSINESS:

- 1. To receive, consider and adopt the audited financial statements for the year ended March 31, 2023, together with the reports of the Board of Directors and auditors thereon.**

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

"RESOLVED THAT the audited financial statements of the Bank for the Financial Year ended March 31, 2023, and the reports of the Board of Directors and Auditors thereon, as circulated to the Members, be and are hereby considered and adopted."

- 2. To consider and approve the appointment of Ms. Padmaja Chunduru who retires by rotation and being eligible, offers herself 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 Ms. Padmaja Chunduru (DIN: 08058663), who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Bank."

SPECIAL BUSINESS:

- 3. To approve the appointment of Mr. Dhananjaya Tambe as Independent Director 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 Mr. Dhananjaya Tambe, who was, pursuant to Section 161 of the Companies Act, 2013 and Articles of Association of the Bank, appointed as an Additional Independent Director of the Bank with effect from April 25, 2023 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Bank for a period of 3 years with effect from April 25, 2023.

RESOLVED FURTHER THAT Mr. Dhananjaya Tambe as per the provisions of section 197 (5) of the Companies Act, 2013 shall receive remuneration by way of fee for attending the meetings of the Board or Committee thereof and for any other purpose as may be decided by the Board, provided the amount of such fees shall not exceed the amount as may be prescribed under relevant rules of the Companies Act, 2013.

RESOLVED FURTHER THAT any Director and Company Secretary of the Company be and are hereby severally authorised to sign the requisite forms / documents and to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution."

- 4. To approve the appointment of Mr. Dhananjaya A. Tambe (DIN: 07260971) 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 subject to grant of approval by Reserve Bank of India (RBI), the approval of the members of the Bank be and is hereby accorded for the appointment of Mr. Dhananjaya A. Tambe (DIN: 07260971) as the Part Time Non-executive Chairman of the Bank from the date of RBI approval for such period as he holds the position of an Independent Director or for a period of 3 years, whichever is earlier, subject to approval of the Reserve Bank of India.

RESOLVED FURTHER THAT Mr. Dhananjaya A. Tambe, as per the provisions of section 197 (5) of the Companies Act, 2013, shall receive remuneration by way of fee for attending the meetings of the Board or Committee thereof and for any other purpose as may be decided by the Board, provided the amount of such fees shall not exceed the amount as may be prescribed under relevant rules of the Companies Act, 2013.

RESOLVED FURTHER THAT any Director or the Company Secretary of the Bank be and are hereby severally authorised to take such steps and do all acts, deeds and things as may be necessary, proper, expedient, or incidental for the purpose of giving effect to the aforesaid resolution."

5. To approve the re-appointment of Mr. Abhijit M. Kamalapurkar (DIN: 08849177) as MD & CEO of the Bank for a second term of 3 years.

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

"RESOLVED THAT in accordance with the provisions of Section 196 of the Companies Act, 2013, Section 10 of Banking Regulation Act, 1949, applicable Reserve Bank of India's (RBI) extant guidelines, the Articles of Association of the Bank, and subject to approval by RBI, approval by the members be and is hereby accorded to re-appoint Mr. Abhijit M. Kamalapurkar (DIN: 08849177) as Managing Director and Chief Executive Officer of the Bank for a second term of 3 years commencing from March 9, 2024 to March 8, 2027 (both days inclusive) at a remuneration as may be approved by RBI from time to time, and to further alter and vary the terms and conditions of the said appointment and / or remuneration as it may deem fit and such that it is within the overall approvals and conditions as may be given / laid by the RBI, from time to time.

RESOLVED FURTHER THAT remuneration to MD & CEO for the Financial Year 2024-2025 shall be based on the performance evaluation carried out by Board/ Nomination and Remuneration Committee which shall further be subject to approval by RBI.

RESOLVED FURTHER THAT any Director or Company Secretary of the Bank be and is hereby severally authorised to digitally sign and file necessary e-Forms in this regard with the Registrar of Companies, Mumbai and to do all such acts and things as are necessary for giving effect to above resolutions."

6. To approve the compensation of Mr. Abhijit M. Kamalapurkar (DIN: 08849177), MD & CEO for the Financial Year 2023-24.

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

"RESOLVED THAT pursuant to relevant provisions of the Companies Act, 2013 (including any statutory modification or re-enactment thereof) to the extent applicable and applicable clauses of the Articles of Association of the Bank, the members hereby approve the remuneration of ₹1,99,50,000 with fixed pay of ₹1,33,00,000 and target variable pay of ₹66,50,000 apportioned as cash variable pay of ₹24,00,000 and non-cash variable pay of ₹42,50,000 (payable by way of grant of 6,80,000 Equity shares) in the proportion

of 36:64 (approx.) as part of the remuneration of Mr. Abhijit Madhukar Kamalapurkar [DIN: 08849177], Managing Director & CEO of the Bank, with effect from April 1, 2023 for FY 23-24 subject to approval of the Reserve Bank of India (RBI) on the terms and conditions as mentioned below:

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

10. Target variable pay as Performance Linked Incentive (PLI), as may be determined by the Nomination and Remuneration Committee/Board, not below 50% and not exceeding 150% of the fixed pay. The PLI (cash) shall be paid on deferred basis (as applicable) and PLI (non-cash) would be paid on deferred basis as per the ESOP policy of the bank and shall be subject to malus and claw back arrangements.

The MD & CEO shall be entitled to a Fixed CTC of ₹1,33,00,000/- per annum. The detailed break-up of salary components is as follows:

1. Basic Pay: The MD & CEO shall be entitled to a Basic pay of ₹3,27,772/- per month.
2. House Rent Allowance: 50% of the Basic Pay per month. No housing accommodation will be provided by the Company.
3. Supplementary allowance: This allowance of ₹57,36,230/- will be paid per month and will be fully taxable.
4. A Company car with driver salary or re-imbursement of expenses subject to a ceiling of ₹6,60,000/- per annum.
5. Annual Performance Linked Incentive (PLI) as may be determined by the Nomination & Remuneration Committee/Board.
6. Annual increments to be decided by the Nomination & Remuneration Committee/Board.
7. Medical benefits of ₹15,000/- every year covering self, spouse and dependent children.
8. Leave Travel Allowance of one month's basic pay on reimbursement basis for each year of service.
9. Group Mediciam, Group Personal Accident and Term Life Insurance cover will be as per the company's Insurance policy.

10. Company's contributions to Provident Fund would be made at the rate of 12% of basic pay.
11. Gratuity is payable as per the Payment of Gratuity Act and as per rules of the company.
12. Leave Encashment will be reimbursed as per Staff Rules of the Company.
13. Telephone and internet facility at the residence.
14. The MD & CEO shall also be entitled to such other benefits as are made available by the Company to members of the staff from time to time.

Annexure I a

Particulars	Amount
Salary Component	Yearly
Basic (30% of Fixed CTC without gratuity)	39,33,270
BoB	
HRA (50 % of Basic)	19,66,635
Medical	15,000
LTA (1 month Basic)	3,27,773
Car lease (optional)*	6,60,000
Supplementary Allowance	57,36,230
Employer Provident Fund	4,71,992
Fixed CTC	1,31,10,900
Gratuity	1,89,100
Total Fixed CTC	1,33,00,000
Target Variable Pay (cash)	24,00,000
Target Variable Pay (non-cash)	42,50,000 (6,80,000 Stock Options)
Total Target Variable pay	66,50,000
Total CTC	1,99,50,000

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

RESOLVED FURTHER THAT any Director or the Company Secretary or the Compliance Officer or the Chief Financial Officer of the Company be and are hereby severally authorised to take such steps and do all acts, deeds and things as may be necessary, proper, expedient, or incidental for the purpose of giving effect to the aforesaid resolution."

Registered Office:
401, 4th Floor, Tower 3,
One International Center,
Senapati Bapat Marg,
Prabhadevi Mumbai 400013.

Place: Mumbai
Date: August 23, 2023

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

Balan Santosh Parthasarathy
Company Secretary
Membership No. ACS49602

NOTES:

1. The Ministry of Corporate Affairs ("MCA") has vide its Circular dated May 5, 2022, read together with circulars dated April 8, 2020, April 13, 2020, June 15, 2020, August 28, 2020, June 23, 2021, December 8, 2021 and December 28, 2022 (collectively referred to as "MCA Circulars") permitting convening the Annual General Meeting ("AGM") through Video Conferencing (VC) or Other Audio Visual Means (OAVM). In accordance with the MCA circulars and provisions of the Companies Act, 2013 ("the Act"), the AGM of the Bank is being held through VC/OAVM.
2. As the AGM shall be conducted through VC / OAVM, the facility for appointment of Proxy by the Members is not available for this AGM and hence the Proxy Form and Attendance Slip including Route Map are not annexed to this Notice. The proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Bank located at 401, 4th Floor, Tower 3, One International Center, Senapati Bapat Marg, Prabhadevi Mumbai 400013, which shall be deemed venue of the AGM.
3. 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:

4. In accordance with, the General Circular No. 20/2020 dated May 5, 2020 issued by MCA, owing to the difficulties involved in dispatching of physical copies of the financial statements (including Report of Board of Directors, Auditor's report or other documents required to be attached therewith), such statements including the Notice of AGM are being sent in electronic mode to Members whose e-mail address is registered with the Company or the Depository Participant(s).
5. 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.
6. The Notice of AGM along with Annual Report for the 2022-23, is available on the website of the Company www.nsdlbank.com.

PROCEDURE FOR JOINING THE AGM THROUGH VC/OAVM:

7. Members will be able to attend the 7th AGM through VC/OAVM Facility. For this purpose, please use the Microsoft Teams Link shared in the email to join the said meeting.
8. 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.
9. 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

10. 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.
11. 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:

12. 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 11.00 AM, August 27, 2023, shall only be considered and responded during the AGM.
13. Members who would like to express their views or ask questions during the AGM may raise their hands as per the functionality available on the Microsoft Teams application, however the Company reserves the right to restrict the number of questions and number speakers, as appropriate for smooth conduct of the AGM.

GENERAL INFORMATION:

14. 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.
15. During the AGM, the Register of Directors and Key Managerial Personnel and their Shareholding maintained under Section 170 of the Act, the Register of Contracts or arrangements in which Directors are interested under Section 189 of the Act shall be available for inspection upon request.
16. 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 dividends. The Bank cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.

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

ITEM NO. 3

The Bank pursuant to Section 10(A)(2) of the Banking regulation Act, 1949 is required to appoint not less than 51% of the total number of members of the Board of Directors as persons not having any substantial interest in any entity.

In view of the above, the Board of Directors on April 25, 2023, upon recommendation of the Nomination and Remuneration Committee, appointed Mr. Dhananjaya Tambe as an Additional Director (Independent Category) of the Bank with effect from April 25, 2023, in terms of the provisions of Section 161 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Dhananjaya Tambe will hold office up to the date of this Annual General Meeting and is eligible to be appointed as a Director of the Bank. The Bank has, in terms of Section 160 of the Act, received, in writing, a notice proposing the candidature of Mr. Dhananjaya Tambe for the office of Director.

Mr. Dhananjaya Tambe was the Deputy Managing Director & CIO of State Bank of India, India's largest bank, from April 2018 till November 2020. He joined the Bank in 1987 and moved to the IT vertical in 2009 to lead the Integrated Payment Hub Project. In 2011, he became the head of Internet Banking. From 2013 to 2014, he served as General Manager, first of Payment Systems and then of IT-Infrastructure. In 2015, Mr. Tambe was elevated to the rank of Chief General Manager for IT Operations and later for IT-Transformation, Collaboration and Marketing. Mr. Tambe was CEO of C-Edge Technologies Ltd. till April 2022. C-Edge is a TCS-SBI joint

venture which provides banking technology services to over 200 banks, including CBS services to over 170 banks on a SaaS model. Banks served by C-Edge include Regional Rural Banks, Urban Cooperative Banks, District Central Cooperative Banks and a few private, public sector and foreign banks. Currently, Mr. Tambe is a director on the board of some companies, consultant with some other companies and advises clients as an Independent Consultant.

Mr. Dhananjaya Tambe is a M.Sc. and Certified Associate of the Indian Institute of Bankers (CAIIB).

Your Board of Directors, therefore, recommends the passing of the ordinary resolution as set out in Item no. 3 of the accompanying Notice.

Except Mr. Dhananjaya Tambe being an appointee, none of the Directors, Key Managerial Personnel and their relatives are in any way concerned or interested in the resolution set out in Item No.3. The Members are requested to consider and approve the same.

ITEM NO. 4

In accordance with the provisions of Section 10B of the Banking Regulation Act, 1949, a Banking Company is required to appoint any one of its Directors as the Chairman on part-time basis or whole-time basis. The Chairman shall hold office for such period not exceeding five years or such period as may be decided by the Board of Directors, subject to approval of RBI. The Act further provides that the Chairman shall exercise his powers subject to the superintendence, control, and direction of the Board of Directors.

In view of the above, the Board, based on the recommendation of Nomination and Remuneration Committee of the Bank and further subject to approval by RBI, vide Circular Resolution dated August 8, 2023, approved the appointment of Mr. Dhananjaya A. Tambe as Part Time Non-Executive Chairman of the Bank, subject to approval by shareholders for a such period as he holds the position of an Independent Director or for a period of 3 years.

The appointment of Mr. Tambe is being proposed in place of Ms. Padmaja Chunduru as, Ms. Chunduru, vide correspondence dated August 6, 2023 has conveyed her inability to act as Part Time Non-Executive Chairman of the Bank due to pre-occupation in other matters.

Mr. Tambe is not disqualified from being appointed as the Part Time Non-Executive Chairman of the Bank as per the provisions of the Banking Regulation Act for the time being in force.

Your Board of Directors, therefore, recommends the passing of the ordinary resolution as set out in Item no. 4 of the accompanying Notice.

Except Mr. Tambe, none of the Directors, Key Managerial Personnel and their relatives are in any way concerned or interested in the resolution set out in Item No.4. The Members are requested to consider and approve the same.

ITEM NO. 5

Pursuant to provisions of Section 10(1)(c)(iii) of the Banking Regulations Act, 1949, a person cannot be appointed as MD & CEO for a period exceeding five years at any one time. Further, the term of any person appointed as MD & CEO may be renewed or extended by further periods not exceeding five years on each occasion subject to the condition that such renewal/extension shall not be sanctioned earlier than two years from the date on which it is to come into force. Further, proviso to Section 196(2) of the Companies Act, 2013 also states that no re-appointment of MD & CEO shall be made earlier than one year before the expiry of his term.

The Board at its meeting held on February 10, 2021, based on the recommendation of the Nomination and Remuneration Committee of the Bank, appointed Mr. Abhijit M. Kamalapurkar (DIN: 08849177) as Managing Director & Chief Executive Officer (MD & CEO) of the Bank for a term of 3 years consecutive years, commencing from March 9, 2021, to March 8, 2024 (both days inclusive). Further, shareholders at the Fifth Annual General Meeting of the Bank held on September 27, 2021, approved the appointment of Mr. Abhijit M. Kamalapurkar as the MD & CEO of the Bank in accordance with requirements of Section 196 of the Companies Act, 2013.

In view of aforesaid provisions, it is now proposed to re-appoint Mr. Abhijit M. Kamalapurkar as MD & CEO for second term of 3 years commencing from March 9, 2024, to March 8, 2027 (both days inclusive), not liable to retire by rotation, subject to approval by RBI as his tenure of first term concludes on March 8, 2024.

The performance of the Bank improved with the total income of the Bank increasing to ₹541.21 crores in FY 2022-23 from ₹299.96 crores in the previous year (increase of revenue by 80%), with Bank turning profitable for the first time since beginning of its banking operations. The Profit after tax for the year ended March 31, 2023, stood at ₹8.09 crores as compared to Loss of ₹7.49 Crores in the previous year.

Snapshot of Profit and Loss last 2022-23 and FY 2021-22:

(in lakhs)			
Particulars	FY 2022	FY 2023	Delta Y-o-Y (Full year)
Operating Revenue (a)	29,995.61	54,120.51	80%
Operating Expense (b)	(29,276.73)	(53,187.01)	82%
Provisions (c)	(7.04)	(99.06)	Not comparable
CWIP/ Assets write off impact (d)	(1,461.53)	(24.95)	
Adjusted Profit after Tax (a-b-c-d)	(749.69)	809.49	208%

The operations have grown many folds, wherein the Bank did a total business worth ₹541.2 crores. As on March 31, 2023, our market share in AEPS stands at 22%. Our Bank ranked first in AePS acquiring for the months of February and March 2023 and we are currently third in MaTM infrastructure (across industry with 317,170) and fourth in DMT category across Banking Industry. Our Bank recorded a top line of ₹541.20 crores in 2022-23 as compared to previous ₹299.96 crores in 2021-22.

In the **Digital Banking segment**, in 2022-23, the Bank made considerable progress towards simplifying & redesigning customer journeys and improving the overall banking experience for them, with its advanced mobile banking app – NSDL Jiffy. Till March 31, 2023, the Bank had digitally opened more than 5.06 lakhs Savings Accounts on our Mobile App out of which 1.73 lakhs were opened in 2022-23. The Bank's current CASA Base is circa 21.7 crores.

Product wise revenue for the year 2022-23 and 2021-22 are as below:

(₹ in lakhs)			
Product	FY2023	FY 2022	% change
Financial inclusion	37,129	12,911	188%
Prepaid	14,775	15,695	(6%)
Others	2,216	1,390	59%
Total	54,120	29,996	80%

The Bank currently distributes Mutual Funds schemes of 29 major Asset Management Companies through its digital channels.

It may be noted that due to net profits for FY 2022-23 and other initiatives in the previous years, the Bank has been steadily able to increase the net worth (shareholders' funds less intangible assets) position of the Bank to ₹131.97 crores as on March 31, 2023, from ₹125.45 crores as on March 31, 2022.

During the financial year 23, the Bank for the first-time reported Net profit of ₹809.49 lakhs. The bank consistently reported top line of more than ₹5,000 lakhs (for the three consecutive months – in Q4 FY 2023). Bank has a total 125 plus relationship, and it continues to leverage and deepen its presence via cross sell. Bank has deployed 1070+ CSP points largely in states like Assam, UP, Bihar, West Bengal, and similar other states. Currently, Bank is active in 17+ states as "owned channel" and it has PAN India reach via corporate BC network as "Open Banking". The bank has established strong relationship with 30+ Corporate BC which in turn has a network of over 20 lakhs agents providing last mile basic banking services to unbanked and underserved population of the country.

The Bank encourages a culture of diversity, equity, and inclusion-promoting gender balance and respecting the contribution of all employees across gender, age, race, and

sexual orientation. The Bank has further initiated the process of attracting new talent with larger banking exposures.

The Bank has further initiated steps towards automation of governance procedures and is striving to ensure greater transparency and accountability across the business verticals.

Your Board of Directors, therefore, recommends the passing of the ordinary resolution as set out in Item no. 5 of the accompanying Notice.

Except Mr. Kamalapurkar, none of the Directors, Key Managerial Personnel and their relatives are in any way concerned or interested in the resolution set out in Item No.5. The Members are requested to consider and approve the same.

ITEM NO. 6

The Board at its meeting held on June 15, 2023, based on the recommendation of Nomination and Remuneration Committee of the Bank, approved the remuneration of MD & CEO for the Financial Year 2023-24, subject to approval by members and RBI.

The Bank vide letter NPBL/CS/23-24/02 dated July 7, 2023, made an application to RBI seeking its approval for revision in the remuneration to MD & CEO for the FY 2023-24. The aforesaid application made by the Bank is pending with RBI for its approval.

In view of the direction by the Board and based on the recommendation of the Nomination and Remuneration Committee, a resolution seeking the Members' approval for the remuneration of Mr. Kamalapurkar effective April 1, 2023, on the following terms and conditions, subject to approval of the RBI, is being placed before the members for their approval.

1. Salary and allowances will be as per Annexure I & I a.
2. The Company will be entitled to deduct from the payment due to you, applicable taxes and statutory levies and any dues payable by him to the Company.
3. Staff Rules and Regulations and Code of Ethics framed by the Company from time to time will be applicable to him.
4. He would be required to undergo a medical examination and his appointment will be subject to him being found medically fit for service in the Company.
5. He would need to make available the original and attested photocopies of certificates regarding his age,

educational qualifications and experience for records and verification.

6. If any statement, declaration, or information given by him is at any time found to be false or untrue or if any material particular is suppressed, his services are liable to be terminated forthwith without any notice or compensation in lieu thereof.
7. The notice period will be three months from either side.
8. His services are liable to be terminated forthwith without any notice or compensation or in the alternative, he shall be liable to disciplinary action and imposition of penalty in accordance with the Company Staff Rules if after he report for duty the Company receives information that he had, prior to joining the company's services, committed any act of misconduct which, in the opinion of the Company renders him unfit to serve in the Company.
9. Compensation of MD&CEO shall be as per the Remuneration and Compensation Policy of the Bank, read with the applicable provisions of the Banking Regulation Act, RBI Circular no. DOR.Appt. BC.No.23/29.67.001/2019-20 dated November 4, 2019, and such other any amendments therein or any circulars/ guidelines as may be notified by RBI from time to time.
10. Target variable pay as Performance Linked Incentive (PLI), as may be determined by the Nomination and Remuneration Committee/Board, not below 50% and not exceeding 150% of the fixed pay. The PLI (cash) shall be paid on deferred basis (as applicable) and PLI (non-cash) would be paid on deferred basis as per the ESOP policy of the bank and shall be subject to malus and claw back arrangements.

Annexure 1

The MD & CEO shall be entitled to a Fixed CTC of ₹1,33,00,000/- per annum. The detailed break-up of salary components is as follows:

1. Basic Pay: The MD & CEO shall be entitled to a Basic pay of ₹3,27,772/- per month.
2. House Rent Allowance: 50% of the Basic Pay per month. No housing accommodation will be provided by the Company.
3. Supplementary allowance: This allowance of ₹57,36,230/- will be paid per month and will be fully taxable.

4. A Company car with driver salary or re-imbursement of expenses subject to a ceiling of ₹6,60,000/- per annum.
5. Annual Performance Linked Incentive (PLI) as may be determined by the Nomination & Remuneration Committee/Board.
6. Annual increments to be decided by the Nomination & Remuneration Committee/Board.
7. Medical benefits of ₹15,000/- every year covering self, spouse and dependent children.
8. Leave Travel Allowance of one month's basic pay on reimbursement basis for each year of service.
9. Group Medclaim, Group Personal Accident and Term Life Insurance cover will be as per the company's Insurance policy.
10. Company's contributions to Provident Fund would be made at the rate of 12% of basic pay.
11. Gratuity is payable as per the Payment of Gratuity Act and as per rules of the company.
12. Leave Encashment will be reimbursed as per Staff Rules of the Company.
13. Telephone and internet facility at the residence.
14. The MD & CEO shall also be entitled to such other benefits as are made available by the Company to members of the staff from time to time.

Annexure I a

Particulars	Amount
Salary Component	Yearly
Basic (30% of Fixed CTC without gratuity)	39,33,270
BoB	
HRA (50 % of Basic)	19,66,635
Medical	15,000
LTA (1 month Basic)	3,27,773
Car lease (optional)	6,60,000
Supplementary Allowance	57,36,230
Employer Provident Fund	4,71,992
Fixed CTC	1,31,10,900
Gratuity	1,89,100
Total Fixed CTC	1,33,00,000
Target Variable Pay (cash)	24,00,000
Target Variable Pay (non-cash)	42,50,000
	(6,80,000
	Stock Options)
Total Target Variable pay	66,50,000
Total CTC	1,99,50,000

Your Board of Directors, therefore, recommends the passing of the special resolution as set out in Item no. 6 of the accompanying Notice.

Except Mr. Kamalapurkar, none of the Directors, Key Managerial Personnel and their relatives are in any way concerned or interested in the resolution set out in Item No.6. The Members are requested to consider and approve the same.

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	Ms. Padmaja Chunduru	Mr. Dhananjaya Tambe	Mr. Abhijit M Kamalapurkar
Category	Non-executive Director	Independent Director	MD & CEO
DIN	08058663	07260971	08849177
Date of Birth	02-08-1961	12-11-1960	18-07-1972
Qualifications	M.Com, CAIIB	M.Sc. Agriculture, CAIIB	B.com, CAIIB
Experience	Ms. Padmaja Chunduru is currently the MD & CEO of NSDL and has been responsible for setting and achieving the overall strategic agenda of Indian Bank, focused on delivering growth and enhancing value. During her tenure, she executed the merger of two equal sized banks – Allahabad Bank with Indian Bank – with critical differences in organizational culture, operations, and IT stack. This included managing organizational and cultural change, driving operational efficiencies, as well as managing the Board and key stakeholders.	Mr. Dhananjaya Tambe was the Dy. Managing Director & CIO of State Bank of India, India's largest bank, from April 2018 till November 2020. He joined the Bank in 1987 and moved to the IT vertical in 2009 to lead the Integrated Payment Hub Project. In 2011, he became the head of Internet Banking. From 2013 to 2014, he served as General Manager, first of Payment Systems and then of IT-Infrastructure. In 2015, Mr. Tambe was elevated to the rank of Chief General Manager for IT Operations and later for IT-Transformation, Collaboration and Marketing. Mr. Tambe was CEO of C-Edge Technologies Ltd. till April 2022. C-Edge is a TCS-SBI joint venture which provides banking technology services to over 200 banks, including CBS services to over 170 banks on a SaaS model. Banks served by C-Edge include Regional Rural Banks, Urban Cooperative Banks, District Central Cooperative Banks and a few private, public sector and foreign banks. Currently, Mr Tambe is a director on the board of some companies, consultant with some other companies and advises clients as an Independent Consultant.	Mr. Kamalapurkar has Worked in 4 Pvt. sector banks (HDFC Bank/ ICICI Bank/ YES Bank/ IDFC First Bank) and One MNC Bank (J.P Morgan) handling Transaction Banking where payments and collection are a key area of expertise. He has experience from Operations to technology to Product development and Sales as a function. Further, he was also involved in the founding of YBL and IDFC First Bank. He was in charge of the banks' operationalization and is fully aware of the setup, including the establishment of processes, products, technology, and accounting systems, as well as the recruitment and management of teams. Thus, covering all the risks and mitigations for operational risk management. Trade Finance has been instrumental in laying down the processes subject to all the guidelines under FEMA/ UCPDC and RBI framework. Have also been presenting the cases related to Trade finance in the committees for Credit risk of the borrowers. Very closely associated with most of the Fintechs and hence able to overlay technology to the process automation to ensure right customer delivery.
Terms & Conditions appointment or reappointment	Appointment is as per Banking Regulation Act 1949; Companies Act, 2013 and guidelines as may be specified by RBI.	Appointment is as per Banking Regulation Act 1949; Companies Act, 2013 and guidelines as may be specified by RBI.	Appointment is as per Banking Regulation Act 1949; Companies Act, 2013 and guidelines as may be specified by RBI.
Remuneration Details	NIL	Sitting Fees	Fixed CTC- ₹1.06 crores p.a. Variable Pay- ₹55,68,000 (subject to RBI approval)
Date of first appointment on the Board	September 25, 2021	April 25, 2023	February 10, 2021
Shareholding in the Company	NIL	NIL	NIL

Name of Director	Ms. Padmaja Chunduru	Mr. Dhananjaya Tambe	Mr. Abhijit M Kamalapurkar
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	None	None	None
Number of Board meetings attended during the year 2022-23	7	NA	7
List of another Directorship held	National Securities Depository Limited (NSDL) NSDL Database Management Limited (NDML)	Flexmoney Technologies Private Limited Maharashtra Information Technology Corporation Limited Aditya Birla Health Insurance Co. Limited	None
Chairman/Member of the Committees of Board of other Companies	Member Committee (NSDL) Corporate Social Responsibility Committee (NSDL) Stakeholder Relationship Committee (NSDL) IPO Committee (NSDL) Nomination and Remuneration Committee (NDML) Audit Committee (NDML) Corporate Social Responsibility Committee (NDML)	NIL	NIL
Chairman/Member of the Committees of Board of the Company	IT Strategy Committee (Member) Nomination and Remuneration Committee (Member)	IT Strategy Committee (Member) Nomination and Remuneration Committee (Member) Customer Service Committee (Member) Risk Management Committee (Member)	IT Strategy Committee (Member) Risk Management Committee (Member) Customer Service Committee (Member)

Director's Report

for the year ended March 31, 2023

To the Members,

Your Directors have the pleasure of presenting the 7th Annual Report along with the Audited Financial Statements of your Bank for the year ended March 31, 2023.

FINANCIAL POSITION

The financial highlights of the Bank for the year under review are as under:

Particulars	(Amt In '000')	
	FY 2023	FY 2022
Total income	54,12,051	29,99,561
Total expenses	53,31,102	30,74,531
Profit / (Loss) for the year	80,949	(74,970)
Loss brought forward	(4,41,525)	(3,66,556)
Total Loss After Tax	(3,60,576)	(4,41,525)
Basic & diluted EPS	0.45	(0.42)

The comparative financial information of the Bank for the year ended March 31, 2023 has been included as per the Banking Regulation Act, 1949.

The performance of the Bank improved with the total income increasing to ₹541.21 crores in FY 2022-23 from ₹299.96 crores in the previous year (increase of revenue by 80%), with Bank turning profitable for the first time since beginning of its banking operations. The Profit after tax for the year ended March 31, 2023, stood at ₹8.09 crores as compared to Loss of ₹7.49 crores in the previous year.

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

Your Bank has not undergone any changes in the nature of the business during the financial year and continues to pursue the business of Payments Bank.

DIVIDEND

Your Bank is in a growing stage and since funds are required to support its future growth, your directors do not recommend any dividend for the financial year ended March 31, 2023.

TRANSFER TO GENERAL RESERVES

During the year under review, your Bank has made an appropriation of ₹2.03 crores (31 March 2022: Nil) out of profits for the year ended March 31, 2023, to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

SHARE CAPITAL

As on March 31, 2023, the paid-up share capital stood at ₹180 crores comprising of 18,00,00,000 equity shares of ₹10 each. During the year under review, the Bank did not raise any additional Equity Share capital.

None of the Directors of the Bank hold shares in the Bank.

EMPLOYEES STOCK OPTIONS PLAN ("ESOP")

The Bank has formulated and implemented NSDL Payments Bank Employee Stock Option Plan 2022 ("the Plan"), to reward key talents for their association and performance as well as to motivate them to contribute to the growth and profitability of the Bank.

The Nomination and Remuneration Committee ("NRC") of the Bank is entrusted with the responsibility of implementation and administration of the Plan.

During the year under review, the Bank has made 2 (Two) grants under the ESOP Plan 2022. Further, disclosures pertaining to grant of stock options to eligible employees as per the Plan approved by the Board on recommendation of the NRC, are appearing in the Notes to the Financial Statements of the Bank for the financial year ended March 31, 2023, forming part of this Annual Report.

Further, the Bank has not granted any eligible employee stock options equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant.

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. V Sankar Aiyar and Co, Chartered Accountants, (Firm Registration No. 109208W) ("VSA") had been appointed as the auditors of the Bank for a period of three years, subject to approval by RBI at annual intervals and retire at the 8th Annual General Meeting of the Bank. VSA has conducted a Statutory Audit of the Financial Statements of the Bank for the financial year ended March 31, 2023. The Notes referred to in the Auditor's Report are self-explanatory. There are no qualifications or reservations, or adverse remarks or disclaimers given by Statutory Auditors. The Auditors' Report forms an integral part of this Annual Report.

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 M/s. MMJB & Associates LLP, Company Secretaries, to undertake the Secretarial Audit for the financial year ended March 31, 2023. 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.

COST AUDITOR

During the year under review, the provisions for maintenance of cost records as specified by the Central Government under section 148(1) of the Act are not applicable to the Bank and the Bank was not required to appoint a Cost Auditor.

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, and therefore the requirement to disclose the details of fraud in this Report does not arise.

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 the 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. To provide further comfort, the Bank has also appointed a third-party auditor to provide independent assurance on the policy and processes of the Bank in an advisory capacity. As part of regulatory requirements, your Bank has also undergone an 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 of March 31, 2023.

RISK MANAGEMENT AND INSURANCE

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

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

DEPOSITS

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

There was no loan made, guarantee given, or security provided or acquisition of security under Section 186 of the Companies Act, 2013 and hence, no disclosure was required to be made herein in this regard.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All the Related Party Transactions that were entered into during the financial year were on an arm's length basis and were in ordinary course of business of the Bank. There were no material related party transactions entered during the Financial Year under review, by your Bank 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 Bank.

POSITIVE WORK ENVIRONMENT

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

No complaints were received during FY 2022-23.

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, 2023, the Bank has Seven (7) Directors. The Board of the Bank is duly constituted with proper balance of Executive Director, Non-Executive Directors, and Independent Directors.

The Members at their AGM held on September 21, 2022, have approved the appointment of Mr. CH S.S. Mallikarjuna Rao (DIN: 07667641) as an Independent Director of the Bank for a period of three consecutive years commencing from August 25, 2022. Mr. CH S.S. Mallikarjuna Rao was earlier appointed as an Additional Director in the capacity of Independent Director of the Bank by the Board w.e.f. August 25, 2022, and Part Time Non-executive Chairman of the Bank, subject to approval of RBI. Mr. CH S.S. Mallikarjuna Rao ceased to be an Independent Director of the Bank w.e.f. January 9, 2023.

In accordance with the provisions of the Companies Act, 2013, and RBI Regulations, the Board appointed Mr. Dhananjaya Arvind Tambe (DIN: 07260971) as an Additional Director in the capacity of Independent Director of the Bank w.e.f. April 25, 2023. Further, the Board also approved his appointment as an Independent Director of the Bank for a period of three consecutive years with effect from April 25, 2023, up to April 24, 2026 (both days inclusive), subject to approval of the Members. The resolution seeking his appointment as an Independent Director of the Bank w.e.f. April 25, 2023, for a term of three consecutive years commencing from April 25, 2023, along with his profile as required under Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India forms part of 7th AGM Notice.

During the year under review, there has been no change in the Directors of the Bank other than those disclosed above.

Name of the Director	Category	17/05/2022	27/07/2022	20/10/2022	08/12/2022	21/12/2022	24/01/2023	09/03/2023
Mr. L. Ravi Sankar	Independent	P	P	P	P	P	P	P
Dr. Santanu Paul	Independent	P	-	P	P	P	P	P
Mr. N. S. Venkatesh	Independent	P	P	-	P	P	P	P
Dr. Mrs. Bala Krishnamoorthy	Independent	P	P	P	P	P	P	P
Ms. Padmaja Chunduru	Non-executive	P	P	P	P	P	P	P
Mr. Patric Barla	Independent	P	P	P	P	P	P	P
Mr. Mallikarjuna Rao*	Independent	-	-	P	P	P	-	-
Mr. Dhananjaya A. Tambe#	Independent	-	-	-	-	-	-	-
Mr. Abhijit M Kamalapurkar	Executive (MD & CEO)	P	P	P	P	P	P	P

* Mr. Mallikarjuna Rao (DIN: 07667641) was appointed as an independent director w.e.f August 25, 2022

Mr. Mallikarjuna Rao (DIN: 07667641) resigned from the position as an Independent Director w.e.f January 9, 2023

Mr. Dhananjaya A. Tambe (DIN: 07260971) was appointed as Additional Director (Independent Category) w.e.f April 25, 2023

C. 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.

B. 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, 2013

During the year under review, seven Board meetings were held on May 17, 2022, July 27, 2022, October 20, 2022, December 8, 2022, December 21, 2022, January 24, 2023, and March 9, 2023. Details of attendance of each director at the Board Meetings held during the 2022-23 are as follows:

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

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

E. PERFORMANCE EVALUATION OF THE BOARD AND DIRECTORS:

Your Bank has in place an evaluation criterion for evaluation of the Board's own performance and the Directors individually and the 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.

F. BOARD COMMITTEES

a. 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 reviews accounting policies followed by the Bank.

During FY 2022-23 the Committee met nine times on May 6, 2022, May 16, 2022, July 19, 2022, July 27, 2022, October 19, 2022, October 20, 2022, January 23, 2023, January 24, 2023, March 9, 2023, respectively. The details of composition and attendance of members of the Audit Committee are given hereunder:

Name of the member	Designation	6/5/2022	16/5/2022	19/7/2022	27/7/2022	19/10/2022	20/10/2022	23/1/2023	24/01/2023	9/03/2023
Mr. L. Ravi Sankar	Chairman	P	P	P	P	P	P	P	P	P
Mr. N.S. Venkatesh	Member	P	P	P	P	-	-	-	P	P
Mr. Patric Barla	Member	P	P	P	P	P	P	P	P	P

b. 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 Four times during the year on May 16, 2022; July 13, 2022, October 20, 2022, and December 8, 2022. Details of compositions and attendance of each member at the Committee Meetings held during the year are as follows:

Name of the member	Designation	16/05/2022	13/07/2022	20/10/2022	08/12/2022
Dr. Santanu Paul	Chairman	P	P	P	P
Mr. L. Ravi Sankar	Member	P	P	P	P
Ms. Padmaja Chunduru	Member	P	P	P	P

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

i) Board-level Committees

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

ii) Executive-level Committees

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

DETAILS OF KEY MANAGERIAL PERSONNEL (KMPs)

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

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

* Mr. Abhishek Bagchi ceased to be Chief Financial Officer of the Bank w.e.f July 11, 2022

Mr. Jigar H. Shah was appointed as Chief Financial Officer of the Bank w.e.f July 12, 2022

CORPORATE SOCIAL RESPONSIBILITY

As per the provisions of Section 135(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Corporate Social Responsibility) Rules, 2014, every company having net worth of ₹500 Crores or more, or turnover of ₹1,000 Crores or more or a net profit of ₹5 Crores or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee ("CSR Committee") of the Board consisting of 3 or more directors, out of which at least one director shall be an independent director.

Your Bank's net profit has exceeded the threshold limit of ₹5 Crores during the immediately preceding Financial Year i.e., FY 2022-23. As per the aforesaid requirement, the Bank is required to constitute CSR Committee consisting of members as aforesaid in FY 2023-24.

In view of the above, the Bank is in process of constituting the CSR Committee and adopting the CSR Policy and shall complete the requirement to constitute the same and comply with the provisions of Section 135(1) 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 Company Secretary acts 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 judgements 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 of the Bank for that period.
- that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing & detecting fraud and other irregularities.
- that internal financial controls to be followed by the Bank are laid down and that such internal financial controls are adequate and were operating effectively.
- that they have prepared the annual accounts on a going concern basis; and
- that they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

COMPLIANCE WITH SECRETARIAL STANDARDS

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

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

a) Conservation of Energy, Technology absorption –

The Bank has a policy of switching off power after office time in those areas where staff have left for the day. Staff are strictly instructed to switch off their monitors before they leave for the day. The Bank also maintains the air conditioning temperatures to conserve energy. The Bank continuously strives to optimise its energy usage and efficiency. The nature of business is purely service oriented and does not require substantial energy consumption.

b) Foreign Exchange earnings/outgo during the period under review

Earnings – NIL

Outgo – NIL

EXTRACT OF ANNUAL RETURN

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

PARTICULARS OF EMPLOYEES

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

APPRECIATION

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

For and on behalf of the Board of Directors

Place: Mumbai
Date: July 21, 2023

Abhijit M. Kamalapurkar
MD & CEO
DIN: 08849177

Padmaja Chunduru
Non-Executive Director
DIN: 08058663

FORM NO. MR.3

SECRETARIAL AUDIT REPORT

For The Financial Year Ended March 31, 2023

[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
401, 4th Floor, Tower 3, One International Center,
Senapati Bapat Marg, Prabhadevi 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 Company**'). 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.

Auditor's Responsibility:

Our responsibility is to express an opinion on the compliance of the applicable laws and maintenance of records based on audit. We have conducted the audit in accordance with the applicable Auditing Standards issued by The Institute of Company Secretaries of India. The Auditing Standards requires that the Auditor shall comply with statutory and regulatory requirements and plan and perform the audit to obtain reasonable assurance about compliance with applicable laws and maintenance of records.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2023 (hereinafter called the '**Audit Period**') complied with the statutory provisions listed hereunder and also that the Company 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 Company for the financial year ended on March 31, 2023 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 thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (**Not applicable to the Company 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 Company during the Audit Period**)
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (**Not Applicable to the Company during the Audit Period**)
 - c. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018; (**Not Applicable to the Company during the Audit Period**)
 - d. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (**Not Applicable to the Company during the Audit Period**)
 - e. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; (**Not Applicable to the Company during the Audit Period**)
 - f. The Securities and Exchange Board of India (Issue and Listing of Non-convertible Securities) Regulations, 2021; (**Not Applicable to the Company during the Audit Period**)
 - g. 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;

- h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; **(Not Applicable to the Company during the Audit Period);**
- i. 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) The Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations, 2015 **(Not Applicable to the Company during the Audit Period).**

During the Audit Period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. as mentioned above.

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

- a. Banking Regulation Act, 1949 to the extent applicable to the Payment Bank;

- b. Reserve Bank of India Act, 1934 read with applicable circulars/notifications/guidelines, etc. issued by RBI from time to time;
- c. The IRDA (Registration of Corporate Agents) Regulations, 2015.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-executive Director and Independent Directors. 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 with required compliances 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 Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For MMJB & Associates LLP
Company Secretaries

Saurabh Agarwal
Partner
FCS: F9290
CP: 20907
PR: 2826/2022
UDIN: F009290E000186555

Date: 25th April, 2023
Place: Mumbai

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
401, 4th Floor, Tower 3, One International Center,
Senapati Bapat marg, Prabhadevi 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 company. 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 company.
4. Wherever 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 company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For MMJB & Associates LLP
Company Secretaries

Saurabh Agarwal

Partner

FCS: F9290

CP: 20907

PR: 2826/2022

UDIN: F009290E000186555

Date: 25th April, 2023
Place: Mumbai

Independent Auditor's Report

To the Members of NSDL Payments Bank Limited Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of NSDL Payments Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2023 and the statement of Profit and Loss Account and the statement of cash flows 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 a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of Balance Sheet, of the state of affairs of the Bank as at March 31, 2023;
- in case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date;
- in the case of Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Basis for Opinion

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

The Bank's Board of Directors is responsible for the other information. The other information comprises the Director's report but does not include the financial statements and our auditor's report thereon. The Director's Report is expected to be made available to us after the date of this audit report.

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

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

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

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

In preparing the financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of Financial Statements

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Companies Act, 2013, 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and Profit and Loss Account and 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.
2. 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 transaction 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.

3. As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
- c) The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank;
- e) There are no material observations or comments on the financial transactions or matters which have any adverse effect on the functioning of the Bank;
- f) On the basis of written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

- g) With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure A".

- h) With respect to the other matters to be included in Auditor's 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.

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

- i) The Bank does not have any pending litigations which would impact its financial position;
- ii) The Bank has made adequate provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts-Refer note 19.3.6 of schedule 19 to the financial statements;
- iii) The bank is currently not liable to transfer any amount to the Investor Education and Protection Fund.

- iv) 1) The Management has represented that, to the best of it's knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s)/entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary has, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- 2) The Management has represented that, to the best of it's knowledge and belief, no funds have been received by the Bank from any person(s)/entity(ies), including foreign entities ("Funding Parties"), that the Bank has directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- 3) Based on the audit procedures which we have considered reasonable and appropriate in the circumstances and according to the information and explanations provided to us by the Management in this regard, nothing has come to our notice that has caused us to believe that the representations made by the Management under sub-clause (1) and (2) contain any material misstatement.
- v) The Bank has neither declared nor paid any dividend during the year.
- vi) Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Bank with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For **V. Sankar Aiyar & Co.**
Chartered Accountants
ICAI Firm Regn. No. 109208W

Place: Mumbai
Dated: 25 April 2023
UDIN: 23514998BGXENS5319

Karthik Srinivasan
Partner
Membership No. 514998

Annexure A to the Independent Auditor's Report

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

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

We have audited the internal financial controls with reference to financial statements of NSDL Payments Bank Limited ("the Bank") as at March 31, 2023 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the

Bank's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **V. Sankar Aiyar & Co.**
Chartered Accountants
ICAI Firm Regn. No. 109208W

Place: Mumbai
Dated: 25 April 2023
UDIN: 23514998BGXENS5319

Karthik Srinivasan
Partner
Membership No. 514998

Balance Sheet

as at March 31, 2023

		(₹ in Lakh)	
	Schedule No.	As at March 31, 2023	As at March 31, 2022
CAPITAL & LIABILITIES			
Capital	1	18,000.00	18,000.00
Employee Stock options outstanding		12.97	-
Reserves and Surplus	2	(3,605.76)	(4,415.25)
Deposits	3	2,172.80	1,301.49
Borrowings	4	-	-
Other Liabilities and Provisions	5	22,611.64	10,125.07
TOTAL		39,191.65	25,011.31
ASSETS			
Cash and Balances with Reserve Bank of India	6	15,457.61	10,122.82
Balances with banks and money at call and short notice	7	4,319.90	4,844.43
Investments	8	14,414.71	7,264.52
Advances	9	-	-
Fixed Assets	10	1,302.37	1,154.27
Other Assets	11	3,697.06	1,625.27
TOTAL		39,191.65	25,011.31
Contingent Liabilities	12	25.00	35.00
Bills for Collection		-	-
Significant Accounting Policies	18		
Notes To Accounts	19		

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 V.Sankar Aiyar & Co.

Chartered Accountants
ICAI Firm Regn. No. 109208W

Karthik Srinivasan

Partner
Membership No. 514998
Place : Delhi

Place : Mumbai
Date : 25 April, 2023

For and on behalf of the Board of Directors of

NSDL Payments Bank Limited

CIN: U65900MH2016PLC284869

L Ravi Sankar

Director
DIN: 00185931

Jigar Shah

Chief Financial Officer
M.No. 143856

Padmaja Chunduru

Director
DIN: 08058663

Balan Santosh Parthasarathy

Company Secretary
M.No. A49602

Abhijit Kamalapurkar

MD & CEO
DIN: 08849177

Profit and Loss

for the year ended March 31, 2023

(₹ in Lakh)

Particulars	Schedule No.	For the year ended March 31, 2023	For the year ended March 31, 2022
I INCOME			
Interest Earned	13	886.10	714.65
Other Income	14	53,234.41	29,280.96
TOTAL		54,120.51	29,995.61
II EXPENDITURE			
Interest Expended	15	36.95	28.76
Operating Expenses	16	53,150.06	29,247.97
Provisions and Contingencies	17	124.01	1,468.57
TOTAL		53,311.02	30,745.30
III PROFIT/LOSS			
Net Profit /(Loss) for the year		809.49	(749.69)
Profit brought forward		(4,415.25)	(3,665.56)
TOTAL		(3,605.76)	(4,415.25)
IV APPROPRIATIONS			
Transfer to Statutory Reserve		202.37	-
Transfer to Investment Reserve		-	-
Balance carried over to Balance Sheet		(3,808.13)	(4,415.25)
TOTAL		(3,605.76)	(4,415.25)
EPS Basic (₹)	19 (2.7)	0.45	(0.42)
EPS Diluted (₹)		0.45	(0.42)
Face Value of shares (₹)		10/-	10/-
Significant Accounting Policies	18		
Notes To Accounts	19		

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

As per our report of even date

For V.Sankar Aiyar & Co.

Chartered Accountants

ICAI Firm Regn. No. 109208W

Karthik Srinivasan

Partner

Membership No. 514998

Place : Delhi

Place : Mumbai

Date : 25 April, 2023

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

CIN: U65900MH2016PLC284869

L Ravi Sankar

Director

DIN: 00185931

Jigar Shah

Chief Financial Officer

M.No. 143856

Padmaja Chundurur

Director

DIN: 08058663

Balan Santosh Parthasarathy

Company Secretary

M.No. A49602

Abhijit Kamalapurkar

MD & CEO

DIN: 08849177

Cash Flow Statement

for the year ended March 31, 2023

		(₹ in Lakh)	
Sr.	Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
I	Cash Flow from Operating Activities		
	Net Profit for the Year (before taxes)	809.49	(749.69)
	Adjustments for:		
	Add : Non-Cash Expenditure		
	- Write off of Employee cost upto March 2021 (net of depreciation reversal benefit)	-	1,456.70
	- Intangible Assets under development written off	24.95	4.83
	- Provision for bad and doubtful debts	99.06	7.04
	- Depreciation	459.59	389.36
	- Stock based Compensation cost	12.97	-
	Cash Flow before Changes in Working Capital	1,406.06	1,108.24
	Adjustments for working capital changes		
	Deposits	871.31	648.54
	Other Liabilities	12,387.51	560.69
	Other Assets	(2,193.95)	114.31
	Direct Taxes (Net)	8.90	(73.52)
	(Increase)/Decrease in AFS Investments	(7,036.92)	(4,238.73)
	Cash generated from Operating Activities	5,442.91	(1,880.47)
II	Cash Flow from Investing Activities		
	Addition to Other Fixed Assets	(632.65)	(244.62)
	Sale/Deletions in Fixed Assets	-	-
	(Addition)/Deletion to Capital Work in Progress	-	-
	Cash generated from Investing Activities	(632.65)	(244.62)
III	Cash Flow from Financing Activities		
	Proceeds of share issue	-	-
	Cash generated from financing Activities	-	-
IV	Increase/Decrease during the Year	4,810.26	(2,125.09)
V	Opening Cash and Cash Equivalents	14,942.25	17,067.34
VI	Closing Cash and Cash Equivalents	19,752.51	14,942.25
	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)	15,457.61	10,122.82
(ii)	Balances with Banks in Current Accounts (Refer Schedule 7)	4,319.90	4,844.43
(iii)	Less: Lien on Fixed Deposits	25.00	25.00
	Cash and cash equivalents at the end of the year	19,752.51	14,942.25

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks (including Fixed deposits) and money at call and short notice.

Figures in brackets indicate cash outflow.

The accompanying notes form an integral part of these financial statements.

As per our report of even date

For V.Sankar Aiyar & Co.

Chartered Accountants
ICAI Firm Regn. No. 109208W

Karthik Srinivasan

Partner
Membership No. 514998
Place : Delhi

Place : Mumbai
Date : 25 April, 2023

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

CIN: U65900MH2016PLC284869

L Ravi Sankar

Director
DIN: 00185931

Jigar Shah

Chief Financial Officer
M.No. 143856

Padmaja Chunduru

Director
DIN: 08058663

Balan Santosh Parthasarathy

Company Secretary
M.No. A49602

Abhijit Kamalapurkar

MD & CEO
DIN: 08849177

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

SCHEDULE 1 – CAPITAL

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
Authorised Capital		
20,00,00,000 (PY 20,00,00,000) Ordinary Shares of ₹10/- each	20,000.00	20,000.00
Issued, Subscribed & Paid-up		
18,00,00,000 (PY 18,00,00,000) Ordinary Shares of ₹10/- each	18,000.00	18,000.00
TOTAL	18,000.00	18,000.00

SCHEDULE 2 – RESERVES & SURPLUS

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
1. Statutory Reserve		
(i) Opening Balance	-	-
(ii) Addition during the year	202.37	-
(iii) Deduction during the year	-	-
Total	202.37	-
2. Investment Reserve		
(i) Opening Balance	-	-
(ii) Addition during the year	-	-
(iii) Deduction during the year	-	-
Total	-	-
3. Balance in Profit & Loss Account	(3,808.13)	(4,415.25)
TOTAL	(3,605.76)	(4,415.25)

SCHEDULE 3 – DEPOSITS

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
A. 1. Demand Deposits		
i) From Banks (Note-1)	44.91	29.91
ii) From Others	345.52	118.61
Total	390.43	148.52
2. Savings Bank Deposits	1,782.37	1,152.97
3. Term Deposits		
i) From Banks	-	-
ii) From Others	-	-
Total	-	-
TOTAL	2,172.80	1,301.49
B. i. Deposits of Branches in India	2,172.80	1,301.49
ii. Deposits of Branches outside India	-	-
TOTAL	2,172.80	1,301.49

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

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

SCHEDULE 4 – BORROWINGS

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
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	-	-

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
1. Bills Payable	-	-
2. Inter Office Adjustments (Net)	-	-
3. Interest Accrued	-	-
4. Others (Including Provisions)	22,611.64	10,125.07
TOTAL	22,611.64	10,125.07

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
1. Cash in hand	-	-
2. Balances with Reserve Bank of India		
(i) In Current Account	10,225.16	10,122.82
(ii) In Other Accounts	5,232.45	-
TOTAL	15,457.61	10,122.82

SCHEDULE 7 – BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
1. In India		
(i) Balances with Banks		
a) In Current Accounts	295.18	459.43
b) In other Deposit Accounts	2,525.00	4,385.00
(ii) Money at Call and Short Notice		
a) With Banks	-	-
b) With Other Institutions	1,499.72	-
Total	4,319.90	4,844.43
2. Outside India		
(i) In Current Accounts	-	-
(ii) In Other Deposits Accounts	-	-
(iii) Money at Call and Short Notice	-	-
Total	-	-
TOTAL	4,319.90	4,844.43

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

SCHEDULE 8 – INVESTMENTS

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
1. Investments in India (Gross)	13,472.53	7,264.52
Less – Provision for depreciation	-	-
Total	13,472.53	7,264.52
Investments in India in -		
(i) Government Securities	13,472.53	7,264.52
(ii) Other Approved Securities	-	-
(iii) Shares	-	-
(iv) Debentures & Bonds	-	-
(v) Subsidiaries and / or Joint Venture	-	-
(vi) Others	942.18	-
Total	14,414.71	7,264.52
2. Investments Outside India	-	-
Total	-	-
TOTAL	14,414.71	7,264.52

SCHEDULE 9 – ADVANCES

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
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) Covered 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	-	-

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

SCHEDULE 10 – FIXED ASSETS

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
1. Premises		
(i) At cost at March 31, 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 March 31, of the preceding year	2,118.41	3,058.34
(ii) Additions during the year	704.74	297.03
(iii) Deductions during the year	55.06	1,236.96
(iv) Accumulated Depreciation to date	1,664.76	1,235.26
Total	1,103.33	883.15
3. Capital Work in Progress	199.04	271.12
TOTAL (1+2+3)	1,302.37	1,154.27

SCHEDULE 11 – OTHER ASSETS

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
1. Inter-Office Adjustment (Net)	-	-
2. Interest Accrued	544.04	218.54
3. Tax Paid in Advance/Tax Deducted at Source (Net of Provision)	85.05	93.94
4. Stationery and Stamps	-	-
5. Deferred Tax Assets (Net)	-	-
6. Others	3,067.97	1,312.79
TOTAL	3,697.06	1,625.27

SCHEDULE 12 – CONTINGENT LIABILITIES

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
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 & other matters (under appeal)	-	-
(ii) Others		
(a) Capital Commitment	-	10.00
(b) Bank Guarantee issued by other Bank on our behalf	25.00	25.00
TOTAL	25.00	35.00

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

SCHEDULE 13 — INTEREST EARNED

Particulars	(₹ in Lakh)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
1. Interest / Discount on Advances / bills	-	-
2. Income on Investments	618.24	197.22
3. Interest on balance with RBI and Other Inter bank funds	248.88	511.25
4. Others	18.98	6.18
TOTAL	886.10	714.65

SCHEDULE 14 — OTHER INCOME

Particulars	(₹ in Lakh)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
1. Commission, Exchange and Brokerage	53,230.14	29,264.07
2. Profit on sale of Investments (Net)	2.01	14.05
3. Profit / (Loss) on sale of land, building and other assets (Net)	-	-
4. Profit on exchange transactions (Net)	(1.56)	(1.85)
5. Miscellaneous Income	3.82	4.69
TOTAL	53,234.41	29,280.96

SCHEDULE 15 — INTEREST EXPENDED

Particulars	(₹ in Lakh)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
1. Interest on Deposits	35.43	23.30
2. Interest on Reserve Bank of India / Inter-Bank Borrowings	-	-
3. Others	1.52	5.46
TOTAL	36.95	28.76

SCHEDULE 16 — OPERATING EXPENSES

Particulars	(₹ in Lakh)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
1. Payments to and provisions for employees	2,035.74	1,992.67
2. Rent, taxes and lighting	238.33	142.12
3. Printing and stationery	1.33	0.78
4. Advertisement and publicity	9.03	75.33
5. Depreciation on banks property	459.61	389.36
6. Director's fees Allowances and expenses	78.82	60.42
7. Auditors' fees and expenses (Including branch auditor's fees and expenses)	27.54	29.71
8. Law Charges	-	-
9. Postage, Telegrams, Telephones, etc.	10.48	5.66
10. Repairs and maintenance	441.75	429.48
11. Insurance	64.02	31.81
12. Other Expenditure	49,783.41	26,090.63
TOTAL	53,150.06	29,247.97

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

SCHEDULE 17 – Provisions and Contingencies

Particulars	(₹ in Lakh)	
	As at March 31, 2023	As at March 31, 2022
1. Provision for bad and doubtful debts	99.06	7.04
2. Write off of Employee cost upto March 2021 (net of depreciation reversal benefit)	-	1,456.70
3. Intangible Assets under development / Assets written off	24.95	4.83
TOTAL	124.01	1,468.57

18. 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, Aadhar enabled payment services, Micro ATM transactions through Business Correspondents,
- Issuing co-branded prepaid cards to customers through agreements with programme managers,
- Offering mutual fund investment services through mobile app,
- Offering Bank verification services for corporate brokers,
- Offering insurance investment services through mobile app,

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

The financial statements are presented in Indian Rupees ("Rupees" or "₹" and all amounts are rounded off to the nearest lakhs except as stated otherwise). The Notes to Accounts under Schedule 19 are rounded off to the nearest crores.

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.

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.).

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

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:

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

Valuation:

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

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a constant yield-to-maturity basis. Such amortisation of premium is adjusted against interest income under the head Income from investments as per the RBI guidelines. The provision are made for a diminution other than temporary, in the value of investments classified under HTM. Non-performing investments are identified, and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

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. Deposits

As per the Operating guidelines PBs can accept only savings and current deposits. The aggregate limit per customer has been extended to ₹200,000 from 07th April 2021 by RBI as against the previous limit of ₹1,00,000. PBs are permitted for making arrangements with any other Scheduled Commercial Bank / SFB (Small Finance Bank), for amounts in excess of the prescribed limits, to be swept into an account opened for the customer at that bank, with the prior written consent of the customer.

The above limit shall apply to customer deposits and not to any security / earnest money deposit the Bank may collect from any of its service providers in the ordinary course of business.

5. Fixed Assets (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.

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

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 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.

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

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

The Management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets for which a technical evaluation has been done by the Management this year. 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
Electrical Installations and Equipment	10 years
Furniture and Fittings	10 years
Leasehold Improvements	5 years

6. Impairment

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

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

7. Transactions involving foreign exchange

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

8. Revenue recognition

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

Investing and other Activities

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

Other Revenues

Service revenue is recognised on completion of provision of services. Revenue is recognised on transfer of all significant risks and rewards, reasonable right of recovery is established and when no significant uncertainty exists regarding realisation of consideration. The Bank recognises non-refundable (i.e. without clawback) affiliation income/one time integration income upfront on accrual basis, on business tie ups with partners, in the event of signing of the business agreement or on acceptance of the commercial terms.

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.

9. 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

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

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.

Employee Stock Option Scheme

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The

Bank measures compensation cost relating to the employee stock options using the fair value method. The compensation cost, if any, is amortised uniformly over the vesting period of the options.

10. 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.

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.

11. 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

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

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.

MAT under the provisions of the Income Tax Act, 1961 is recognised as current tax in the Profit and Loss Account. The credit available under the Income Tax Act, 1961 in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Bank will pay normal income tax during the period for which the MAT can be carried forward for set off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

12. Segment Information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

13. 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.

14. 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.

15. Provision for bad and doubtful debts

The Bank creates provision against all receivables outstanding in a progressive manner. Receivable for more than one year where recovery is considered doubtful is fully provided.

16. 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.

17. 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 March 31, 2023

19. Notes forming part of the financial statements for the year ended 31 March 2023

1. Statutory disclosures as per RBI

1.1 Capital Adequacy

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

Particulars	As at March 31, 2023	As at March 31, 2022
i) Common Equity Tier-1 capital ratio (%)	305.89%	501.58%
ii) Additional Tier 1 capital	-	-
iii) Tier 1 capital (i + ii)	305.89%	501.58%
iv) Tier 2 capital (%)	-	-
v) Total capital (Tier 1+Tier 2)	305.89%	501.58%
vi) Total Risk Weighted Assets (RWAs) (₹ in crores)	43.14	25.01
vii) CET 1 Ratio (CET 1 as a percentage of RWAs)/ Paid Up share capital and reserves as percentage of RWAs(%)	305.89%	501.58%
viii) Tier 1 Ratio (Tier 1 capital as a percentage of RWAs) (%)	305.89%	501.58%
ix) Tier 2 Ratio (Tier 2 capital as a percentage of RWAs) (%)	-	-
x) Capital to Risk Weighted Assets Ratio (CRAR) (%)	305.89%	501.58%
xi) Leverage Ratio (%)	38.50%	58.59%
xii) Percentage of the shareholding of	-	-
a) Government of India		
b) State Government		
xiii) Amount of paid-up equity capital raised during the year	-	-
xiv) Amount of non-equity Tier 1 capital raised during the year, of which:	-	-
a. Non-cumulative Preference Shares (PNCPS)		
b. Debt Instruments (PDI)		
xv) Amount of Tier 2 capital raised during the year, of which:	-	-
a. Debt capital instruments:		
b. Preference Shares (PCPS) / Redeemable Non-Cumulative Shares (PCPS) /Perpetual Debt Instrument/ Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]		

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

1.2 Investments

a. Composition of Investment Portfolio

As at March 31, 2023:

	(Amount in ₹ crore)										
	Investments in India							Investments outside India			Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India
Held to Maturity											
Gross	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-
Available for Sale											
Gross	134.73	-	-	-	-	9.42	144.15	-	-	-	144.15
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-
Net	134.73	-	-	-	-	9.42	144.15	-	-	-	144.15
Held for Trading											
Gross	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-
Total Investments	134.73	-	-	-	-	9.42	144.15	-	-	-	144.15
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-
Net	134.73	-	-	-	-	9.42	144.15	-	-	-	144.15

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

As at March 31, 2022

(Amount in ₹ crore)											
	Investments in India						Investments outside India			Total Investments	
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India
Held to Maturity											
Gross	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-
Available for Sale											
Gross	72.65	-	-	-	-	-	72.65	-	-	-	72.65
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-
Net	72.65	-	-	-	-	-	72.65	-	-	-	72.65
Held for Trading											
Gross	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-
Total Investments	72.65	-	-	-	-	-	72.65	-	-	-	72.65
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-
Net	72.65	-	-	-	-	-	72.65	-	-	-	72.65

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

b. Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(Amount in ₹ crore)

Particulars	As at March 31, 2023	As at March 31, 2022
i) Movement of provisions held towards depreciation on investments		
a) Opening balance	-	-
b) Add: Provisions made during the year	-	-
c) Less: Write off / write back of excess provisions during the year	-	-
d) Closing balance	-	-
ii) Movement of Investment Fluctuation Reserve		
a) Opening balance	-	-
b) Add: Amount transferred during the year	-	-
c) Less: Drawdown	-	-
d) Closing balance	-	-
iii) Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/ Current category	-	-

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

The details relating to repo/ reverse repo transactions (in face value terms) during the year ended 31 March 2023 are as follows:

(Amount in ₹ crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year*	Outstanding as on March 31, 2023
i) Securities sold under repo				
a) Government securities	-	-	-	-
b) Corporate debt securities	-	-	-	-
c) Any other securities	-	-	-	-
ii) Securities purchased under reverse repo				
a) Government securities	1.00	20.00	3.63	5.00
b) Corporate debt securities	-	-	-	-
c) Any other securities	-	-	-	-

The details relating to repo/reverse repo transactions (in face value terms) during the year ended 31 March 2022 are as follows:

(Amount in ₹ crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year*	Outstanding as on March 31, 2022
ii) Securities sold under repo				
a) Government securities	-	-	-	-
b) Corporate debt securities	-	-	-	-
c) Any other securities	-	-	-	-
iii) Securities purchased under reverse repo				
a) Government securities	3.15	50.00	7.42	-
b) Corporate debt securities	-	-	-	-
c) Any other securities	-	-	-	-

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

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

1.4 Non SLR Investment Portfolio

i. Issuer composition of Non SLR investments as at March 31, 2023

(Amount in ₹ crore)

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	9.42	-	-	-	-
(iv)	Private Companies	-	-	-	-	-
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Total (i to vi)	9.42	-	-	-	-
(viii)	Less: Provision held towards depreciation	-	-	-	-	-
	Total (viii - viii)	9.42	-	-	-	-

ii. Issuer composition of Non SLR investments as at March 31, 2022

(Amount in ₹ crore)

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 non-performing investments during the year 2022 - 23 ("Nil" during the year 2021-22).

1.6 Sale and Transfers to/from HTM Category

The Bank did not sell or transfer any investments to / from HTM category during the year 2022-23 ("Nil" during the year 2021-22).

1.7 Derivatives

The bank has not entered into any derivative transactions (Forward Rate Agreement/ Interest Rate Swap/ Exchange Traded Interest Rate Derivatives) during the year 2022-23. ('Nil' during the year 2021-22) Therefore, qualitative and quantitative disclosures under RBI guidelines with respect to derivative transactions are not required.

1.8 Asset Quality

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

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

1.9 Business Ratios

Particular	As at March 31, 2023	As at March 31, 2022
i) Interest Income as a percentage to Working Funds ¹	3.21%	2.91%
ii) Non-interest income as a percentage to Working Funds ¹	193.11%	119.03%
iii) Cost of Deposits	2.51%	2.25%
iv) Net Interest Margin ²	5.62%	4.80%
v) Operating Profit as a percentage to Working Funds ³	3.39%	2.92%
vi) Return on Assets ³	2.94%	(3.05%)
vii) Business deposits per employee ⁴ (in ₹ crore)	0.19	0.12
viii) Profit per employee (in ₹ crore)	0.07	(0.07)

¹ Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X for Commercial Banks and Form IX for UCBs, during the 12 months of the financial year.

² Net Interest Income/ Average Earning Assets. Net Interest Income= Interest Income – Interest Expense. Average earning assets to be reckoned as fortnightly average of interest earning assets reported in Form A.

³ Return on Assets would be with reference to average working funds (i.e., total of assets excluding accumulated losses, if any).

⁴ For the purpose of computation of business per employee (deposits plus advances), inter-bank deposits shall be excluded.

1.10 Asset Liability Management

Maturity pattern of certain items of assets and liabilities as on March 31, 2023:

Maturity Bucket	(₹ in crore)					
	Deposits	Advances	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	1.22	-	-	-	-	-
2 to 7 days	0.77	-	19.97	-	-	-
8 to 14 days	0.77	-	4.98	-	-	-
15 to 30 days	-	-	6.68	-	-	-
Days 31 to 2 months	-	-	23.25	-	-	-
Over 2 months to 3 months	-	-	16.99	-	-	-
Over 3 months to 6 months	-	-	31.09	-	-	-
Over 6 months to 1 year	-	-	41.17	-	-	-
Over 1 year to 3 years	18.98	-	-	-	-	-
Over 3 years to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	21.73	-	144.15	-	-	-

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

Maturity pattern of certain items of assets and liabilities as on March 31, 2022:

(₹ in crore)						
Maturity Bucket	Deposits	Advances	Investments	Borrowings	Foreign currency assets	Foreign currency liabilities
Day 1	0.74	-	-	-	-	-
2 to 7 days	0.44	-	-	-	-	-
8 to 14 days	0.44	-	-	-	-	-
15 to 30 days	-	-	-	-	-	-
Days 31 to 2 months	-	-	16.74	-	-	-
Over 2 months to 3 months	-	-	14.61	-	-	-
Over 3 months to 6 months	-	-	14.47	-	-	-
Over 6 months to 1 year	-	-	26.83	-	-	-
Over 1 year to 3 years	11.38	-	-	-	-	-
Over 3 years to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	13.01	-	72.65	-	-	-

1.11 Exposures

i) Sensitive Sectors

The Bank has not entered any transactions related to capital market and real estate sector during the year 2022-23 and 2021-22.

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

1.12 Disclosure of penalties imposed by RBI

No Penalty has been imposed by RBI during the year 2022-23 ("Nil" during FY 2021-22)

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 crore)	
No.	Particulars	As at March 31, 2023	As at March 31, 2022
1	Provision as at date (Unfunded)	0.75	2.02

Provident Fund

The Company's contribution to the Employee Provident Fund amounted to ₹0.65 crores for the year 2022-23 (₹0.61 crores for the year 2021-22).

Gratuity

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

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

Balance Sheet

Change in Defined Benefit Obligation during the year

(₹ in crore)

No.	Particulars	As at March 31, 2023	As at March 31, 2022
1	Defined Benefit Obligation at the beginning of the year	0.38	0.21
2	Service cost	0.14	0.12
3	Interest cost	0.02	0.01
4	Actuarial losses/(gains)	(0.04)	0.04
5	Benefit payments	(0.03)	-
6	Defined Benefit obligation at the end of the year	0.47	0.38

Amount recognised in Balance Sheet

(₹ in crore)

No.	Particulars	As at March 31, 2023	As at March 31, 2022
1	Present value of defined benefit obligation at the end of the year	0.47	0.38
2	Fair value of plan assets at the end of the year	(0.50)	(0.31)
3	Funded status ((surplus)/ deficit)	(0.03)	0.07
4	Unrecognised past service costs	-	-
5	Net asset / (liability) recognised in the Balance Sheet	0.03	(0.07)

Change in the fair value of Plan Assets during the year

(₹ in crore)

No.	Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
1	Fair value of plan assets at the beginning of the year	0.31	0.22
2	Expected Return on Plan Assets	0.02	0.01
3	Contributions by the Bank	0.20	0.10
4	Actuarial Gain/ (Loss) recognised during the year	(0.00)*	(0.02)
5	Benefit paid	(0.03)	-
6	Fair value of plan assets at the end of the year	0.50	0.31

Profit and Loss Account

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

(₹ in crore)

No.	Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
1	Current service cost	0.14	0.12
2	Net Interest Cost	(0.00)*	(0.01)
3	Net Actuarial Losses/(Gains) recognised in the year	(0.03)	0.05
	Total included in "Employee Benefit Expense" [Schedule 16(I)]	0.11	0.16

Experience adjustment is as follows:

(₹ in crore)

No.	Experience Adjustments	For the year ended March 31, 2023	For the year ended March 31, 2022
	Gratuity		
1	Actuarial (Gains)/Losses on Obligations - Due to Experience	(0.04)	0.04
2	Actuarial (Gains)/Losses on Plan Assets - Due to Experience	0.00*	0.02

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

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

No.	Particulars	As at March 31, 2023	As at March 31, 2022
1	Salary escalations	8.00%	8.00%
2	Discount rate	7.31%	6.09%
3	Attrition rate	20%	20%
4	Mortality rate	Indian assured Lives Mortality (2012-14)	Indian assured Lives Mortality (2012-14)

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

*₹0 denotes amount less than ₹ fifty thousand.

2.2 Accounting Standard 17 – Segment Reporting

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

As at March 31, 2023

	(₹ in crore)		
Business segments	Treasury	Other Banking Operation	Total
Revenue	8.88	532.32	541.21
Unallocated Revenue	-	-	-
Expenses	0.01	533.04	533.05
Unallocated Expenses	-	-	0.07
Operating Profit/(Loss)	-	-	8.09
Income Tax	-	-	-
Extraordinary Profit/(Loss)	-	-	-
Net Profit/(Loss)	-	-	8.09
Other Information			
Segment Assets	196.89	187.45	384.34
Unallocated Assets	-	-	7.58
Total Assets	-	-	391.92
Segment Liabilities	-	247.84	247.84
Unallocated Liabilities	-	-	-
Total Liabilities	-	-	247.84

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

As at March 31, 2022

(₹ in crore)

Business segments	Treasury	Other Banking Operation	Total
Revenue	7.29	292.67	299.96
Unallocated Revenue	-	-	-
Expenses	0.01	307.24	307.25
Unallocated Expenses	-	-	0.21
Operating Profit/(Loss)	-	-	(7.50)
Income Tax	-	-	-
Extraordinary Profit/(Loss)	-	-	-
Net Profit/(Loss)	-	-	(7.50)
Other Information			
Segment Assets	118.74	125.98	244.72
Unallocated Assets	-	-	5.39
Total Assets	-	-	250.11
Segment Liabilities	-	110.82	110.82
Unallocated Liabilities	-	-	3.45
Total Liabilities	-	-	114.27

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.

Geographic segment:

The business of the Bank does not extend outside India and it does not have any assets outside India or earnings emanating from outside India. Accordingly, the Bank has not reported any geographic segments.

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. Abhijit Kamalapurkar - MD & CEO Mr. Abhishek Bagchi - CFO (upto July 11, 2022) Mr. Jigar Shah – CFO (w.e.f. July 12, 2022) Mr. Balan Parthasarthy (CS)

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

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

As at March 31, 2023

(₹ in crore)

Items / Related Party	Parent (as per ownership or control)	Key Management Personnel	Relatives of Key Management Personnel	Fellow Subsidiary	Total
Rendering of services	0.35	-	-	0.03	0.38
Received of Services	0.03	-	-	0.05	0.08
Reimbursement of expenses	0.15	-	-	-	0.15
Remuneration*	-	1.91	-	-	1.91
Security Deposit Given	0.02	-	-	0*	0.02
Balance payable towards Current account with us	0.02	-	-	0*	0.02
Balance receivable	0.21	-	-	-	0.21

*'0' denotes the amount less than ₹ Fifty thousand.

As at March 31, 2022

(₹ in crore)

Items / Related Party	Parent (as per ownership or control)	Key Management Personnel	Relatives of Key Management Personnel	Fellow Subsidiary	Total
Rendering of services	0.40	-	-	0.17	0.57
Received of Services	0.03	-	-	0*	0.03
Reimbursement of expenses	0.15	-	-	-	0.15
Remuneration*	-	1.41	-	-	1.41
Security Deposit Given	0.02	-	-	0**	0.02
Balance payable towards Current account with us	0.02	-	-	0**	0.02
Balance receivable	0.02	-	-	0.05	0.07

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

**'0' denotes the amount less than ₹ Fifty thousand.

2.4 Accounting Standard 19 - Lease Disclosures

The total amount paid by the Bank under operating lease for FY 2022-23 is ₹2.17 crores. (₹1.18 crores during FY 2021-22). The Bank has not entered into any non-cancellable operating lease and financial lease arrangement in the current year.

(₹ in crore)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
1. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:		
a) Not later than one year	1.62	0.22
b) Later than one year but not later than five years	5.76	-
c) Later than five years	-	-
2. Total Expected future lease payment	7.38	0.22
3. Lease payment recognized in the statement of Profit and Loss for the period	2.17	1.18

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

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

Other Fixed Assets (including furniture & fixtures)

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

	(₹ in crore)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Hardware - PPE		
WDV at the beginning of the year	1.15	1.37
Additions during the year	0.71	0.36
Deductions during the year	0.55	-
Depreciation during the year	0.26	0.58
WDV at the close of the year	1.05	1.15

	(₹ in crore)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Software - Intangible		
WDV at the beginning of the year	7.68	16.15
Additions during the year	6.34	2.61
Deductions/Write off during the year	-	7.77
Depreciation during the year	4.04	3.31
WDV at the close of the year	9.98	7.68

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 crore)	
Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Deferred tax assets :		
WDV of fixed assets	2.83	1.99
Provision for doubtful debts	0.30	0.02
Unabsorbed depreciation on fixed assets	3.81	3.81
Business loss	1.61	3.37
Employee Benefits	0.21	0.56

Deferred tax assets have not been recognised in respect of the aforesaid items in absence of virtual certainty of future taxable profits as mandated by Accounting Standard 22 – Deferred Taxes as issued by Institute of Chartered Accountants of India.

As there is no taxable income for the year under normal provisions as well as under Section 115 JB (MAT) of the Income Tax Act, 1961, no provision for taxation has been made.

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

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

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Net profit/(loss) after tax (₹ in crores)	8.09	(7.50)
Basic weighted average no. of shares	18,00,00,000	18,00,00,000
Diluted weighted average no. of shares	18,00,00,000	18,00,00,000
Basic EPS (₹)	0.45	(0.42)
Diluted EPS (₹)	0.45	(0.42)
Nominal value of shares (₹)	10/-	10/-

2.8 Accounting Standard 28 – Impairment of Assets

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

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

3 Additional Disclosures as per RBI

3.1 Provisions and contingencies

Break up provisions and contingencies.

Particulars	(Amount in ₹ crore)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Asset written off	0.25	0.05
Provision for Doubtful Debts	0.99	0.07
Total	1.24	14.69

3.2 Appropriation to / Withdrawal from Reserves

(i) Statutory Reserve:

The Bank has made an appropriation of ₹2.02 crore (31 March 2022: Nil) out of profits for the year ended 31 March 2023 to Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

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

Sr. No.	Particulars	Previous year	Current year*
	Complaints received by the bank from its customers		
1.	Number of complaints pending at the beginning of the year	3	8
2.	Number of complaints received during the year	680	1,589
3.	Number of complaints disposed during the year	675	1,589
3.1	Of which, number of complaints rejected by the bank	0	0
4.	Number of complaints pending at the end of year	8	8
	Maintainable complaints received by Bank from OBOs		
5.	Number of maintainable complaints received by the bank from OBOs	81	327
5.1	Of 5, number of complaints resolved in favour of the bank by Bos	81	327
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Bos	0	0
5.3	Of 5, number of complaints resolved after passing of Awards by BO against the bank	0	0
6.	Number of Awards unimplemented within the stipulated time (Other than those appealed)	0	0

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the scheme.

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

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase / decrease in the number of complaints received over the previous year*	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
FY 2022-23					
Account opening/difficulty in operation of accounts	4	455	46%	4	0
Others	1	204	(12%)	3	0
Internet/Mobile/Electronic Banking	1	114	54%	1	0
ATM/Debit Cards	2	816	1,384%	0	0
Levy of charges without prior notice/excessive charges/foreclosure charges	0	0	(100%)	0	0

*The count of complaints received in FY23 is due to increase in CASA business compared to previous year. Increase is mainly due Debit Card and Account operation related issues.

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase / decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
FY 2021-22					
Account opening/difficulty in operation of accounts	0	312	512%	4	0
Others	0	228	744%	1	0
Internet/Mobile/Electronic Banking	1	74	222%	1	0
ATM/Debit Cards	2	55	358%	2	0
Levy of charges without prior notice/excessive charges/foreclosure charges	0	11	1000%	0	0

3.4 Concentration of deposits

Particulars	As at March 31, 2023	As at March 31, 2022
Total deposits* of twenty largest depositors (₹ crore)	0.82	0.68
Percentage of deposits of twenty largest depositors to total deposits of the Bank	21.73%	5.20%

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

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

There is no off-balance sheet SPVs sponsored during the year 2022-23 ("Nil" during the year 2021-22).

3.6 Provision for Long Term Contracts

The Bank has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. As at March 31, 2023, the Bank has reviewed and recorded adequate provision as required under applicable RBI laws/ accounting standards for material foreseeable losses on such long-term contracts, where applicable, in the books of account and disclosed the same under the relevant notes in the financial statements.

3.7 Details of provisioning related to fraud accounts

Particulars	As at March 31, 2023	As at March 31, 2022
No. of frauds reported	61	27
Amount involved in such frauds (net of recovery) (₹ crore)	0.06	0.02
Quantum of provision made (₹ crore)	-	-
Quantum of unamortised provision debited from 'other Reserves' at the end of the Year (₹ crore)	-	-

3.8 Remuneration of Directors (Non-executive)

Particulars	(Amount in ₹ crore)	
	As at March 31, 2023	As at March 31, 2022
- Board Meeting	0.36	0.18
- Audit Committee	0.14	0.10
- Nomination & remuneration Committee	0.05	0.05
- Risk Management Committee	0.08	0.07
- Customer Service Committee	0.06	0.06
- IT Strategy Committee	0.06	0.07
- Independent Director Committee	0.02	0.03
Total	0.77	0.56

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

3.9 Marketing and distribution

The Bank has earned ₹0.15 crores from distribution of third party Mutual Fund products during FY: 2022-23 (₹0.26 crore during FY 2021-22).

3.10 Bancassurance Business

The Bank has earned ₹0.00* crores from bancassurance business during FY 2022-23 (₹0.01 crores during FY 2021-22).

*₹0.00 denotes amount less than ₹50,000.

3.11 Unamortised Pension and Gratuity Liabilities

The Bank does not have any unamortised Pension /Gratuity Liabilities as at March 31, 2023 ('Nil' as at March 31, 2022).

3.12 Disclosures on Remuneration

(i) Qualitative Disclosure

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

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

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

The current remuneration design offered is a competitive and market aligned remuneration package. The remuneration is designed to attract the required and quality talent. The remuneration is in line with the market practises.

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

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

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

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

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

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

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

The bank has Variable remuneration payout in cash which is determined by the end of the performance period.

The qualitative disclosure is made by the management and relied upon by the auditors.

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Forming part of the Financial Statements for the year ended March 31, 2023

(ii) Quantitative Disclosure:

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

Number of meetings- 4 (4 during FY 2021-22)

Remuneration paid to the members during the year 2022-23 - ₹0.77 crores (₹0.05 crores during FY 2021-22)

- b. Number of employees having received a variable remuneration award during the financial year: 1 (1 during the year 2021-22)
- c. Number and total amount of sign-on /joining bonus awards made during the financial year : Nil (0.10 crores during the year 2021-22)
- d. Details of severance pay, in addition to accrued benefits, if any - Nil (Nil during the year 2021-22)
- e. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms- Nil (Nil during the year 2021-22)
- f. Total amount of deferred remuneration paid out in the financial year: Nil (Nil during the year 2021-22)
- g. Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred:

**Fixed Pay: Basic Salary ₹0.31 crores (PY ₹0.28 crores), Other Allowances* ₹0.76 crore (PY ₹0.59 crore)

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

Deferred Variable Pay: Nil (PY Nil)

Non-Deferred Variable Pay: Nil (PY ₹ Nil)

Variable Pay details pertains to payment made to MD & CEO as full and final settlement. Variable pay for the FY 2022-23 are yet to be reviewed and approved by the committee.

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

- h. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments - Nil (Nil during the year 2021-22)
- i. Total amount of reductions during the financial year due to ex- post explicit adjustments - Nil (Nil during the year 2021-22)
- j. Total amount of reductions during the financial year due to ex- post implicit adjustments -Nil (Nil during the year 2021-22)
- k. Number of MRTs identified: The MD & CEO is only MRT identified at the Bank
- a. Number of cases where malus has been executed: NIL (NIL during the year 2021-22)
- b. Number of cases where clawback had been executed: NIL (NIL during the year 2021-22)
- c. Number of cases where both malus and clawback had been exercised: NIL (NIL during the year 2021-22)

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

(iii) General Quantitative Disclosure

The mean pay for the bank as a whole ₹0.18* crores (excluding sub-staff) (₹0.15 crores during the year 2021-22) and the deviation of the pay of each of its WTDs from the mean pay: ₹0.95* crores (₹0.71 crores during the year 2021-22)

*Mean pay and deviation is calculated on average basis.

3.13 Credit Default Swaps

The Bank has not issued any Credit Default Swaps (CDS) during the year 2022-23 ("Nil" during the year 2021-22).

3.14 Intra-group Exposure

Particulars	(Amounts in ₹ crore)	
	As at March 31, 2023	As at March 31, 2022
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)

Particulars	(Amounts in ₹ crore)	
	As at March 31, 2023	As at March 31, 2022
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 Implementation of IFRS converged Indian Accounting Standards (IND AS)

Presently, the Bank is preparing its Annual Financial statements, in terms of the provisions of section 29 of the Banking Regulation Act, 1949, in the Forms set out in the Third Schedule of the Banking Regulation Act, 1949 vide Master Direction No.DOR.ACC.REC.No.46/21.04.018/2021-22, dated 15th November 2021. Simultaneously, the Bank also prepares Financial Statements compliant with Ind AS standards/principles by converting the BR Act financials considering the Ind AS adjustments relating to MTM of investments, OCI impact of Ind AS 19, Financial lease liability as per Ind AS 116 etc. for the special purpose of consolidation at group reporting level. The same is subjected to audit by the statutory auditors.

3.18 Payment of DICGC Insurance Premium

Sr. No.	Particulars	(Amounts in ₹ crore)	
		As at March 31, 2023	As at March 31, 2022
i)	Payment of DICGC Insurance Premium	0.04	0.02
ii)	Arrears in payment of DICGC premium	-	-

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

3.19 Micro, Small and Medium Enterprises Development Act, 2006

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

		(Amounts in ₹ crore)	
Sr No	Particulars	As at March 31, 2023	As at March 31, 2022
1.	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.22	-
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	0.22	0.02
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.

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

3.21 The Bank has availed a Bank Guarantee for an amount of ₹0.25 crore (Prev. period ₹0.25 crore) in favour of UIDAI against a lien on Fixed Deposit.

3.22 Employee Stock Option Plan (ESOP)

During the year ended March 31, 2023, the Bank has granted 16,50,000 employees stock options (ESOP). The Bank measures compensation cost relating to the employee stock options using the fair value method. The fair value of stock options is estimated on the date of grant using the Black- Scholes model with the following assumptions.

Summary of share-based payments:

Particulars	ESOP 2022
Outstanding balance at the beginning of the year	-
Options granted	16,50,000
Options forfeited	3,60,000
Options exercised	-
Options expired	-
Options outstanding at the end of the year	12,90,000
Options exercisable at the end of the year	-
For share options exercised:	
Weighted average exercise price at date of exercise	-
Money realised by exercise of options (in actual rupees)	-
For share options outstanding	
Range of exercise price	19.05
Average remaining contractual life of options	6.55 years
Modification of plans	N.A.
Incremental fair value on modification	N.A.

Notes

Forming part of the Financial Statements for the year ended March 31, 2023

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

Particulars	2022 -23
Expected Volatility	25.15%-28.34%
Risk Free Interest Rates	7.03%-7.32%
Fair Value of option on grant date	4.56-6.87

The Nomination and Remuneration Committee (NRC) has approved grants of 675,000 stock options to MD & CEO. Stock options will be granted subject to RBI's approval.

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

Particulars	(Amounts in ₹ crore)	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Membership Fees	0.25	0.29
Professional Fees	1.43	0.82
Office Maintenance	0.68	0.17
Travelling and Conveyance	0.12	0.04
Others	495.03	257.13
Call Centre expenses	0.17	2.25
Security Charges	0.14	0.20
Registration Charges	0.01	0.01
Total	497.83	260.91

3.24 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.

3.25 Previous Year comparative figures

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

For V.Sankar Aiyar & Co.

Chartered Accountants
ICAI Firm Regn. No. 109208W

Karthik Srinivasan

Partner
Membership No. 514998
Place : Delhi

Place : Mumbai
Date : 25 April, 2023

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

CIN: U65900MH2016PLC284869

L Ravi Sankar

Director
DIN: 00185931

Jigar Shah

Chief Financial Officer
M.No. 143856

Padmaja Chunduru

Director
DIN: 08058663

Balan Santosh Parthasarathy

Company Secretary
M.No. A49602

Abhijit Kamalapurkar

MD & CEO
DIN: 08849177



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