PILLAR III DISCLOSURES- 30th September 2018

Ujjivan Small Finance Bank (hereinafter called "the Bank") has prepared this disclosure document in compliance with the directions of Reserve Bank of India (RBI) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. The document provides a review of key observations pertaining to the Bank's capital adequacy, credit quality, key business highlights and a review of its key risks as at 30th September 2018.

The Bank has entered its second full year of business operations. It was included in the second schedule of the RBI Act, 1934 vide a notification dated 7th September, 2017 and is therefore a Scheduled Commercial Bank. As at 30th September 2018, there were 367 Bank branches of which, 310 were full service commercial bank branches and 50 were Bank branches in Unbanked Rural Centres (URCs) including 7 Business Correspondents (BCs), a key requirement of the licensing conditions. Some of the branches in URCs are thinly staffed and offer essential banking services. Others are deemed as Qualifying URCs, defined as a branch in an unbanked area which provides complete range of banking services including an Automated Teller Machine (ATM) on the branch premise. The remaining erstwhile 95 microfinance branches as at 30th September 2018 continued to operate as asset centres, most of which are slated for conversion into Bank branches this financial year. The Reserve Bank of India (RBI), vide its letter dated 27th September 2018, has permitted the Bank to open 288 Banking Outlets (BOs), including at least 73 BOs in URCs. The Bank operated a network of 319 biometric enabled ATMs as at 30th September 2018.

The Bank provides retail banking services (which include Para- banking activities, selling life insurance and general insurance products of third party service providers, with an approval from Reserve Bank of India) to economically active poor in urban and semi urban areas. As at 30th September 2018, the Bank had successfully expanded its offerings by launching two wheeler loans and personal loans to corporate employees on a pilot basis, and had also forayed into agriculture loans through its URCs and into institutional lending. The Bank had made its first disbursement of Rs. 2500 lakhs to a Non-Banking Finance Company (NBFC) during Q2 of the financial year to commence its institutional lending book.

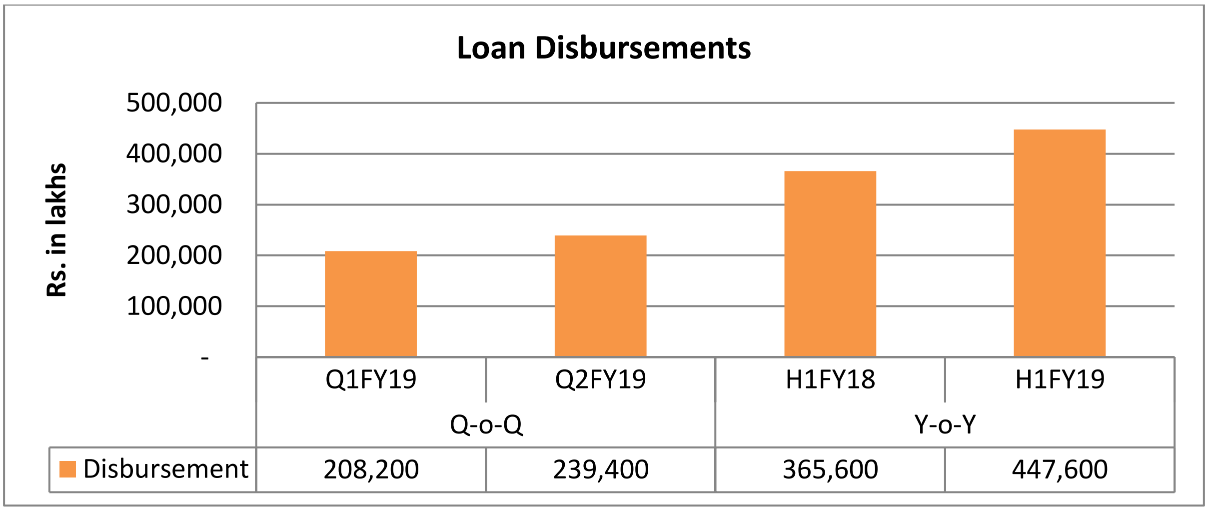
The Bank has also completed the implementation of Unified Payment Interface (UPI) and several of its existing customers have subscribed to this platform to make their remittances. Digitization of its products and services is a major initiative undertaken by the Bank. Key technology and security developments during the quarter included ground work on Enterprise Data Platform along with design of scope and technology architecture. Customer Relationship Management (CRM) capabilities have been leveraged to facilitate opening of value dated fixed deposits. The Bank has also rolled out tab based Loan Origination System (ILOS) for its Microfinance loans. A pilot was conducted to test the benefits of deploying

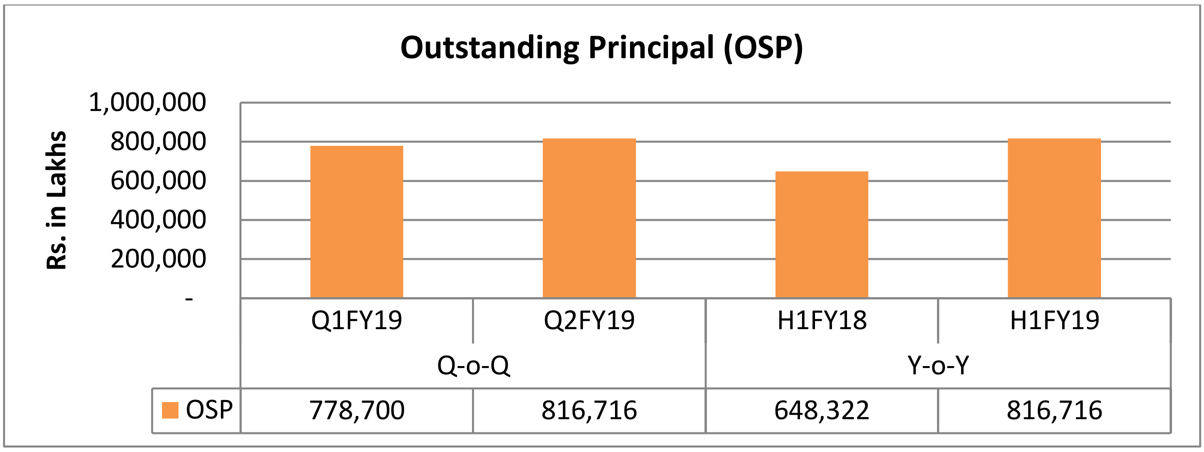
Cash Deposit Machine (CDM) in a branch. The facility of Bill Payment was made live as at 30th September, 2018 on the internet banking platform and the same is being extended to the mobile banking app. The mobile banking app of the Bank is now functional in five languages enhancing banking convenience.

The Bank has received the license to operate as an Authorised Dealer (AD)-Category II (AD-C-II) from RBI vide license- Authorized Dealer- Category II- No: 10/2018 dated 27th August 2018. With this license, the Bank is now poised to offer products and services to Non Resident Indians (NRI) and diversify its sources of customer deposits.

Key performance highlights of the Bank as at 30th September 2018:

Key Highlights	Description
Loan Portfolio	• Outstanding Principal (OSP) at Rs 8,16,716 lakhs (Rs 7,56,045 lakhs in March 2018) • Non-Microfinance book at 11% (7% in March 2018).
Deposit Balance	• Total Deposits (Retail plus Institutional) Rs. 2, 64,883 lakhs (Rs 1, 60,623 lakhs in March 2018). • CASA: 9% (4% in March 2018) • Retail: 30% (11 % in March 2018)
Customer base	• 42 lakhs unique customers and 10 lakhs liability customers
Portfolio Quality	• Gross Non-Performing Assets (GNPA): 1.88% • Net Non-Performing Assets (NNPA): 0.29% • Write offs (HY 2018-19): Rs.10,993 lakhs
Employee strength	• 13,169 employees with 84% in front-end.
Profitability	• Profit after Tax (PAT for HY 2018-19): Rs. 9,013 lakhs • Return on Assets (ROA): 1.8%
Funding	• Cost of funds: 8.5%





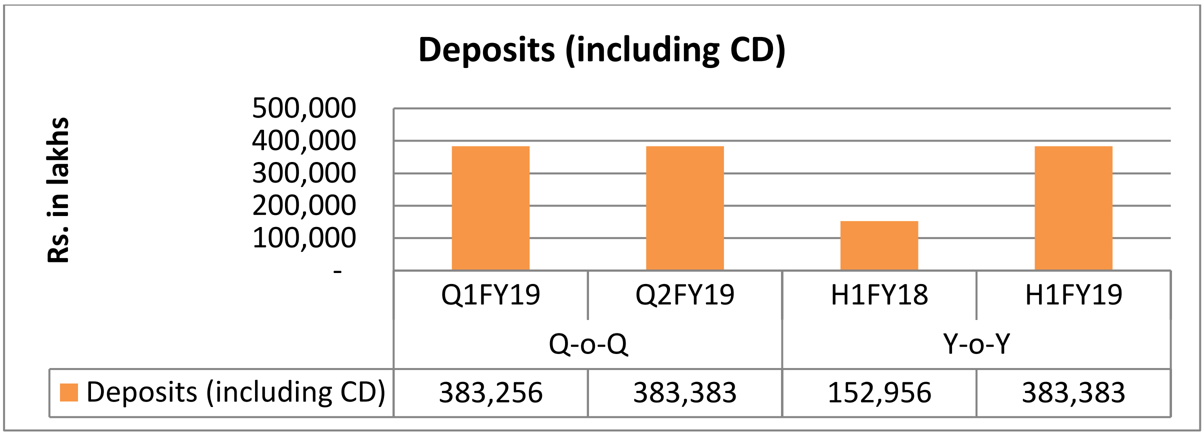


Table DF- 1: Scope of Application

1.1 Qualitative Disclosures

Parent Organization: Ujjivan Financial Services Limited (UFSL)

The disclosures in this document pertain to the Bank as a stand-alone and independent entity. The Bank does not have any subsidiary - the operating guidelines do not permit Small Finance Banks (SFBs) to have subsidiaries, nor does the Bank have any interest in any insurance entity.

1.1.1 List of group entities considered for consolidation

Name of the entity / country of incorporation	Principal activity of the entity	Total balance sheet equity	Total balance sheet assets
NIL	NIL	NIL	NIL

1.1.2 Aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation

Name of the subsidiaries/ country of incorporation	Principal activity of the entity	Total balance sheet equity	% of the Bank's holding in the total equity	Capital deficiencies
NIL	NIL	NIL	NIL	NIL

1.1.3 Aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk-weighted

Name of the insurance entities/ country of incorporation	Principal activity of the entity	Total balance sheet equity	% of the Bank's holding in the total equity / proportion of voting power	Quantitative impact of regulatory capital using risk weighting methods versus using the full deduction method
Nil	Nil	Nil	Nil	Nil

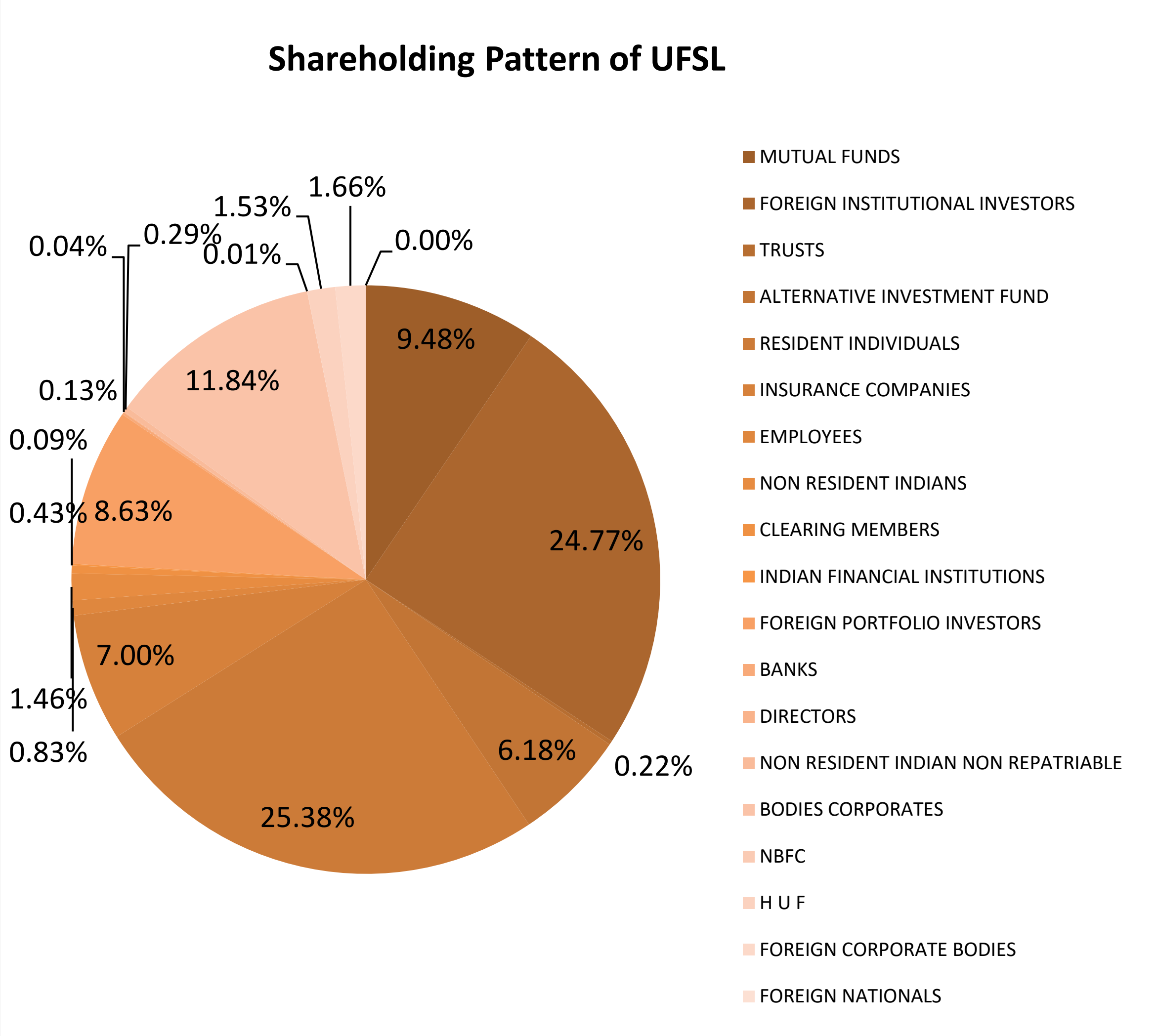
DF-2- Capital Structure

2.1 Qualitative Disclosures

2.1.1 Equity capital

The Bank has an authorized capital of Rs.1, 50,000 Lakhs in the form of Common Equity qualifying as Tier 1 capital under the guidelines of RBI. The Bank has issued, subscribed and paid up equity capital of Rs.1, 44,003 Lakhs, having 1,44,00,36,800 shares of face value Rs.10 each.

The Licensing guidelines for SFBs permit the aggregate foreign investment in a private sector bank from all sources up to a maximum of 74% of the paid-up capital (automatic up to 49% and approval route beyond 49% to 74%). By limiting foreign shareholding in the holding company to 36.81% (including NRI holdings) as at the quarter end, the Bank was compliant with RBI guidelines on SFBs. Further, in compliance with the licensing guidelines, UFSL is registered as an NBFC-Non-Deposit-taking Systemically Important - Core Investment Company – (NBFC-ND-SI-CIC) with RBI and is the non-operating holding company. The shares of the holding company are listed and are actively traded with a closing market price of Rs 247.55 as at 28th September 2018. The licensing guidelines require the Bank to list its shares within three years of reaching a net worth of Rs 50,000 lakhs. While the net worth of the Bank is in excess of this mandated figure, it is currently only in its second complete year of operation. In compliance with the guidelines of RBI, the Bank proposes to list its shares by January 2020.



The Capital Structure of the Bank is provided below:

Capital Structure- Summary of Tier I & Tier II Capital			
S. No.	**Instrument**	**Whether Tier I or II**	**Amount (Rs. in Lakhs)**
1	Equity[1]	Tier 1	1,50,000
2	PNCPS[2]	Tier 1	20,000
3	Lower Tier II Subordinated Debt	Tier 2	5,000

[1] Authorized capital

[2] Perpetual Non-cumulative Preference Shares

2.1.2 Details of PNCPS instruments

Perpetual Non-cumulative preference shares (PNCPS) can be issued by Indian banks, subject to the legal provisions, in Indian rupees and in compliance with the terms and conditions issued by RBI for qualification. A key characteristic to PNCPS is that there can be no maturity date and no step ups or other incentives to redeem with an exception to call option exercisable by the Bank not earlier than the fifth anniversary of the deemed date of allotment. The rate of dividend payable to the investors may be either a fixed rate or a floating rate referenced to a market determined rupee interest benchmark rate.

The claims of the investors in the instruments are:

- Superior to the claims of investors in equity shares;
- Subordinated to the claims of Perpetual Debt Instruments (PDIs), all Tier 2 regulatory capital instruments, depositors and general creditors of the Bank; and
- Is neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis Bank creditors.

Tier II Series name	Issue Amount (Rs. in Lakhs)	Issue date	Date of Redemption	Basel III complaint (Y/N)	Interest rate (% p.a.) (on a fixed rate basis)
PNCPS	20,000	9th Feb 2017	Perpetual	Yes	11% p.a.

In HY 2018-19, no dividend was paid by the Bank for PNCPS. During the quarter, the Bank has modified the terms and conditions of PNCPS. As per the existing Terms & Conditions (T&C), dividend for PNCPS can be paid by the Bank annually in arrears, which means that the Bank can declare preference dividend in the Board meeting that will be convened only in the next financial year (in the month of April/May-2019). The Holding Company can book dividends as income only after it is declared by the Bank's Board. To enable the Holding Company to book preference dividends during FY 2018-19, there is a need to modify the terms and conditions of the issue under intimation to RBI.

The changes will now enable the Bank to declare dividend as per the discretion of the Board considering the profits of the Bank in the given financial year. The Board is now empowered to:

(i) Declare Interim Dividend during FY 2018-19
(ii) Declare for subsequent financial years (including interim dividends) or
(iii) Declare dividend during the period between the end of the financial year and before conducting the AGM.

2.1.3. Debt Capital instruments (qualifying as Tier II capital)

2.1.3.1 Details of Subordinated debt instruments (in Lakhs)

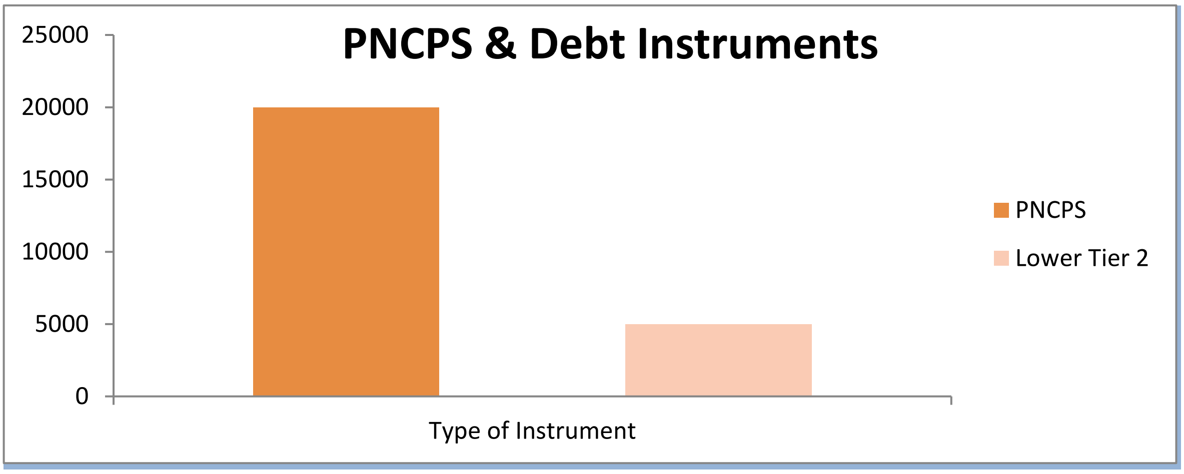
The subordinated debt capital instruments are issued as bonds / debentures by the Bank and meet the terms and conditions to qualify for inclusion as Tier II Capital for capital adequacy purposes.

These debt instruments are subjected to a progressive discount for capital adequacy purposes as they approach maturity. The interest payable to the investors can either be at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate.

The claims of the investors in instruments are:

- senior to the claims of investors in instruments eligible for inclusion in Tier 1 capital;
- subordinate to the claims of all depositors and general creditors of the Bank; and
- Is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis Bank creditors.

Tier II Series name	Issue Amount (Rs. in Lakhs)	Issue date	Date of Redemption	Basel III complaint (Y/N)	Interest rate (% p.a.) (at a fixed rate)
SIDBI Sub debt-US	5,000	29th September 2014	10th April 2020	No	15%



There has been no change to the capital structure of the Bank and the Bank has not issued any Debt instrument qualifying as Upper Tier II bonds.

Table DF- 3: Capital Adequacy

3.1 Qualitative Disclosures

The Bank has been well capitalized since inception. As required by RBI in its operating guidelines to SFBs[3], the Bank is required to adopt the Standardized approach for Credit Risk

[3] Refer RBI guidelines on Operating Guidelines for Small Finance Banks issued vide DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016

and maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 15% segregated as under:

Minimum Capital Requirement	15%
Minimum Common Equity Tier 1	6%
Additional Tier I	1.5%
Minimum Tier I capital	7.5%
Tier II Capital	7.5%
Capital Conservation Buffer	Not applicable
Counter- cyclical capital buffer	Not Applicable
Pre-specified Trigger for conversion of AT I	CET1 at 6% up to March 31, 2019 , and 7% thereafter

In comparison, as at 30th September 2018, the Bank's capital adequacy, when computed purely on the basis of risk weights for its Credit Risk exposures was 23.80% as against 23.73% as at 30th June 2018, despite the increase in Credit Risk Weighted Assets (CRWA) on account of the increase in its portfolio. This was enabled by improved profitability as at the quarter end and the progressive repayment of its legacy loans ("grandfathered loans"), which attracted higher risk-weights in view of floating charges/lien created on loans granted out of such borrowings. In terms of RBI directive, the assets under lien for ''grandfathered loans'' attract an additional risk weight of 25%. These are high cost borrowings and the aim is to have these fully repaid or prepaid to the extent feasible within the current financial year.

SFBs are not required to have a separate capital charge for Market Risk and Operational Risk for the time being in terms of an RBI communication dated 8th November 2017 marked DBR. NBD. No. 4502/16.13.218/2017-18. However, as a good governance practice, and as directed by its Board, the Bank separately computes capital charge for all the Pillar 1 risks viz. Credit, Market and Operational Risk following the Standardized Approach (SA) for Credit Risk, Standardized Duration Approach(SDA) for Market Risk and the Basic Indicator Approach(BIA) for Operational Risk. In computing capital charge for Operational Risk, the Bank has used Gross Income for the first completed year of operation, progressively increasing it each quarter, till it has a record of three completed years of operation. This necessarily implies increasing Operational Risk RWA on a quarter on quarter basis, which is cushioned by improved profitability to minimise any impact on the overall capital adequacy position of the Bank.

The Bank had submitted its first Internal Capital Adequacy Assessment Process (ICAAP) document to RBI which includes an analysis of all Pillar I and Pillar II Risks and an evaluation of capital requirement to support its projected growth in business. The validation of the ICAAP document by an independent firm of Chartered Accountants is currently under progress and is expected to be completed in the ensuing quarter.

Although, the Bank follows the Basel II guidelines for computing its capital adequacy, for its internal and regulatory reporting, it also complies with certain aspects of Basel III requirement, such as computation and maintenance of RBI prescribed minimum Liquidity Coverage Ratio (LCR) and Leverage Ratio (LR).Significantly, despite being adequately capitalized, the Bank has entered into discussions with IFC for a USD 50 million Tier 2 capital raise, tentatively aimed at completion within the current financial year. The aim of the capital raise is two- fold. First, to continue to provide the capital buffer that is required as the Bank embarks on its ambitious plan to grow its business substantially. And more importantly, to also provide for long term funding and minimise any potential asset/ liability mismatch as the Bank builds its Housing and Micro and Small Enterprises (MSE) portfolio, which have long dated tenors.

3.2 Quantitative Disclosures

The break-up of Basel II capital funds (in lakhs) as at 30th September 2018 is as follows:

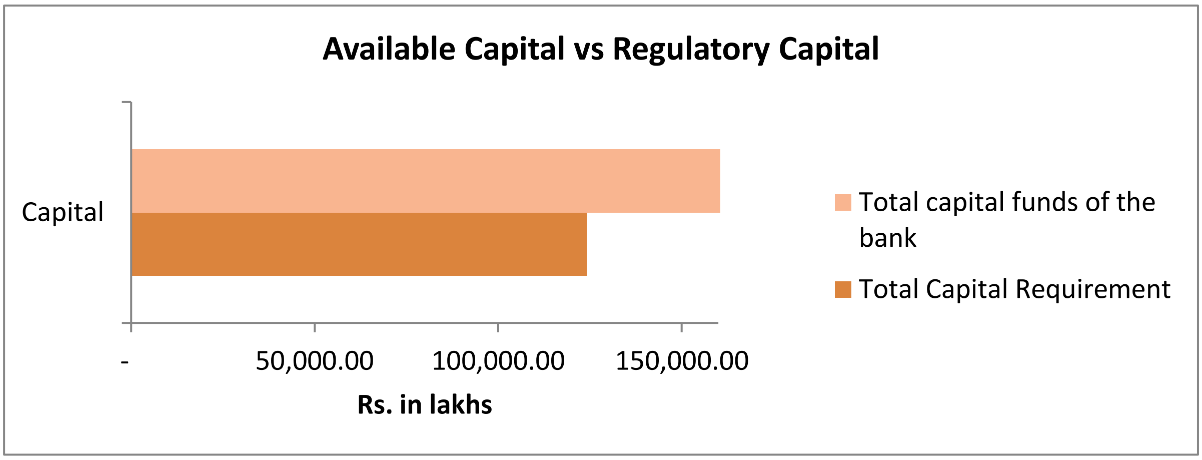
Capital Funds		
	Position as on 30th September 2018	**Amount(Rs. in lakhs)**
A	**Tier I Capital**	
A.1	Paid-up Share Capital	144,004
A.2	Reserves	9,703
A.3	Perpetual Non-Cumulative Preference Shares (PNCPS)	20,000
A.4	Minority Interest	-
B	**Deductions**	
B.1	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	-
B.2	Securitisation exposures including credit enhancements	-
B.3	Deferred Tax Assets	5,493
B.4	Good will and Adjustments for less liquid position/intangibles	8,350
C	**Net Tier 1 Capital**	159,864
D	**Tier II Capital**	
D.1	General Provisions	4,050
D.2	Upper Tier 2 capital instruments	-
D.3	Lower Tier 2 capital instruments	1,000
E	**Deductions**	
E.1	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	-
E.2	Securitisation exposures including credit enhancements	-
F	**Net Tier 2 Capital**	5,050
G	**Total Eligible Capital**	164,914

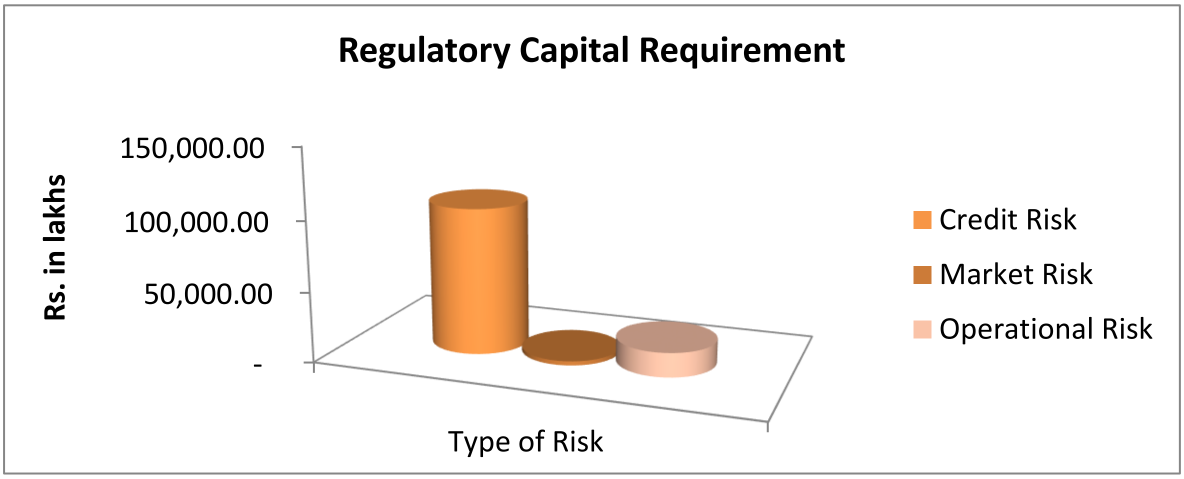
Capital Requirements for Various Risks		
Sl.No	**Capital Requirements for various Risks**	**Amount(Rs. in Lakhs)**
A	**Credit Risk**	103,957
A.1	For non-securitized portfolio	103,957
A.2	For Securitized portfolio	-
B	**Market Risk**	2,917
B.1	For Interest Rate Risk	2,917
B.2	For Equity Risk	NIL
B.3	For Forex Risk (including gold)	NIL
B.4	For Commodities Risk	NIL
B.5	For Options risk	NIL
C	**Operational Risk**	17,169
D	Total Capital Requirement	124,043
E	Total Risk Weighted Assets	944,126
F	**Total capital funds of the bank**	164,914

Basel II Ratios as at 30th September 2018 (Rs.in Lakhs)

Particulars	**Amount/Ratio(Only Credit RWA)**	**Amount/ Ratio (all Pillar 1 risks)**
Tier I Capital	1,59,864	1,59,864
Tier II Capital	5,050	5,050
Total Capital	**1,64,914**	**1,64,914**
Total RWA	**6,93,045**	**9,44,126**
Tier I Ratio	23.07%	16.93%
Tier II Ratio	0.73%	0.53%
CRAR	**23.80%**	**17.46%**

Graphical representation of capital position by reckoning *all three risks* is as below:





The movement of regulatory ratios on Credit RWA is shown as below:

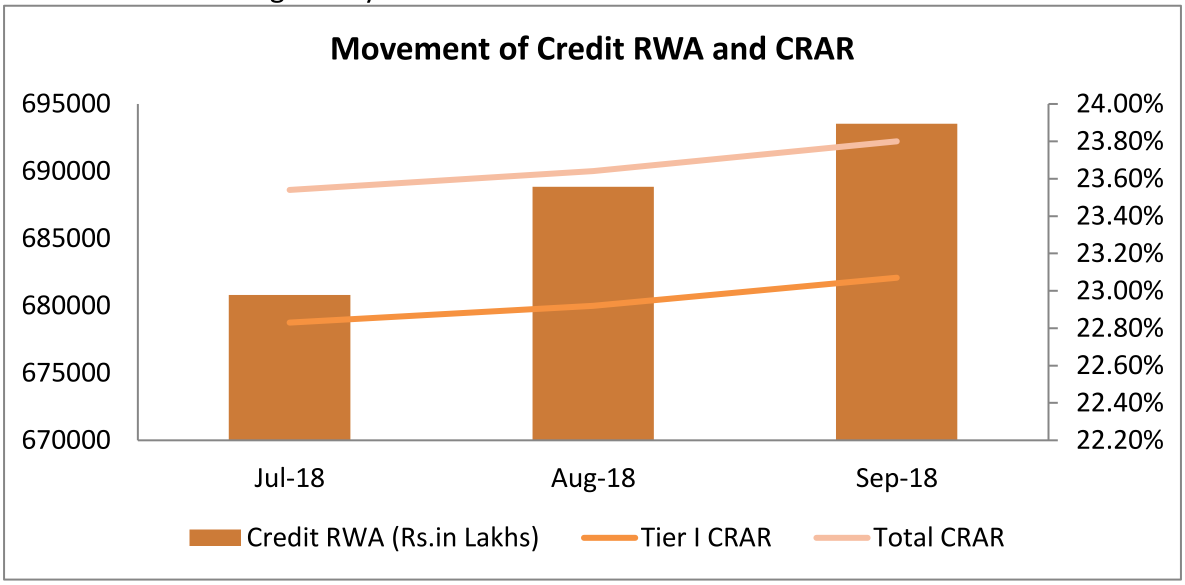


Table DF- 4: Credit Risk: General Disclosures

4.1. Qualitative disclosures

4.1.1. Definitions of past due and impaired loans

A Non-Performing Asset (NPA), as defined by the RBI, shall be a loan or an advance where-

- Interest and/or instalment remains overdue for a period of more than 90 days in respect of a Term Loan;
- The account remains out of order for 90 days
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted
- In case of advances granted for Agricultural purposes
    - The instalment or interest thereon remains overdue for two crop seasons for short duration crops
    - The instalment or interest thereon remains overdue for one crop season for long duration crops

- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006.
- In respect of derivative transactions, the overdue receivables representing positive mark to- market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

4.1.2. Provisioning norms of the Bank

The Board reviews the provisioning norms of the Bank at regular intervals to determine if any enhanced provisioning is required based on credit performance. Despite a history of low Portfolio At Risk (PAR) and delinquencies, the microfinance portfolio of the Bank is unsecured and at times of extraneous events, as at the time of demonetization, it can have a debilitating impact on the portfolio. Taking cognizance of this and especially since the microfinance portfolio comprised 88% of the loan book as at 30th September 2018, the Bank has deemed it appropriate to follow a conservative approach in its provisioning policy. This is reflected in the higher than mandated provisions in each overdue bucket.

Asset Class	Outstanding Principal (OSP)	Provision	%Provision
Standard	8,01,390	4,227	0.53%
Sub-standard	6,865	4,537	66.09%
Doubtful	6,119	6,111	99.87%
Loss	2,405	2,405	100.00%
Interest Capitalization Account	-	0	N/A
Total	8,16,778	17,280	2.12%

While the Bank provides at 0.50% on its standard asset portfolio against the RBI mandated figure of 0.40%, the Bank, under the direction of its Board, is looking to progressively increase the provision on standard assets.

4.1.3. Rescheduled loans

All loans, where the repayment terms of existing advances have been revised in order to extend the repayment period and/or decrease the instalment amount as per the borrower's request are marked as rescheduled loans. Loan rescheduling is done for genuine cases and not for technical reasons.

- Rescheduling results in immediate down-gradation of the loan, i.e. a standard loan becomes sub-standard and immediately attracts provision as per the asset classification and subsequent provisioning norms.
- If the account continues to deteriorate post rescheduling, it will slip into further lower asset classification with reference to pre-rescheduling repayment schedule and attract provisioning as per the policy.
- If a non-performing asset is rescheduled, it shall continue to have the same

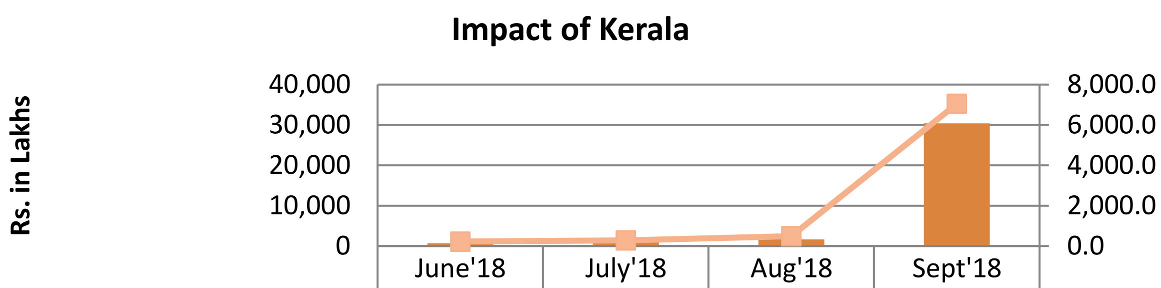
classification as prior to rescheduling and slip into further lower asset classification as per asset classification norms with reference to the pre-rescheduling repayment schedule and attract provisioning as per policy. If the account performs regularly, it will be upgraded after one year of satisfactory performance of the loan.

- As required by RBI guidelines, in each case of rescheduled loans for its MSE and Housing vertical, the Bank makes an additional provision by computing comparable NPVs for the "before" and "after" restructuring scenarios[4]. For the microfinance book, this is provided for as a percentage of the overall restructured book.

4.1.4. Rescheduling of loans in flood affected districts of Kerala

Following the devastating floods in Kerala, and in compliance with the directives of the State Level Bankers Committee (SLBC) (Kerala SLBC/61/104/GN/208), the Bank extended a repayment holiday to 22,399 accounts from 4 affected branches. In addition, the Bank made an additional provision of 5% on standard assets on holiday cases, being an incremental Rs 177 lakhs provision as at 30th September 2018. A direct impact of the Kerala floods was that PAR for the portfolio in Kerala increased from 0.79% to 35% by September end, adding Rs 5900 lakhs to the quarter. However, with improved conditions, nearly 97.5% of the customers had paid their dues in October, and 93% of the customers who had overdue in September had paid at least one instalment in October.

A pictorial presentation of the impact is given below:



	June'18	July'18	Aug'18	Sept'18
PAR > 0 Days	137.8	191.4	332.4	6,084.7
# OD Accounts (>0 Days)	1,112	1,397	2,440	35,211

Particulars	Overall	Flood Affected Branches
# of Branches	12	4
# of accounts	86,946	28,046
OSP	17400	5200
Repayment Holiday Accounts	25.5% (22,399)	79.8% (22,399)
PAR Value	5840	160

[4] Refer clause 17.4.2 of RBI guidelines on Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015.

4.1.5. Write-offs

Technical/prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of branches, but have been written off (fully or partially) at head office level. An asset (which has been fully provided for) is considered for write-off only after all recovery efforts have been exhausted The write-off policy in brief is furnished as below:

Category of loans	Write off Policy
Unsecured loans (Post Nov'16)	Can be Written off after 365 days, when it is classified as doubtful
Unsecured loans (Prior demonetization)	Can be Written off after 180 days. These are cases largely where the borrower is an intentional defaulter or abscond case or a sub lending case and have been fully provided for
Benami loan/Sub-lending/Abscond cases	Unsecured loans after 180 days Secured loans after 365 days
Secured loans	Can be Written off after 545 days
Fraud Cases *(As confirmed by the Risk and Fraud Management committee and reviewed by the Risk Committee)*	Unsecured loans after 180 days Secured loans after 365 days Any account over and above Rs. 1 lac is written off by the Managing Director (MD) and Chief Executive Officer (CEO) as defined in the Recovery Policy
Loss assets	Loss Assets can be written off after 180 days from the date of such classification, if approved by Credit Risk Management Committee of the Bank.

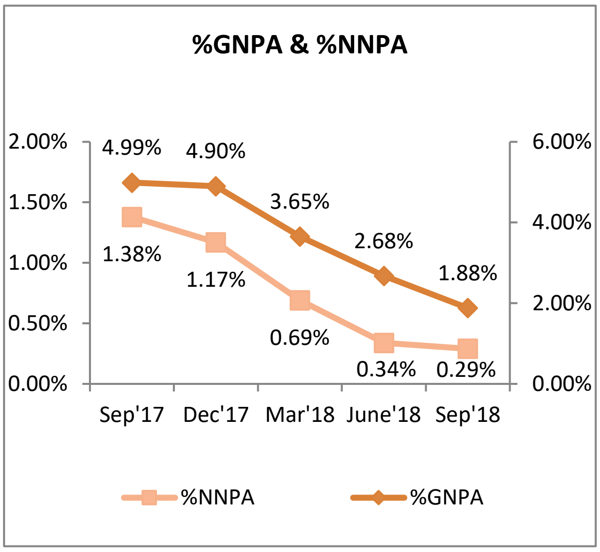
For Q2 of FY 2018-19, the Risk Management Committee has approved write-offs to the tune of Rs 10,993 Lakhs. These are advances where no recoveries have been made in the recent past. Further, the Bank is of the opinion that these advances have low probability of recovery. The trend of the last 4 quarters is given below:

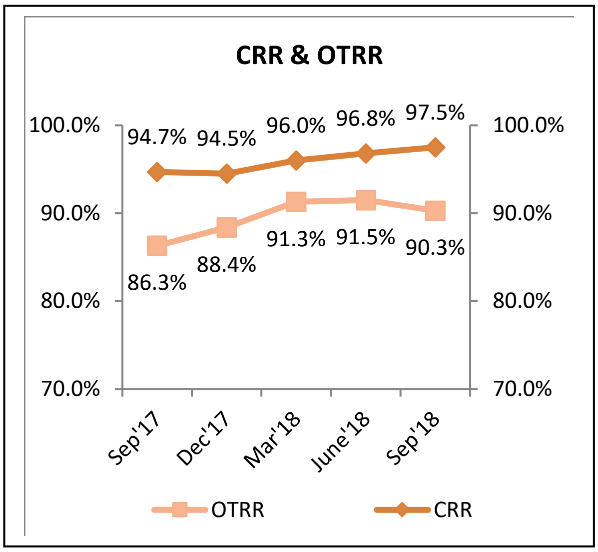
Period	Amount (Rs. in Lakhs)
Q2 of 2017-18	8,868
Q3 of 2017-18	3,305
Q4 of 2017-18	4,480
Q1 of 2018-19	5,603
Q2 of 2018-19	10,993

Total write off in the first quarter of the current financial year was higher than that in the preceding two quarters. By doing so, the Bank had effectively written off almost the total portfolio affected by demonetisation. This was a decision made by the Board after careful evaluation of the residual portfolio. With the increased write off, Gross Non Performing Assets (GNPA) as a percentage to the overall book had reduced to Rs. 15,389 lakhs (1.88%) as at 30th September 2018.

4.1.6. Credit Risk Management

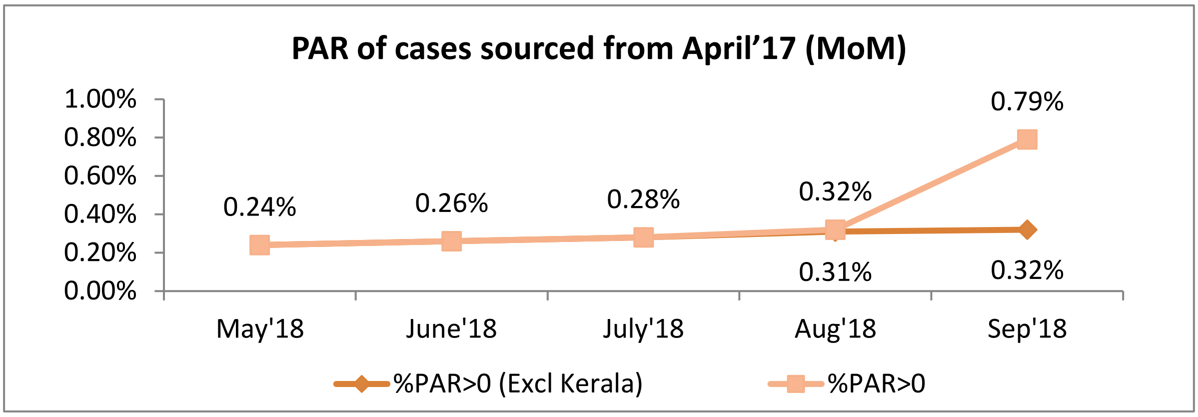
As at 30th September, 2018, Portfolio at Risk (PAR) %> 0 days had improved from 3.30% to 3.27% on account of Non-Performing Assets (NPA) recovery of ~Rs 6,000 lakhs. The Gross NPA (GNPA) had reduced to 1.88% in Q2 from 2.68% in Q1 FY 2018-19. Key risk indicators such as On Time Repayment Rate (OTRR) and Cumulative Repayment Rate (CRR) had shown encouraging trends reflecting that the overall health of the credit portfolio was very close to pre- demonetization levels.





However, incremental overdue accounts were on an increasing trend (monthly average of 7,000 cases compared to 5,000 cases last quarter) on account of holidays, floods and heavy rains.

Newly disbursed loans (12 months book) continued to exhibit robust performance (% PAR >0 days at 0.32% (without the impact of Kerala floods) as at September 2018 versus 0.39% at June 2018. The newly disbursed book experienced a spike in PAR mainly on account of the flood in Kerala.



Recovery efforts across multiple channels exhibit an encouraging trend. Provided below are the Q2 figures:

- NPA collections by collections team – Rs. 2,878 lakhs
- Collections Tele calling team conversions – Rs. 314 lakhs
- Collections through legal notices – Rs. 201 lakhs
- Settlement recovery by collections team – Rs. 295 lakhs

Changes to the credit policies were undertaken in response to changing market conditions. This included a review of ticket size offerings made by top competitors. Cycle wise loan limits were accordingly modified in select geographic states with due regard to internal performance. One of significant changes made to the Microfinance credit was the reintroduction of group guarantee in all branches for customers in 1st and 2nd loan cycles. The enforcement of group guarantee shall however be limited only up to 3 EMIs. It is the endeavour of the Bank to bring back the center meeting discipline among loan borrowers. The necessary systems and support are in place to monitor the performance of center meeting discipline.

4.1.7. Recovery Trend

NPA recovery continues to be good with a monthly average of Rs.900-1000 lakhs. Effective current FY, it is managed by a dedicated collections team within the Bank. Write off recovery is increasing quarter-on-quarter and was Rs. 325 lakhs for Q2 FY 2018-19. There is special focus being given on recovery from written off accounts.

4.1.8. Use of Collection Agents

In an effort to boost collection of dues that had been written off post demonetisation, the Bank, with the approval of Board, appointed outside collection agents in the last quarter of FY 2017-18. These were all agents that are accredited and conform to the guidelines of RBI. These agents are currently deployed in Bangalore, Nashik and Northern Uttar Pradesh.

As at 30th September 2018, there were 6 agencies with 17 agents active. The Bank had collected Rs. 54.80 lacs in this quarter through the use of Collection Agents.

4.1.9. Non-Microfinance Portfolio

The non-microfinance portfolio i.e. secured housing and MSE loans exhibited strong growth during the quarter. The portfolio OSP increased by 28% and 26% respectively. From a risk management perspective, the Bank has put in place early warning triggers at the portfolio level for Secured Housing and MSE Loans. The intended purpose is to monitor the health of the portfolio in accordance with its maturity. These triggers would help the Bank to identify incipient stress in the portfolio and any breaches in combination of triggers are checked bi-monthly and warrant an independent review by the Credit risk team.

A growth in performance of portfolio is furnished below:

4.1.10. <u>Secured Housing</u>

Rs. in lakhs

Housing Loans	OSP as at June 2018	OSP as at Sept 2018	Growth
South	12,577	16,502	31%
North	10,939	12,602	15%
East	3,928	5,271	34%
West	14,260	18,879	32%
Grand Total	**41,704**	**53,254**	**28%**

The performance of Secured housing loans has largely been satisfactory with no breaches in the internally set early warning triggers. However, during Q2, the Bank witnessed a sharp spike in PAR from North region. The North region had witnessed a spike in PAR1+ accounts from 1.54% in April 2018 to 3.74% in August 2018. Indore, Meerut and Jaipur clusters had contributed to the sharp increase in PAR1+.
The Bank had initiated necessary follow-up on the delinquent borrowers in these clusters to ensure that they are regularized at the earliest.

4.1.11. <u>Micro and Small Enterprises (MSE):</u>

Rs. in lakhs

Region	OSP as at June 2018	OSP as at Sept 2018	Growth
South	8,405	10,518	25%
North	8,443	10,318	22%
East	6,941	9,134	32%
West	4,238	5,322	26%
Grand Total	**28,028**	**35,293**	**26%**

The performance of unsecured MSE variants has been affected due to increasing rates of delinquencies. Out of the total unsecured MSE portfolio of Rs. 18,357 lakhs, Rs. 808 lakhs are in PAR30+ and Rs. 518 lakhs are in PAR90+. The Bank has pro-actively restricted new credit applications from clusters where PAR30+ thresholds are breached consistently. During the quarter, the Bank had explored/introduced the following policy changes to address this issue:

1) The performance of any cluster includes On Time Repayment Rate% and Collection

Effectiveness% as a critical parameter especially in the "up to 12 Months on Books portfolio".

2) Introduced Fixed Obligation to Income Ratio (FOIR) for Unsecured Enterprise Loans (UEL) under Banking Program;
3) Cap in existing unsecured loans incorporated in the product programs of Unsecured Business Loans and Unsecured Enterprise Loans for all New Credit Applications;
4) Cap on exposure ticket size for New to Credit (first time borrower from Industry) is currently being explored.
5) The write-off policy for MSE loans is currently being re-visited and OTS policy for unsecured and secured MSE loans are now addressed separately.

4.1.12. Agriculture and Rural Business

The newly commenced business vertical for Agriculture and Rural Business had done well and a summary of their performance is given below:

Particulars	Position as at 30th Sept 2018
QTD Disbursement	3,300
YTD Disbursement	5,100
Outstanding Principal	6,600
Ticket Size	30,588
Productivity	11.50
Deposit Balance	1,550

As at 30th September 2018, there were 28 Rural Banking Branches with 10 in the South, 15 in East, and 3 in the West. These branches provided loans and garnered deposits from its rural clientele. The composition of deposit balance as at 30th September 2018 in these rural branches was CASA (48%), and Term Deposits (52%). The Bank had launched a new Agri Group Loan Business for this business segment which was doing well with Rs 230 lakhs OSP in two months. An Agri Composite Loan product programme had been rolled out.

The Bank aims to ramp up Rural and Agri Business in Q4 with the opening of 62 outlets. There will be foray into new states such as Gujarat, Bihar and Haryana. In addition to that the Bank aims to use its existing branch network by introducing Agricultural products in semi-urban branches of West Bengal, Orissa, Bihar, Gujarat, Haryana, Karnataka and Tamilnadu. It will be a multi product strategy to include Group Loans and Individual Loans, Agri Group Loan, Agri Composite Loan, Kisan Credit Card, Two wheeler loans, Housing loans, and deposits.

4.1.13. Credit Risk Monitoring

4.1.13.1. Micro finance portfolio

For group loans (GL), area survey of 170 demonetization affected branches was undertaken by Business, Credit and Collections teams. 141 branches have resumed regular business post demarcation of non-performing areas and occupations. Similarly, under Individual Loans (IL), 159 affected branches were surveyed for Individual loans and 133 branches have resumed business.

Credit limits are set for occupation categories under each branch. No new credit application is allowed across occupations breaching the limits. These limits are monitored and revised at regular intervals based on the area survey reports, ticket size analysis and repeat loan portfolio performance of last 12 months.

In order to make informed decisions on lending, the Bank has introduced usage of Combo Credit Bureau Reports (CCR). CCR is a comprehensive credit information report which carries details of all loans taken by a borrower inclusive of microfinance loans and other retail loans. It provides a combined view of the customer's overall credit exposure and repayment behavior across all type of loans thereby helping the Bank make more informed credit decisions. With the implementation of CCR, the following changes to number of lender rule and indebtedness cap were made applicable:

Type of Customer	Indebtedness cap	Number of lender rule
Fresh Loans	Rs. 1,00,000/Rs. 80,000 as applicable	3 lender rule (Including the Bank) applicable for MFI loans only
Repeat Loans		
Only MFI or Only Retail Match	Rs. 1,00,000	Lender rule not applicable
Both MFI + Retail Match	Rs. 1,50,000	Lender rule not applicable

4.1.13.2. Housing and Micro and Small Enterprises (MSE) portfolios

Credit risk monitoring for MSE and secured Housing loans is broadly done at two levels – account level and portfolio level. While regular portfolio reviews are undertaken to assess the health of the portfolio, the Bank has also assessed inter-linkages of risks especially operational risk induced credit risk during the quarter. Documentation related processes and procedures were reviewed, modified and streamlined to achieve higher turnaround time and reduction of errors and associated risks.

4.1.14. Internal Audit

The Internal Audit process of the Bank complements the risk management function as the third line of defence. Traditionally, the focus was on audit of branch processes, with each microfinance branch being audited thrice a year. However, with its transformation into a Bank, there are newer audit processes that have been introduced with risk based internal audit proposed to commence from this financial year. The Bank commenced ISO 27001 certification processes for its IT applications in this quarter and had completed IS Audit in the last financial year.

4.2. Quantitative Disclosures

4.2.1. Exposure summary: Facility type

Exposure Type*	Domestic (Rs. in Lakhs)	Overseas
Fund- Based exposure	10,37,958.04	--
Non- Fund Based	3,618.66	--

Exposure		
Total	10,41,576.70	--

*Exposure definition as per RBI

Non fund based exposure includes undrawn limit to Overdraft customers and Contingent liabilities.

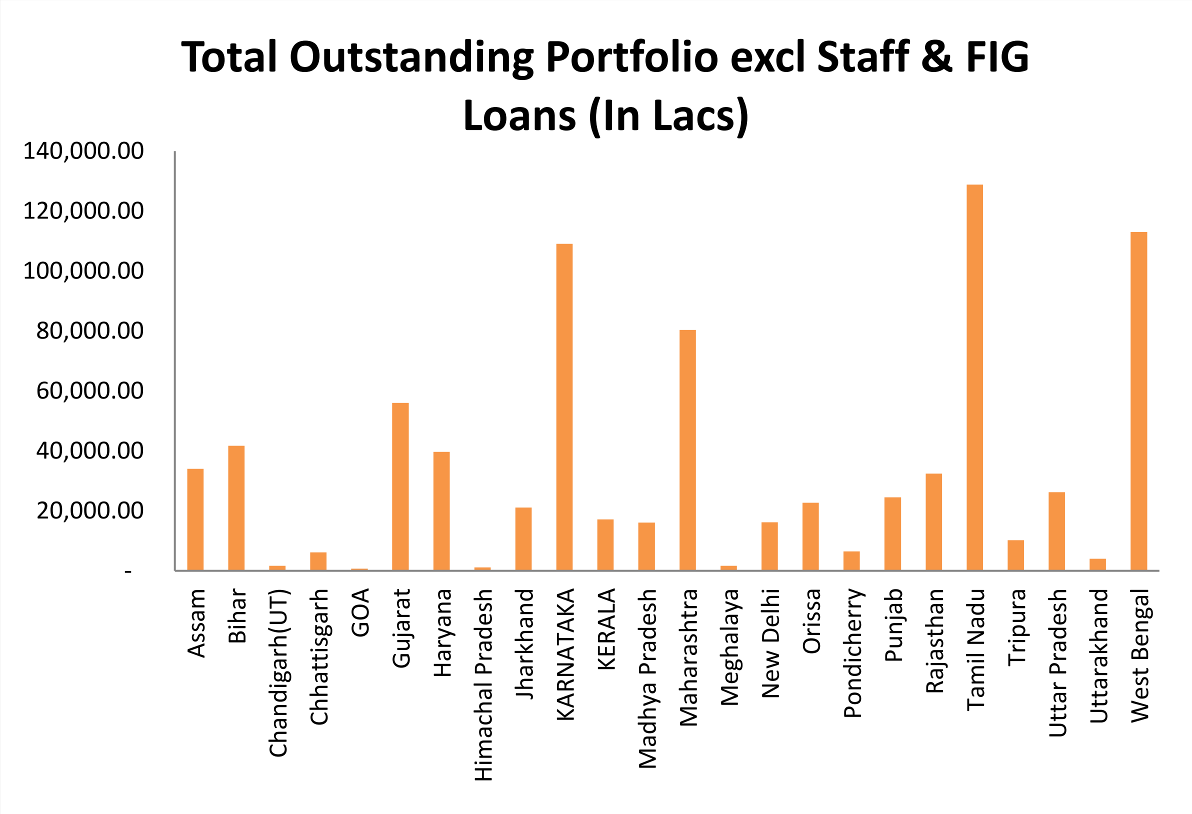
4.2.2. <u>Geographic Distribution of advances (State-wise)</u>

State	Total Outstanding Portfolio* (Rs. in Lakhs)	% Share
Tamil Nadu	1,28,795	15.87%
West Bengal	1,13,011	13.93%
Karnataka	1,09,095	13.45%
Maharashtra	80,320	9.90%
Gujarat	56,026	6.91%
Bihar	41,734	5.14%
Haryana	39,728	4.90%
Assam	33,976	4.19%
Rajasthan	32,429	4.00%
Uttar Pradesh	26,180	3.23%
Punjab	24,503	3.02%
Orissa	22,730	2.80%
Jharkhand	21,097	2.60%
Kerala	17,127	2.11%
New Delhi	16,179	1.99%
Madhya Pradesh	16,129	1.99%
Tripura	10,267	1.27%
Pondicherry	6,495	0.80%
Chhattisgarh	6,189	0.76%
Uttarakhand	4,050	0.50%
Meghalaya	1,715	0.21%
Chandigarh(UT)	1,676	0.21%
Himachal Pradesh	1,137	0.14%
Goa	747	0.09%
Grand Total	**8,11,334**	**100.00%**

***excludes Staff loans, Ujjivan Staff Personal Loans and FIG loans**

The share of microfinance advances constitutes 88.00% (i.e. Rs. 7, 31,500 lakhs) of gross advances; a significant share in the above distribution. In order to contain excess build-up of concentration risk, the Bank has designed and incorporated risk assessment framework under its Internal Capital Adequacy and Assessment Process (ICAAP) to monitor the same. For states with excess concentration, Pillar II capital charge is provided after duly factoring in the expected defaults, expected tractions and expected provisions. It is pertinent to mention that when computing capital requirement and its compliance with capital adequacy, the Bank factors in additional capital charge on account of Pillar 2 risks and also that required for stress tests on its portfolio under normal circumstances.

For MSE and secured housing loans, the Bank monitors the excess build up in concentration through prudential internal limits on higher ticket size loans. These limits are approved by Credit Risk Management Committee (CRMC) and are monitored and reported for corrective action.



4.2.3. Advances distribution by activity

Advances distribution by Activity		
S. No.	**Industry Classification**	**Fund Based (Rs. in Lakhs)**
1	Agriculture & Allied activities	96,938
2	Advances to industries eligible as PSL	34,669
3	Services	16,374
4	Personal loans	164,654
5	Housing	106,549
A	**Total Priority Sector Loans**	**419,183**
1	Agriculture and Allied activities(Non Priority)	108,516
2	Industry(Non Priority)	9,623
3	Services(Non Priority)	150,649
4	Personal loans(Non Priority)	105,994
5	Housing(Non Priority)	22,751
B	**Total Non-Priority Sector Loans**	**397,523**
C	**Gross advances**	**816,716**

4.2.4. Priority Sector Lending (PSL) Compliance

The licensing conditions for SFBs require that PSL composition of a bank's asset book is a minimum of 75% of the total portfolio. Earlier in the quarter, RBI directed that all SFBs recompute their ANBC to include also legacy borrowings to NBFCs. Legacy borrowings from banks, now grandfathered, were not included for ANBC computation under a dispensation from RBI as the lending banks had availed of PSL benefits. But the same was not the case with borrowings from NBFCs. RBI required that Bank not only recast the ANBC for the current financial year, but also as at 31st March 2017 and show compliance. In both aspects, the Bank was fully compliant.

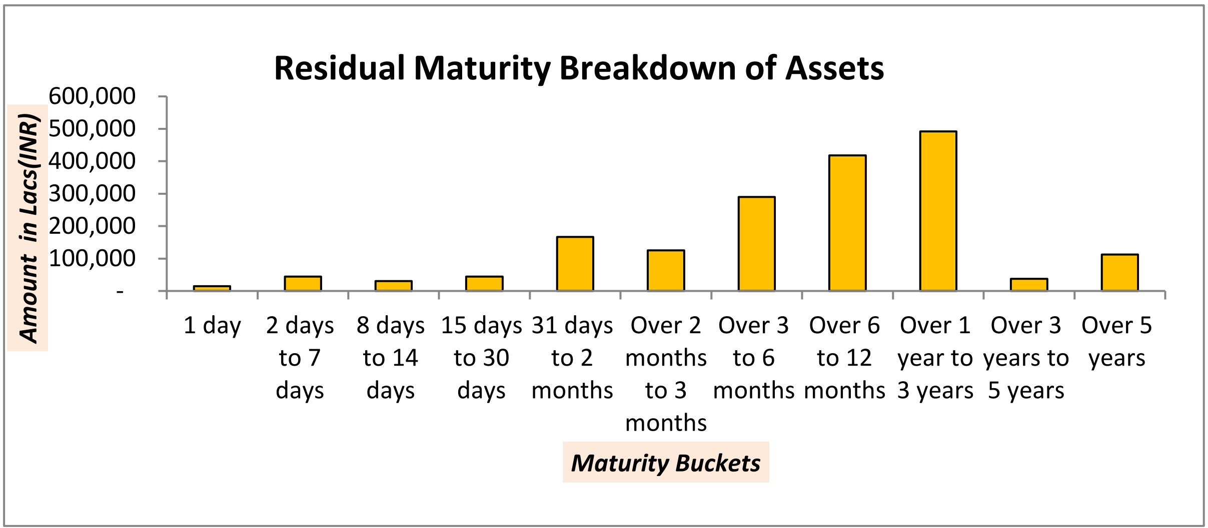
The Adjusted Net Bank Credit (ANBC) as on the corresponding date of the preceding year i.e. 30th September 2017 was revised to Rs. 4, 98,734 Lakhs. The Priority Sector lending was above the minimum requirement of 75% i.e. 84.05% (Rs. 4, 19,183 Lakhs as a percentage to ANBC). The PSL portfolio available in excess of the Bank's target was sold as Priority Sector Lending Certificate (PSLC).

4.2.5. Maturity pattern of assets and liabilities (Rs. in lakhs)

The liquidity crisis arising from default by IL&FS on its Commercial Paper (CP) obligation shut out several available funding avenues for NBFCs and resulted in widespread speculation of imminent liquidity crisis within the NBFC industry. The Bank, by virtue of its holding company structure was mistakenly perceived to be an NBFC. In addition, the crisis within the NBFC industry impacted the share price of USFL, where the only asset is the investment in the Bank's shares. The liquidity situation of the Bank was not impacted, though in the short run there was an impact on the marginal cost of funds cost. The Bank remains well-matched in case of the ALM position. A brief summary of Structural Liquidity Statement is furnished as below:

Residual contractual maturity breakdowns of assets and liabilities- position as at 30th Sept 2018

Maturity Bucket	Loans & Advances	Investment	Deposits	Borrowings	Total
1 day	1	14,000	392	-	14,393
2 days to 7 days	8,562	3,498	14,398	17,500	43,958
8 days to 14 days	18,357	4,992	3,067	3,942	30,358
15 days to 30 days	27,872	2,685	7,659	6,230	44,447
31 days to 2 months	54,787	7,454	71,552	32,373	166,166
Over 2 months to 3 months	53,796	1,277	53,171	17,341	125,585
Over 3 to 6 months	146,011	20,460	76,468	46,692	289,631
Over 6 to 12 months	247,026	3,923	90,065	76,752	417,766
Over 1 year to 3 years	183,858	13,046	101,648	193,685	492,237
Over 3 years to 5 years	12,739	3,012	322	21,172	37,245
Over 5 years	50,717	58,682	70	3,000	112,470



SLS Mismatch:

SLS	1D	2-7D	8-14D	15-30D	31D to 2M	2M to 3M	3M to 6M	6M to 1Y	1Y to 3Y	3Y+
Total Outflows	171	338	86	155	1081	724	1266	1687	2986	1987
Cumulative Outflows	171	509	595	750	1831	2555	3821	5508	8494	10481
Total Inflows	721	129	204	395	762	768	1685	2717	2116	984
Cumulative Inflows	721	849	1053	1449	2211	2978	4663	7380	9496	10481
Mismatch	549	-209	117	240	-319	44	419	1030	-870	-1003
Cumulative Mismatch	**549**	**341**	**458**	**699**	**380**	**423**	**842**	**1872**	**1003**	**0**
Mismatch %	**321%**	**67%**	**77%**	**93%**	**21%**	**17%**	**22%**	**34%**	**12%**	**0%**
RBI Limits	**-5%**	**-10%**	**-15%**	**-20%**						

As shown above, the Bank is positively matched (the cumulative inflow is greater than cumulative outflows).

It is also pertinent to mention that simulated stress situations undertaken by the Bank by applying the RBI mandated increase in the run off factors, showed that the ALM situation remained comfortable in normal stress scenarios, with only marginal mismatch in medium and severe stress situations.

4.2.6. Non-performing assets (NPA) (Rs. in Lakhs)

Category of Gross NPA	30th Sept 2018
Sub-standard	6,865
Doubtful	6,119
Loss	2,405

Total	**15,389**

Net NPA	**2,335**

NPA Ratios	Percentage
Gross NPA to Gross Advances	1.88%
Net NPA to Net Advances	0.29%

4.2.7. Movement of Gross NPA's

Particulars	Amount (Rs. In lakhs)
Opening Balance	27,592
Additions during the period	3,765
Reductions during the period	15,968
Closing Balance	**15,389**

4.2.8. Movement of Provisions for NPA's (excluding provisions on standard assets)

Particulars	Amount (Rs. in lakhs)
Opening Balance	22,499
Provisions made during the period	3,508
Write back of excess provisions	12,953
Closing Balance	**13,054**

4.2.9. Non-performing Investments (NPI)

Amount of Non-performing investments	NIL
Amount of provisions held for non-performing investments	NIL

4.2.10. Movement of provisions for depreciation on investments

Particulars	Amount
Opening Balance	--
Provisions made during the period	--
Write-off	--
Write- Back of excess provisions	--
Closing Balance	**--**

Table DF-5: Credit Risk: Disclosures for portfolios subject to the Standardised Approach

5.1. Qualitative Disclosures

a) The Bank has adopted Standardized Approach for computation of capital charge for Credit Risk as per RBI guidelines. These guidelines envisage different risk weights for different asset classes, which have been duly applied.

b) The loan book of the Bank predominantly comprised retail category loans. Therefore, the risk weights as applicable to Regulatory Retail, Claims under Residential Mortgage and staff loans were applied. For consumer loans within its microfinance portfolio, the applicable risk weight is applied

c) Institutional lending is currently risk-weighted as per ratings assigned by Eligible Credit Rating Agencies (ECRA) as prescribed by RBI.

d) The Bank has also taken into cognizance assets under lien for its "grandfathered" portfolio of legacy borrowings and applied an additional risk weight of 25% to these assets as per the specific directives by RBI to SFBs.

5.2. Quantitative Disclosures

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on 30th September 2018

Sl.No	Risk Weight	Rs. in lakhs
1	Below 100% Risk Weight	8,34,990.11
2	100% Risk Weight	1,17,213.89
3	More than 100% Risk Weight	88,838.60
4	Deductions from CRM	-
5	**Total**	**1,041,042.60**

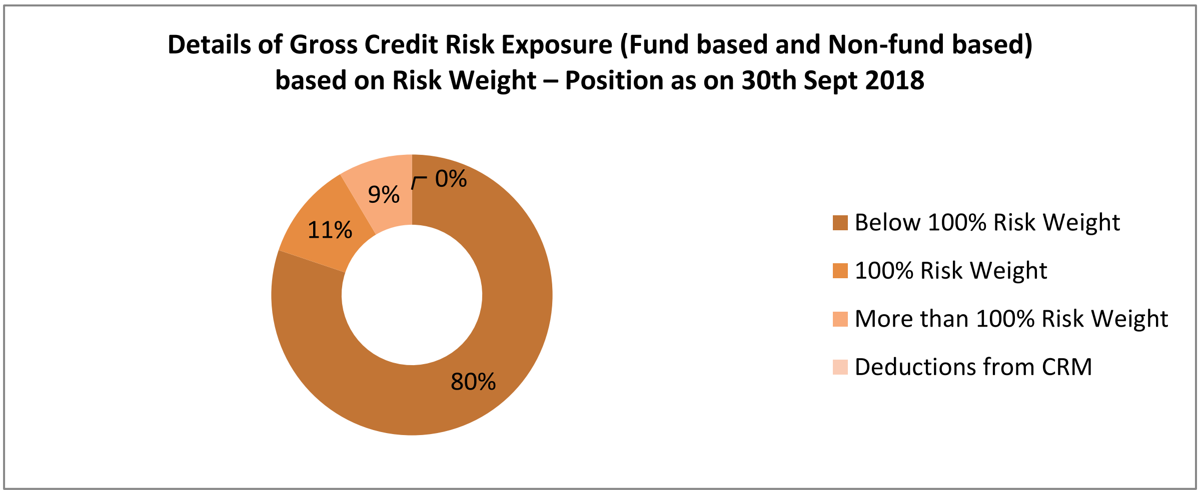


Table DF-6: Credit Risk Mitigation: Disclosures for Standardised Approach

6.1. Qualitative Disclosure

- The GL and IL portfolio, under microfinance is unsecured. Loans to the affordable housing segment are collateralized by a mortgage over the property financed. There are unsecured and secured product variants under MSE loans.

- The Bank does not accept any eligible financial collateral[5] for risk mitigation. Therefore, the Bank does not take any netting off benefit for its collateralized transactions under comprehensive approach[6] while computing its Risk Weighted Assets (RWA).
- However, the Bank has in place the following risk mitigation techniques for its loan portfolio which are as follows:
  - Life insurance cover is mandatory for all the borrowers availing of the Bank's microfinance, two wheeler and personal loans.
  - The Bank works with 4 Credit Information Companies (CICs) and ensures 100% application screening through the bureaus. RBI, vide its notification dated August 2, 2017 had directed CICs to ensure that the Customer Information Reports (CIRs) in respect of a borrower, furnished to the credit institutions, incorporates all the credit information available in all modules, e.g. consumer, commercial and MFI, etc., in respect of the borrower. The Bank is one of the first financial institutions to implement the same.
  - NPA Customers are identified and follow up is undertaken by the tele-calling team. The tele calling team updates the field recovery officer through revised Promise to Pay (PTP) dates from the borrower. Further, the Early Warning System (EWS) tool for Housing and MSE loans also enables the Bank to monitor the repayment behaviour and discipline of the borrower. This tool provides valuable insights which enable the Bank to focus more on customers deemed to be of higher risk.
  - The Bank also undertakes independent surveys and analysis to identify negative areas/No- go areas based on historical events. These surveys enable the Bank to discourage increasing business from these areas as identified above.

Table DF-7: Securitisation Exposures: Disclosure for Standardised Approach

7.1. <u>Qualitative Disclosure</u>

There were no securitization exposures in the banking book and trading book as at 30th September 2018.

[5] Refer section 7.3.5 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015

[6] Refer section 7.3 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015

Table DF- 8: Market Risk and Liquidity Risk

8.1. Qualitative Disclosures

The Bank has a well-defined Investment and Market Risk Management Policy. This policy covers all important areas of market risk measurement. The other policy which also deals with Market Risk Management is the Asset Liability Management (ALM) Policy. The policies set various prudential exposure limits and risk limits for ensuring that the operations are in line with the Bank's expectations of return through proper Market Risk Management and Asset Liability Management.

The Bank defines Market Risk as the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market process, in particular, changes in interest rates, exchange rates and equity and commodity prices.

There is minimal market risk that the Bank is required to address, given that it does not hold overnight G-Sec trading positions. During the quarter, the Bank had no holding of dated Government Securities in its AFS portfolio and hence did not have to make any provisions for adverse movements in yield.

The Bank has in place an independent Mid-office which monitors the AFS portfolio on a daily basis. Macro-economic indicators including interest rate movement and peer analysis play a vital role in the effective functioning of the Bank. Mid-Office keeps Asset and Liability Committee (ALCO) and senior management informed on the recent developments in the economy and its possible implication on the interest rate movement.

8.1.1. Liquidity Risk:

The average tenor of a microfinance loan is 18 months. The Bank has grown its portfolio of Affordable Housing and MSE portfolio, which are of longer tenor. ALM was well managed and regulatory thresholds complied with.

At commencement of operations, the Bank's book was wholly funded by borrowings from other banks. These were availed of as an NBFC- MFI and under dispensation from RBI and were classified as "grandfathered" legacy loans on the Bank's book to be progressively repaid. These legacy loans were not considered while computing the Bank's interbank borrowings, but the assets under lien, provided as book debt to the lending banks, attracted an additional risk weight of 25%. The share of legacy borrowings had reduced sharply to 5% of the borrowing mix as at 30th September 2018. These legacy borrowings were for tenors between 24 months and 36 months, and given that the microfinance loans are for an average tenor of 18 months, ALM has always been in favour of the Bank. In an effort to maintain this, till there is substantial build-up of the deposit book, the Bank has availed of refinance from SIDBI and NABARD. Other than it being cost effective, since there is no obligation to maintain Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) on these borrowings, these are also long tenor loans, thereby providing the necessary cushion for ALM.

The share of deposits showed an increasing trend during the quarter with a contribution of 35%

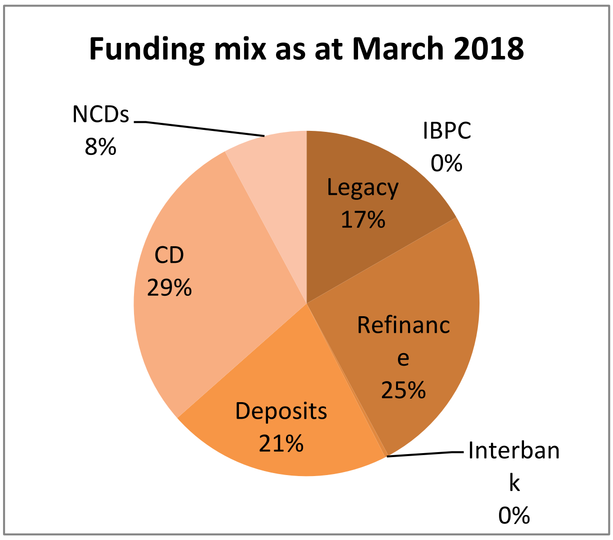
of the total funding. As part of its Contingency Funding Plan and also to diversify its funding sources, the Bank is in discussions with other banks for committed lines of credit. The accent on retail deposits will continue in the ensuing years but the Bank will simultaneously seek to grow its long term liability as an effective way to manage its Asset/ Liability maturity profile

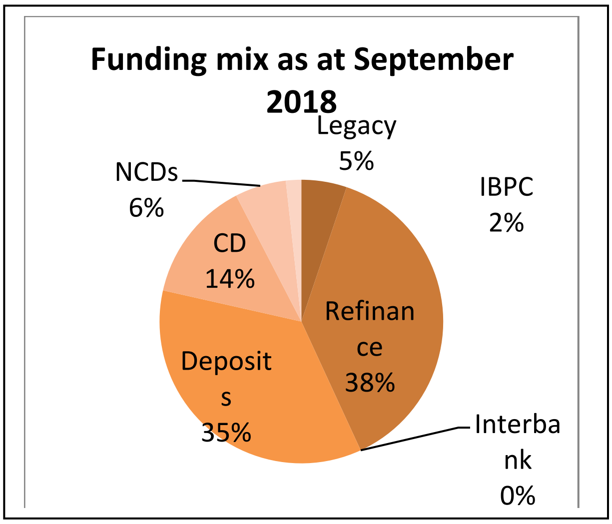
A comparative picture of the funding mix as at the quarter end is given below:

Rs. in Lakhs

Sl.No	Particulars	March 2018	June 2018	September 2018
1	Legacy	1,27,688	91,368	44,247
2	Refinance	1,95,097	2,40,597	3,24,400
3	Interbank	2,500	2,500	-
4	Deposits	1,60,623	2,05,756	2,64,883
5	CDs (< 3 Months)	1,74,700	41,000	81,000
6	CDs (> 3 Months)	45,000	1,36,500	37,500
7	NCDs	60,000	60,000	50,000
8	Securitization	-	-	-
9	IBPC	-	-	15,000
	Outstanding	**7,65,608**	**7,77,720**	**8,17,030**

The distribution of funding mix is detailed as below:



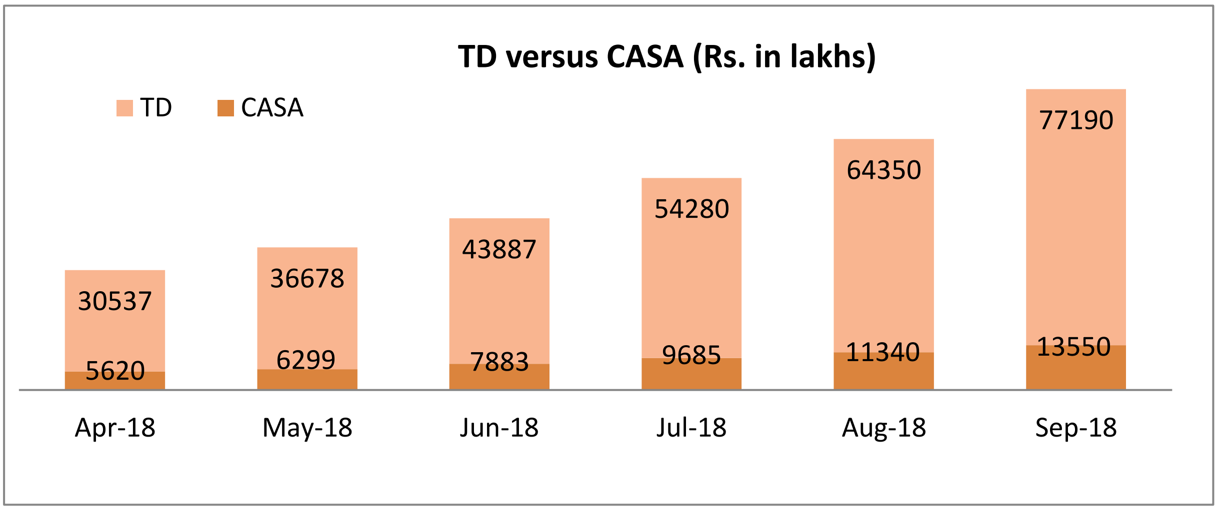


The Bank has increasingly focused on ramping up its retail deposit base. Sales Officer (SO) productivity has increased from Rs. 19 lakhs to Rs. 26 lakhs in two quarters. The Bank has also synchronized the Common Application Form for Current Account with MSE loan application forms. This will enable the Bank in reducing duplication of information and enable better turnaround time. The key highlights of retail deposits are as follows:

Particulars	As at 30th September 2018 (Rs. in lakhs)
Retail Deposit Balance	90,800

CASA	13,600
Term Deposits	77,200
No. of Accounts	2,34,000
Productivity (Accounts per SO)	43
Productivity	26
Mobile/Internet banking usage	45%
CA TAT (days)	10 days
SA TAT (days)	6 days

The trend in deposits growth is shown as below:



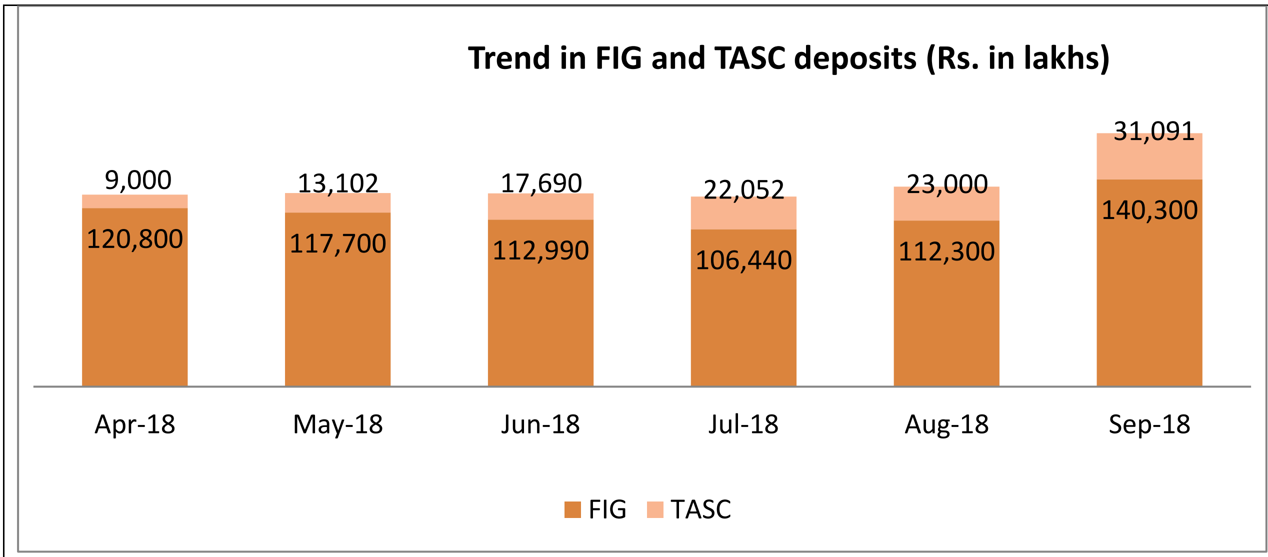
The Bank has also focused on increasing institutional deposits. The institutional deposits have witnessed a growth of Rs. 41,591 lakhs on YTD basis. The key highlights of institutional deposits are as below:

Particulars	**As at 30th September 2018 (Rs. in lakhs)**
Financial Institutional Group-FD (FIG)	1,40,300
TASC[7]- Branch Channel	8,500
TASC- Relationship Managers	22600
Total	**1,71,400**

Under FIG deposits, 52% of the deposits were from Domestic Co-operative Banks and 27% were from Public Limited Companies.

The trend in the growth is as follows:

[7] Trusts, Associations, Societies and Clubs



The Bank adheres to RBI guidelines relating to the Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015.
LCR aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) to meet its liquidity needs, convertible into cash under significantly severe liquidity stress scenario lasting for 30 days horizon period.

The Bank computes LCR in Indian rupees, the only currency it deals with. HQLA of the Bank consists of cash, unencumbered excess SLR eligible investments, a portion of statutory SLR as allowed under the guidelines, cash balance with RBI in excess of statutory CRR, and high rated corporate bonds issued by entities other than financial institutions. As per the directions of its Board, the Bank maintains on the average excess SLR securities of Rs 15000 lakhs on a month on month basis. This portion is clearly ring fenced from the mandatory SLR holding, and other than providing the required HQLA to maintain a comfortable LCR, also serves as the security that the Bank can fall back on to raise the required funding in a contingency.

The LCR position as at 30th September 2018, computed on the basis of daily average of three months, was comfortable and significantly in excess of the mandatory minimum i.e. 70% as applicable for this financial year.

Liquidity Coverage Ratio (Rs. in lakhs)		
A	**High Quality Liquid Assets**	**Adjusted Baseline Scenario**
	Level 1 Assets	88,649
	Level 2 A Assets	0
	Level 2 B Assets	0
B	Total Stock of HQLAs	88,649
C	Cash Outflows	1,16,522
D	Cash Inflows	54,175

E	Net Cash-flow	62,347
F	25% of Total Cash Outflow	29,130
G	Higher of E or F	62,347
Liquidity Coverage Ratio		142.19%

While the LCR remained consistently above the mandated minimum through the quarter, there are instances when the ratio dips as it did at the end of the quarter. This is solely on account of large outflows of maturing CDs. As the Bank seeks to diversify its funding mix and builds up its base of core deposits, these swings will be contained.

8.2. Quantitative Disclosures

On the basis of SDA, the capital requirement for market risk reported to the Board from a governance perspective was as under:

Capital Requirement for Market Risk	Amount (Rs. in Lakhs)
Interest Rate Risk	2,917.22
Equity Position Risk	--
Foreign Exchange Risk	--
Total	2,917.22
Total Market Risk RWA	36,465.27

Table DF- 9: Operational Risk

9.1. Qualitative Disclosures

9.1.1. Strategy and policy for Operational Risk Management

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It excludes Strategic and Reputational Risks but includes Legal Risk. Strategic or Reputational risks are second order effect of Operational Risk.

Legal risk includes, however not limited to, exposure to penalties, fines, punitive damages arising out of supervisory action, civil litigation damages, related legal costs and any private settlements.

The Bank has in place a Board approved Operational Risk Management policy to mitigate and manage Operational Risk. The Operational Risk management process is a top-down approach and is driven by strong and sound operating procedures and internal control culture with well-defined reporting and contingency planning. This is a continuing process and the Bank is continuously striving to enhance its processes.

9.1.2. Governance Structure

For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) consisting of senior management drawn from different functions such as Operations, Finance, Information Technology (IT) and Human Resources (HR). The ORMC supports the Risk Management Committee (RMC) of the Board and is responsible for implementing the best practices in managing Operational Risk.

9.1.3. Risk identification, measurement, monitoring and reporting

Following are some of the key techniques applied to manage operational risks. It involves both a qualitative and quantitative approach.

- **Scorecard approach**: An internal scoring mechanism to capture key risk parameters at a granular level. The scorecard approach to measure risk commenced as an erstwhile NBFC-MFI when the sole product was lending to microfinance customers. This has been recalibrated and now includes all facets of a branch operation: microfinance, housing and MSE loans, and liabilities. Branches are categorized as High, Medium or Low risk based on these assessments on monthly basis. The scores are reviewed at ORMC and actionables to address key risk factors, be they at a branch or in a particular region are evaluated and addressed. Key policy decisions emerge from these scoring and reviews.
- **Risk and Control Self-Assessment (RCSA) framework**: RCSA as an independent exercise will commence from next financial year. Since commencement of operations as a Bank and especially in the past one year, new products and processes have been introduced. The Bank is in the process of consolidating and documenting these from a control perspective. It is expected that this exercise will be completed within the current financial year which will provide the basis for the RCSA framework.
- Thorough due diligence is undertaken prior to opening any new bank branch incorporating inputs from business and all control functions. This includes analysis of PIN CODE data to analyse portfolio quality within the area, including competitor analysis. In addition, inputs from field staff on key risk issues complements this data;
- Operational risk checklist is in place for reviewing controls for liability, MSE and Housing products in SFB branches. The checklist is also used to raise awareness about potential risks in case of controls being compromised.
- Incident reporting process is in place to record material incidents and learn from errors and strengthening existing controls. Incidents recorded as loss and near miss data. This is followed by a Root Cause Analysis (RCA) for each reported incident. EGRC module on SAS is implemented to record all loss events across the Bank.
- All new products are rolled out post assessment of critical operational and compliance risks along with approval of the Product Approval Committee (PAC).
- Progressive risk assessment of all outsourced vendors to ensure that these vendors comply with the minimum requirements prescribed by RBI for all outsourced contracts.
- User Access reviews are conducted at regular intervals to ensure that access and role matrix are well defined and that access is commensurate with the responsibility

assigned;

- Fraud monitoring and reporting. The Bank has had only minor instances of fraud and these relate to cash related activities on the field. The Bank records instances along the Basel defined lines of Operational Risk events and process enhancements arising from these occurrences are tabled at ORMC.

9.1.4. Information Technology and Security Risk

The Bank makes use of latest technological framework for supporting various operations. Use of technology brings in newer kind of risks like business disruption, risks related to information assets, data security etc. The Bank has put in a governance framework, information security practices to mitigate information technology related risks which ensures preservation of Confidentiality, Integrity and Availability (CIA) of all Information assets. The Bank is complying with the directives issued by RBI, from time to time in the area of Information/Cyber security standards and follows the best practices.

The Bank has well-documented, Board approved information security and cyber security policies in place. Awareness sessions are carried out through classroom trainings, meetings and discussions, induction programs, awareness mailers and Short Messaging Service (SMS's) to update employees on information security policies and practices. The Bank has put in place IT Security Policy and has implemented various IT Security related solutions like Anti-Virus, Firewalls, Encryption Technologies, Intrusion Detection Systems, Web Filtering Solution, and Network Security Solutions etc.

The Bank also carries out regular vulnerability assessments and penetration tests for its applications and infrastructure. Third party Information Security Assessment is performed to evaluate third party's information security related practices.

The Bank is actively participating in various meetings and forums organized by the Institute for Development and Research in Banking Technology (IDRBT), RBI and other forums to remain updated in latest security technologies and to continuously upgrade the security posture of the bank.

9.1.5. Business Continuity

The Business Continuity Management Policy (BCMP) of the Bank provides guidance for handling emergency situations and to reasonably ensure continuous and reliable delivery of key products and services to customers in the event of a significant business disruption, while maintaining confidence levels of its shareholders and satisfy relevant compliance requirements. The plans and procedures are in line with the guidelines issued by the RBI in this regard and are subject to regular review. A Business Continuity Management Committee at apex level monitors the business continuity preparedness of the Bank on an on-going basis. Further, the Bank's critical systems undergo periodical disaster recovery drills/tests to ensure the capability of the same to handle disastrous situations.

9.1.6. Capital charge assessment

Although RBI is in the process of issuing detailed guidelines on Operational Risk Management for SFBs, the Bank has adopted BIA for measuring the capital requirements for Operational risk as applicable to Scheduled Commercial Banks. While the capital charge on operational risk has witnessed an increasing trend in the first year, the same is expected to stabilize with time. BIA directs Banks to allocate capital at 15% of the 3 years average gross income. The Bank has computed its Operational Risk Capital Charge at 15% of gross income as on YTD basis given that it has been operation for one complete year only.

9.2. Quantitative Disclosure

Particulars	Capital Reqd. (Rs. in Lakhs)	RWA (Rs. in Lakhs)
Operational Risk (BIA Approach)	17,169.28	214,615.98

Table DF- 10: Interest Rate Risk in Banking Book (IRRBB)

10.1. Qualitative Disclosures

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of a bank's banking book as a consequence of movement in interest rates. The Bank has identified the risks associated with the changing interest rates on its exposures in the banking book from both a short-term and long-term perspective.

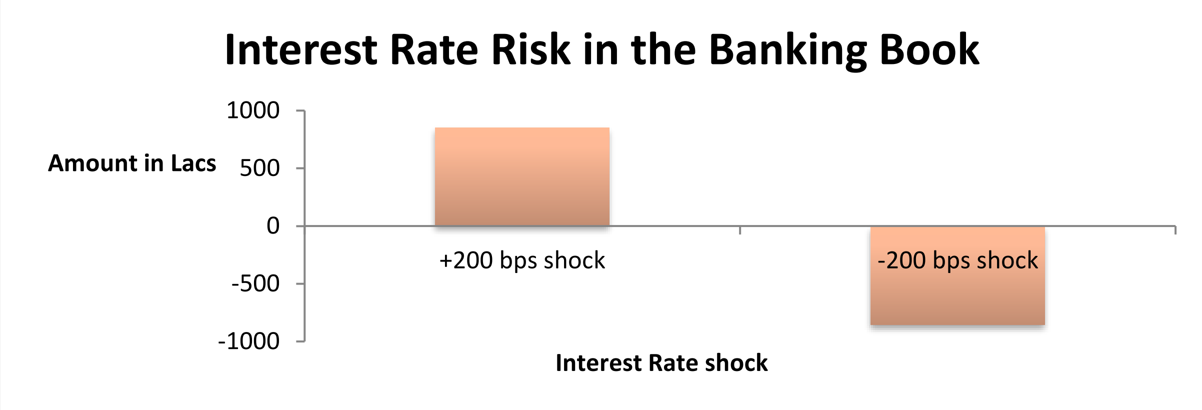
The interest rate risk is measured and monitored through two approaches:

1) Earning at risk (Traditional Gap Analysis): The impact of change in interest rates on net interest income is analysed under this approach and calculated under yield curve approach. Under this approach a parallel shift of 2% is assumed both in assets and liabilities.
2) Economic Value of Equity (Duration Gap Approach): Modified duration of assets and liabilities is computed separately to arrive at modified duration gap. A parallel shift in yield curve by 200 basis points is assumed for calculating the impact on economic value of equity.

10.2. Quantitative Disclosures

10.2.1. Earnings at Risk (Earnings Perspective) (Rs. in Lakhs)

Interest Rate Risk in the Banking Book (IRRBB)			
Sl.No	Country	Interest Rate Shock	
		+200 bps shock	-200 bps shock
1	India	853.49	-853.49
2	Overseas	-	-
3	Total	853.49	-853.49



10.2.2. <u>Economic Value Perspective (Rs. in Lakhs)</u>

Category	Items	Amount
A	Equity (i.e., Net Worth)	148,294.82
B	Computation of Aggregate RSL	857,499.11
C	Computation of Aggregate RSA	955,584.33
D	Weighted Avg. MD of RSL across all currencies	1.15
E	Weighted Avg. MD of RSA across all currencies	1.30
F	MDG	0.28
G	Change in MVE as % of equity for 200bps change in interest rate	-3.56%
H	Change in MVE in absolute terms	-5279.30

Table DF-15: Disclosure Requirements for Remuneration

15.1. Remuneration - Qualitative disclosures

a. ***Information relating to the bodies that oversee remuneration. Disclosure should include:***

• Name, composition and mandate of the main body overseeing remuneration.

The Bank has constituted the Nomination & Remuneration Committee (NRC) as per the provisions of Section 178 of the Companies Act, 2013. The Functions of the NRC include

1) Overseeing the framing, review and implementation of the compensation policy of the bank on behalf of the Board,
2) Formulation of a criteria for determining qualifications, positive attributes and independence of a Director,
3) To ensure 'fit and proper' status of proposed/ existing Directors,
4) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal, whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance

	evaluation of independent directors, 5) To recommend to the Board the appointment and removal of Senior Management, 6) To carry out evaluation of Director’s performance and recommend to the Board appointment / removal based on his / her performance to recommend to the Board on: i) Policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and ii) Executive Directors remuneration and incentive, conducting due diligence as to the credentials of any director before his or her appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI, overseeing the framing, review and implementation of the Bank’s Compensation Policy for Whole Time Directors/ Chief Executive Officers / Risk Takers and Control function staff for ensuring effective alignment between remuneration and risks, 7) To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Bank subject to the provision of the law and their service contract; 8) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks, 9) To devise a policy on Board diversity and to develop a succession plan for the Board and to regularly review the plan; The Bank effectively aligns its compensation for all types of risk, symmetric with risk outcomes and sensitive to the time horizon of risks. The Nomination and Remuneration Committee of the Bank comprises of the following Non-Executive Directors: 1. Ms. Vandana Viswanathan – Chairman of NRC. 2. Mr. Sunil Patel 3. Mr. Biswamohan Mahapatra (inducted as a Member of the Committee w.e.f July 01, 2018) 4. Mr. Prabal K Sen 5. Ms Mona Kachhwaha (moved out as a Member of the Committee w.e.f July 01, 2018)

Name of Directors	Designation	Number of meetings held during the HY 2018-19	
		Held during their Tenure	Attended
Ms Vandana Vishwanathan	Non-Executive Director	2	2
Mr Sunil Patel	Chairman & Independent Director	2	2
Mr Biswamohan Mahapatra	Independent Director	1*	1*
Mr Prabal K Sen	Independent Director	2	2
Ms Mona Kachhwaha	Independent Director	1**	1**

* Eligible to attend meetings after July 01, 2018
** Eligible to attend meetings up to June 30, 2018.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.
Not Applicable

• A description of the scope of the Bank's remuneration policy (eg: by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.
The purpose of the Compensation Policy is to ensure statutory compliance as well as alignment with the Bank's business policies and practices. The Compensation & Benefits (C & B) Policy document is based upon the principle that a fair and competitive salary is paid for acceptable levels of performance on the job. The compensation policy document is designed to align long-term interest of the employee and the organization.
The policy document covers all employees and Board of Directors of the Bank. This document provides guidance on:

- Compensation Philosophy
- Compensation Structure
- Grades
- Pay Review Process
- Variable Pay Plans
- Salary Pay-out

A description of the type of employees covered and number of such employees.
All employees of the Bank are governed by the Compensation Policy. The total number of permanent employees of the Bank at Sept 30, 2018 was 13169.

b ***Information relating to the design and structure of remuneration processes.***

	Disclosure should include: ***• An overview of the key features and objectives of remuneration policy.*** The compensation policy has been laid out keeping the following perspectives into considerations: ▪ The Bank's compensation principles support it in achieving its mission of providing a full range of financial services to the economically active poor of India who are not adequately served (unserved and underserved) by financial institutions. Therein, this policy enables the Bank to attract and retain talent and skills required to further the organizations purpose and ideology. ▪ The pay structure and amounts shall always conform to applicable Income Tax and other similar statutes. ▪ All practices of the Bank shall comply with applicable labour laws. ▪ The pay structure should be standardized for a level of employees. i) Elements eligible for tax exemption may be introduced at appropriate levels to enable employees take applicable tax breaks. Amounts related to benefits may undergo change with change in grade in the organization. ii) The compensation structure shall be easy to understand for all levels of employees. ▪ The compensation policy is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group. ▪ The directors are paid sitting fees as approved by the Board for attending the Board and Board Committee Meetings. ***Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.*** Yes: The Compensation policy for the Bank was duly reviewed and approved by the board. ***A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.*** • The Bank periodically benchmarks its remuneration practices and data points against the market. Compensation ranges in alignment to market pay are derived and reviewed periodically. Remuneration payable for each function is independent of amounts payable to other function as is the market practice. Further, performance metrics for the Risk and Compliance function are completely unrelated to deliverables of any other business function. The deliverables of the risk function are periodically reviewed by the Risk Committee of the Board ensuring due independence. Thus, the remuneration payable (which is linked to performance) is

	differentiated as well.
c.	***<u>Description of the ways in which current and future risks are taken into account in the remuneration processes.</u>*** Structurally, the Control functions such as Credit, Risk and Vigilance are independent of the business functions and each other, thereby ensuring independent oversight on various aspects of the business functions. The Bank ensures that significant financial benefits may accrue to employees displaying high levels of individual performance over a 3 year period allowing adequate time for risks to completely manifest.
d.	***<u>Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.</u>*** ***<u>• A discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance.</u>*** 1. The compensation policy is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group. 2. The Bank shall, from time to time benchmark its compensation against identified market participants to define its pay structure and pay levels. 3. The merit increments will be finalized and approved by the National Human Resources Committee (NHRC) year on year, basis organization's budgets and accomplishments as well as market reality. **4.** The Bank believes in paying its employees in an equitable and fair manner basis the incumbent's Role, Personal Profile (Education/Experience etc.) as well as Performance on the Job. **5.** Employees rated "Below Expectations" shall not be provided any increments, unless statutorily required. ***<u>• A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining 'weak' performance metrics</u>*** The Bank reviews metrics of all business units on a periodic basis and makes necessary changes to metrics to ensure satisfaction with the defined metrics and performance outcomes across the stakeholder spectrum including investors, customers, regulator and employees. The Bank, particularly at Corporate and senior levels takes a balanced approach to performance management. This means that high performance of an individual/ department is dependant not only on delivery of business metrics but also achievements of control functions. For eg: over achievement of business targets would not translate into a high

	performance rating if there are significant issues with Portfolio quality. Cost of business acquisition, both in short and long term are typically evaluated to ensure healthy bottom-line.
	<u>• A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after</u> The performance bonus payout shall be Annual. Discretion is typically applied related to staggered payout in case of large payouts, particularly for functions like Credit and Risk. Bonus is to be prorated for employees who have worked for part of the year at the Bank. The maximum amount of Variable Pay, for any position is capped at 70% of Fixed Pay (excluding benefits) of a person. However, the target setting is done in a manner that the average pay-out remains between 15% - 25% of fixed pay (excluding benefits) range. In case Variable Pay constitutes 70% or more of Fixed Pay, i.e., Variable Pay becomes a "substantial" portion of Fixed Pay, then 30% of the Variable Pay is deferred for a period of three years (including the year it was awarded) and is paid on pro rata basis of 1/3 each year. Incentive pay-out may be done on a monthly or quarterly basis, but a portion of the pay-out (15% - 25%) is withheld to be paid annually/ semi-annually to ensure retention of performers. The Bank believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the holding company Ujjivan Financial Services Ltd are distributed amongst employees basis their criticality and performance. **Typically, all Stock option schemes in the Bank vest in a staggered manner. Besides the statutory requirement of grant and 1 year vesting, the total set of options vest in various tranches for up to a period of 3 years.** **Malus/ Clawback**: In the event of negative contributions of the individual towards the achievements of the Bank's objectives in any year, the deferred compensation should be subjected to Malus/Clawback arrangements. Similar provisions shall apply in case the individual is found guilty of any major non-compliance or misconduct issues.

	<u>Description of the different forms of variable remuneration that the bank utilizes and the rationale for using the same</u>
	Variable Compensation at the Bank has the following distinct forms:
	1. Statutory Bonus
	2. Performance Pay:
	    a. Performance Bonus
	    b. Sales Awards
	3. Rewards & Recognition

	The policy has been laid out keeping the following perspectives into considerations:
	o The Variable pay structure and amounts shall always conform to applicable Income Tax statutes, Labour Laws, Regulatory Requirements, any other applicable statutes and prevalent market practice.
	o It is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.
	  o **Statutory Bonus**: Statutory Bonus in India is paid as per Payment of Bonus Act, 1965.
	  o **Performance Pay:** The performance pay, particularly at Senior and Middle levels and Control Functions, is a function of organizational and individual performance
	  o **Performance Bonus**: All employees who are not a part of an Incentive/ Sales Award Scheme but part of the year end performance review will be covered under the Performance Bonus Plan of the Bank. However, the actual payout of performance bonus shall only to be to employees having superior performance.
	  o **Sales Awards**: Employees in the Sales function, directly responsible for revenue generation shall be covered under the Sales Award Scheme. Typically some of the entry level roles and upto two levels of supervision thereof shall be covered by sales awards. Individual businesses may devise award schemes for specific roles.
	  o **Rewards & Recognition**: The Bank shall design schemes and practices from time to time to celebrate employee / departmental / organizational success. These celebrations may include offering tokens of appreciation to employees as defined in specific schemes. Fairness of application and transparency of communication shall be the hallmark of all such schemes. These will be subject to income tax laws, as applicable. Examples of such schemes may include: Long Service Awards (currently at one, three, five and seven yrs. of completion of service with the Bank), Portfolio Improvement Reward Scheme; Functional R&R Schemes; Organizational Rewards Schemes such as: Service Champion; Process Excellence; Customer Connect Awards; Above and Beyond; Recognition program for Liabilities Branches for Retail Deposits; Recognition program for Asset growth in Branches
	  o **Employee Stock Options (ESOPs):** ESOPs are given across the organization to employees based on tenure and performance. The Bank does not have its own schemes and ESOPs of the holding company may be granted to employees subject to approval of the

	board and AGM of the holding company, from time to time. Pursuant to conversion into a Bank, no ESOP scheme has been launched. The ESOP schemes have an inbuilt deferred vesting design which helps in directing long term performance orientation among employees o Non-executive directors (including Part- Time Chairman) are eligible for compensation in the form of profit related commission subject to the Bank making profits. Such compensation, however, shall not exceed Rs.1 million per annum for each director as per RBI guidelines.

15.2. Quantitative Disclosures		
SN	**Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers[8])**	**Numbers**
1	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	2 meetings of Nomination & Remuneration Committee (NRC) were held during April 01, 2018 to 30th September 2018. Further, 2 meetings of Human Resource and Compensation Committee (HRC) was held during April 01, 2018 to 30th September, 2018. The members of the NRC were paid total sitting fees of Rs.3.20 lakhs for two meetings while members of HRC were paid total sitting fees of Rs 1.60 lakhs for two meetings.
2	Number of employees having received a variable remuneration award during the year.	4 employees (CFO/CRO/Head Treasury/ CS)
3	Number and total amount of sign-on awards made during the financial year.	Nil
4	Details of guaranteed bonus, if any, paid as joining / sign on bonus.	Nil
5	Details of severance pay, in addition to accrued benefits, if any.	Nil

[8]Risk Takers include MD &CEO, Chief Business Officer (CBO) and Head- Treasury. Personnel from Control functions such as Chief Risk Officer (CRO), Chief Financial Officer (CFO) and Company Secretary (CS) are also included in this disclosure in line with **guidelines on compensation** of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff issued by RBI on 13th January 2012**.**

6	Total amount of outstanding **deferred remuneration**, split into cash, shares and share-linked instruments and other forms.	Nil (Refer to notes[9])
7	Total amount of deferred remuneration paid out in the financial year.	Rs. 4.02 lakhs (Refer to notes[10])
8	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Rs. 390.63 lakhs (Annual Fixed[11]) Rs. 4.02 lakhs (variable/deferred)
9	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil
10	Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil
11	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil

DF 17: Summary Comparison of Accounting assets vs. Leverage ratio exposure measure

Summary comparison of accounting assets vs. leverage ratio exposure measure		
	Item	**Amount (Rs. in Lakhs)**
1	Total consolidated assets as per published financial statements	10,30,775
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-

[9] No bonus paid to MD for SFB tenure. We will submit a request to RBI for the payment of a total bonus of Rs 318750 for the period 1 Feb 2017 - 31 March 2018.
The calculation of the performance bonus of Rs. 318,750 to Mr. Samit Ghosh is -

- For the period February 1, 2017 to March 31, 2017: 1.5 times of one month basic salary for the FY 2016-17 prorated for the period – Rs. 93,750 .00
- For the period April 1, 2017 to March 31, 2018 : 1.2 times of half months basic salary for the FY 2017-18 - Rs. 225,000.00

[10] Bonus paid only to CFO/CRO/Head Treasury/ CS. No Bonus paid to MD and CBO. Bonus paid was paid lesser than the provision as the logic used to pay bonus this year was different

[11] The fixed remuneration for the key risk takers is Rs. 390.63 lakhs. The amount reported is the annual fixed amount.

3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	7,600
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	3,330
7	Other Adjustments	-13,843
8	**Leverage ratio exposure**	10,27,863

DF 18: Leverage ratio common disclosure template

	Table DF-18: Leverage ratio common disclosure template	
	Item	**Amount (Rs. in lakhs)**
	On-balance sheet exposures	
1	**On-balance sheet items (excluding derivatives and SFTs, but including collateral)**	10,30,775
	Domestic Sovereign	1,18,422
	Banks in India	26,022
	Corporates	2,498
	Exposure to default fund contribution of CCPs	600
	Other Exposure to CCPs	500
	Others	8,82,734
		-
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-13,843
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	10,16,932
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-

11	**Total derivative exposures (sum of lines 4 to 10)**	-
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	7,600
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	7,600
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	3,459
18	(Adjustments for conversion to credit equivalent amounts)	129
19	**Off-balance sheet items (sum of lines 17 and 18)**	3,330
	Capital and total exposures	
20	Tier 1 capital	1,59,864
21	Total exposures (sum of lines 3, 11, 16 and 19)	10,27,863
	Leverage ratio	
22	**Basel III leverage ratio**	**15.55%**

Presently the contribution of Tier I capital to Total Basel II capital is 96.94%. The business model of the Bank is relatively simple with a significant portion as fund-based assets. Gross advances were primarily in the nature of term loans. Since the exposure to Securities Financing Transactions (SFT) and Off Balance Items are presently low, the Leverage ratio is well above the benchmark of >4.5%.

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