



KBS Bank
Krishna Bhima Samruddhi Local Area Bank



Reaching the Unreached



KBS Family in One Frame
Strategy Meet at Mahabubnagar



Donation of Ambulance to Gabbur PHC,
Kalaburagi District Karnataka under CSR activity



Handing over Keys of Ambulance by MD KBS to
Medical Officer, Gabbur PHC, Kalaburagi District, Karnataka



Donation of Portable Toilets Units to 3 Govt Schools in
Mahaboobnagar Dist under CSR Initiative



Water Purifier Donated to Anganwadi Kendra
at Dammaiguda under CSR Initiative

Board of Directors



Mr. SM Farooque Shahab
Part Time Chairman



Mr. V Narsi Reddy
Independent Director



Mrs. Boyapati Vijayalakshmi
Independent Director



Mrs. Mikkilineni Geetha
Independent Director



Ms. Mahpara Ali
Director (Till May 10, 2021)



Mr. T. Eswara Chandra Rao
Director (Till June 14, 2022)



Mr. D Durga Prasad
Managing Director



Donation of Portable Toilets Units to 3 Govt Schools in Mahaboobnagar Dist under CSR Initiative



Customer Service Point Inauguration at Ramasamudra, Yadgir, Karnataka



Small Tea Stall Financed by our Kamalapur Branch, Gulbarga District of Karnataka



Dairy Unit Financed by Mahabubnagar Branch



Pre sanction Visit by Bank's Field staff at Kosgi Village Vikarabad District



Nominee receiving claim amount of PMJJBY at Shahpur Branch

Board of Directors :

Mr. S M Farooque Shahab	Part Time Chairman
Mr. V. Narsi Reddy	Independent Director
Ms. B Vijayalakshmi	Independent Director
Ms. Geetha Mikkilineni	Independent Director
Ms. Mahpara Ali	Director (Till May 10, 2021)
Mr. T. Eswara Chandra Rao	Director (Till June 14, 2022)
Mr. Donepudi Durga Prasad	Managing Director

Corp & Regd. Off:

1-98/8 to 11/FC/501 and 1-98/8 to 11/FC/502,
5th Floor, Fortune Chambers,
Image Garden Function Hall Lane, Silicon Valley,
Madhapur, Hyderabad -500 081
Tel: 040-4192 3047
www.kbsbankindia.com

Auditors:**M/s. ASK & Co**

Chartered Accountants
Hyderabad
Firm Regn No. 013735S

Registrar and Transfer Agent:**M/s. Bigshare Services Pvt. Ltd**

306, Right Wing,
3rd Floor Amrutha Ville,
Opp. Yashoda Hospital Somajiguda Rajbhavan Rd
Hyderabad - 500082
Tel: 040-2337 4967/040-2337 0295
Email: bsshyd@bigshareonline.com

Krishna Bhima Samruddhi Local Area Bank

KBS Bank (Krishna Bhima Samruddhi Local Area Bank) started operation in 2001. KBS Bank is one of the two Local Area Banks presently operating in the country. Today the Bank operates in thirteen districts in three States viz. Jogulamba Gadwal, Mahabubnagar, Medchal-Malkajgiri, Nagarkurnool, Ranga Reddy, Vikarabad, Wanaparthy and Narayanpet in Telangana; Prakasam and Bapatla in Andhra Pradesh and Kalaburagi, Raichur and Yadgir in Karnataka covering 1781 villages. As on date the Bank has 29 branches and 14 Business Correspondent outlets spread across the above districts.

The Bank has its Registered office and Corporate office at Madhapur in Rangareddy District.

What sets apart KBS is its business model, is perhaps it is the only Bank in the country, whose business model has been built on 'Financial Inclusion' as its core objective and 'Micro Finance' as its delivery model. Right from the beginning, Bank had adopted the mission "to be a sustainable local community based institution, providing financial services to the under-served.....". Over the years the Bank had taken a multitude of initiatives in this direction and the Mission and Vision of the Bank has been revised to read as follows...

Mission

To be a partner in progress of our customers by

- Delivering simple, dependable and innovative banking services
- Being cost effective using technology effectively
- Being proactive in understanding customers' needs and preferences and
- Connecting the last mile in Banking to the doorstep of our customers.

Vision

- Make a difference by creating value for the under-served and un-served customers

In keeping with its mission, the Bank had been offering various savings and credit products to its customers, customized to suit their requirements. It also provided service at the doorstep of the customer, for both deposits as well as credit, keeping in mind the

specific needs of the segment it serves. The very fact that the average size of a deposit account is Rs.14,397/- and that of an outstanding loan account is around Rs.53,767/- would suffice to indicate that the Bank has been catering to the needs of customers who normally find it difficult to access the mainstream Banking system for their needs.

As regards credit, the Bank offers wide range of loans catering to different segments, especially the poor and the under-served to meet their various needs across a wide spectrum of economic activities. While non-farm micro enterprises form a major part of the loans of the Bank, loans to small and marginal farmers for agriculture and dairy farming also account for a sizable portion of the total credit. Bank offers Sukshma Loan with minimum loan amount of Rs. 10,000/- to women customers through the Customer Service points in remote areas.

Technology

The Bank has always been operating in a fully computerized environment. Since the year 2010, the Bank has migrated to a Core Banking Solution. Bank operates in B@ncs24 CBS software provided by M/s. C-Edge Technologies Ltd. under ASP model. The Bank also offers alternate delivery channel products such as ATM, Mobile Banking, IMPS, NEFT, RTGS, UPI and POS terminals. Bank has 27 ATMs in operation. Bank has established a network of Customer Service Points to provide Banking services to customers in remote areas which functions through Handheld Devices offers AePS, Account Opening etc., services through Business Correspondent. Bank has submitted application to UIDAI for on boarding e-KYC functionality and for AePS payments.

More details on the website of the Bank www.kbsbankindia.com

DIRECTORS' REPORT : 2021-22

The Directors of your Bank are pleased to present the 23rd Annual Report of the Bank together with the Audited Statement of Accounts and the report on business and operations of the Bank for the financial year ended March 31, 2022.

Financial Highlights:

The financial highlights for the year under review are presented below:

(Rs. in Lakh)

Particulars	Mar-22	Mar-21
Deposits	37,050	32,129
Advances	29,262	24,615
Total Business	66,312	56,744

Interest Earned	5,336	4,445
Other Income	1,154	1,076
Total Income	6,490	5,521
Interest Expended	2,314	1,969
Operating Expenses	2,384	2,196
Provisions & Contingencies	215	289
Total Expenditure	4,913	4,454
Operating Profit	1,792	1,356
Profit Before Tax	1,577	1,067
Provision for Income Tax	405	352
Net Profit	1,172	715

Performance of the Bank:

The year 2021-22 in retrospect was an extraordinary year in terms of overall performance. The Bank achieved a growth in Business and contained NPAs to a greater extent. Throughout the year, the bank continued its focus on NPA reduction and growth in Business. The performance highlights are briefly described below:

The highlights of the bank's performance during 2021-22:

Total Business:

The total business of the Bank increased by Rs 95.68 Crore (i.e. 16.86%) from Rs 567.44 Crore as on March 31, 2021 to Rs 663.12 Crore as on March 31, 2022. This growth of 16.86% compares favorably and is a significant improvement over the previous year 2020-21. While deposits have recorded a growth of Rs. 49.21 Cr (15.32%) advances recorded a growth of Rs. 46.47 Cr (18.88%) during the year.

The total number of customers (outreach) stood at 257,340 as on March 31, 2022 compared to 244,926 as on March 31, 2021.

Deposits:

Deposits of the bank increased by Rs.49.21 Crore (i.e.15.32% growth) from Rs.321.29 Crore as on March 31, 2021 to Rs.370.50 Crore as on March 31, 2022. The growth of 15.32% is well above ASCB growth of 10.2%. The average size of deposit is Rs.14,397/- as on March 31, 2022 with 2,57,340 deposit accounts compared to Rs.13,128/- with 2,44,926 deposit accounts as on March 31, 2021. The achievement of growth in Deposits is at 97.73% of the target.

Advances:

The total advances of the Bank increased by Rs.46.47 Crore (18.88%) from Rs.246.15 Crore as at March 31, 2021 to Rs.292.61 Crore as at March 31, 2022. The growth of 18.88 % is well above the ASCB growth of 10.80%. The average loan size of disbursed portfolio in the MF segment stood at Rs.59,893/- as on March 31, 2022 compared to Rs.50,124/- as on March 31, 2021. The Average loan size stood at Rs.53,767/- as on March 31, 2022 compared to Rs.47,426/- as on March 31, 2021.

The cumulative loan disbursement of the Bank for the financial year 2021-22 amounted to Rs.238.64 Crore with 30,576 loan accounts against Rs.201.95 Crore with 33,374 loan accounts during previous year 2020-21. The Bank exceeded the advances target of Rs. 290.45 Crores.

Capital Structure:

The Authorized capital of the Bank stood at Rs.25 crore comprising of 2.50 crore Equity shares of Rs.10.00 each. The paid-up capital of the Bank stood at Rs.13,42,22,620/- comprising of 1,34,22,262 Equity shares of Rs.10.00 each as on March 31, 2022. There is no change in the Capital structure during the year.

Reserves:

During the year, an amount of Rs.2.35 Crore has been transferred to statutory reserves. Incremental reserves have been created in Investment Fluctuation Reserve account to meet the policy requirement of 5%. The Bank has Rs.304 lakh in the Share Premium Account and Rs.4295 lakh as General and other reserves and surplus as on March 31, 2022. The net worth of the Bank is Rs.59.42 Crore as on March 31, 2022 compared to Rs.48.40 Crore as on March 31, 2021.

The Capital Adequacy Ratio, i.e. Capital to Risk Weighted Assets Ratio stood at 21.27% as on March 31, 2022 as compared to 20.84% as on March 31, 2021.

Profitability:

The Profit after Tax (PAT) of the Bank for the year 2021-22 is Rs.11.72 Crore compared to Rs.7.15 Crore for the year 2020-21. Although the gross income increased by 17.55%, the expenses increased by 12.82%. Consequently, Return on Equity (ROE) improved to 21.73% as on March 31, 2022 from 15.87% as on March 31, 2021 and the Return on Assets (ROA) improved to 2.74% from a level of 2.06% a year earlier.

Credit Deposit Ratio:

The Credit Deposit ratio for the financial year ended March 31, 2022 stood at 78.98%. The corresponding ratio as on March 31, 2021 was 76.61%. During the year, Bank has tried to maintain optimum CD Ratio by taking timely measures viz. focused deposit mobilization drives, managing the interest rates and credit growth.

Provision Coverage Ratio:

The Bank maintained a sound PCR throughout the year. Your Bank maintained PCR of 100 % as on March 31, 2022 against PCR of 86.82% as on March 31, 2021. A high Provision coverage ratio indicates the capacity of the Bank to withstand against unforeseeable future losses.

Cost of Deposit

The Cost of Deposit of the Bank stood at 6.85% as on March 2022 compared to 7.24% as on March 2021 with a reduction of 0.39 basis points.

Cost to Income Ratio

The Cost to Income ratio of the Bank substantially came down to 57.10% as on March 31, 2022 from 61.82% as on March 31, 2021. The Cost to Income Ratio was 75.07% as on March 31, 2021. This depicts a receding trend in the ratio over the years.

Non- performing Assets

The Bank's Gross NPA stood at 1.85% as on March 2022 compared to 2.15% as on March 2021 with a net Increase of only Rs. 0.12 Cr during the year. The Net NPA ratio is "Nil" as on March 31, 2022.

Priority Sector Advances:

The Priority Sector Advances stood at Rs.190.74 Crore against the total advances of Rs.292.61 Crore as on March 31, 2022. Since inception, the Bank's PSL portfolio has always been higher, which was attributable to Microfinance lending model of the Bank. During the year 2021-22, Bank generated an income of Rs.93.25 Lakh by sale of PSL advances which was in excess of the RBI prescribed limit of 40%. After the sale, still the PSL portfolio of the Bank stood at 65.18% of total advances as on March 31, 2022.

Investment Portfolio:

The Bank's Investment portfolio stood at Rs.85.27 Crore as on March 2022 against Rs.60.09 Crore as on March 2021 with an increase of Rs.25.18 Crore. The investment portfolio consists of investment in Government Securities only. Bank has been maintaining part of the surplus funds in SLR securities. As against the requirement of 18% i.e., of Rs.68.29 Crore w.e.f. 26-03-2022, Bank maintained SLR of 22.48% as on March 31, 2022. The Investment portfolio of the Bank consisted of Rs.66.23 Crore in Held to Maturity category, Rs.19.04 Crore in Available for sale category as on March 31, 2022. Bank has no securities/investments under Held for Trading Category. During the year, the Bank had purchased securities worth Rs.26.50 Crore (face value) under Held to Maturity category and securities worth of Rs.2 crore (Face value) under Available for sale category.

The Bank earned Rs.5.42 Crore towards interest on Investment portfolio.

The Bank earned a profit of Rs 10.48 lacs on sale of the GOI securities in AFS category worth Rs.3.00 Crore during the year 2021-22. The Bank invests the surplus funds in Fixed Deposit with other Banks and in Mutual Funds (Liquid funds). The Bank earned Rs.2.37 Crore by way of interest income out of Fixed Deposit placed with other Banks and earned a profit of Rs.9.64 lakh by transacting on Mutual Funds.

The total treasury income (Securities, Fixed Deposit and Mutual Fund) of the Bank for the year 2021-22 is Rs. 8.00 Crore compared to Rs.6.59 Crores in the previous year 2020-21 recording a growth of 21.33 %.

Dividend:

The Bank has not proposed / declared any dividend for the financial year 2021-22.

Performance Highlights and Key Indicators at a glance:

(Rs. in Lakh)

Particulars	Mar-22	Mar-21
Capital & Reserve	5942	4840
CRAR %	21.27%	20.84%
Saving Deposits to Total Deposits %	15.75%	16.85%
Priority sector Advances to Adjusted Net Bank Credit	65.18%	44.51%
Gross NPA to Total Advances	1.85%	2.15%
Net NPA to Total Advances	0.00%	0.29%
Cost of Deposits	6.85%	7.24%
Yield on advances	17.96%	17.75%
Spread	8.45%	8.28%
CD ratio	78.98%	76.61%
Return of Asset	2.74%	2.06%
Return on Equity	21.73%	15.87%
No of Employees	336	341
Average age of Employee	39	37
Business per employee	197.6	166.40
Net Interest Margin	7.07%	7.15%

Expansion in the Area of operation and Branch Network

During the year 2021-22, the Bank operated through 29 branches. The Bank proposes to convert the existing 14 BC locations in to full-time Banking outlets/Branches, subject to approval of Reserve Bank of India (RBI). During the year the Bank operated 27 ATMs of which 3 are offsite ATMs and 24 are onsite ATMs.

Way forward:

The country faced the second wave of COVID in April 2021. Several States went in to lockdown. Though Telangana and Andhra Pradesh had not resorted to complete lockdown, nevertheless Karnataka was having lockdown for a month or more. The COVID has severe effect on the economy and the living standards of the people. The situation continued till the end of half year up to September 2021. The 'OMICRON' variant came in December 2021 and January 2022. Though it was not severe, still it further deteriorated the situation when the economy had just started to pick up after the end of second wave by September 2021 end. Due to vaccination and other steps taken, COVID is now said to be under control.

In spite of Second wave and also the effect of lockdown was unfolded up to September during the FY 2021-22,

the Bank could achieve a Business growth of 16.86%. The effort of staff in attracting new customers as well as retaining the existing customers is commendable. On account of restrictions on movement of people/transport, it has become a dent on collection of recoveries for more than three to four months, and has thus affected our door-to-door business model to a large extent and affected our small saving schemes deposit accounts such as SB/SDD/SWD/RD etc. and microfinance loans. Though COVID is said to be over now, still the effect can be observed in many loan accounts, which still could not come out from stressed status due to non-payment of the installments in time during the lockdown and the irregularity still continues. The Bank shall continue the relationship with those customers till the loan is completely repaid with patience while giving time to the customer to survive and revive.

As stated elsewhere in the report the Bank recorded a Business growth of 16.86% in the FY 2021-22. The growth in Profit after tax is 63.92%. The Bank could contain and control the NPAs, and the Gross NPAs stood at 1.85% and Bank could able to provide a provision coverage ratio of 100%.

Bank has introduced Mobile Banking, IMPS, UPI facility, NEFT and RTGS facility as alternative business channel. During the year, there has been significant increase in

transaction numbers and value in alternative business channels. The ATM income was hit on account of the pandemic and migration of card holders to e-Payments instead of paper based payments and choosing digital payment option of most preferred UPI.

The Bank introduced a new loan product, “COVID Emergency Top up” in 2021. It is well accepted by the customers. It is pertinent to note that the growth in Indian economy contracted to -7.3% (Negative) in FY 2021-22. The turmoil in the global economy has transmitted to Indian economy too and country is passing through inflation. It is expected that the global economic situation could worsen by the end of the year, though it would have lesser impact in India.

The Human Resource (HR):

The Bank is about to enter its twenty three years of existence. The Bank believes in sustainable growth of Business. Such growth can be achieved with development and enrichment of all stake holders of the Bank including the employees of the Bank. Being in service industry, human resource is the major source for the very existence and growth of the Bank. Keeping the future in mind, the Bank continues to focus on capacity building of employees. The Bank has made intensive efforts to ensure that employees’ capabilities are developed so that employees can handle challenges of future while staying abreast with the functional domain knowledge of Banking. The Bank remains focused on creating and enhancing the capabilities of its employees through training, mentoring, role enrichment and providing them with challenging roles and responsibilities for various positions. The Bank undertakes several initiatives suited to the needs of the employees for their career progression and improved efficiency.

The Bank has a Management level committee to look in to the HR functions within the scope of its Terms of Reference. The Human Resource Development Committee of the Board reviews the HR Policy and supervises the HR functions for issuing suitable instructions and necessary amendments to suit to the need of the time. The HRD Committee of the Board meets on half yearly basis and also as and when required. As on March 31, 2022, the Bank has 335 employees. About 44% of the workforce belongs to the age group of 31 years to 40 years.

During the year, the Bank organized 14 in-house training programs and sponsored staff to attend 5 programs organized by outside agencies.

Apart from a sound compensation policy, in order to boost employee morale and loyalty, the Bank also provides various facilities to the employees with financial and non-financial benefits which among others include interest-free Festival Advance, concessionary interest on Housing Loans, Vehicle loans and Over Draft facility with liberalized terms and conditions.

Information & Communication Technology:

The Bank is continuing its stride to provide quality customer service notwithstanding the challenges posed by the pandemic. Technology is being leveraged to develop functionalities and digital ‘apps’ that would result in improved customer delight. With the economy reviving and the activities reaching the pre-pandemic levels, the Bank is increasing its pace of adopting various new initiatives in technology domain and be the early bird to catch the worm.

In this direction, the Bank had replaced existing hand-held devices with an improved and reliable version. These devices supported by a new App have been effectively deployed in the field and the experience so far has been quite comforting and satisfactory. The Bank is also contemplating accepting debit transactions through these HDDs and also wishes to commence “On-Us” transactions. Hitherto, these devices are being used only for accepting deposits/ loan recoveries. The Bank had initiated development of a loan originating ‘app’ which will be deployed in CSPs and BCs. This would be another path-breaking initiative that the Bank has taken up.

You may be happy to know that steps were initiated to register the Bank as Authentication User Agency and e-KYC User Agency (AUA/KUA) by UIDAI. This will enable the Bank to obtain Aadhaar-based authentication from UIDAI. Once the process is complete and the Bank becomes AUA/KUA, the withdrawals or other debit transactions, from our customers or even other Banks’ customers, can be accepted by the field staff as they are backed by proper authentication. This essentially means that KBS Bank’s footprint is going to largely increase without actually branch banking channels outlets. Also, this service if needed can be extended to other agencies/ organizations for a fee, thus subsidizing the expenditure incurred in this regard.

The Bank is currently operating 24 on premise and 3 off-site ATMs. It is heartening to note that after a declining trend exhibited for sometimes in FY 21-22, the ATMs’ performance started looking up both in terms of number of transactions as well as amount withdrawn. The Bank is also replacing existing cash cassettes in the ATMs with

lockable cassettes, wherever not available, as mandated by RBI.

While the pandemic situation had given a sudden fillip to usage of online payments in the country, it has also thrown various risks in the field targeting gullible and uneducated public. Small but effective steps are being taken to enhance awareness levels and educate the staff and customers in the area of cyber hygiene and cyber discipline so that they are better prepared to handle fake SMSs/ emails/ phone calls. Further, they can disseminate this knowledge among our customers and gain their confidence which may give way to new opportunities for increasing business.

Risk Management:

The risk management objective of the Bank is to balance the trade-off between risk and return and ensure that the Bank operates within the Board approved risk appetite statement. Over the last few years, Bank has tried to enhance capabilities to strengthen operational risk management and re-invent itself as a bank driven by technology. With this objective Bank has made significant investments in technology and processes and further strengthened our risk management architecture.

The Bank has established adequate Risk Management framework, policies and procedures for managing the risk factors. The Risk Management Committee (RMC) of the Board oversees the implementation of Credit risk and Operational Risk policy prescriptions. On a day to day basis the functional heads are responsible for the credit and operational risk monitoring and mitigation. There has been a Nil/negligible market risk.

The Risk Management in the Bank inter alia includes taking steps to mitigate all the risks and rewards of various banking products and services, manage and report to ensure that the Bank's operations remain within the parameters in all aspects, formulate processes to ensure compliance with various policies for different components of the Bank's operations, ensure the implementation of AML and KYC and report compliance, ensure compliance and secure approval and issuance of Internal Circulars which confirmed to both the Regulatory and Internal guidelines etc.

The Asset Liability Management & Investment Committee (ALMICO) of the management looks into the management of Liquidity risks and ensures adherence to the prudential limits. The Asset Liability Management and Investment Committee of the Board oversee the Liquidity risk and Investment Risk. As the investments of

the Bank were made only in Government securities, the Investment Risk of the Bank is negligible. The non SLR investments are in the form of Liquid Mutual Funds where the Risk is minimum compared to other similar options. The ALMI Committee of the Board reviews the investment portfolio. The investment operation of the Bank is subject to internal audit as well as Statutory Audit. The Asset Liability Management Policy of the Bank stipulates broad framework and parameters for liquidity risk management to ensure that the Bank is in a position to meet its daily liquidity obligations as well as to withstand a period of liquidity stress while maintaining the required CRR and SLR level. The liquidity profile of the Bank is analyzed on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and conduct of liquidity stress tests periodically.

The Bank has a structured and standardized credit approval process, including a well-established procedure of comprehensive credit appraisal and documentation. Every extension of credit facility or material change of a credit facility to any counterparty requires credit approval at the appropriate authority level. Internal risk rating remains the foundation of the credit assessment process, which provides standardization and objectivity to the process.

The Bank's compliance department is adequately staffed. The Bank has always maintained the statutory ratios above the stipulated limits. During the year the Bank is compliant to the RBI stipulations with regards to Capital Adequacy Norm, CRR & SLR, Statutory Liquidity, Priority Sector Lending, NPA norms, Provision Coverage Ratio, IRAC norms, etc. without any deviations.

The Board level Credit Committee reviews and guides the Bank on the Credit Administration process. The Executive Committee of the Board monitors and supervises the Credit operation viz. portfolio health, NPA management, internal controls in credit and Credit Risk management. The Risk department carries out the Risk Management function under guidance of the Senior Management.

Corporate Social Responsibility (CSR)

During the year 2021-22 the Bank has complied with the provisions of Section 135 regarding Corporate Social Responsibility. The Bank has spent Rs. 13,06,463/- (Rupees Thirteen lakhs six thousand four hundred and sixty three only) in "promoting health care including preventive health care" and "sanitation activity" and by transferring to Prime Minister National Relief Fund. As per the provisions of the Companies Act, 2013 Bank is not required to constitute any CSR committee as the CSR related matters are taken care by the Board.

During 2021-22 in discharge of the CSR obligation the Bank has

- Purchased and donated an Ambulance to Primary Health Centre, Gobbur(B), Kalaburagi District, Karnataka;
- Donated six Portable Toilet units to three Government run schools in Mahabubnagar District of Telangana State viz. Govt. Girls High School Mahabubnagar, Zilla Parishad High School at Yenugonda, Zilla Parishad High School at Yedira;
- Provided Water Purifier for safe drinking water with required installation etc. to a Govt run Anganwadi Kendra, at Dammaiguda in Medchal-Malkajgiri Dist and
- Transferred Rs.10,000/- to Prime Minister National Relief Fund.

The Report as required under Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 on CSR activities is set out as Annexure forming part of the Board's Report and the Policy has been uploaded on the Company's website at www.kbsbankindia.com. The Bank shall also undertake CSR activities in the year 2022-23 in compliance to the provisions of Section 135 of the Companies Act 2013.

Annual Inspection by Reserve Bank of India:

The Reserve Bank of India has conducted an "Examination of Specific Areas of Operation of the Bank with reference to its position as on March 31, 2020" during March 4, 2021 and March 5, 2021.

Vigilance Mechanism:

In line with the provisions of Section 177 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 Bank has an established a vigilance mechanism. The Vigilance mechanism of the Bank has been vested under the direct supervision of the Audit Committee of the Board. The Vigilance cases are dealt within the purview of the Vigilance Policy of the Bank and the Reserve Bank of India's guidelines. The Policy is reviewed and amended by the Board as per the necessity and also from time to time. The vigilance cases identified and reported through the vigilance mechanism and in-turn reports to the Audit Committee of the Board and to the Board for review. The Vigilance Policy of the Bank also contains the whistle blower policy for protection of the whistle blower. The fraud cases identified are dealt with in accordance to the extant guidelines of Reserve Bank of India. All Fraud/Vigilance cases and disciplinary

proceedings are reported to the Board and to the Audit Committee. The Bank has introduced Disciplinary Proceeding which prescribes the procedure based on law of Principles of natural justice from investigation to till closure of any internal disciplinary proceedings. The Bank is, implementing the policy of transferring employees. The HR Policy also mandates for compulsory availment of leave by all staff.

Internal Audit:

The Bank's Internal Audit department functions and reports independently to the Audit Committee of the Board on the quality and effectiveness of the Bank's internal controls, risk management, governance systems and processes on an ongoing basis, thereby ensuring that the Bank complies with both internal and regulatory guidelines.

The department also carries out the Concurrent Audit function. The Internal Audit Policy is drawn on the basis of RBI's guidelines on Risk Based Supervision (RBS) through Risk Based Internal Audit (RBIA) and Concurrent Audit System like in Commercial Banks. The Audit Committee of the Board comprises of four non-executive directors including three Independent directors chaired by a director who is a qualified member of Institute of Chartered Accountants of India. Audit Committee of the Board reviews and recommends to the Board for change in the Audit Policy and the processes as per the necessity. The internal audit and concurrent audit reports are placed before the Audit Committee for review. The Board reviews the efficacy of the internal audit function, effectiveness of controls laid down by the Bank. The Internal Audit team is well staffed and equipped with relevant expertise and tools for efficient Audit function. The internal audit and control functions are sufficient to safeguard the assets and interest of the Bank and timely identification of the risks for initiating remedial measures.

Customer Service:

Customer service is a key area where the Bank is focused. Bank is committed to ensure customers' satisfaction while conducting their banking transactions at the branches. The process of relocating the branches wherever considered necessary to provide ease of access to the customers and renovating the branch premises to make them more spacious with improved ambience and additional amenities is being given top priority. Efforts were also made to equip the Branch premises for providing necessary ambience such as Air-conditioning, drinking water, toilets to the customers. Branches have also been provided with passbook printers.

The Bank has toll free numbers for customer's service and complaint redressal. The Bank has declared 15th day of every month as Customers Day. Each Branch has a "May I Help You" counter to assist and educate the customers in transacting at the Branch.

The Bank has constituted Customer Service Committees at branch level and Standing Committee of Customer Service at Corporate Office level. These Committees meet periodically to monitor the implementation of customer service requirements at branches and BC locations and address deficiencies on an ongoing basis. The Customer Service Committee of the Board comprises of four Members, out of which two are Non-executive Independent Directors. The Customer Service Committee of the Board oversees the functioning of the Bank's Standing Committee on Customer Service. The Bank has complied with the parameters prescribed by RBI in the area of customer service. The suggestions received from the customers are examined and, if found proper and appropriate, implemented in the Bank.

The Bank has the door step service model, which is unique in the industry. The Customer Service Representatives and Micro Saving Agents of the Bank deliver the Banking services viz. deposit collection, loan installment recovery against receipt at the door step of the customer(s). Apart from it, Bank has 14 Business Correspondent locations catering Banking services at the remote villages in the operating area which are far distant from the Branches. The customers need not travel to the Branch(es) for major transactions viz. cash withdrawal, cash deposit, electronic fund transfer etc. and all transactions are being done at the BC location(s). The Customer complaints including ATM complaints are addressed within the stipulated time frame. The Bank has separate team for reconciliation of RTGS/NEFT/ATM/UPI and POS transactions and CTS clearing is being done on a daily basis.

The ATM network of the Bank is well maintained and Bank has earned a reputation of "always maintains cash at the KBS ATMs" in the area of operation. The Bank is thankful to the Regional office of the Reserve Bank of India for providing adequate cash all through the year.

The Bank has Mobile Banking Services. Immediate Payment Service (IMPS) through mobile banking platform which had been widely accepted by the customers. The Bank has introduced UPI facility since 2020. Bank has tried to provide uninterrupted service to the customers despite the hardship caused by the pandemic situation. The Digital Banking has helped a lot to the customers in

carrying out banking transactions without physical presence during the pandemic.

Customer Complaints Redressal:

The Grievance Redressal mechanism of an organization is a gauge to measure its operational efficiency and customer service and at the same time acts as an effective tool of managing risks like operational, reputational and compliance risk.

Bank has a three-tier mechanism of Grievance Redressal. Customer Service Committees are in operation at the Branches, Corporate Office and at the Board level to supervise the grievance redressal process. The Branch Customer Service Committee meets at monthly intervals where customers are invited and they interact with the Branch staff. The management level committee i.e. Standing Committee on Customer Service meets once in a quarter and the minutes of such Committees, with suggestions for improving customer service received from the Branches through the Branch level Customer Service Committee are placed before the Customer Service Committee of the Board, which meets half yearly.

The Bank has designated a senior official as a Customer Grievance Redressal officer and the contact details of the Grievance redressal officer is displayed at the Business places and the website of the Bank. The Bank takes action on the customer complaint/ grievances received by all means i.e. over phone, email or written communication. Customer grievances are dealt with utmost priority, within the ambit of prescribed guidelines. Complaint/suggestion Boxes have been placed at the Branches. The help line number and contact details of the base branch have been displayed at the ATMs for ATM related complaints.

Government Schemes and Programme:

The Bank participates in eligible Government Schemes. The Bank has now a customer base of around 2,65,873 Customers, spread over 1781 villages in the operating Districts. The Bank enables the customers to receive in their account the LPG and other subsidy amounts under the DBTL scheme. Bank has entered into Memorandum of Understanding with New India Assurance Company (NIAC) for participating in the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and with Life Insurance Corporation (LIC) to provide the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). During the Financial year 2021-22 the Bank has issued/renewed 50,480 insurance policies under the Pradhan Mantri Suraksha Bima Yojana and 41,088 policies under the Pradhan Mantri Jeevan Jyoti Bima Yojana. Bank has settled 15 insurance claims under PMSBY and 115 under

PMJJBY to the nominees of the deceased customers under the scheme.

Insurance Services:

The Bank has been facilitating customers to avail Life and General Insurance services. To offer these services, Bank has tied up with AVIVA Life Insurance Company for life and Bajaj Allianz General Insurance Company for general insurance. The overall insurance process and procedures are guided by IRDA and Bank is guided by respective insurance service partners.

In addition, the Bank has also entered in to a Memorandum of Understanding with New India Assurance Company for participating in the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Life Insurance Corporation (LIC) to provide the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY).

Life Insurance: Bank is offering Aviva Group Term Life (AGTL) product which ensures coverage of 1.5 times of disbursed loan amount or Rs.50,000/- (whichever is lower) with a maximum of Rs.5.00 Lakh.

Livestock: Livestock insurance covers the cattle financed by the Bank. KBS Bank finances for the milch animals, mainly buffaloes, cows and sheep and these animals are being insured for the life. Currently Bank is offering livestock insurance through Bajaj Allianz.

Micro Enterprise Shield (MES): MES insurance is to insure the stock/building of the unit financed by the Bank. This insurance is being offered with a sum insured of maximum of Rs.1.00 Crore.

Business Correspondents (BC) operation:

Bank, through its outreach program is extending banking services through BC outlets. The Bank is in a growth phase by expanding its presence through fixed locations (Brick and Mortar) and also reaching the unreached through the “ultra-small” outlets called ‘Customer Service points’ (CSP). The Identification of CSPs, placement of manpower, providing all digital related equipment etc., is being taken care of by the Gram Tarang Inclusive Development Services (GTIDS) who is the Bank’s Business Correspondent (BC).

Bank has since inception followed a Hub & Spoke model where BC, a fixed banking outlet is attached to the Base branch and is equipped with CBS and is connected through a network with the base branch and CBS (B@ncs 24) is made operational. Even 3 ATMs were also made operationalized in the 14 fixed BC locations. This model is now being termed as Model -1. In these 14 BC locations,

which were attached to the base branches, day to day transactions are being handled by 14 Transaction Assistants (TAs) employees who are on the rolls of GTIDS Ltd, National BC engaged for financial inclusion (FI) business activities. The Deposits sourced by BCs stood at Rs.57.37 Cr at the end of 31 March-22 Vs Rs.57.52 Cr on 31st Mar-21.

Due to enormous untapped potential available in the operational area of the Bank, Bank has embarked upon new initiative of going digital with Customer Service Point (CSP) model. In this model, the CSPs will be managed by GTIDS staff to begin with mostly by women only from the residing village location. Thus the Bank’s vision of reaching the unreached is being achieved. Bank proposes to achieve the objective of financial inclusion through Digital mode of services which is the order of the day by offering the services viz., A@ePS, Direct Money Transfer, Bill Payments etc. Account opening, Micro Loans origination, EMI collection etc., through the CSP model. Bank proposes to open 200 CSP points by the end of the year.

Auditors and Auditors Report:

M/s. ASK & Co, Chartered Accountants, Hyderabad, the Statutory Auditors of the Bank for the financial year 2021-22, have Audited the accounts of the Bank for the year and have submitted the Statutory Audit Report.

As per the RBI Circular No RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, on Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) the tenure of Statutory Auditors is for a continuous period of three years, subject to the firm satisfying the eligibility norms each year. M/s. ASK & Co, Chartered Accountants have completed their first year of tenure as Statutory Auditor of the Bank.

Your Directors have recommended for appointment of M/s. ASK & Co., Hyderabad as Statutory Auditors of the Bank for the financial year 2022-23 for the second year, who satisfy the eligibility norms. Bank has since received RBI’s approval for the appointment, and the shareholders’ approval will be sought in the ensuing annual general meeting to be held for the year 2022.

Related Party Transactions:

The particulars of contracts or arrangements or transactions with related parties as per the Section 188 of the Companies Act, 2013 entered/executed by the Company during the financial year ended March 31, 2022 is stated in the notes on Accounts forming part of the Annual Report. Further there are no materially significant related party

transactions during the year under review with Promoters, Directors, Key Managerial Personnel and their relatives which may have potential conflict with interest of the company at large. The related party transactions were placed and approved by the Audit Committee and the Board.

Corporate Governance:

The Bank has always adopted practices and policies to ensure a culture of good Corporate Governance. This is done through a three tier management structure – The Branch management, The Corporate Office supervision and thirdly the Board level supervision.

The Board has been constituted in accordance with the Banking Regulation Act, 1949. During the financial year 2021-22 the Board comprised of seven well experienced personalities from the fields of banking, finance, SME, agri-business and rural development, technology, education and research. Pursuant to section 10A of the Banking Regulation Act, 1949 Ms. Mahpara Ali Non-Executive Independent director of the Bank retired on May 10, 2021 on completion of tenure of 8 years since joining the Bank. Mr. Syed Mohammad Farooque Shahab is appointed as Director of the Bank in the Annual General Meeting held on September 16, 2021 and has been appointed as Part-time Chairman of the Board with effect from December 7, 2021 pursuant to approval of Reserve Bank of India. As on March 31, 2022 the Board comprised of five Non executive professional Directors and the Managing Director. Ms. Geetha Mikkilineni and Ms. B Vijayalakshmi have been appointed as Independent directors of the Bank with the approval of the shareholders in the Annual General Meeting held on September 16, 2021. After such appointment, the Bank has three Non-Executive Independent Directors. A resolution has been proposed to be passed at the Annual General Meeting of 2022, for appointing Mr. Syed Mohammad Farooque Shahab Part-time Chairman of the Board as an Independent Director. Mr. T Eswara Chandra Rao, has retired on June 14, 2022.

A brief profile of the directors (for the financial year 2020-21) is given below:

1. **Ms. Mahpara Ali :** Mrs. Mahpara Ali holds Master's Degree in Arts. She also holds Diploma in International Banking and Finance from Indian Institute of Banking and Finance. She has served in State Bank of India (SBI) for 39 years. She Joined as Probationary Officer and held many key assignments covering all areas of banking. Before retirement she held the position of Chief General Manager of

Strategic Training Unit (STU) of SBI. She retired on May 10, 2021 on completion of tenure of 8 years since joining the Bank.

2. **Mr. Syed Mohammad Farooque Shahab:** Mr. Syed Mohammad Farooque Shahab is appointed as Director of the Bank in the Annual General Meeting held on September 16, 2021 and has been appointed as Part-time Chairman of the Board with effect from December 7, 2021 pursuant to approval of Reserve Bank of India. Mr. SM Farooque Shahab is a professional Banker with more than 37 years of experience in Banking. He retired as Chief General Manager (Internal Audit) in State Bank of India on 31st March 2021. During his service in State Bank of India he served in various positions and assignments in India and foreign countries such as Chief General Manager, (Internal Audit), Chief General Manager, SBI, Bangalore Circle, Regional Head & CEO, SBI Middle-East & North Africa, General Manager, SME Business Unit, General Manager, North East Circle, General Manager, Hyderabad Circle, CEO, SBI Retail Banking, Bahrain and Asst. General Manager (Credit-CEE & MENA), SBI, International Banking Group etc.
3. **Mr. Donepudi Durga Prasad:** Managing Director of the Bank is a professional Banker with more than four decades of experience in banking with Andhra Bank and served in different positions. Before superannuation he served as General Manager – Priority Sector Department, Andhra Bank. He also served as Convener of State Level Bankers' Committee of Andhra Pradesh.
4. **Mr. Tatineni Eswara Chandra Rao:** A professional Banker with more than 40 years' experience. Joined in Bank of Maharashtra, a Nationalized Bank in the year 1975 as Probationary Officer and handled various assignments in different capacities for 37 years before retiring in the year 2012 as Deputy General Manager. He also served as Managing Director of Coastal Local Area Bank Ltd, Vijayawada, during October 2013 to January 2019. He had joined the Board in February 2020. Mr. Tatineni Eswara Chandra Rao retired on June 14, 2022 on attaining 70 years of age, which is the maximum age limit prescribed under RBI circular No. DBOD.No.BC.24/08.139.001/2002-03 dated September 9, 2002 for an individual to hold the position of non-executive director in the Board of Directors of Banking Company.

5. **Mr. V. Narsi Reddy:** Mr. V Narsi Reddy is M.Sc. (Agriculture), is a professional Banker with more than 30 years of experience in Banking. He retired as General Manager in State Bank of India in June 2019. In his career in State Bank of India he had worked in different areas of Agriculture finance, General Banking, MSME, Mid- Corporate, Corporate finance, Information Technology, Digital Banking, Risk Management, Audit, Human Resource Management etc.

He was also the Chairman of Andhra Pradesh Grameena Vikas Bank (APGVB) for 54 months on deputation from SBI as General Manager. Mr. V Narsi Reddy joined the Board in February, 2020. He is appointed as Independent Director w.e.f. September 23, 2020.

6. **Ms. Boyapati Vijayalakshmi:** Ms. Boyapati Vijayalakshmi is a B. Com, CAIIB - I. She is a professional Banker with more than 38 years of experience in Banking. She retired as General Manager in Andhra Bank in June 2019 after 38 years of service. During her service in Andhra Bank, she had worked in various Cadres like Clerk, Asst. Manager, Branch Manager, Senior Manager, Chief Manager, Assistant General Manager, Deputy General Manager, Zonal Manager and General Manager. She Joined the Bank in July 2020. She is appointed as Independent director of the Bank w.e.f. May 01, 2021, with the approval of the shareholders in the Annual General Meeting held on September 16, 2021.

7. **Ms. Mikkilineni Geetha** is a Chartered Accountant by Profession. Her qualifications are ICAI, ICWAI, IIMU - MDP. Currently, she holds a senior position and Heads the Finance Department of Axiom Research Labs Pvt Ltd, the only Indian company to be shortlisted for GLXP competition. The company is into Space Exploration and works for NASA. She started her career in PWC in the field of statutory audits. During this period, she conducted and lead the teams in statutory audits in various industries, and moved to EY, Hyderabad to pursue Management Assurance Services. She also worked as a partner in M/s. Basha & Narasimhan, a firm of Chartered Accountants, for almost 12 years. The above Firm of Chartered Accountants is in practice for more than 27 years having offices at Hyderabad, Visakhapatnam and Chennai. She Joined the Bank in July 2020. She is appointed as Independent director of the Bank w.e.f. May 01, 2021, with the approval of the shareholders in the Annual General Meeting held on September 16, 2021.

The Board met six (6) times during the Financial Year 2021-22 on April 30, 2021, July 28, 2021, September 16, 2021, November 26, 2021, January 20, 2022 and on March 22, 2022.

Attendance of directors in the board meetings :

Sl No.	Name	Number of meetings entitled to attend during FY 2021-2022	Number of Meetings attended during FY 2021-2022
1	Ms. Mahpara Ali	One	One
2	Mr. SM Farooque Shahab	Three	Three
3	Mr. V Narsi Reddy	Six	Six
4	Mr. T Eswara Chandra Rao	Six	Six
5	Ms. B Vijayalakshmi	Six	Six
6	Ms. Geetha Mikkilineni	Six	Six
7	Mr. Durga Prasad Donepudi	Six	Six

The Board reviews the matters covered under the Reserve Bank of India's circular on Calendar of Reviews issued from time to time.

The profiles of the directors have been verified and are in compliance with the Fit and Proper criteria guidelines issued by Reserve Bank of India. The directors have submitted the annual declarations/disclosure forms as required under section 184, 149 of the Companies Act, 2013.

Change in Board of Directors:

During the year, Ms. Mahpara Ali Non-Executive Independent director of the Bank retired on May 10, 2021 on completion of tenure of 8 years since joining the Bank. Ms. Geetha Mikkilineni and Ms. B Vijayalakshmi have been appointed as Independent directors of the Bank w.e.f. May 01, 2021, with the approval of the shareholders in the Annual General Meeting held on September 16, 2021. Mr. Syed Mohammad Farooque Shahab appointed as Director of the Bank in the Annual General Meeting held on September 16, 2021 has been appointed as Part time Chairman of the Board with effect from December 7, 2021 pursuant to approval of Reserve Bank of India. Mr. Tatineni Eswara Chandra Rao retired on June 14, 2022 on attaining 70 years of age, which is the maximum age limit prescribed under RBI circular No. DBOD.No.BC.24/08.139.001/2002-03 dated September 9, 2002 for an individual to hold the position of non-executive director in the Board of Directors of Banking Company.

At present after appointment of Mr. SM Farooque Shahab and retirement of Ms. Mahpara Ali and Mr. T Eswara Chandra Rao, the Board comprises of the Part-time Chairman, the Managing Director and three independent directors. A resolution has been proposed to be passed in this Annual General Meeting for appointing Mr. SM Farooque Shahab as Independent Director. As per the provisions of Companies Act, 2013 and terms of appointment, the tenure of Managing Director and Independent directors are fixed and not liable to retire by rotation.

Committees of the Board:

The Bank has ten committees of Directors at the Board level. Details of the composition of the committees of Board as on March 31, 2022 and number of meetings of these committees held during FY 2021-22 are given below:

S. No	Name of the Committee	Composition of the Committee as on March 31, 2022	Designation	Meetings held during the FY 2021-22
1	ALMI Committee	1. Mr. SM Farooque Shahab	Chairman	April 30, 2021
		2. Mr. T Eswara Chandra Rao	Member	July 28, 2021
		3. Ms. Geetha Mikkilineni	Member	November 25, 2021
		4. Managing Director	Member	January 20, 2022
		5. CFO	Permanent Invitee	
2	Executive Committee	1. Mr. SM Farooque Shahab	Chairman	July 28, 2021
		2. Mr. V. Narsi Reddy	Member	November 26, 2021
		3. Ms. Geetha Mikkilineni	Member	March 22, 2022
		4. Mrs. B. Vijayalakshmi	Member	
		5. Managing Director	Member	
3	Audit Committee	1. Ms. Geetha Mikkilineni	Chairman	April 30, 2021
		2. Mr. SM Farooque Shahab	Member	July 28, 2021
		3. Mr. V. Narsi Reddy	Member	September 16, 2021
		4. Mrs. B. Vijayalakshmi	Member	November 25, 2021
				January 20, 2022
				March 22, 2022
4	Human Resource Development Committee	1. Mr. SM Farooque Shahab	Chairman	November 25, 2021
		2. Mr. V. Narsi Reddy	Member	January 20, 2022
		3. Managing Director	Member	February 23, 2022
5	Customer Service Committee	1. Mr. T Eswara Chandra Rao	Chairman	April 30, 2021
		2. Mrs. B. Vijayalakshmi	Member	November 26, 2021
		3. Ms. Geetha Mikkilineni	Member	
		4. Managing Director	Member	

S.No	Name of the Committee	Composition of the Committee	Designation	Meetings held during the FY 2021-22
6	Risk Management Committee	1. Mr. V. Narsi Reddy	Chairman	November 25, 2021
		2. Mr. SM Farooque Shahab	Member	March 22, 2022
		3. Mr. T Eswara Chandra Rao	Member	
		4. Ms. B. Vijayalakshmi	Member	
7	Information and Communication Technology Committee	1. Mr. V. Narsi Reddy	Chairman	April 30, 2021
		2. Ms. Geetha Mikkilineni	Member	July 28, 2021
		3. Mr. T Eswara Chandra Rao	Member	November 26, 2021
		4. Managing Director	Member	January 20, 2022
		5. COO	(Permanent Invitee)	
8	Share Allotment & Transfer Committee	1. Mr. SM Farooque Shahab	Chairman	NIL
		2. Mr. V. Narsi Reddy	Member	
		3. Ms. Geetha Mikkilineni	Member	
9	Nomination and Remuneration Committee	1. Ms. B. Vijayalakshmi	Chairman	April 30, 2021
		2. Mr. SM Farooque Shahab	Member	July 28, 2021
		3. Mr. V. Narsi Reddy	Member	September 16, 2021
				January 20, 2022
10	Credit Committee	1. Mr. V. Narsi Reddy	Chairman	July 28, 2021
		2. Mr. SM Farooque Shahab	Member	November 25, 2021
		3. Mr. T Eswara Chandra Rao	Member	January 20, 2022
		4. Mrs. B. Vijayalakshmi	Member	
		5. Managing Director	Member	

Directors Responsibility Statement under section 134(5) of the Companies Act, 2013:

Your directors confirm that:

- In preparation of the annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departure, if any.
- The accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2022 and of the profit of the Bank for the year ended March 31, 2022.
- Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013 and Banking Regulation Act, 1949 and other applicable laws, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.

- The annual accounts have been prepared on a going concern basis.
- Proper and adequate systems have been devised and implemented to ensure compliance with the provisions of all applicable laws and such systems are operating effectively.

Policy on Appointment and Remuneration of Directors:

The Bank has a Nomination and Remuneration Committee of the Board constituted in accordance to the provisions of section 178 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014.

Policy on Appointment of Directors:

The appointment of directors is subject to the possession by the candidate of the prescribed experience under section 10-A of The Banking Regulation Act, 1949. The candidate must qualify the fit and proper criteria prescribed in the circular on "Fit and Proper' Criteria for Directors on the Boards of Banks" issued by the Reserve Bank of India from time to time for being appointed as a director.

The Nomination and Remuneration Committee determines the 'fit and proper' status of the existing Directors/proposed candidates based on the broad criteria i.e. Educational qualification, experience and field of expertise, track record and integrity as prescribed by the Reserve Bank of India and the Banking Regulation Act, 1949. The appointment of Managing Director is made subject to compliance to the fit and proper criteria guidelines and approval of the Reserve Bank of India.

The Directors do not have any pecuniary relationship with the Bank except to the extent of payment of sitting fees to the directors for attending the Board meetings and Committees of the Board meetings and remuneration paid to the Managing Director.

Policy on Remuneration to Directors:

The remuneration paid to the Managing Director is approved by the Reserve Bank of India alongside the appointment. The Directors other than the Managing Director are paid sitting fees for attending the Board and Committees of the Board meetings as fixed by the Board in accordance to the provisions of section 197 of the Companies Act, 2013 and Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014.

None of the other directors are paid any remuneration other than sitting fees for attending meetings of the Board and Committee and reimbursement of eligible expenses. Reserve Bank of India vide letter DOR. GOV. No. S2716/29.55.001/2021-22 Dated December 7, 2021, has approved the appointment of Mr. SM Farooque Shahab as Part Time Chairman of the Board w.e.f. Dec 7, 2021 at an honorarium of Rs. 9 lakh per annum

Declaration by Independent Directors:

All directors have submitted the fit and proper Forms and declarations as prescribed by the Reserve Bank of India and the annual disclosure forms as prescribed under section 184 of the Companies Act, 2013 for the FY 2021-22. The Independent Directors have furnished the Declarations in the format prescribed under section 149(6) for the FY 2021-22. The Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act.

Foreign Exchange earnings and outgo:

The business of the Bank is such that there is neither earning nor outgo in Foreign Exchange.

Place : Hyderabad
Date: August 8, 2022

Annual Return:

Pursuant to section 134(3) (a) of the Companies Act, 2013, the annual return has been placed in the website of the Bank under the download section.

Statutory Disclosure:

Considering the nature of activities of the Bank, the particulars required under Section 134 (3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, regarding energy conservation, Technology absorption etc. do not apply. However, the Bank is using the technology commensurate to its size and requirements for the legally permitted transactions. The Bank has been operating in fully computerized environment since inception. The Branches and Business correspondent locations operate on the Core Banking Solution. The field staff of the Bank uses Hand Held Devices for transactions at the field. The Bank has 27 ATMs of which three are off-site ATMs. Bank has Mobile Banking facility enabled for IMPS/RTGS/UPI and NEFT transactions. The Bank continues its effort to create awareness among the employees for saving the power and resources, wherever possible.

Acknowledgements:

Your Directors place on the record their sincere appreciation for the support and guidance that the Bank has received from the Reserve Bank of India, other regulatory authorities, other Banks and various stakeholders and organizations collaborating with the Bank in different initiatives. The directors also place on record their appreciation of the support and the trust reposed by valued customers and solicits their continued support and cooperation. Your directors express their sincere thanks to M/s. ASK & Co, Chartered Accountants, the Statutory Auditors of the Bank and M/s. C-Edge Technologies Ltd., M/s. Olive Crypto technologies for their continued support and guidance. Your Directors also wish to place on record their most sincere appreciation of the commitment, support and sincere efforts in Customer Service as well as growth of the Bank during the year and look forward to their continued cooperation in realization of the corporate goals in the years ahead.

On behalf of the Board of Directors

Sd/-
SM Farooque Shahab
Part Time Chairman
(DIN 09214092)

Sd/-
Donepudi Durga Prasad
Managing Director
(DIN 07031463)

(Disclosure pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014)

1. Brief outline on CSR Policy of the Company.

The CSR Policy of the Bank has been framed in line with the provisions of the Section 135 of the Companies Act, 2013 and the Companies (Corporate Social responsibility Policy) Rules, 2014. Under the CSR Policy the Bank is taking up one or more activities as specified in Schedule VII of the Companies Act, 2013 in the local area of operations of the Bank, apart from contribution to specified funds.

2. Composition of CSR Committee:

Pursuant to sub section (9) of Section 135 the Bank is not required to constitute CSR Committee and the functions of the CSR Committee are being discharged by the Board of Directors.

3. Web-link to CSR Policy and CSR projects approved by the board: <https://kbsbankindia.in/csr-policy.php>

4. Provisions relating to Impact assessment of CSR projects pursuant of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, is not applicable.

5. Details of the amount available for set-off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set-off for the financial year, if any: -NIL

6. Average net profit of the company as per section 135(5) is Rs.6,52,81,877.49.

7. (a) Two percent of average net profit of the Company as per section 135(5) is Rs.13,05,638/-.

(b) Surplus arising out of the CSR projects or programs or activities of the previous financial years: -NIL

(c) Amount required to be set-off for the financial year, if any: Rs. -26.67 (Excess spent in year 2020-21).

(d) Total CSR obligation for the financial year (7a+7b-7c). Rs. 13,05,611/-.

8. (a) CSR amount spent or unspent for the financial year: -NIL

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of Transfer	Name of the Fund	Amount	Date of Transfer
13,06,463	NIL	NA	NA	NA	NA

(b) Details of CSR amount spent against ongoing projects for the financial year:

The Bank doesn't have any ongoing CSR Project.

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No.)	Location of the project		Amount spent for the project (in Rs.)	Mode of implementation Direct (Yes/No)	Mode of implementation Through implementing agency	
				State	District			Name	CSR registration number
1.	Donated an Ambulance to Primary Health Centre	Promoting health care including preventive health care	Yes	Karnataka Gobbur(B), Kalaburagi District		8,60,731	Yes	NA	NA
2.	Donated six Portable Tolet units to three Government run schools	Sanitation activity	Yes	Telangana Mahabubnagar District		4,07,975	Yes	NA	NA
3.	Providing Water purifier to Govt Anganwadi center at Dammaiguda	Making available safe drinking water	Yes	Telangana Medchal District		27,757	Yes	NA	NA
4.	Transfer to Specified fund	Contribution to prime minister's National Relief Fund	-	-		10,000	Yes	-	-
	Total					13,06,463			

(d) Amount spent in Administrative Overheads: -NIL

(e) Amount spent on Impact Assessment, if applicable: -NA

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) : Rs. 13,06, 463/-

(g) Excess amount for set-off, if any: -NIL

S.No.	Particulars	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	13,05,638
(ii)	Total amount spent for the Financial Year	13,06,463
(iii)	Excess amount spent for the financial year [(ii)-(i)]	825
(iv)	Surplus arising out of the CSR projects or programs or activities of the previous financial years, if any	NIL
(v)	Amount available for set-off in succeeding financial years [(iii)-(iv)]	825

9. (a) Details of Unspent CSR amount for the preceding three financial years: - NIL

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):
- There is no Ongoing Project.

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

S.No.	Date of creation or acquisition of the capital asset	Amount of CSR spent for creation or acquisition of capital asset	Entity or public authority or beneficiary under whose name such capital asset is registered, their address etc	Details of the capital asset(s) created or acquired. Address and location of the capital asset
1	09-02-2022	Rs.8,63,617/-	Public Health Centre, Gobbur (B), Taluka Afzalpur, Kalaburagi, Karnataka.	Ambulance donated to Public Health Centre, Gobbur (B), Taluka Afzalpur, Kalaburagi, Karnataka.
2	27-02-2022	Rs.4,07,975/-	Government Girls High School Mahabubnagar, Zilla Parishad High School at Yenugonda, Mahabubnagar Zilla Parishad High School at Yedira, Mahabubnagar.	Portable Toilets 2 units donated to each of the three government schools.
3	30-03-2022	Rs.27,757/-	Anganwadi Kendra, Dammaiguda, Medchal District.	Water Purifier along with water tank, pipes installed at Anganwadi Kendra, Dammaiguda, Medchal District.

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):
- NA

Sd/-
Donepudi Durga Prasad
Chief Executive Officer and Managing Director
(DIN 07031463)

INDEPENDENT AUDITOR'S REPORT

To the Members

M/s. KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED
Hyderabad

Report on audit of the Standalone Financial Statements

Opinion

1. We have audited the standalone financial statements of KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED ('the Bank'), which comprise the Balance Sheet as at 31st March 2022, the Statement of Profit and Loss and the Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns for the year ended on that date of all 29 branches audited by us.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking Companies and are in conformity with accounting principles generally accepted in India and give a true and fair view
 - a. in case of the Balance sheet, of the state of affairs of the Bank as at 31st March 2022;
 - b. its profit in case of Profit and loss account for the year ended on that date; and
 - c. in case of statement of cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, 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.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S.No.	Key Audit Matter	How our audit addressed the Key Audit Matter
1.	<p><u>Income Recognition and Asset Classification</u></p> <p>Classification of Advances and Identification of and provisioning of Non-performing Advances in accordance with the RBI guidelines</p> <p>Advances include Cash credits, Overdrafts loans repayable on demand and Term loans. These are further categorized as secured by Tangible assets (including advances against Books debts), covered by Bank / Government Guarantees and unsecured advances.</p> <p>Advances constitute 62.72% of the Bank's total assets. They are, inter-alia, governed by income recognition, asset classification and provisioning (IRAC) norms and other circulars / directives issued by the RBI from time to time which provides guidelines related to classification of Advances into performing and non-performing Advances (NPA). The Bank classifies these</p>	<p>Our audit approach towards advances with reference to the IRAC Norms and other related circulars / directives issued by RBI and also internal policies and procedures of the Bank includes the testing of the following:</p> <ul style="list-style-type: none">• The accuracy of the data input in the system for income recognition, classification into performing and non-performing Advances and provisioning in accordance with the IRAC Norms in respect of the all 29 branches audited by us;• Existence and effectiveness of monitoring mechanisms such as Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank;

<p>Advances based on IRAC norms as per its accounting policy No. 2.1(b).</p> <p>Identification of performing and non-performing advances involves establishment of proper mechanism. The Bank accounts for all the transactions related to Advances in its Information Technology System (IT System) viz. B@ncs 24X7 which also identifies whether the advances are performing or non-performing. Further, NPA provision is done manually.</p> <p>The carrying value of these advances (net of provisions) may be materially misstated if, either individually or in aggregate, the IRAC norms are not properly followed.</p> <p>Considering the nature of the transactions, regulatory requirements, existing business environment, estimation/judgment involved in valuation of securities, it is a matter of high importance for the intended users of the Standalone financial statements. Considering these aspects, we have determined this as a Key Audit Matter.</p> <p>Accordingly, our audit was focused on income recognition, asset classification and provisioning pertaining to advance due to the materiality of the balances.</p>	<ul style="list-style-type: none"> • We have examined the efficacy of various internal controls over advances to determine the nature, timing and extent of the substantive procedures and compliance with the observations of the various audits conducted as per the monitoring mechanism of the Bank and RBI inspection. • In carrying out substantive procedures at the all 29 branches audited by us, we have examined all large advances/stressed advances while other advances have been examined on a sample basis including review of valuation reports of independent valuer's provided by the Bank's management. • We have also relied on the reports of External IT system Audit experts with respect to the business logics / parameters inbuilt in B@ncs 24X7 for tracking, identification and stamping of NPAs and provisioning is calculated manually.
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Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

5. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 with respect to the preparation of these standalone 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, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Financial Statements

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

As part of 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.

From the matters communicated with those charged with governance, we determine those matters that were of most

significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014
8. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - c. the returns received from the offices; and branches of the Bank have been found adequate for the purposes of our audit.
9. Further, 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 purpose 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 reports on the accounts of the branch offices of the bank audited under section 143(8) of the Act by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report;
 - d. The Balance Sheet, the Statement of Profit and Loss and the Statement of Cash Flows dealt with by this report are in agreement with the books of account.
 - e. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI.

- f. On the basis of written representations received from the directors as on 31 March 2022 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2022 from being appointed as a director in terms of Section 164(2) of the Act.
- g. With respect to the other matters to be included in the Auditor's in the Auditor's report in accordance with the requirement of section 197(16) of the Companies Act, 2013 as amended:

In our opinion and to the best of our information and according to explanation given to us, remuneration paid or payable by the company to the directors during the year is in accordance with the section 197 of the Companies Act, 2013.
- h. With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"
- 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:
 - i. The Bank does not have any pending litigations which would impact its financial position
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For ASK & Co.

Chartered Accountants

FR No: 0137355

Date: 17th May 2022

Place: Hyderabad

UDIN: 22233858AJCUTF5931

The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall:

Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Company or

Provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall:

Directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or Provide any guarantee, security or the like form or on behalf of the Ultimate Beneficiaries; and

Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (d) (i) and (d)(ii) contain any material mis-statement.

No Dividend has been declared or paid during the year by the Company.

Sd/-

N.S. Krishna

Partner

M.No. 233858

“ANNEXURE A”

TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED

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

1. We have audited the internal financial controls over financial reporting of KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED (‘the Bank’) as at 31 March 2022 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls over Financial Reporting

2. The Bank’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (“the Act”).

Auditor’s Responsibility

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

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

6. A Bank’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and 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 company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For ASK & Co.

Chartered Accountants

FR No: 013735S

Date: 17th May 2022

Place: Hyderabad

UDIN: 22233858AJCUTF5931

Sd/-

N.S. Krishna

Partner

M.No. 233858

BALANCE SHEET AS ON	Sch	31-Mar-2022	31-Mar-2021
CAPITAL AND LIABILITIES			
Capital	1	134,222,620	134,222,620
Reserves and Surplus	2	459,965,048	349,806,386
Deposits	3	3,705,034,667	3,212,916,240
Borrowings	4	-	-
Other Liabilities and Provisions	5	365,960,748	258,087,288
Total		4,665,183,083	3,955,032,534
ASSETS			
Cash and Balances with Reserve Bank of India	6	117,275,663	93,167,826
Balances with Banks and Money at Call and Short Notice	7	603,746,606	688,731,209
Investments	8	852,748,687	600,941,312
Advances	9	2,926,149,434	2,461,478,093
Fixed Assets	10	27,640,470	23,257,947
Other Assets	11	137,622,223	87,456,147
Total		4,665,183,083	3,955,032,534
Contingent Liabilities	12	2,069,618	1,440,440
Bills for Collection		-	-
Principal Accounting Policies	17		
Notes To Accounts	18		

The schedules referred to above form an integral part of the Balance Sheet
In terms of our report of even date

for ASK & Co.
Chartered Accountants
Firm Regn. No. 013735S

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 22233858AJCUTF5931

Sd/-
S M Farooque Shahab
Director and
Part Time Chairman
(DIN 09214092)

Sd/-
Durga Prasad Donepudi
Managing Director
(DIN 07031463)

For and on behalf of Board of Directors

Sd/-
Narsi Reddy Vangala
Director
(DIN 08685359)

Sd/-
J Murali Krishna
General Manager &
Chief Financial Officer

Sd/-
Geetha Mikkilineni
Director
(DIN 02743437)

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: May 17, 2022

Audited Financial Statements as on March 31, 2022

Rs.

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED

Sch

31-Mar-2022

31-Mar-2021

I. INCOME

Interest Earned	13	533,574,888	444,538,675
Other Income	14	115,472,500	107,620,343
Total		649,047,388	552,159,018

II. EXPENDITURE

Interest Expended	15	231,446,343	196,862,748
Operating Expenses	16	238,446,220	219,642,810
Provisions and Contingencies		61,987,960	64,160,300
Total		531,880,523	480,665,858

III. PROFIT / LOSS

Net Profit/(Loss) for the Year		117,166,865	71,493,160
Add: Profit/(Loss) Brought Forward		233,934,881	181,368,302
Total		351,101,746	252,861,462

IV. APPROPRIATIONS/TRANSFERS

Statutory Reserve		23,450,286	14,308,952
Capital Reserve		-	-
Investment Fluctuation Reserve		145,000	-
Interim and Proposed Dividend		-	-
Tax on Dividend		-	-
Staff Welfare Fund Reserve		2,000,000	750,000
Covid Contingency Fund for Employees		5,000,000	5,000,000
Balance Carried Over to Balance Sheet		320,506,460	232,802,510
Total		351,101,746	252,861,462

Principal Accounting Policies

17

Notes on Accounts

18

The schedules referred to above form an integral part of the profit and loss account
In terms of our report of even date

for ASK & Co.

Chartered Accountants

Firm Regn. No. 013735S

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 22233858AJCUTF5931

Sd/-
S M Farooque Shahab
Director and
Part Time Chairman
(DIN 09214092)

Sd/-
Durga Prasad Donepudi
Managing Director
(DIN 07031463)

For and on behalf of Board of Directors

Sd/-
Narsi Reddy Vangala
Director
(DIN 08685359)

Sd/-
J Murali Krishna
General Manager &
Chief Financial Officer

Sd/-
Geetha Mikkilineni
Director
(DIN 02743437)

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: May 17, 2022

Audited Financial Statements as on March 31, 2022

SCHEDULES TO BALANCE SHEET AS ON	31-Mar-2022	31-Mar-2021
SCHEDULE 1 : CAPITAL		
Authorised Capital	25,00,00,000	25,00,00,000
250,00,000 Equity Shares of Rs. 10/- each		
Issued Capital		
Issued 13422262 Equity Shares of Rs. 10/- each	13,42,22,620	13,42,22,620
Subscribed & Paid-up capital		
13422262 Equity Shares of Rs. 10/- each	13,42,22,620	13,42,22,620
Total	13,42,22,620	13,42,22,620
SCHEDULE 2:RESERVES AND SURPLUS		
I. Statutory Reserves		
Opening Balance	7,28,46,934	5,85,37,982
Additions during the Year	2,34,50,286	1,43,08,952
Deductions during the Year	-	-
Total	9,62,97,220	7,28,46,934
II. Capital Reserves		
Opening Balance	27,68,191	27,68,191
Additions during the year	-	-
Deductions during the year	-	-
Total	27,68,191	27,68,191
III. Share Premium		
Opening Balance	3,04,29,380	3,04,29,380
Additions during the year	-	-
Deductions during the year	-	-
Total	3,04,29,380	3,04,29,380
IV. Investment Fluctuation Reserve		
Opening Balance	93,75,000	93,75,000
Additions during the year	1,45,000	-
Deductions during the year	-	-
Total	96,20,000	93,75,000
V. Revenue and Other Reserves		
Opening Balance	4,52,000	4,52,000
Addition During the Year	-	-
Deductions during the year	-	-
Total	4,52,000	4,52,000
VI. Balance in Profit and Loss Account		
Opening Balance	23,39,34,881	18,13,68,302
Addition During the Year	9,35,71,579	5,71,84,208
Deductions during the year	70,00,000	57,50,000
Add : Deferred Tax	8,203	11,32,371
Less : Depreciation relating to earlier years	-	-
Total	32,04,98,257	23,39,34,881
Total (I to VI)	45,99,65,048	34,98,06,386

SCHEDULES TO BALANCE SHEET AS ON

31-Mar-2022

31-Mar-2021

SCHEDULE 3 : DEPOSITS

A. I. Demand Deposits

(i) From Banks	-	-
(ii) From Others	2,79,40,853	2,29,97,099
II. Savings Bank Deposits	58,35,10,386	54,13,40,000
III. Term Deposits		
(i) From Banks	-	-
(ii) From Others	3,09,35,83,428	2,64,85,79,141
Total (I, II and III)	3,70,50,34,667	3,21,29,16,240

B. I. Deposits of branches in India

3,70,50,34,667 3,21,29,16,240

II. Deposits of branches outside India

Total

3,70,50,34,667 3,21,29,16,240

SCHEDULE 4: BORROWINGS

I. Borrowings in India	-	-
i Reserve Bank of India	-	-
ii Other Banks	-	-
iii Other Institutions and Agencies	-	-
II. Borrowings outside India	-	-
Total	-	-

(Secured borrowings included in I & II above)

SCHEDULE 5: OTHER LIABILITIES AND PROVISIONS

I. Bills Payable & Liabilities	-	-
II. Inter-Office adjustments (net)	-	-
III. Interest Accrued	-	-
IV. Others (including provisions)	36,59,60,748	25,80,87,288
V. Proposed dividend (Inc Dividend Distribution tax)	-	-
Total	36,59,60,748	25,80,87,288

SCHEDULE 6: CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. Cash in hand	7,85,21,131	6,37,38,294
(including foreign currency notes)		
II. Balances with Reserve Bank of India		
(i) in current Account	3,87,54,532	2,94,29,532
(ii) in other Accounts	-	-
Total - (I & II)	11,72,75,663	9,31,67,826

SCHEDULE 7: BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

I. In India		
i. Balance with banks		
a. in current accounts	14,02,16,485	15,18,51,344
b. in other deposit accounts	46,35,30,121	53,68,79,865
ii. Money at call and short notice		
a. with banks	-	-
b. with other institutions	-	-
Total	60,37,46,606	68,87,31,209

SCHEDULES TO BALANCE SHEET AS ON**31-Mar-2022****31-Mar-2021****II. Outside India**

- i. In current accounts
- ii. In Other deposit accounts
- iii. Money at call and short notice

-

-

-

Total

-

-

Total - (I & II)**60,37,46,606****68,87,31,209****SCHEDULE 8:INVESTMENTS**

- I. Investments in India in
 - i. Government Securities
 - ii. Other approved securities
 - iii. Shares
 - iv. Debentures and Bonds
 - v. Subsidiaries and/or joint ventures
 - vi. Others

85,27,48,687

-

-

-

-

-

60,09,41,312

-

-

-

-

-

Total**85,27,48,687****60,09,41,312**

Less: Depreciation

-

-

Net Investments

85,27,48,687

60,09,41,312

II. Investments outside India in

- i. Government securities (including local authorities)
- ii. Subsidiaries and/or joint ventures abroad
- iii. Other investments

-

-

-

-

-

-

Total

-

-

Total - (I & II)**85,27,48,687****60,09,41,312****SCHEDULE 9:ADVANCES**

- A i) Bills purchased and discounted
- ii) Cash credits, overdrafts and loans repayable on demand
- iii) Term Loans

-

11,02,89,789

2,81,58,59,645

-

12,92,45,660

2,33,22,32,433

Total**2,92,61,49,434****2,46,14,78,093**

- B i) Secured by Tangible Assets
- ii) Covered by Bank/Government Guarantee
- iii) Unsecured

2,77,52,89,322

-

15,08,60,112

2,32,19,71,374

-

13,95,06,718

Total**2,92,61,49,434****2,46,14,78,093**

C I) Advances in India

- i) Priority Sectors
- ii) Public Sector
- iii) Banks
- iv) Others

1,90,73,55,106

-

-

1,01,87,94,329

1,08,28,56,195

-

-

1,37,86,21,898

Total**2,92,61,49,434****2,46,14,78,093**

II) Advances outside India

- i) Due from Banks
- ii) Due from Others

-

-

-

-

Total

-

-

Total (C. I & II)**2,92,61,49,434****2,46,14,78,093**

SCHEDULES TO BALANCE SHEET AS ON**31-Mar-2022****31-Mar-2021****SCHEDULE 10:FIXED ASSETS**

I Premises	-	-
II Other Fixed assets (including furniture and fixtures)		
At cost as on 31st March of the preceding year	12,78,15,255	12,42,30,696
Additions during the year	1,42,72,410	49,30,275
Deduction GST Adjustment	21,061	-
Deductions during the year	83,14,990	13,45,715
Depreciation to date	10,61,11,145	10,45,57,309
Total	2,76,40,470	2,32,57,947

SCHEDULE 11:OTHER ASSETS

I. Inter-Office adjustments (net)	-	-
II. Interest accrued	3,10,05,825	2,62,30,508
III. Tax paid in advance / Tax deducted at source	8,56,84,584	4,40,40,330
IV. Stationery and stamps	32,02,292	11,84,778
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred Tax Asset (Net)	25,57,363	25,65,566
VII. Others	1,51,72,159	1,34,34,966
Total	13,76,22,222	8,74,56,147

SCHEDULE 12:CONTINGENT LIABILITIES

I. Claims against the bank not acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Capital Commitments	-	-
IV. Liability on account of outstanding forward exchange contracts	-	-
V. Guarantees given on behalf of constituents		
a. In India	-	-
b. Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the bank is contingently liable	20,69,618	14,40,440
Total	20,69,618	14,40,440

SCHEDULES TO PROFIT AND LOSS ACCOUNT AS ON**31-Mar-2022****31-Mar-2021****SCHEDULE 13: INTEREST EARNED**

I. Interest/discount on advances/bills	45,56,22,256	38,92,88,658
II. Income on Investments	5,42,15,303	3,68,59,079
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,37,37,328	1,83,90,938
IV. Others	-	-
Total	53,35,74,888	44,45,38,675

SCHEDULE 14:OTHER INCOME

I. Profit on sale of Asset / Investments	30,59,071	1,07,39,987
II. Miscellaneous Income	11,24,13,428	9,68,80,356
Total	11,54,72,500	10,76,20,343

SCHEDULE 15:INTEREST EXPENDED

I. Interest on Deposits	23,14,46,343	19,68,62,748
II. Interest on Reserve Bank of India/Inter-bank borrowings	-	-
II. Others	-	-
Total	23,14,46,343	19,68,62,748

SCHEDULES TO PROFIT AND LOSS ACCOUNT AS ON**31-Mar-2022****31-Mar-2021****SCHEDULE 16: OPERATING EXPENSES**

I. Payments to and provision for employees	12,33,91,740	11,67,11,726
II. Rent, taxes and lighting	2,12,70,652	1,99,89,183
III. Printing and Stationery	26,09,059	19,83,987
IV. Advertisement and publicity	2,04,766	1,69,403
V. Depreciation on bank's property	97,49,406	1,24,41,316
VI. Directors' fees, allowances and expenses	22,76,498	17,77,361
VII. Auditors' Fees and Expenses	9,85,945	9,01,735
VIII. Law Charges	-	42,000
IX. Postage, Telephones. Etc.	25,36,692	21,33,130
X. Repairs and maintenance	43,83,869	44,34,153
XI. Insurance	92,76,330	73,00,190
XII. Other expenditure	6,17,61,263	5,17,58,626

Total**23,84,46,220****21,96,42,811****PROVISIONS AND CONTINGENCIES**

I. Provision for Non-Performing Assets	1,67,32,987	2,19,84,977
II. Provision on Standard Assets	47,50,000	29,00,000
III. Provision for Current Tax	4,04,97,373	2,85,38,889
IV. Prov for Income Tax Prior Year	-	67,36,434
V. Provision for Deferred Tax	-	-
VI. Provision for Depreciation on Investments	-	-
VII. Other Provisions	7,600	-
VIII. General Provision	-	40,00,000

Total**6,19,87,960****6,41,60,300**

The schedules referred to above form an integral part of the profit and loss account
In terms of our report of even date

for ASK & Co.

Chartered Accountants

Firm Regn. No. 013735S

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 22233858AJCUTF5931

Sd/-
S M Farooque Shahab
Director and
Part Time Chairman
(DIN 09214092)

Sd/-
Durga Prasad Donepudi
Managing Director
(DIN 07031463)

For and on behalf of Board of Directors

Sd/-
Narsi Reddy Vangala
Director
(DIN 08685359)

Sd/-
J Murali Krishna
General Manager &
Chief Financial Officer

Sd/-
Geetha Mikkilineni
Director
(DIN 02743437)

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: May 17, 2022

Audited Financial Statements as on March 31, 2022

SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES

1) General :

The Financial Statements are prepared in accordance with the historical cost convention and accrual basis of accounting and are in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Accounting Policies applied are consistent with those applied in the earlier years except as otherwise stated elsewhere. They are also based on the going concern concept and conform to the statutory provisions and practices prevailing in India.

These Financial Statements have been prepared to comply with the Accounting Standards (AS) notified.

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including Contingent Liabilities as of the date of the financial statements and the reported income and expenses for the reporting year. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

The normal operating cycle for the company is 12 months.

2) Revenue, Income and Expenditure Recognition:

2.1 Income:

- a) Income on advances classified under standard assets category is recognized on accrual basis.
- b) Income on Non-performing advances is recognized as and when realized as per the IRAC norms
- c) Interest on Investments and Bank Fixed deposits is recognized on accrual basis.
- d) Other Incomes like commission, exchange and other charges are recognized as and when realized.

2.2 Expenditure:

Revenue Expenditure is accounted on accrual basis.

3) Investments:

3.1 In accordance with Reserve Bank of Bank guidelines, the Investment portfolio of the Bank is classified into the following three categories:

- a) Held to Maturity (HTM)
- b) Available for Sale (AFS)
- c) Held for Trading (HFT)

The Investment Portfolio of the Bank will have both SLR and Non-SLR Investments.

3.2 Valuation :

- a) All investments held under HTM category are aggregated classification wise, and accounted for at acquisition cost. However, excess of cost over the face value being premium is amortized over the period remaining to maturity.
- b) Securities held under AFS category are valued scrip-wise, at market / estimated realizable value (worked out as per RBI guidelines) and aggregated classification wise.
- c) Treasury bills under AFS category are valued at carrying cost. However, there are no treasury bills as on the date of Balance sheet.
- d) The net depreciation under each group of classification, if any, is fully provided for, while net appreciation is ignored.
- e) Securities held under HFT category are to be valued scrip wise at monthly intervals at market / estimated realizable value and aggregated classification wise. However, there are no securities under this category.
- f) The shifting of securities as allowed by RBI as part of one-time transfer of securities from one category to another is done at the lowest of the acquisition cost, book value or market value and treated as book value in the new category.
- g) Investment fluctuation reserve: As per Reserve Bank of India guidelines, Investment Fluctuation Reserve (IFR) of a minimum 2% of the investment portfolio comprising of investments held in "Available for Sale" categories should be created. The total amount held in the IFR as on March 31st, 2022 is Rs.95.20 Lakhs.

4) Advances:

- a) The loans are classified as secured and un-secured after taking into consideration, the estimated value of primary security in terms of Livestock, Standing Crops, Other assets and collaterals hypothecated / mortgaged, wherever applicable.
- b) The loans and advances are classified as performing and non-performing assets as per IRAC norms prescribed by Reserve Bank of India
- c) Nonperformance assets (NPAs) are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:
 - i) Sub-standard: A loan asset that has remained non-performing for a period of less than or equal to 12 months.
 - ii) Doubtful: A loan asset that has remained in the sub-standard category for a period of not less than 12 months.
 - iii) Loss Assets: A loan asset where loss has been identified but the amount has not been fully written off.
- d) Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:
 - i) Sub-Substandard Assets:
 - (1) Provision of 15% on the total outstanding;
 - (2) Additional provision of 10% for exposures which are unsecured;
 - ii) Doubtful Assets: -
 - (a) Secured portion:
 - i. Upto one year – 25%
 - ii. One to three years – 40%
 - iii. More than three years – 100% -
 - (b) Unsecured portion 100%
 - (c) Loss Assets: 100%
- e) Irrespective of the above classification, where any asset, in the opinion of the management, Auditors and Reserve Bank of India is considered irrecoverable with reasonable efforts, the same is classified as Loss Assets. However, there are no loans under this category.
- f) In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI guidelines which are prescribed below:
 - (a) Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) sectors at 0.25 percent;
 - (b) advances to Commercial Real Estate (CRE) Sector at 1.00 percent;
 - (c) advances to Commercial Real Estate – Residential Housing Sector (CRE - RH) at 0.75 percent
 - (d) all other loans and advances not included in (a) (b) and (c) above at 0.40 percent.
 - g) These provisions on Standard Assets are reflected in Schedule 5 of the Balance Sheet under the head “Other Liabilities & Provisions – Others” and are not considered for arriving at the Net NPAs.

5) Fixed Assets and Depreciation / Amortization:

- a) Fixed Assets are stated at Cost less accumulated depreciation/Amortization
- b) Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the assets.

- c) Intangible Assets comprising of computer software and licenses expected to provide future enduring economic benefits are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises of purchase price and directly attributable expenditure for making the asset ready for its intended use. Any technology support cost or annual maintenance cost for such software is charged to the Statement of Profit and Loss.
- d) Depreciation on tangible assets is provided on Straight Line Method (SLM) which reflects the management's estimate of the useful life of the respective fixed assets. As per the Companies Act, 2013, Bank has reviewed and fixed the useful life of its fixed assets. Such useful Life of the fixed assets are given here under:

Asset Category	Useful Life of the Asset in no of Years
1. Assets for Own Use:	
I. Furniture and Fixtures	10
II. Office Equipment	5
III. Professional Equipment (Comprising of Computers, Printers, Peripherals, etc)	3
IV. Vehicles	5
V. Leased Premises - constructions	5

- e) Fixed Assets costing less than Rs.5,000/- each are charged off in the year of purchase and put to use.

6) Impairment of Fixed Assets:

- a) Whenever events or changes in circumstances indicate that the carrying amount of fixed assets may be impaired, such assets are put to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the impairment loss is recognized which is the excess of the carrying amount over the recoverable amount.
- b) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- c) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying amount after reversal is not increased beyond the carrying amount that would have prevailed by charging usual depreciation if there was no impairment.

7) Provisioning and Write off:

- a) Provisioning in respect of Non-performing assets is made as per guidelines applicable to Banks, issued by Reserve Bank of India.
- b) Bank has adopted a policy to write off selective cases, wherever 100% provision is made.

8) Pre-operative Expenditure:

The pre-operative expenditure incurred with regard to shifting of existing branches and opening of new branches are treated as revenue expenditure during the year of shifting. However, during the financial year, the Bank has not booked any pre-operative expenses.

9) Prior Period and Extra Ordinary Items:

Prior Period and Extraordinary items having material impact on the financial affairs are disclosed separately.

10) Employee Benefits:

- a) Short Term Employee Benefits: Employees are permitted to encash 10 days' privilege leave once in two years, subject to the sanction from management. For the purpose of leave encashment, Basic pay drawn in the previous month will be taken as the basis for arriving at the amount of leave encashment.
- b) Long Term Employee Benefits:
- i) Provident Fund: Every eligible employee shall become a member of the Provident Fund. Contribution is accounted for on actual liability basis and paid to Employees' Provident Fund Organization in accordance with the rules governing the fund in terms of the Provident Fund Act, 1952.

- ii) Gratuity Fund: The amount of gratuity is payable as per Gratuity Act, 1972 in force, unless disqualified on account of certain types of disciplinary action resulting into termination or compulsory retirement.
- iii) Gratuity is being computed as per statutory norms on actuarial valuation basis and paid in to a Trust created with and for this purpose through the group schemes of Life Insurance Corporation of India.

11) Taxes on Income:

- a) Current Tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- b) Deferred Tax is recognized on the timing differences – being differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets subject to the consideration of prudence are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realized.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

12) Provisions, Contingent Liabilities and Contingent Assets:

- a) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events – it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation.
- b) Contingent Liabilities are not recognized but are disclosed in the Notes.
- c) Contingent Assets are neither recognized nor disclosed in the financial statements.

Net Profit:

- d) Net Profit is arrived at after accounting for the following “Provisions and Contingencies” :

Depreciation and amortization on Investments

Provision for Taxation including Income Tax & Deferred Tax

Provision for Loan losses

Provision for Standard Assets

Provision for NPAs

Other usual and necessary provisions

13) Earnings per Share:

Basic and Diluted earnings per equity shares are reported in accordance with Accounting Standard – 20 – Earnings per Share notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

Basic earnings per equity share have been computed by dividing Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per equity share is computed by dividing the Net profit after Tax for the year by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

SCHEDULE 18 : NOTES ON ACCOUNTS

I. Capital

S.No	Particulars	31-Mar-2022	31-Mar-2021
i)	Common Equity Tier 1 capital ratio (%)	20.42	20.42
ii)	Tier 1 capital ratio (%)	20.42	20.42
iii)	Tier 2 capital ratio (%)	0.85	0.42
iv)	Total capital Ratio (CRAR) (%)	21.27	20.84
v)	Percentage of the shareholding of the Government of India in public sector banks	-	-
vi)	Amount of Equity capital raised	-	-
vii)	Amount of additional Tier 1 capital raised; of which PNCPS and PDI:	-	-
viii)	Amount of Tier 2 capital raised: Of which Debt capital instrument and Preference share capital instruments:	-	-

II) a. Investments

(Rs. in Lakhs)

Particulars	31-Mar-2022	31-Mar-2021
1. Value of Investments		
a) Gross Value of Investments		
i) In India	8527.49	6009.41
ii) Outside India	-	-
b) Provision for Depreciation		
i) In India	-	-
ii) Outside India	-	-
c) Net Value of Investments		
i) In India	8527.49	6009.41
ii) Outside India	-	-
2. Movement of provisions held towards Depreciation on investments		
i) Opening Balance	-	-
ii) Add: Provision made during the year	-	-
iii) Less: provisions reversed during the year	-	-
iv) Closing Balance	-	-

b. Repo Transactions : Bank does not deal in any repo transaction.

c. Non SLR Investment Portfolio:

i) Issuer composition of Non SLR investments

Sl.No	Issuer	Amount	Event of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	Others (mutual funds)	-	-	-	-	-

The Bank has no outstanding balances under Non SLR category as on March 31, 2022.

(ii) Non performing Non-SLR investments: NIL

d) Sale and transfers to/from HTM category

a) During the Financial year, The Bank has shifted securities having aggregate book value of Rs.1544.79 lakh (Face value of Rs.1500 lakh) from HTM category to AFS category with due approval from the Board, as allowed by RBI.

S.No	Date of purchase	Name of Security	Units	Purchase Price	Face Value in lakh	Purchase Value in lakh	Date of Maturity	Net Book Value in Rs.	Market rate as on 26-5-2021	Market Value
1	10-Apr-17	7.68% GOI 2023	500000	103.20	5,00,00,000	5,15,85,000	15-Dec-23	5,06,02,820	107.13	5,35,65,000
2	28-Apr-20	6.80% OD SDL 2025	500000	102.50	5,00,00,000	5,12,65,000	29-Jan-25	5,09,74,422	103.41	5,17,02,750
3	29-Apr-20	7.83% GJ SDL 2026	500000	107.04	5,00,00,000	5,35,20,000	13-Jan-26	5,29,01,748	106.90	5,34,49,150
Total					15,00,00,000	15,63,70,000		15,44,78,990		15,87,16,900

Book value of the above securities held in HTM category was Rs.15.45 crore and is more than 5% of the book value of total investment. These securities have been shifted to AFS category after obtaining due approval from the Board. Since the Market value of these securities is Rs.15.87 crore, which is more than the Book value, no provision has been made.

iii. DERIVATIVES:

The Bank does not deal in any derivatives products.

iv. ASSET QUALITY

i) Non-Performing Asset

	Item	31-Mar-2022	31-Mar-2021
(i)	Net NPAs to Net Advances (%)	0.00	0.29
(ii)	Movement of NPAs (Gross)		
(a)	Opening Balance	528.15	563.18
(b)	Additions during the year	192.81	216.21
(c)	Reduction during the year	180.39	251.24
(d)	Closing Balance	540.57	528.15
(iii)	Movement of Net NPAs		
(a)	Opening Balance	69.63	166.32
(b)	Additions during the year	-45.27	-55.29
(c)	Reduction during the year	24.36	41.39
(d)	Closing Balance	0.00	69.63
(iv)	Movement of Provision For NPAs		
	(excluding provisions on standard assets)		
(a)	Opening Balance	458.52	396.86
(b)	Provision made during the year	238.08	271.51
(c)	Write-off/Write -Back of excess provisions	156.03	209.85
(d)	Closing Balance	540.57	458.52

ii) Loan Assets subjected to Restructuring / Rescheduled

The Bank has not rescheduled/ restructured any loan either during the current year or during the previous year.

iii) Details of financial assets sold to Securitization / Reconstruction Company

The Bank has not sold any financial assets to Securitization / Reconstruction Company during current year or the previous year.

iv) The Bank has neither sold nor purchased any non performing financial assets during the current year or previous year.

v) Provisions on Standard Advances:

Particulars	31-Mar-2022	31-Mar-2021
Provisions towards Standard Advances	147.34	99.84

V) Business Ratios :

Particulars	31-Mar-2022	31-Mar-2021
Interest income as a percentage to Working Funds	13.70	13.94
Non-Interest income as a percentage to Working Funds	2.97	3.38
Operating Profit as a percentage to Working Funds	4.60	4.25
Return on Assets (%)	2.74	2.06
Business (Deposits plus advances) per employee (Rs. in lakh)	197.36	166.40
Net Profit per Employee (Rs. in lakh)	3.49	2.10

VI) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities

(Rs. in Lakhs)

Head	Next Day	2-7 Days	8-14 Days	15-28 Days	29-Days and Upto 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 and Upto 3 Years	Over 3 and Upto 5 Years	Over 5 Years	Total
Deposits	293.99	636.07	902.79	669.40	2,227.24	3,077.71	6,387.11	20,243.52	1,239.81	1,372.71	37,050.35
Loans & Advances	675.32	779.63	348.53	101.91	5,764.84	3,356.88	5,864.40	10,554.51	518.03	756.88	28,720.92
Investments	150.00	-	-	350.00	1,138.49	1,449.33	1,609.88	1,321.73	1,948.37	5,194.98	13,162.79
& FDR Borrowings											
Foreign Currency Assets											
Foreign Currency Liabilities											

VII) Exposures :

a) Exposure to Real Estate Sector

The Bank has provided housing loans, which are fully secured by mortgage on residential property that is or will be occupied by the borrowers or that is rented and are classified under priority sector. The loans given to commercial real estate are classified as Non priority sector loans.

(Rs. in Lakhs)

S.No	Category	31-Mar-2022	31-Mar-2021
a)	Direct exposure		
i.	Residential Mortgages		
	Priority Sector	465.73	398.41
	Non Priority Sector	293.83	214.58
ii.	Commercial Real Estate		
	Priority Sector	88.13	88.10
	Non Priority Sector	131.19	152.50
iii.	Investments in Mortgage Backed Securities (MBS) and other securitized exposures:	-	-
	a. Residential b. Commercial Real Estate.		
b)	Indirect Exposure		-
	Total Exposure to Real Estate Sector	978.88	853.59

b) Exposure to Capital Market

The Bank has not made any investment in capital market.

- c. The Bank has not made any investment in shares/debentures, PSU Bonds and Commercial Papers, as such the investment exposure of the Bank is NIL.

d. Risk category wise Country Exposure

The Bank does not have any overseas operations; hence there is no risk of country exposure.

e. Details of Single Borrower Limit / Group Borrower Limit exceeded

The Bank has not exceeded the prudential exposure limit in the case of single borrower or Group borrower during the current year / previous year.

f. Unsecured Advances

An Unsecured loan is a loan that is not backed by any security, either primary or collateral. It is a loan that is issued and supported only by the borrower's creditworthiness, Joint Liability, Group Pressure, etc., rather than by some sort of collateral. The unsecured advances breakup is as under:

(Rs. in Lakhs)

Particulars	31-Mar-2022	31-Mar-2021
Agri Investment Loan	-	0.50
NFS – Micro Enterprises Loan	-	0.15
General Purpose Loans	949.50	888.91
Personal loan to staff	0.43	3.38
Festival advance loan to Staff	18.30	19.03
Staff Clean over Draft	540.37	483.10
Total	1508.60	1395.07

viii. i) Amount of Provision made for Income Tax during the year:

Particulars	31-Mar-2022	31-Mar-2021
Provision for Income Tax – Current	404.97	285.39
Provision for Tax – Earlier years	-	67.36

ii) Penalties imposed by RBI: NIL**ix. Additional Disclosures:**

Provisions & contingencies:

a) The details of provisions debited to Profit and Loss Account

(Rs. in Lakhs)

Particulars	31-Mar-2022	31-Mar-2021
Provision for Non-Performing Assets	167.33	219.85
Provision for Bad debts	0.08	-
Provision towards standard assets	47.50	29.00
Provision for taxation including deferred tax	404.97	285.39
Provision for Tax – Earlier years	-	67.36
General Provision on SMA accounts as per RBI directives	-	40.00
Total	619.88	641.60

- b) The Bank was not having any floating provisions at the end of the financial year 2021-22 and has not made any additional or drawdown the provision during the current year.
- c) During the year the bank has not drawn down any reserves made in earlier years.

a. Complaints

Complaints	31-Mar-21		31-Mar-22	
	ATM Complaints	Others Complaints	ATM Complaints	Others Complaints
Number of complaints pending at the beginning of the year	NIL	NIL	NIL	NIL
Number of complaints received during the year	71	NIL	82	NIL
Number of complaints redressed during the year	71	NIL	82	NIL
Number of complaints pending at the end of the year	NIL	NIL	NIL	NIL

- b. No awards were passed by the Banking Ombudsman against the Bank during the current year.
Bank, being a non-scheduled Bank, does not come under the purview of Banking Ombudsman or under Right to Information Act.
- d) The Bank has not issued any Letter of Comfort (LOCs) during the current year.
- e) The Provision Coverage Ratio stood at 100% as at the end of March 22 Vs 86.82% at the end of March 21.
- f) The Bank has not undertaken any bancassurance business.
- g) Claims against the Bank not acknowledged as debts :**
The amounts shown under contingent liabilities as on 31st March 2022 are as under:

(Rs. in Lakhs)

S.No.	Particulars	Contingent Liability	
		Amount as on 31.03.2022	Amount as on 31.03.2021
1	Un-Claimed deposits	20.70	14.40
	Total	20.70	14.40

x. Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits:

Particulars	31-Mar-2022	31-Mar-2021
Total Deposits of twenty largest depositors (Rs in Lakhs)	3538.78	2384.17
Percentage of Deposits of twenty largest depositors to Total Deposits	9.55%	7.42%

b) Concentration of Advances:

Particulars	31-Mar-2022	31-Mar-2021
Total Advances of twenty largest borrowers (Rs in Lakhs)	670.46	639.19
Percentage of Advances of twenty largest borrowers to Total Advances	2.29%	2.60%

c) Concentration of exposures:

Particulars	31-Mar-2022	31-Mar-2021
Total Exposure of twenty largest borrowers (Rs in Lakhs)	777.06	770.57
Percentage of Exposures of twenty largest borrowers/customers to Total Exposure on borrowers/customers	1.95%	3.07%

d) Concentration of NPAs:
(Rs. in Lakhs)

Particulars	31-Mar-2022	31-Mar-2021
Total Exposure of Top four NPA accounts	161.00	158.81

e) Sector-wise Advances:
(Rs. in Lakhs)

S.No.	Sector	2021-22			2020-21		
		O/S Total Advance	Gross NPA	% of Gross NPA to Total Advances in that sector	O/S Total Advance	Gross NPA	% of Gross NPA to Total Advances in that sector
A	Priority Sector						
1	Agriculture & allied activities	8,116.87	133.80	1.65	5,411.99	149.29	2.76
2	Industry (Micro & small, Medium and Large)	10,402.82	261.90	2.52	4,930.06	248.51	5.04
3	Services	553.86	94.77	17.11	486.51	92.93	19.10
4	Personal Loans	-	-	-	-	-	-
	Sub Total -(A)	19,073.55	490.47	2.57	10,828.56	490.73	4.53
B	Non Priority Sector						
1	Agriculture & allied activities	-	-	-	-	-	-
2	Industry (Micro & small, Medium and Large)	4,000.00	-	-	7,250.00	-	-
3	Services	6,169.20	49.74	0.81	6,513.81	37.06	0.57
4	Personal Loans	18.74	0.36	1.92	22.41	0.37	1.63
	Sub Total -(B)	10,187.94	50.10	2.73	13,786.22	37.42	0.27
	Total (A) + (B)	29,261.49	540.57	1.85	24,614.78	528.15	2.15

During the FY 2021-22, Bank sold Priority Sector Lending Certificates (PSLCs) for a value of Rs.40.00 crore against Rs.72.50 cr in FY 2020-21 and Bank earned a commission of Rs.93.25 lakh in FY 2021-22 against a commission of Rs.96.38 lacs earned in FY 2020-21

f) Movement of NPAs:
(Rs. in Lakhs)

Particulars	Amount
Gross NPAs as on April 1, 2021	528.15
Additions (Fresh NPAs) during the year	192.81
Sub-total (A)	720.96
Less: (i) Upgradations	-
(ii) Recoveries (excluding recovery made from upgraded Accounts)	50.95
(iii) Write-offs (including compromises approved)	129.44
Sub-total (B)	180.39
Gross NPAs as on March 31, 2022 (A-B)	540.57

g) Overseas Assets, NPAs and Revenue

The Bank does not have any overseas operations.

xi. Off-balance Sheet Sponsored

The Bank has not sponsored any off balance sheet item.

xii. Un-amortized Pension and Gratuity Liabilities - NIL

xiii. Intra-Group Exposures – NIL

xiv. Transfers to Depositor Education and Awareness Fund (DEAF) :

(Rs. in Lakhs)

Particulars	2021 - 22	2020 - 21
Opening balance of amounts transferred to DEAF	14.40	12.21
Add: Amount transferred to DEAF during the year	6.29	2.19
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	20.69	14.40

Disclosure Requirements as per Accounting Standards:

a) Effect of changes in Accounting Policies : NIL

b) Accounting Standard – 9: Revenue Recognition:

Revenue and Expenditure have been generally accounted for on Accrual Basis

c) Accounting Standard– 15: Employee Benefits:

Provision has been made for employee benefits viz. Gratuity (as applicable to the Bank) in accordance with the Revised Accounting Standard – 15. The liability of Gratuity was considered as per the statutory norms based on actuarial valuation and paid into a Trust created for this purpose, through the group schemes of Life Insurance Corporation of India.

This is in compliance with the Revised Accounting Standard–15 on Employee Benefits notified by the Institute of Chartered Accountants of India.

d) Accounting Standard – 17 : Segment Reporting:

Part A: Business segments:

(Rs. in Lakhs)

Business Segments	Treasury		Corporate/Whole sale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	799.64	658.20			4,556.22	3,893.73	1,134.61	969.65	6,490.47	5,521.59
Result										
Unallocated Expenses									4,698.93	4,165.06
Operating Profit									1,791.55	1,356.53
Provisions and Contingencies (Excluding tax)					214.91	288.85			214.91	288.85
Income Tax									404.97	352.75
Deferred Tax liability / Asset									-	-
Net Profit									1,171.67	714.93
Other Information										
Segment Assets	13,162.79	11,378.21			29,261.49	24,614.78			42,424.28	35,992.99
Unallocated Assets									4,227.55	3,557.33
Total Assets									46,651.83	39,550.33
Segment Liabilities					37,050.35	32,129.16			37,050.35	32,129.16
Un allocated Liabilities									9,601.48	7,421.16
Total Liabilities									46,651.83	39,550.33

Part B : Geographic segments

(Rs. in Lakhs)

	DOMESTIC		INTERNATIONAL		TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	6,490.47	5,521.59	-	-	6,490.47	5,521.59
Assets	46,651.83	39,550.33	-	-	46,651.83	39,550.33

e) Accounting Standard – 18 : Related Party Disclosures

(Rs. in Lakhs)

Items / Related Party	Parent (As per Ownership or control)	Subsidiaries	Associates / Joint ventures	Key Management Personnel	Relatives of Key Management Personnel	TOTAL
Rendering of Services				56.63		56.63

The details of remuneration of Key Management Persons of the Bank are appended hereunder:

(Rs. in Lakhs)

Sl No	Name	Date of Joining	Designation	Remuneration	
				2021-2022	2020-2021
1	Mr Donepudi Durga Prasad	06-07-2017	Managing Director	27.50	30.31
2	Mr J Murali Krishna	06-06-2019	General Manager & Chief Financial Officer	15.38	12.00
3	Mr P A Patnaik	01-01-2011	Company Secretary	13.75	12.38
			Total	56.63	54.69

f) Accounting Standard – 21 : Consolidated Financial Statements :

The Bank does not have any Subsidiaries, Joint Ventures or Associates. Hence, Consolidated Financial Statements are not prepared.

g) Accounting Standard - 22 : Accounting for Taxes on Income :

Deferred tax Asset arising on account of timing difference between financial statements and taxation statements have been recognized as per the procedure prescribed in Accounting Standard -22 issued by ICAI. The detail of components of Deferred Tax Asset / (Liability) are shown below for the Year ended 31.03.2022

(Rs. in Lakhs)

Particulars		Deference in Exp.	Deferred Tax as at 31.03.2022
Deferred Tax Liability			
Depreciation as per Books	97.49		
Deferred Tax Asset			
Depreciation as per Income Tax Act	97.82	0.36	0.08
Deferred Tax Asset at the beginning of the year			25.65
Net Deferred Tax Asset as on March 31, 2022			25.57

h) Accounting Standard -23: Accounting for Investments in Associates in Consolidated Financial Statements:

This Accounting Standard is not applicable since the Bank has no Associates

i) Accounting Standard -24: Discontinuing Operations

This accounting Standard is not applicable since the Bank did not close any of its branches/activities during the year.

j) Accounting Standard 25: Interim Financial Reporting

Bank is preparing and presenting half yearly financial statements as per guidelines prescribed by Reserve Bank of India

k) Accounting Standard – 28: Impairment of Assets

In the opinion of Bank's Management, there is no impairment to the assets during the year to which Accounting Standard – 28 – Impairment of Assets applies.

l) Accounting Standard – 29: Description of Contingent Liabilities:

1. Claims against the Bank not acknowledged as debts – NIL
2. Other items – An Amount of Rs.20.69 Lacs is transferred to Depositor Education and Awareness Fund (DEAF) of which Rs.6.29 lacs pertains to the financial year 2021-22

The previous year's figures have been re-grouped / re-classified wherever necessary to make them comparable with the current year's figures.

Wherever certain items are not relevant or applicable to the bank, the same have been omitted.

for ASK & Co.

Chartered Accountants

Firm Regn. No. 013735S

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 22233858AJCUTF5931

Sd/-
S M Farooque Shahab
Director and
Part Time Chairman
(DIN 09214092)

Sd/-
Durga Prasad Donepudi
Managing Director
(DIN 07031463)

For and on behalf of Board of Directors

Sd/-
Narsi Reddy Vangala
Director
(DIN 08685359)

Sd/-
J Murali Krishna
General Manager &
Chief Financial Officer

Sd/-
Geetha Mikkilineni
Director
(DIN 02743437)

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: May 17, 2022

Audited Financial Statements as on March 31, 2022

Other Disclosures

A. Capital

(a) CRAR

Particulars	31-03-2022	31-03-2021
CRAR	21.27%	20.84%
Core CRAR	20.42%	20.42%
Supplementary CRAR	0.85%	0.42%

(b) The bank has not raised any subordinated debt during the current year / previous year.

(c) Risk weighted assets

(Rs. in Lakhs)

Particulars	Total Assets	Risk weighted Assets
Risk weighted assets - On Balance sheet items	46669.30	28501.75

The Bank does not have any investment from foreign holdings (Foreign Institutional Investors, Foreign Companies, Foreign Financial Institutions, NRIs, Overseas Corporate Bodies etc.) as on March 31, 2022

(d) Shareholding pattern as on March 31, 2022

S.No	Particulars	% of holding
1	Corporates	24.67
2	Individuals	75.33
	Total	100.00

B. Asset quality and credit concentration

a) Net NPAs to net loans and advances

Particulars	31-Mar-2022	31-Mar-2021
Net NPAs to net loans and advances	0.00%	0.29%

b) Net NPAs under the prescribed asset classification categories as on March 31, 2022.

(Rs. in Lakhs)

Category	Gross NPA	Provision	Net NPA	Percentage of provision to Gross NPA
Sub-standard	190.99	190.99	-	100
Doubtful - 1	92.05	92.05	-	100
Doubtful - 2	249.77	249.77	-	100
Doubtful - 3	7.76	7.76	-	100
Grand Total	540.57	540.57	-	100

c) Provisions made towards Standard assets, NPAs, investments and income tax

(Rs. in Lakhs)

Particulars	31-Mar-2022	31-Mar-2021
Provision for depreciation on investments	-	-
Provision for Non-Performing Assets	167.33	219.85
Provision towards standard assets	47.50	29.00
Provision for taxation	404.97	285.39
Provision for Tax – Earlier years	-	67.36
General Provision on SMA as per RBI directions	-	40.00
Other Provision	0.08	-
Total	619.88	641.60

d) Movement in net NPAs

Particulars	31-Mar-2022	31-Mar-2021
(a) Opening Balance	69.63	166.32
(b) Additions during the year	-45.27	-55.29
(c) Reduction during the year	24.36	41.39
(d) Closing Balance	0	69.63

e) Credit exposure as percentage to capital funds and as percentage to total assets, in respect of

Particulars	Credit exposure as percentage to capital funds	Percentage to Total assets
The largest single borrower	1.73%	0.22%
The largest borrower group		
The 10 largest single borrowers	8.64%	1.10%
The 10 largest borrower groups		
Total Capital funds & Assets (Rs In lakhs)	5941.87	46651.83

f) Credit exposure to the five largest industrial sectors (if applicable) as percentage to total loan assets

Particulars	Percentage to total assets
Five largest industrial sectors	---

C. Forward rate agreements and interest rate swaps

The Bank has not made any forward rate agreements and interest rate swaps during the current year / previous year.

D. Business Correspondent Operations

The Bank appointed M/s. Gram Tarang Inclusive Development Services Pvt Ltd as Business Correspondent with effect from 01-12-2019 with the approval of Board in the meeting held on 12-11-2018 and continuing as Business Correspondent for the FY 2021-22. The details of the business are as follows

Particulars	31-Mar-2022	31-Mar-2021
Deposits (Rs in lacs)	5,737	5,326
Advances (Rs in lacs)	146	193
Percentage to total Deposits	15.48%	16.57%
Percentage to total Advances	0.50%	0.78%
No of Locations	14	14

E. Disclosures on Remuneration

S No.	Particulars		Remarks		
1	Qualitative disclosures	<p>1. Information relating to the composition and mandate of the Remuneration Committee.</p> <p>2. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.</p>	<p>The Bank has Human Resource Development Committee and Nomination and Remuneration Committee of the Directors. The HRD Committee consists of five directors and the Nomination and Remuneration Committee consists of four directors.</p> <p>Scope of the HRD committee:</p> <p>To oversee the framing, review and implementation of compensation policy of the Bank on behalf of the Board. The Human Resources and Development Committee reviews all aspects of the compensation structure such as proportion of fixed component & variable component of pay etc.</p> <p>Scope of the Nomination and Remuneration Committee:</p> <p>In addition to other scopes, the scope of NRC also includes Identifying persons who may be appointed in the senior management; Recommend to the Board for the appointment of Managing Director and the remuneration payable; laying down the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board policy relating to the remuneration for the directors, key managerial personnel and other employees etc.</p>		
2	Quantitative disclosures.	Number of meetings held by the Human Resource Development Committee and Nomination and Remuneration Committee during the financial year.	Name of Committee	Current Year	Previous Year
			HRD Committee	3	4
			Nomination & Remuneration Committee	4	4

F. Disclosures relating to Securitization

The Bank has not entered into any securitization transaction during the financial year.

G. Credit default swaps

The Bank does not deal in Credit default swaps.

H. Liquidity Coverage Ratio:

Bank has been following Basel-I framework which is applicable to Local Area Banks. Hence, Liquidity Coverage Ratio is not applicable

I. Divergence in Asset Classification and Provisioning for NPAs
(Ref. RBI Cir DBR.BP.BC.No.32/21.04.018/18-19)

S.No	Particulars	Amount Rs. In '000'
1.	Gross NPAs as on March 31, 2022 as reported by the Bank	54057.17
2.	Gross NPAs as on March 31, 2022 as assessed by RBI	-
3.	Divergence in Gross NPAs (2-1)	-
4.	Net NPAs as on March 31, 2022 as reported by the Bank	-
5.	Net NPAs as on March 31, 2022 as assessed by RBI	-
6.	Divergence in Net NPAs (5-4)	-
7.	Provisions for NPAs as on March 31, 2022 as reported by the Bank	54057.17
8.	Provisions for NPAs as on March 31, 2022 as assessed by RBI	-
9.	Divergence in provisioning (8-7)	-
10.	Reported Net Profit after Tax (PAT) for the year ended 31, March 2022	117166.87
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2022 after taking into account the divergence in provisioning	-

J. Reconciliation of ATM and POS Transactions:

ATM & POS reconciliation is completed till March 31,22;

ATM pending entries summary Transaction Type	31-03-2021		31-03-2022	
	No of Tran	Amount (in lakh)	No of Tran	Amount (in lakh)
Acquirer	394	9.62	394	9.62
Issuer	717	13.20	754	14.32
On us	33	0.89	33	0.89
Total	1144	23.71	1181	24.83

POS pending entries Summary

Particulars	No of transactions	Amount
Issuer	Nil	Nil

CASH FLOW STATEMENT

(in Rs.)

Sl No	Particulars	31-March-2022		31-March-2021	
A	Cash Flow from Operating activities		20,23,21,336		35,84,27,574
B	Cash Flow from Investing activities		(25,61,89,898)		(10,76,82,287)
C	Cash Flow from Financial activities		(70,08,203)		(46,17,629)
	Net Change in Cash & Cash Equivalents		(6,08,76,765)		24,61,27,658
D	Cash & Cash Equivalents at the beginning of the year		78,18,99,035		53,57,71,377
E	Cash & Cash Equivalents at the end of the year		72,10,22,270		78,18,99,035
	Net Change in Cash & Cash Equivalents		(6,08,76,765)		24,61,27,658
A	CASH FLOW FROM OPERATING ACTIVITIES				
I	Net Profit after Taxes	11,71,66,865		7,14,93,160	
	Add : Tax Provision	4,04,97,373		3,52,75,323	
	Sub Total		15,76,64,238		10,67,68,483
	Less : Amount Transferred to Provision for leave encashment	-	-	-	-
	Sub Total	-	15,76,64,238	-	10,67,68,483
	Adjustments :-				
i	Depreciation on Fixed Assets		97,49,406		1,24,41,316
ii	Provision for NPAs(pbdd)		1,67,32,987		2,19,84,977
iii	Provision for Standard Assets		47,50,000		29,00,000
iv	Depreciation on Investments		-		-
v	Interest paid on Subordinated Debts		-		-
vi	Other Provisions				
	Provision for Restructured accounts(interest sacrifice)	-		-	
	Provision for Retired employee's Medical Bills	-		-	
	Adhoc provision for loan loss & Misc.Items /other provision	-		-	
	Provision for Contingent Liabilities	-		-	
	Floating Provision for Loan Losses	-		-	
	Deferred Tax asset for Current year / DTL	-	-	-	-
	Sub Total		18,88,96,631		14,40,94,776
	Less : Direct Taxes (Actual advance Tax paid)		3,85,00,000		2,53,00,000
	Sub Total		15,03,96,631		11,87,94,776
I	Increase in Deposits	49,21,18,427		73,71,65,198	
II	Increase /Decrease in Borrowings	-		-	
III	Increase in Advances	(46,46,71,342)		(46,43,25,245)	
IV	Increase in Other Liabilities & Provisions	3,61,43,694		(3,08,63,315)	
V	Increase/ Decrease in Other Assets	(1,16,66,075)		(23,43,839)	
	Sub Total		5,19,24,704		23,96,32,799
	Net Cash Flow from Operating Activities		20,23,21,336		35,84,27,574

Sl No	Particulars	31-March-2022		31-March-2021	
B	CASH FLOW FROM INVESTING ACTIVITIES				
I	Investment in subsidiaries and /or Joint Ventures	-		-	
II	Income Earned on Such Investment	-		-	
III	Increase in Investments	(25,18,07,375)		(11,55,31,517)	
III	Fixed Assets				
	Additions during the year	(1,26,97,513)		65,03,515	
	Deductions during the year	83,14,990		13,45,715	
	Net Cash used in Investing Activities	-	(25,61,89,898)	-	(10,76,82,287)
C	CASH FLOW FROM FINANCING ACTIVITIES				
I	Share Capital	-		-	
II	Share Premium	-		-	
III	Subordinated Bonds	-		-	
IV	Redemption of Bonds (Series -1)	-		-	
V	Interest paid on Subordinated Bonds	-		-	
VI	Dividend paid	-		-	
VII	Other Reserves	(70,08,203)		(46,17,629)	
	Net Cash Provided by (used in) Financing Activities		(70,08,203)		(46,17,629)
D	CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR				
I	Cash in Hand (including Foreign Currency Notes)	6,37,38,294		4,57,37,308	
II	Balance with Reserve Bank of India	2,94,29,532		1,97,92,032	
III	Balance with Banks and Money at call and short Notice	68,87,31,209		47,02,42,037	
	Total :		78,18,99,035		53,57,71,377
E	CASH & CASH EQUIVALENTS AT THE END OF THE YEAR				
I	Cash in Hand(including Foreign Currency Notes)	7,85,21,131		6,37,38,294	
II	Balance with Reserve Bank of India	3,87,54,532		2,94,29,532	
III	Balance with Banks and Money at call and short Notice	60,37,46,606		68,87,31,209	
	Total :		72,10,22,270		78,18,99,035

for ASK & Co.
Chartered Accountants
Firm Regn. No. 0137355

For and on behalf of Board of Directors

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 22233858AJCUTF5931

Sd/-
S M Farooque Shahab
Director and
Part Time Chairman
(DIN 09214092)

Sd/-
Narsi Reddy Vangala
Director
(DIN 08685359)

Sd/-
Geetha Mikkilineni
Director
(DIN 02743437)

Sd/-
Durga Prasad Donepudi
Managing Director
(DIN 07031463)

Sd/-
J Murali Krishna
General Manager &
Chief Financial Officer

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: May 17, 2022

Audited Financial Statements as on March 31, 2022

FINANCIAL HIGHLIGHTS

(Amount in Rs. Crore)

Particulars	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
Deposits Outstanding	196.93	181.77	218.59	247.58	321.29	370.50
Advances Outstanding	147.37	158.89	177.15	199.72	246.15	292.61
Income	38.34	36.77	37.93	46.34	55.22	64.90
Expenditure	33.05	32.52	33.63	38.98	41.65	46.98
Operating Profit (Profit before prov & contingencies)	5.29	4.25	4.30	7.37	13.57	17.92
Profit Before Tax (PBT)	4.04	3.05	3.07	5.84	10.68	15.77
Profit After Tax (PAT)	2.40	2.22	2.12	2.67	7.15	11.72
Equity (Capital + Reserves)	34.69	36.96	39.12	41.72	48.40	59.42
Total Assets at the end of the period	238.07	233.73	275.72	310.93	395.50	466.52
No Of Employees	385	371	359	350	341	336

KEY FINANCIAL INDICATORS

Particulars	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
Return on Equity (%)	7.13	6.19	5.56	6.59	15.87	21.73
Return on Avg. Assets (%)	1.02	0.96	0.85	0.91	2.06	2.74
Cost of Deposits (%)	7.57	7.09	6.98	7.36	7.24	6.85
Cost to Income Ratio (%)	77.72	82.03	82.42	75.07	61.82	57.10
Yield on Advances (%)	19.33	18.11	16.84	17.54	17.75	17.96
Average Yield on Assets (%)	16.22	15.13	14.68	15.34	15.52	15.30
Gross NPAs to Advances (%)	2.74	3.06	4.18	2.82	2.15	1.85
Net NPAs to Net Advances (%)	0.83	0.93	1.92	0.85	0.29	0.00
Provision Coverage Ratio (%)	70.18	70.19	55.07	70.47	86.82	100.00
Credit-Deposit Ratio (%)	74.83	87.41	81.04	80.67	76.61	78.98
Capital Adequacy Ratio - Tier-I Capital (%)	22.76	23.97	22.68	21.50	20.42	20.41
Capital Adequacy Ratio-including Tier-II Capital (%)	23.12	24.35	23.06	21.87	20.84	21.27
Business per Employee (Rs.in 000s)	8,942.79	9,182.15	11,023.43	12,779.73	16,640.45	19735.67
Operating Profit per Employee (Rs.in 000s)	137.43	114.47	119.9	210.47	397.81	533.20
Net Profit per Employee (Rs.in 000s)	62.37	59.81	58.95	76.16	209.66	348.71



Health Camp organised by Madhapur Branch along with Corporate office Staff



District Collector Mrs Shaik Yasmeen Basha of Wanaparthy, handing over sanction letter to borrower in the Credit Outreach Programme @ Wanaparthy



Nagarkurnool Branch won best Customer service award among all Banks in the District
Mr Vishnuvardhan Reddy BM receiving award from The District Collector Mr P. Uday Kumar



Door step collection of EMI/Deposits through HHD



BM Kamalapur Branch explaining Bank's products at customer's doorstep



Financial Literacy Programme conducted by
BM Kamalapur Branch



Formation of Joint Liability group @ Ratkal Village
by BM & Field Staff of Kamalapur Branch



Deposit Mobilisation camp by
Jadcherla Branch staff



Village Meeting at Itiga Village by
Deodurga Branch



Branch Manager addressing Senior Citizens' forum
at Kothakota, Wanaparthy Dist



Village Meeting at Sher Venkata Puram Village Near Koilakonda by
Mahabubnagar Branch



Municipal Commissioner of Vikarabad B. Sharth Chandra handing over sanction letter to a woman borrower in the Credit Outreach Programme @ Vikarabad



KBS bank at Credit Out reach Programme of Kalaburagi District, Karnataka



KBS bank at Credit Out reach Programme of Nagarkarnool District, Telangana



KBS bank at Credit Out reach Programme of Narayanpet District, Telangana



KBS bank at Credit Out reach Programme of Mahabubnagar District, Telangana



KBS bank at Credit Out reach Programme of Vikarabad District, Telangana



Corporate & Registered Office :

1-98/8 to 11/FC/501 and 1-98/8 to 11/FC/502, 5th Floor, Fortune Chambers
Image Garden Function Hall Lane, Silicon Valley, Madhapur, Hyderabad - 500 081, Telangana
Tel : 040 - 4192 3047 | www.kbsbankindia.com