



Annual Report 2019-20

Responsible Banking

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Read the online version here:

<https://www.ujjivansfb.in/annual-report-fy-19-20>

Responsible banking

Responsible banking at Ujjivan Small Finance Bank is underpinned by our core values. Our aim is to build a robust mass market bank, and contribute to India's economic well-being by living up to the expectations of all our stakeholders.

We believe India's long-term growth story will be driven by the underserved and unserved population of our country. We choose to empower their aspirations through decisive strategies, by expanding our outreach through physical and digital means; tailoring our portfolios to meet specific customer needs; and enriching their overall experience of banking with us.

FY 2019-20 saw us working on these critical priorities with a sharper focus. During the year, we further diversified our portfolios, enhanced efficiencies and reach, built a stronger liquidity buffer; and above all supported our customers, employees and the community amidst a challenging operating scenario.

Our roadmap for long-term **value** creation revolves around **digital strategy, customer centricity** and **financial inclusion**. For us, responsible banking is a relentless journey, drawing strength from the trust and insight of our customers, employees, business partners, regulators, government and the community.

Key Highlights of the Year

Banking for millions

Balance Sheet Size

₹18,411 Crores

34%

₹13,742 Crores as on March 31, 2019

Disbursements

₹13,221 Crores

19%

₹11,089 Crores in FY 2018-19

Gross Advances

₹14,153 Crores

28%

₹11,049 Crores as on March 31, 2019

Total Deposits

₹10,780 Crores

46%

₹7,379 Crores as on March 31, 2019

Retail Deposits

₹4,724 Crores

73%

₹2,736 Crores as on March 31, 2019

Total Income

₹3,026 Crores

49%

₹2,038 Crores in FY 2018-19

Net Interest Income

₹1,634 Crores

48%

₹1,106 Crores in FY 2018-19

Profit After Tax

₹350 Crores

76%

₹199 Crores in FY 2018-19

Gross NPA

1%

10 bps

0.9% as on March 31, 2019

Encouraging debut on bourses

In order to comply with the regulatory requirements and the licensing conditions specified by the RBI, USFB launched an Initial Public Offering (IPO) of ₹1,045 Crores (including Employee Stock Purchase Scheme) in 2019, which was over-subscribed by 170 times. It set a benchmark to become the most subscribed IPO in 2019; and is considered the best IPO of the past four years in the banking and financial services sector. Some of the esteemed anchor investors were Government of Singapore, Aberdeen, Goldman Sachs, CX Partners, and IIFL. Large insurance companies such as Bajaj Allianz, HDFC Life, Aditya Birla Sun Life and leading mutual funds such as ICICI Prudential, Aditya Birla Sun Life, Sundaram, UTI, BNP, and Edelweiss also invested in the anchor book.

Net NPA

0.2%

-10 bps

0.3% as on March 31, 2019

Provision Coverage Ratio (PCR)

80%

800 bps

72% as on March 31, 2019

Net Interest Margin (NIM)

10.8%

-10 bps

10.9% in FY 2018-19

Cost to Average Asset Ratio

8.2%

-40 bps

8.6% in FY 2018-19

Cost to Income Ratio

67.4%

-910 bps

76.5% in FY 2018-19

Return on Average Assets (ROAA)

2.2%

50 bps

1.7% in FY 2018-19

Capital Adequacy Ratio (CAR)

28.8%

990 bps

18.9% in FY 2018-19

Liquidity Coverage Ratio (LCR)

254%

6,700 bps

187% as on March 31, 2019

Return on Average Net Worth (ROAE)

13.9%

240 bps

11.5% in FY 2018-19

Corporate Identity

Safekeeping the trust

Ujjivan Small Finance Bank is among India's leading small finance banks.

We are committed to partnering responsibly with India's aspiring mass market to meet their diverse banking and financial requirements. We are focusing especially on the financially unserved and under-served segments, while catering to all sections of society. With technology as a key enabler, we are expanding our reach and enhancing the customer experience. We are strengthening digital interfaces, especially in regional languages to empower our customers, and making financial services accessible whenever and wherever they need.

Our Promoter, Ujjivan Financial Services Limited (UFSL), commenced operations as a Non-Banking Financial Company (NBFC) in 2005, with the mission to provide a wide range of financial services to the 'economically active poor' who were not adequately served in the past.

On October 7, 2015, UFSL received the Reserve Bank of India (RBI's) In-Principle Approval to set up a Small Finance Bank (SFB). Subsequently, it was incorporated as Ujjivan Small Finance Bank Limited (the Bank), a wholly-owned subsidiary. UFSL after obtaining the RBI's final approval on November 11,

2016 to establish and carry on business as an SFB, transferred its business undertaking comprising its lending and financing business to the Bank, which commenced its operations from February 1, 2017. Today, we are a 'scheduled bank' included in the Second Schedule to the Reserve Bank of India Act, 1934.

We are a pan-India bank, with the registered office in Delhi, a corporate office in Bengaluru,

and regional offices in Noida, Kolkata, Bengaluru, and Pune. Our branches span across 24 states and Union Territories, serving a customer base of 54.4 Lakhs as on March 31, 2020. Apart from the network of branches, ATMs and Automated Cash Recyclers, we have a phone-banking unit that services customers in 14 languages, a mobile banking application that is accessible in nine languages as well as internet banking facility for individual and corporate customers.





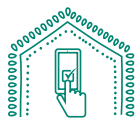
Mission

To provide financial services to the unserved and underserved customers and transform into a mass market bank.



Value and culture

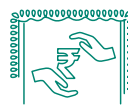
We have the scale, capability and the commitment to emerge as a best-in-class institution with deeply embedded values and culture, which shape all our actions.



Customer's
choice institution



Integrity in all
dealings



Provide
responsible finance



Fair with suppliers and
service partners



Compliance with
laws, regulations and
code of conduct



Best place to
work



Professionalism and
teamwork



Respected in the
community

At a glance (As on March 31, 2020)

Banking Outlets

575

524 as on March 31, 2019

ATMs

475

385 as on March 31, 2019

Customers

54.4 Lakhs

46.7 Lakhs as on March 31, 2019

Districts (24 States and UTs)

244

223 districts as on March 31, 2019

Team Strength

17,841

14,752 people as on March 31, 2019

Physical and Digital Channels

Widening and deepening presence

Our distribution network has empowered us with expertise to understand and categorise different customer segments. We design our solutions and services based on the insight that we gather from diverse requirements of our customers.

All our branches are optimally equipped in terms of personnel, infrastructure and products. We intend to offer our customers a standardised experience across all branches.

We encourage and empower customers to conduct their banking operations through secure digital channels, including internet, phone and mobile banking. With our digital platform, we have enabled paperless and handheld device-based loan origination and cashless disbursements for our customers.

DIGITAL PRESENCE



Internet & corporate banking

- Web-based platform(s) which can be accessed from any system
- Offers high volume bulk upload facility
- Facilitates customisable client centric approval matrix



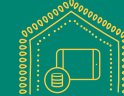
Mobile banking application

- Available in Android and iOS operating systems with 4.7 Lakhs users
- Available in nine languages – English, Hindi, Kannada, Tamil, Bengali, Marathi, Gujarati, Punjabi and Odia
- Working on voice and video enabled customer interfaces



Phone banking

- A 24x7 assisted banking services to customers
- Servicing customers in 14 languages
- Provides missed call and SMS banking services



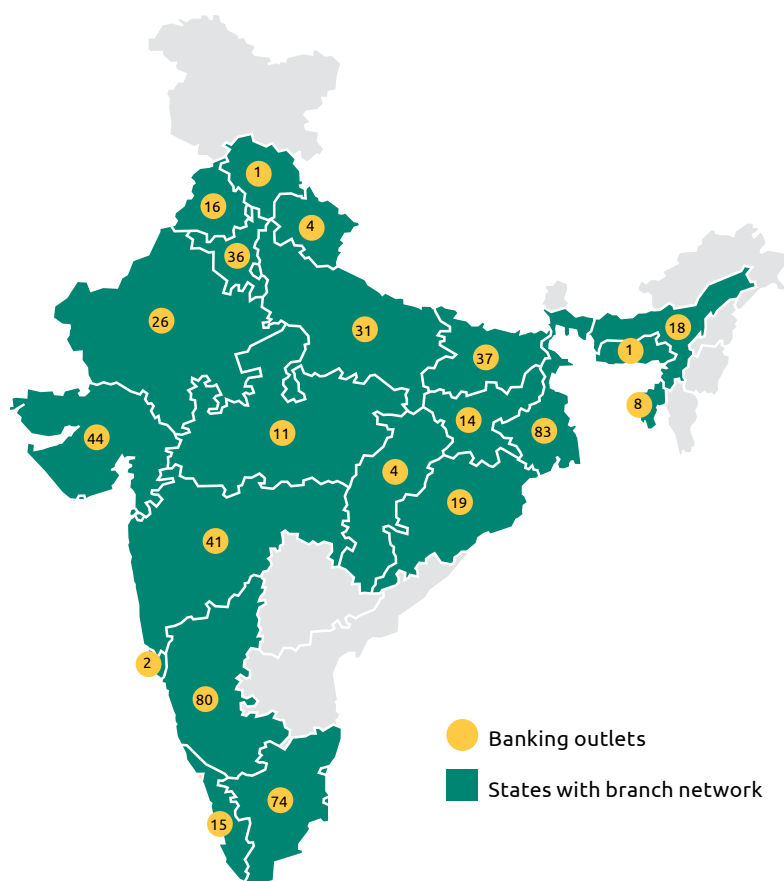
Tablet based origination

- Digital acquisition for loan and deposit products
- Enabling doorstep service
- Drives faster and easier servicing with better TAT

भोजपुरी कन्नड़
मराठी कोंकणी
गुजराती
മലയാളം
हिन्दी தமிழ்
English বাংলা తెలుగు
ਪੰਜਾਬੀ
অসমিয়া



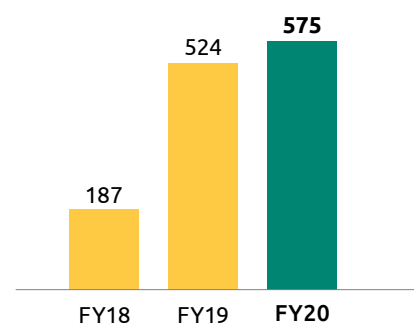
NATIONAL PRESENCE



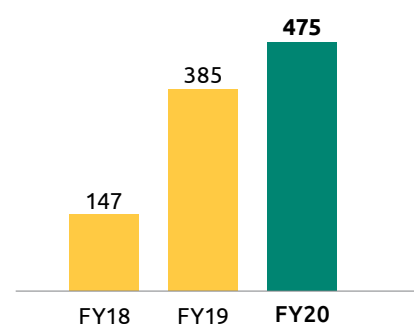
Note: Map not to scale

GROWING PHYSICAL PRESENCE





Banking Outlets



ATMs



REGION-WISE SPREAD

	 South	 North	 East	 West	Total
Loan Book (₹ in Crores)	4,784	2,889	4,071	2,409	14,153
Deposits (₹ in Crores)	3,182	3,831	1,581	2,187	10,780
Employees (No.)	5,796	4,162	4,986	2,897	17,841
Banking Outlets (No.)	172	138	180	85	575

Products and Services

Offerings to suit every need

Our diversified operations and understanding of customers' requirements have enabled us to establish a strong asset liability franchise, along with third-party products across multiple delivery channels.



ASSET PRODUCTS



MicroBanking

Products: Group loans, Individual loans, and Agriculture and allied loans

Ticket size: Group Loan – ₹2,000 – ₹60,000 (unsecured), Agri Group Loan – ₹30,000 – ₹60,000 (unsecured), Individual Loan – ₹51,000 – ₹200,000 (unsecured), Kisan Suvidha Loan – ₹60,000 – ₹200,000 (unsecured)

Kisan Pragati Card: ₹50,000 - ₹1,000,000 (secured)

Tenure: Group Loan (1 - 2 years), Agri Group Loan- 2 years, Individual Loan (6 months – 36 months) Kisan Suvidha – 2 years, Kisan Pragati Card – Up to 5 years

₹10,933 Crores **47+ Lakhs**

Asset book

Customer base



Micro and Small Enterprises (MSE)

Products: Secured Loans and Overdraft

Ticket size: ₹1,000,000 – ₹2,500,000 (secured Business Loan), ₹1,000,000 – ₹10,000,000 (secured Enterprise Loan, Overdraft against Property or OAP), ₹2,500,000 – ₹20,000,000 (Business Edge Term Loan and Business Edge Overdraft or BEO) and ₹300,000 – ₹1,000,000 (Loan against Property or LAP)

Tenure: 1 year (OAP and BEO), 3 - 10 years (secured) and 3 - 7 years (LAP)

₹980 Crores

Asset book

14,500+

Customer base



Affordable Housing

Products: Construction and Purchase, Home Improvement, Composite Home and Home Equity

Ticket size: ₹200,000 - ₹7,500,000

Tenure: 3 - 20 years

₹1,524 Crores **19,000+**

Asset book

Customer base



Personal Loans

Product: Loan to salaried customers

Ticket size: ₹50,000 - ₹1,500,000 (unsecured)

Tenure: 1 - 5 years

₹79 Crores

Asset book

5,300+

Customer base



Vehicle Loans

Products: Two-wheeler loan and electric three-wheeler loan

Ticket size: ₹26,000 - ₹250,000, LTV up to 95%

Tenure: 1 - 3 years

₹12 Crores

Asset book

1,800+

Customer base



Financial Institutions Group

Product: Term loan to NBFCs and MFIs

Ticket size: ₹10 Crores to ₹25 Crores per client (maximum up to ₹50 Crores)

Tenure: 1 - 3 years (maximum up to 5 years)

₹549 Crores

Asset book

35

Customer base



DEPOSIT PRODUCTS



Retail

Current Account: Regular Current Account, Premium Current Account, Business Edge Current Account

Savings Account: Regular Savings Account, Privileged Savings Account, Senior Citizens Account, Minor Savings Account, Basic Savings Bank Deposit Account (BSBDA)

Term Deposit: Fixed and Regular Recurring Deposits, Tax saved Fixed Deposit

Goal Based Savings

Digital Savings and Fixed Deposits

₹4,724 Crores

Deposit base

47+ Lakhs

Customer base



Institutional

- Fixed Deposits
- Current Account
- Savings Account
- Term Money
- Certificate of Deposit

₹6,056 Crores

Deposit base

579

Customer base



THIRD-PARTY PRODUCTS



Life Insurance

Partners

- Bajaj Allianz Life Insurance
- Aditya Birla Sun Life Insurance
- HDFC Life Insurance

Offerings

- Credit Life Insurance
- Term Insurance, Endowment
- POS and ULIP

55 Lakhs

Lives insured



General Insurance

Partners

- ICICI Lombard General Insurance
- Bajaj Allianz General Insurance

Offerings

- Motor, Property, Home Content
- Personal Accident
- Health Insurance

16,296

Assets secured



Health Insurance

Partners

- HDFC Ergo Health Insurance Co. Ltd.

Offering

- Health Insurance

4,500+

Lives secured through health insurance

Operational Highlights

Growth with long-term lens



ASSET FRANCHISE

- MicroBanking loan portfolio grew to ₹10,933 Crores as on March 31, 2020 (₹9,353 Crores as on March 31, 2019)
- Micro and Small Enterprises (MSE) asset book increased to ₹ 980 Crores as on March 31, 2020 (₹591 Crores as on March 31, 2019)
- Affordable housing asset book enhanced to ₹1,524 Crores as on March 31, 2020 (₹830 Crores as on March 31, 2019)
- Lending to Financial Institutions Group (FIG) portfolio grew to ₹549 Crores as on March 31, 2020 (₹225 Crores as on March 31, 2019)
- Introduced Kisan Pragati Card (KPC) to focus on small and marginal farmers to finance their requirements such as crop production, pre- and post-harvest requirements, working capital for maintenance of farm assets and consumption expenses; KPC also offers coverage of Personal Accident Insurance Scheme (PAIS)



LIABILITY FRANCHISE

- Liability book size grew by 46% to ₹10,780 Crores as on March 31, 2020, from ₹7,379 Crores on March 31, 2019
- Current Account Savings Account (CASA) base increased by 86% to ₹1,459 Crores as on March 31, 2020, from ₹784 Crores on March 31, 2019
- Term deposit base surged by 51% to ₹8,475 Crores as on March 31, 2020, from ₹5,613 Crores on March 31, 2019
- Introduced a Privilege Savings Account that offers Platinum Debit card, domestic airport lounge access, home branch facility with unlimited transaction on any ATM and a higher accidental insurance cover of ₹2 Lakhs



DIGITAL BANKING

- End-to-end digital account opening journey piloted over 15,000 + customers
- Launched Digital Savings Account offering distinctive banking and digital services to customers that allows them to instantly open and operate a savings account through mobile phones or a computer with just two documents—Aadhaar Card and Pan Card—and begin transactions thereafter
- Introduced four new languages in mobile banking - Marathi, Gujarati, Odia and Punjabi
- Introduced biometric authentication through finger-print login in mobile banking app



NETWORK EXPANSION

- Operationalised 101 Banking Outlets (BO) including 24 in Unbanked Rural Centres (URCs) in FY 2019-20. During the year under review, we converted all our asset centres into banking outlets, complying with the requirements of converting the erstwhile MFI branches to bank branches within three years from the commencement of banking operations
- As on March 31, 2020, we operated a network of 575 Banking Outlets, including 144 in Unbanked Rural Centres (URCs) locations, complying with the RBI prescribed norm of 25% of the BOs to be situated in URCs, and 475 ATMs including 52 Automated Cash Recyclers (ACR)



LIQUIDITY POSITION

Adequately capitalised with a capital adequacy ratio of 28.8% as on March 31, 2020, and our funding position stayed comfortable throughout the year. The liquidity position of the Bank continues to be extremely strong with all liquidity ratios well above the prescribed limit set by the RBI. We maintained an adequate liquidity buffer to meet contingencies in the wake of the COVID-19 outbreak



PEOPLE

- Appointed Mr. Nitin Chugh as the new MD & CEO of the Bank
- Ranked 3rd in 'India's Best Companies to Work for 2020' By Great Places to Work Institute
- Ranked 5th among 'Asia's Best Companies to Work For 2020' By Great Places to Work Institute



CUSTOMER CENTRIC

- 87% of all customers either had a savings bank account or a current account with the Bank during the year vis-à-vis 60% on March 31, 2019. This is driven by large-scale acquisition of new customers for loans and deposits and collaboration between business verticals
- Launched 'Sampoorna family banking', a complete financial solution for the entire family, with personalised products and services, aimed at catering to families' needs at every stage of life
- Launched Smart Kirana Plan for departmental and kirana stores to enable them to grow their business with free Point of Sale (POS) machine and installations
- Launched Life Events based banking services for senior citizens, offering privileges like doorstep banking, special assistance when required and priority services at branches with dedicated people who handhold and assist senior citizens



CREDIT RATINGS

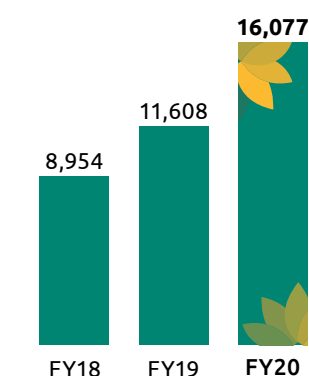
Instrument Name	Name of Credit Rating Agency	Amount (₹ in Crores)	Rating	Date of Credit Rating	Revision in the Credit Rating
Fund-based - LT-Term Loan	CARE	72.75	CARE A+; Stable	12-04-2017	30-08-2019
Fund-based – Long-Term	CARE	1,386.31	CARE A+; Stable	12-04-2017	30-08-2019
Certificate of Deposit	CRISIL	2,500	CRISIL A1+	30-03-2017	28-02-2020
Short-Term FD	CRISIL	3,000	CRISIL A1+	30-03-2017	28-02-2020
Non-Convertible Debentures	CARE	60	CARE A+; Stable	12-04-2017	-
Non-Convertible Debentures	CARE	40	CARE A+; Stable	12-04-2017	-

Key Performance Indicators

Enhancing efficiency to serve better

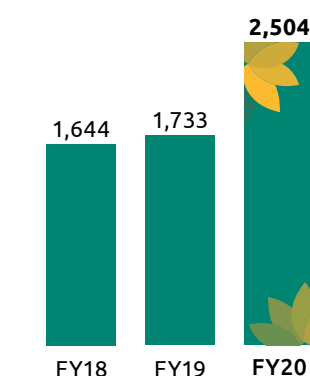
BALANCE SHEET METRICS

Average Total Assets
(₹ in Crores)



 **38%** y-o-y growth

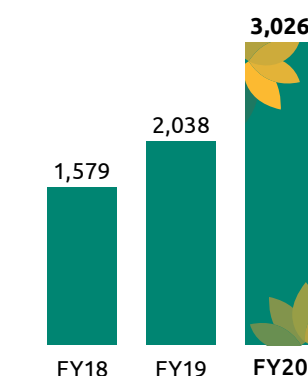
Average Net Worth
(₹ in Crores)




 **44%** y-o-y growth

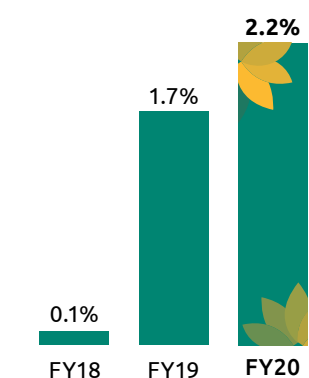
PROFIT AND LOSS METRICS

Total Income
(₹ in Crores)



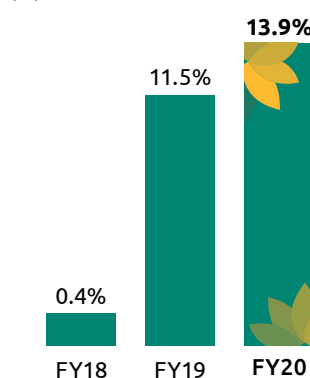
 **48%** y-o-y growth

Return on Average Assets (ROAA)
(%)



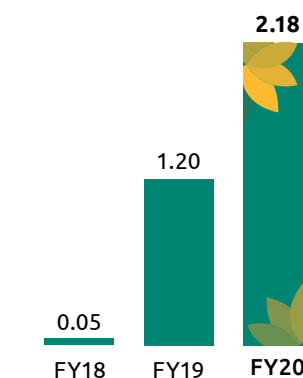
 **46** bps


Return on Average Shareholder's Fund/ Equity (ROE)
(%)



 **248** bps

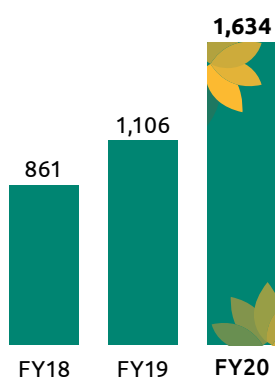
Earnings Per Share (EPS)
(₹)



 **82%** y-o-y growth

Net Interest Income (NII)

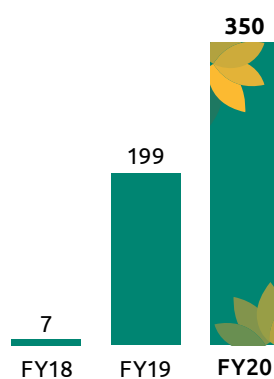
(₹ in Crores)



48% y-o-y growth

Profit After Tax (PAT)

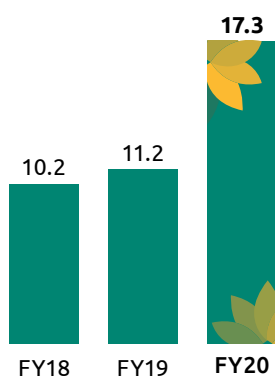
(₹ in Crores)



76% y-o-y growth

Book Value Per Share (Diluted)

(₹)

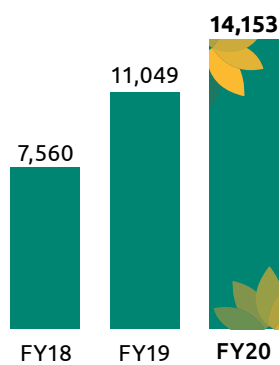


54% y-o-y growth

BUSINESS METRICS

Assets Under Management (AUM)

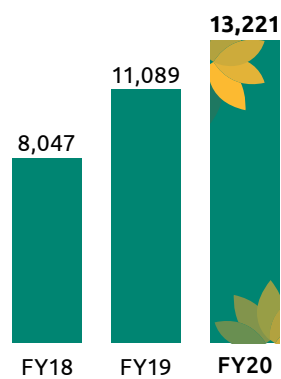
(₹ in Crores)



28% y-o-y growth

Disbursements

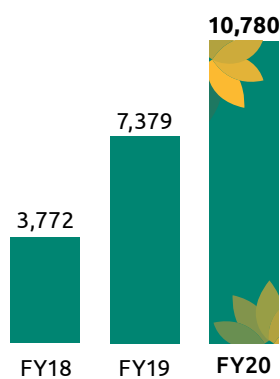
(₹ in Crores)



19% y-o-y growth

Deposits

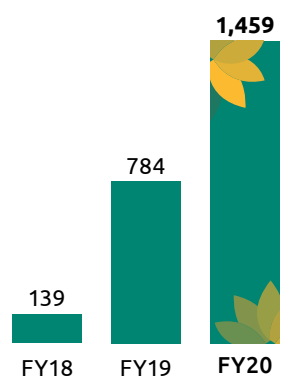
(₹ in Crores)



46% y-o-y growth

Current and Savings Account (CASA)

(₹ in Crores)

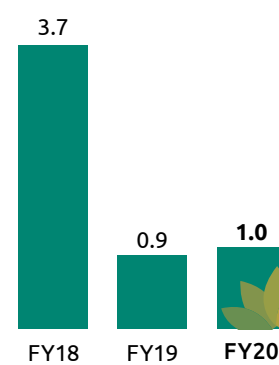


86% y-o-y growth

OPERATIONAL METRICS

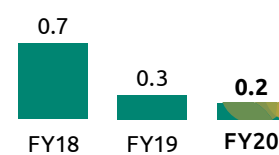
Gross Non-Performing Assets (Gross NPAs)

(%)

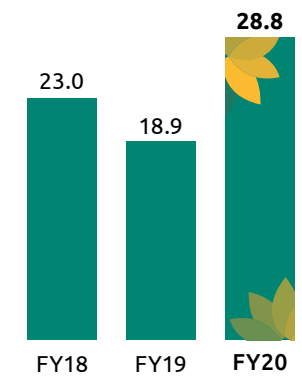


Net Non-Performing Assets (Net NPAs)

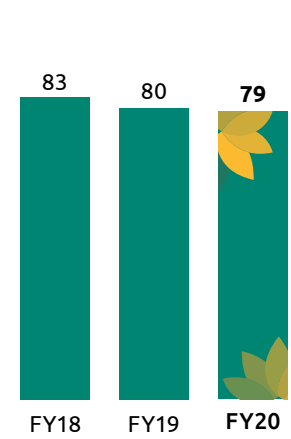
(%)



Capital Adequacy Ratio (CRAR)
(%)

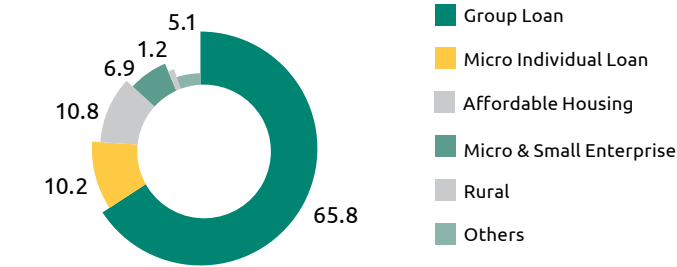


Staff Retention Ratio
(%)

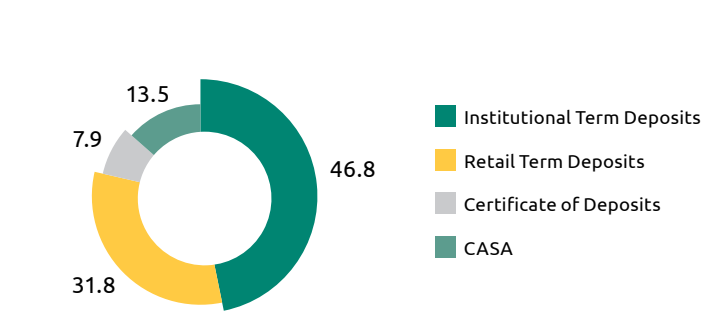


BUSINESS COMPOSITION

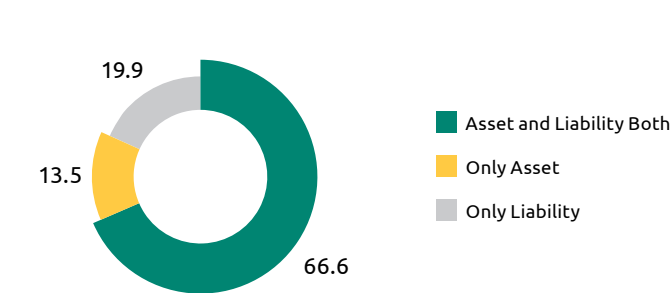
Gross Loan Book Mix
(%)



Deposits Break-up
(%)



Customer Base Profile
(%)



Core Strengths

Fundamentally resilient and growth focused

WELL CAPITALISED BANK

Our capital adequacy ratio is 28.8% with Tier-I capital ratio being 28%. Our liquidity coverage ratio (LCR) stood at 254% on March 31, 2020, and we are maintaining a high liquidity buffer to remain resilient. Our portfolio quality is among the best in the industry. This is well articulated by the fact that our Net Non-performing Assets (NNPA) stood at a low 0.2% (vis-à-vis 0.3% in FY 2018-19) and provision coverage ratio at 80% in the reporting year.

INCLUSIVE WITH DEEP MASS MARKET INSIGHT

We are an SFB, providing a wide array of banking and financial services with focus on serving the financially unserved and underserved segments of our country. We operate 144 banking outlets located in 79 districts classified by the RBI as under-banked districts as per the Census 2011.

Rich microfinance experience of our Promoter, UFSL, coupled with our ability to address mass market customer segments has allowed us to emerge as one of India's leading small finance banks in terms of deposits, branch count and geographic footprint.

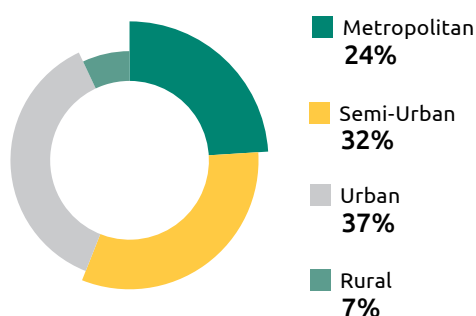
Moreover, we undertake constant research on various segments within the mass market to understand the financing requirements of potential customers and accordingly, we customise and develop products and services to address their needs.

During FY 2019-20, our asset-based customers grew by 8% and liability customers was up by 68%. We plan to cover most of our MicroBanking customers with liability products. Currently, ~91% of MicroBanking customers use our liability products.

25%

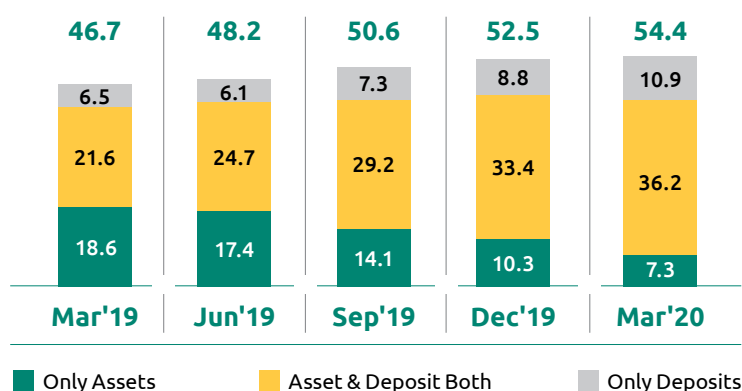
Of our Banking Outlets are located in Unbanked Rural Centres (URCs) and our 'priority sector advances' net of Priority Sector Lending Certificates (PSLC) and Inter Bank Participating Certificates (IBPC) were 75.02% of adjusted net bank credit (ANBC).

CUSTOMER BASE VIS-À-VIS BRANCH CLASSIFICATION



*Semi-Urban branches largely cater to rural customers

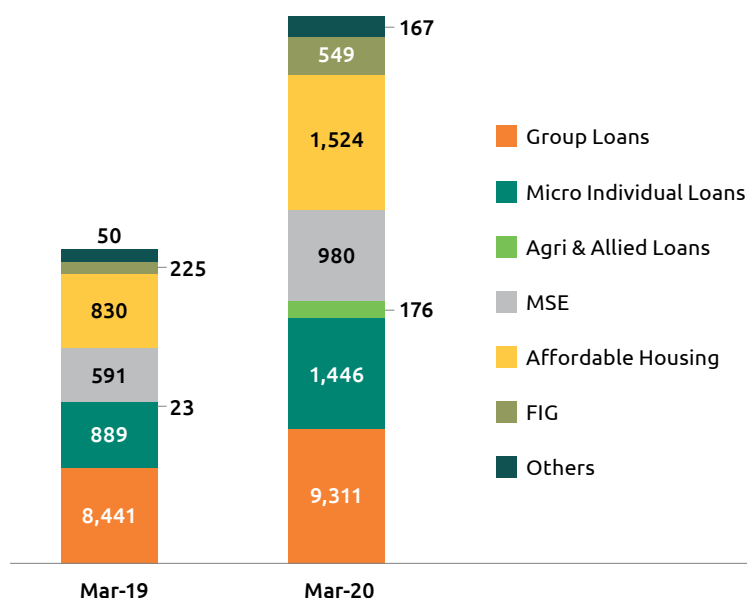
CUSTOMER MIX



*Includes inactive and dormant customers

GROSS ADVANCES – SEGMENT-WISE

(₹ in Crores)

**FORTIFIED OUR ASSET FRANCHISE WITH DIVERSIFICATION FOCUS**

Our well-entrenched distribution network and long-standing relationships with our customers, allow us to offer them differentiated and customised asset products that include micro loans, agriculture and allied loans, MSE loans, financial institutions group loans, personal loans, housing finance and vehicle finance.

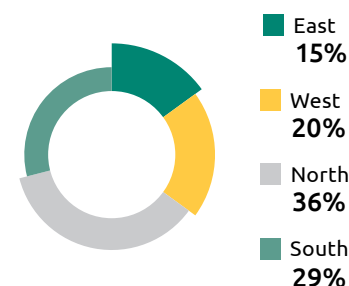
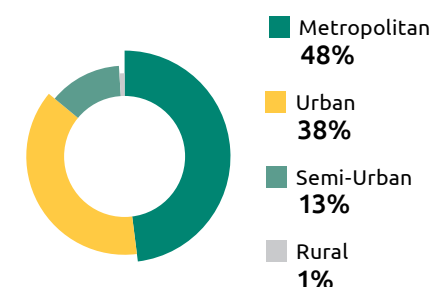
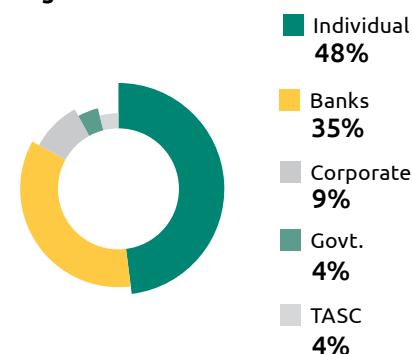
STRENGTHENED LIABILITY FRANCHISE

We are strengthening our liability franchise with focus on growing our retail deposit base to provide us with a stable, low-cost source of funding. With simple, flexible products, which are accessible through assisted and self-served channels, we have positioned ourselves as a reliable alternative to informal players. During FY 2019-20, our CASA deposits grew by 86% on a y-o-y basis with a CASA ratio of 14%. Concurrently, we ramped up retail deposits of ₹4,724 Crores (44% of total deposits) vs ₹2,736 Crores

(37% of total deposits) on a y-o-y basis.

EXPERIENCED BOARD WITH STRONG GOVERNANCE CULTURE

Our Board consists of Directors with a diverse mix of experience in various sectors, in particular, the financial services industry and technology. Our senior management team has a diversified track record in the financial services industry. Our focus on ensuring strong corporate governance is evident from our leadership transition process that has been a Board managed process for over a period of one year. We believe that the experience of our Independent Directors, who constitute a majority of our Board, ensure transparency and accountability in our operations; while the acumen and foresight of our business and functional group heads enhance the quality of our management with their specific and extensive industry experience.

WELL-DIVERSIFIED DEPOSIT MIX**Region-wise****Branch classification-wise****Segment-wise**

Staying close to



For hassle-free banking, I had requested a bank official to visit me at my residence for filling up the application form and to collect the cheque. The official visited my house the same day and the account was opened in two days.

Bijoy Kumar Mondal
Senior Citizen Customer,
Burdwan Branch



I feel happy that I could purchase my dream house with the help of the Bank home loan. The processing and sanctioning of the loan was hassle free. With the help and friendly service from the staff, I was able to understand the loan requirements easily.

Suresh Kumar
Appliances Service Centre,
Affordable Housing
Loan Customer



The proactive services made available by the Bank at my doorstep were truly commendable. I earn attractive rates of interest on my deposits too.

Sathiyaraj G
Entrepreneur, Savings Account,
Current Account Customer



I hold a savings bank account in your Mysuru branch. I am a student and have shifted to Bengaluru to continue with my studies. Recently, I happened to visit the Uttarahalli branch of the bank. Usually I have seen banks where customers are given importance only if they keep sufficient funds in their accounts. However, in Ujjivan I was pleasantly surprised. I was welcomed with a smile, my concern was addressed with speed and the experience was truly heart-warming.

Prajwal J Bharadwaj
Savings Account Customer,
Uttarahalli Branch



The Bank understood my requirements and recommended a loan that would suit my needs. I thank the Bank for the regular friendly visits from the staff to check in on any further support that I require.

Punniyakotti M
Farmer,
Kisan Pragati Card Customer



customers responsibly



I find it easy to transact with the Bank and deposit savings. I thank the Bank for their friendly and quick response to my requirements.

Bhuvaneshwary P
Retailer, Individual Loan,
Savings Account Customer



Digital transactions make the banking experience easy. I have opted for the zero balance salary accounts owing to the insurance provided for my employees.

Ramesh K
Entrepreneur, Current Account,
Salary Account Customer



The support from the Bank in helping me manage complex challenges as a growing start-up is very helpful for me. The Bank makes it effortless and is quick to pay our employees on time and keep them happy and satisfied.

Vijayasathy S
Entrepreneur, Corporate Salary
Account Customer



I am satisfied with the Bank's services which are on par with that of established nationalised banks. I highly recommend the Bank for their timely support for all my requirements.

Krishna D
Auditor and Tax Consultant,
Privilege Savings Account
Customer



I find it easy to transact with my customers through Ujjivan. I appreciate the support from the manager and other members of the team.

Shivakumar
Entrepreneur, MSE and Current
Account Customer



Chairman's Message

Growing with an inclusive agenda



The Bank undertook an IPO that was oversubscribed ~170 times. This reflects the faith that retail and esteemed institutional investors have placed in our vision and strategies. Our IPO in 2019 is now widely considered to be the best IPO of the past four years in the banking and financial services sector.



DEAR STAKEHOLDERS,

These are uncertain times, and we are doing our best to combat the COVID-19 crisis, which has severely impacted millions of lives and livelihoods in all parts of the world. However, we are hopeful of an early reboot and revival of India's economy, with the help and support of the Government of India and the regulators.

I am glad to serve your Bank as the Part-time Chairman; and it is my privilege to be at the helm of a rapidly growing institution. As you all know, our mission is to provide a wide range of financial services to empower all sections of society, especially the 'economically active' poor, and remain committed to building financial inclusion in the country.

Despite challenges in the operating environment, financial year 2019-20 saw us grow our physical and digital outreach significantly. During the year, we offered more products and services to our customers, and strengthened our Board by adding new Board members.

INITIAL PUBLIC OFFERING ("IPO")

The Bank undertook an IPO that was oversubscribed ~170 times. This reflects the faith that retail and esteemed institutional investors have placed in our vision and strategies. Our IPO in 2019 is now widely considered to be the best IPO of the past four years in the banking and financial services sector. The team put in significant efforts to comply with the regulatory guidelines and made this possible. I thank all members of the team for their commitment and efforts.

DRIVING FINANCIAL INCLUSION

Financial inclusion has always been a key priority of the Government of India and the Reserve Bank of India (RBI). The banking sector, and 'priority sector' lending has been the most explored channels to bring majority of the population under the ambit of formal credit institutions. The RBI granted 'small finance bank' licences in the year 2015 to make banking services accessible and affordable to the unserved and underserved segments through saving instruments; and providing credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sectors.

In a short time span, we have emerged as one of India's leading small finance banks in terms of deposits, advances, branch network and geographic spread. Today, we offer a comprehensive suite of asset and liability products and services that helps attract new customers and deepen our relationship with our existing customers.

PEOPLE ARE OUR PRIORITY

We remain resolute in our 'people first' approach, nurturing and developing talent. Our focus has always been on upskilling our people. This led us to introduce certified programmes like SFB Certification by Indian Institute of Banking and Finance (IIBF), IT certifications by Institute for Development and Research in Banking Technology (IDRBT) to our people. During the year, we also introduced several programmes on

In a short time span, we have emerged as one of the leading SFBs in India in terms of deposits, advances, branch count and geographic spread.



SWAY@M, a self-paced learning tool on different aspects of banking.

We have formulated and implemented Ujjivan Small Finance Bank-Employee Stock Option Plan 2019, and Ujjivan Small Finance Bank-Employee Stock Purchase Scheme 2019, to recognise and reward the effort and commitment of our people, for their association and performance as well as to motivate them to contribute to the growth and profitability of the Bank.

LEADERSHIP CHANGE

During the year under review, our founder Mr. Samit Kumar Ghosh retired from his position as the Managing Director and CEO of our Bank. He is the principal architect who has created this phenomenal institution with deep-rooted values, and strong fundamentals.



As a responsible corporate citizen, we commenced our Business Continuity Plan well before the lockdown began. Our quick response teams were entrusted to take care of our critical functions like customer care, operations, IT infrastructure and people, liquidity and cost management.



Mr. Sunil Vinayak Patel also retired from his position as the Part-time Chairman of our Bank. He was a part of the Bank's journey right from pre-incorporation days. He played a stellar role in guiding the Bank with his experience and expertise through its evolution.

On behalf of the Board of Directors (Board), I am delighted to welcome Mr. Nitin Chugh as the Managing Director and CEO, of our Bank. He brings in extensive experience in retail and digital banking from a highly acclaimed bank. His illustrious track record combined with exceptional leadership and values, makes him the right choice to take our Bank to the next orbit of growth and sustainability. I wish him the very best for all his present and future endeavours at the Bank.

STRONG CORPORATE GOVERNANCE

We are committed to the highest level of corporate governance, integrity and ethics. Our Board has an appropriate mix of Directors with diversity of thought, experience, knowledge, perspective and gender. Our Board has in total 10 (Ten) Directors, including 6 (six) Independent Directors, 1 (one) Executive Director, 1 (one) nominee Director and 2 (two) Non-executive Directors. Mr. Mahadev Lakshminarayanan, joined the Board as an Independent

Director and Mr. Umang Bedi, as an Additional Director (Independent). Our leadership strength is well-balanced. We also have three women Directors on our Board.

AGILE RESPONSE

As a responsible corporate citizen, we commenced our Business Continuity Plan well before the lockdown began. Our quick response teams were entrusted to take care of our critical functions like customer care, operations, IT infrastructure and people, liquidity and cost management.

Our Bank also constituted the Business Continuity Monitoring Committee, a Board level committee comprising 6 (six) Directors, to direct, suggest, guide and advise appropriate measures to the Bank on various matters related to finance, business, risk, compliance, credit dispensation and regulatory or other matters that may arise and may be necessary in the interest of the Bank during this global pandemic.

These strategies helped us to continue with our business operations with over 98% branches and ATMs functioning, along with all critical functions, strictly complying with the prescribed social distancing measures. We announced moratorium for all our customers (on an opt-out or on-request basis) and started a

COVID-19 awareness programme in 11 languages through calls and social media. We also organised a 'Doctor on Call' programme for all our employees and customers.

We are taking all efforts to scale our customer outreach by making product customisations and amending the credit policy to support businesses under the current circumstances within the prescribed regulatory guidelines.

INCLUSIVE TO THE CORE

Our aim is to drive greater financial and social impact while arriving at business decisions. We focus on financial literacy, community development, environment protection and relief programmes. With dedicated initiatives such as **Diksha**, we covered over 1 Lakh customers, sensitising them towards financial discipline, different financial tools and responsible banking practices. We also promoted environmental care through *Project Swachh Neighbourhood* that garnered support and appreciation from local authorities and communities. Our community development activity, Chhote Kadam, enhances quality of life of marginalised communities with infrastructure projects that improve school buildings, primary health centres and others. We also undertook relief programmes during natural calamities. During the COVID-19 crisis, our people volunteered to distribute dry ration to daily wagers and low-income community members. We also provided financial assistance to Give India Foundation and Indian Association for the Blind.

1 Lakh

People sensitised towards financial discipline, different financial tools and responsible banking practices through our dedicated initiative, Diksha



Awards and recognition

During the year under review, our Bank was bestowed with numerous awards in various fields as mentioned below:

- Ranked 3rd in 'India's Best Companies to Work for 2020' By Great Places to Work Institute. The Bank has also been honoured as one of 'The Laureates' - organisations that have ranked for 10 years or more in the Top 100. The Bank was adjudged the Best in Small Finance Bank category and the Best in More than 10,000 Employees category
- Ranked 5th among 'Asia's Best Companies to Work For 2020' By Great Places to Work Institute
- IBA Banking Technology Innovation Award for 'The Best IT Risk Management and Cyber security Initiative'
- IDEX Legal Awards, 2019 for the 'Best in-house Legal Team' under medium-large category
- Won the 'Best Microfinance Bank' award from Asia Money Best Bank Awards 2020
- 'ERM Strategy of the year' for developing a framework for implementing ERM using RAROC approach at ERM World Summit Awards 2019
- Finnoviti Awards, 2019 for 'Best innovation in IT'
- Best HR Practice in Finance Sector Award at Banking, Financial Services and Insurance Awards in 2019

DILUTION OF PROMOTER HOLDING

As per the regulatory requirement, we have to bring down our Promoter shareholding to 40% by January 31, 2022. Hence, we are evaluating various options to meet this requirement within the regulatory timelines prescribed by the RBI.

GOING FORWARD

We remain committed to providing financial services to the unserved and underserved population and being among the frontrunners of India's digital banking. We have the expertise and the leadership to make it possible.

We are developing new and relevant products tailored to specific needs of customers. Concurrently, we are maintaining one of the best portfolio quality and capital adequacy in the banking sector; with consistent focus on rationalising our cost structure and conserving capital to fund our growth ambition.

On behalf of the Board, I would like to thank all our stakeholders who have been and are a part of the incredible journey of Ujjivan Small Finance Bank. I would also want to place on record our sincere appreciation for our regulators and stock exchanges for their continued guidance and support.

Your support and trust inspire us to create many more milestones in the coming years.

Warm regards,

Biswamohan Mahapatra
Chairman

From the MD & CEO's Desk

Progressing with purpose



We are well suited to cater to the needs of the consistently expanding aspiring middle-class population of India. We are now a one-stop destination for financial services, delivering quality products and solutions, offering personalised customer experience to a diversified customer base.



₹350 Crores

PAT grew 76% to FY 2019-20 vis-à-vis ₹199 Crores in FY 2018-19.

₹14,153 Crores

Strong growth in gross advances by 28% vis-à-vis ₹11,049 Crores in FY 2018-19.

DEAR SHAREHOLDERS,

I am honoured to be a part of the Ujjivan family, which commenced its journey as a microfinance institution 15 years ago, and gradually forayed into banking operations with unwavering focus on creating a portfolio-rich, well-capitalised mass market bank with a pan-India outreach.

With a deep sense of responsibility, I accept the baton from Mr. Ghosh, our acclaimed Founder. He founded Ujjivan Financial Services, a microfinance venture, in 2005, with the dream of creating a financial institution that serves the economically active and unbanked

across the country. He gradually progressed to nurturing one of the most trusted financial institutions in the country with over 17,000 employees, aligned to his mission of serving the underserved and unserved.

Our Bank was listed on December 12, 2019, complying with the RBI requirement of mandatory listing within three years from the commencement of operations as a Small Finance Bank. We are overwhelmed with the response that we received from all categories of investors. The IPO was oversubscribed 170 times and set a new benchmark in the BFSI industry. We will continue to operate responsibly to live up to the invaluable trust that our investors and other stakeholders have reposed in us.

PERFORMING WITH STRONG FUNDAMENTALS

We continued our growth momentum and reported stable progress during the year under review. Here are the numbers that validate our growth story.

- Our total income increased 49% to ₹3,026 Crores in FY 2019-20, compared to ₹2,038 Crores in FY 2018-19, driven by a growing scale of operations and trust of our customers and stakeholders.
- Our Net Interest Income (NII) for FY 2019-20 was ₹1,634 Crores, as against ₹1,106 Crores in FY 2018-19, registering a robust 48% growth.

- Our Profit After Tax (PAT) grew 76% to ₹350 Crores in FY 2019-20 vis-à-vis ₹199 Crores in FY 2018-19.
- The Net Interest Margin (NIM) stood at 10.8% in FY 2019-20 as against 10.9% in FY 2018-19.
- Our Return on Assets (ROA) improved to 2.2% in FY 2019-20 as against 1.7% in FY 2018-19 and Return on Equity (ROE) increased to 13.9% in FY 2019-20 as against 11.5% in FY 2018-19.
- The year saw strong growth in gross advances by 28% to ₹14,153 Crores in FY 2019-20 from ₹11,049 Crores in FY 2018-19.
- Our total deposit base stood at ₹10,780 Crores on FY 2019-20, up from ₹7,379 Crores in FY 2018-19 witnessing 46% growth. Retail deposits grew by 73% y-o-y and CASA by 86% y-o-y. Our deposits cover 76% of gross advances (retail deposits comprise 44% of total deposit).
- We remained well-capitalised with high liquidity, our capital adequacy ratio at 28.8% with Tier-I capital ratio being 28% and liquidity coverage ratio (LCR) at 254% for March 31, 2020. CRISIL reaffirmed A1+ (Certificate of Deposits) rating in February 2020 and long-term rating at CARE A+ (November 2019).
- We maintained strong focus on portfolio quality with gross Non-performing Assets (NPAs) at 1.00% in FY 2019-20, compared to 0.9% in FY 2018-19. Our net NPA stood at 0.2% in FY 2019-20 (0.3% in FY 2018-19) driven by strong

Our total income increased 49% to ₹3,026 Crores in FY 2019-20, compared to ₹2,038 Crores in FY 2018-19, driven by a growing scale of operations and trust of our customers and stakeholders.

customer connect along with prudent credit policies. We have created a COVID-19 related provision of ₹70 Crores (0.5% of gross advances) to tide over the crisis. Also, we maintained a provision coverage ratio (PCR) at 80%, amongst the highest in the industry. We have built a strong network of 575 branches and 475 ATMs with strong digital footprints across internet banking, mobile application, tablet-based origination and phone banking among others.

- Our customer base increased to 54.4 Lakhs in FY 2019-20 compared to 46.7 Lakhs in FY 2018-19.

BUILDING A DIVERSIFIED PORTFOLIO

We are well suited to cater to the needs of the consistently expanding aspiring middle-class population of India. We are now a one-stop-destination for financial services,



We have renewed our focus on digital transformation. We are constantly encouraging our customers to conduct their banking operations through digital channels, including internet, phone and mobile banking.



delivering quality products and solutions, offering personalised customer experience to a diversified customer base.

We offer a comprehensive suite of assets, liabilities, payments, transaction banking, debit cards, insurance and digital products that help us to attract new customers and deepen our relationship with our existing customer base. We are expanding our range of third-party products and services to serve our customers better.

We have renewed our focus on digital transformation. We are constantly encouraging our customers to conduct their banking operations through digital channels, including internet, phone and mobile banking. During the lockdown, our digital channels helped our customers engage better with the Bank for their queries and concerns.

We have been able to bring about a lot of improvements in our internal workflows by leveraging digital technologies, which have resulted in faster turnaround. We continue to leverage technology for underwriting and creating credit models to ascertain credit behaviour of various customer segments, and to ensure diversification of our product portfolio. At the same time,

we forayed into API or Open Banking to develop new ecosystems of partnerships with fintechs and other industry participants. We initiated work on Robotic Process Automation (RPA) and successfully moved processes to RPA.

GEARED UP FOR THE NEW BUSINESS ECOSYSTEM

Towards the end of the financial year, the COVID-19 pandemic struck India, leading to a nationwide lockdown to arrest the spread of the contagion. We proactively rolled out our business continuity plan, ensuring uninterrupted services to our customers, while complying with all relevant safety protocols. We were able to stay in touch with nearly 5 million customers through phone calls in March and April. Through these interactions, we spread awareness around COVID-19 and understood the difficulties that our customers were going through during the lockdown. We assured our customers of our constant support and explained the nuances of moratorium in detail. During this time, our teams selflessly volunteered, helping the marginalised sections and the communities we work with. We are very proud of our colleagues who went out of their way in displaying the true Ujjivan spirit of customer centricity.

As we are approaching restrained normalcy, we believe that we are well prepared in terms of capital, liquidity, product offerings, technology, digital workflows, partnerships, and distribution to drive our relentless ambition of responsible growth. Some of the measures that we are implementing with speed and agility are:

Investing to increase efficiency and reach

- Limited human contact in loan processing (repeat MicroBanking loans via phone, mobile app and ATM among others, remodelling housing/MSE processes and prioritising video KYC programme).
- Piloted the collection of EMIs through third-party networks, tie-ups and creating a network of business correspondents.
- Renewed thrust on enabling EMI repayments through online payment platforms like ECS, e-wallets, UPI / QR etc. and drive higher usage.
- Application programming interface (API) platform is ready – we are partnering with fintech and startups operating in payments, collections, lead generation and lending, among others to expand reach inorganically.
- Launched digital SA / FD – providing an end-to-end un-assisted digital journey to on-board new customers.
- Working towards introducing simpler and user-friendly mobile app, with specific focus on our MicroBanking customers.
- Redefining internal workflows, identifying areas and piloting projects for automation and productivity improvement.

₹45 Lakhs

Donated to 'GiveIndia' to complement government efforts to combat COVID-19

17,841

Team strength vis-à-vis 14,752 people in FY19

Focus on collections

- Touch-free collections as alternative to traditional centre meeting collections was promoted through tele-calling and digital repayments.
- Connected with regular and non-paying customers during the lockdown.

Care for our customers

- Reached out to customers under #JantaConnect Program on calls – almost 100% customers contacted to spread awareness about COVID-19 and moratorium policy among others.
- Conducted customer survey to assess impact on their livelihood, income, savings to aid future credit policy revisions and understand their expectation from Ujjivan as banking partner.
- Leveraged #JantaConnect to emphasise Ujjivan's strong national presence, wide array of banking services and also promote the use of alternative channels.
- Introduced a free doctor consultation facility for our customers.

Standing by our employees

- Spread awareness about COVID-19 through various modes including calls, WhatsApp, emails, live streaming and survey platforms, and so on.
- Started work-from-home policy for our Corporate and Regional Offices, and maintained minimal strength at branches.
- We upskilled our employees using our e-learning platform and 98% of our employees benefited from this initiative.

Supporting our community

- Our employees volunteered for distribution of dry ration to daily wagers and low-income group customer communities.
- A substantial part of our CSR spend in FY 2020-21 would be towards helping customers and communities affected by COVID-19, especially in the realms of education, sanitation, livelihood restoration and assistance towards providing food.
- Donated ₹45 Lakhs to 'GiveIndia' to complement government efforts to combat COVID-19; ₹10 Lakhs donated to 'Indian Association for the Blind'.

GREAT PLACE TO WORK

Our Bank has been ranked 3rd in India's Best Companies to Work For 2020 by Great Place To Work®. We have been consistently featured in the list of Best Companies to Work For by Great Place To Work® Institute for a decade. We have always kept our people ahead of everything else. We consistently focus on recognising our employees' talent to help them grow

professionally. The recognition is a testament to the trust our employees have in Ujjivan, and the camaraderie and teamwork we nurture at our workplace. It also reflects the congenial, inclusive and purpose-led work culture that we have.

Our culture of corporate governance, Board oversight, and empowered committed teams are helping us expand our operations and enlarge our footprint, both physically and digitally, to create value for all stakeholders. I am confident that we will be able to consolidate our strengths and customer relationships in the trying times of the current fiscal year with your continued encouragement and support.

I thank you on behalf of all my colleagues at Ujjivan and wish you the best.

Warm regards,

Nitin Chugh

MD & CEO

Staying close to



We had a home loan running with another bank and applied for a top-up loan there but did not get it. My wife was a Group Loan customer of USFB, from where we came to know about their home loan schemes. We received the loan without any hassle and are thankful to the Home Loan department for ensuring smooth and fast processing.

Eshwarappa AB
Salaried-Affordable
Housing Loan Customer



I was able to expand my dairy production with the help of a loan from the Bank. The staff was very supportive in carrying out the process.

Malathy G
Farmer,
Agri Group Loan Customer



I am really impressed by the branding and the infrastructure of Ujjivan Bank. I think the technology and service offered by the Bank are at par with leading private banks. The privilege banking features on the current account are noteworthy too.

T Anil Kumar
Businessman, Savings Account
and Current Account Holder



The Bank's employee helped me in understanding the loan that led me to trust the Bank. I am happy that the loan was sanctioned promptly. I am very happy with the growth my business has made with the help of the loan.

Lingaraju PG
Businessman,
MSE Loan Customer



I applaud the swift and efficient online loan process that I couldn't experience in other banks. I was very happy about the hassle-free loan approval.

Lokesh
Salaried,
Personal Loan Customer



I was very impressed by the way the schemes and services were explained by the branch manager. I appreciate the visits from the Bank to inquire about my further requirements. I have recommended the Bank to my friends who are now happy customers.

HR Kulkarni
Senior Citizen,
Savings Account and FD Customer



customers responsibly



I find it convenient to be able to transfer money instantly at any time of the day through IMPS on mobile banking.

The cheque clearings that are done every day keep my business running smoothly. The general ease of daily transactions and processing of cheques is very helpful for me.

Hari Krishnan

Retailer,
Business Edge Current Account



I gained more confidence and comfort with Ujjivan's services compared to other banks. The forthcoming support from the staff improved my internet banking experience. I appreciate the support that the Bank provides to women's self-help groups and individual small business owners.

Kiran Sharath Chandra

Businesswoman,
Savings Account Customer



The Bank's branch is so close to my house that, in my absence, other members of my family can easily access it, making lives simpler for all of us. I am grateful to the Bank's staff for a prompt and responsive service. My dream of building a house is realised through Ujjivan's Housing Loan Finance.

Chandrasekhar K

Two-wheeler mechanic,
Affordable Housing
Loan Customer



I was impressed by the solutions provided by the Bank in response to the challenges I shared. I prefer the Bank to other banks, owing to the mobile banking facility and IMPS option for money transfer. I have opened savings account for all my staff and I find money transfer and balance enquiry very convenient through the app.

Ummer Farookh

Businessman, Savings Account
and Current Account Holder



Digital Banking

Embracing sunrise technologies

Digitalisation of banking services has played a key role in our successful evolution as a new-age small finance bank. We encourage and empower customers to conduct their banking operations through digital channels, including internet, phone and mobile banking. With our digital platform we have enabled paperless and handheld device-based loan origination and cashless disbursements for our customers with remittances credited directly to their accounts.

With our firepower in digital technologies, we have now devised an end-to-end digital account opening process for all customers. We have successfully piloted the procedure with 15,000+ customers in a very short duration and going forward, expect to onboard more patrons through this route.

We have done a host of upgrades in mobile banking, internet banking and business netbanking such as Smart Search, GST payment facility and more. This includes the introduction of four new languages—Marathi, Gujarati,

Odia and Punjabi, taking the total count of languages to nine—and biometric authentication through finger-print login for mobile banking. Our customers can register savings and current accounts on mobile applications to perform financial and non-financial transactions.



We also provide customers the ability to repay loans in a cashless manner through digital wallets and payment gateways. Our mobile application, 'Ujjivan Mobile Banking', had a customer rating of 4.45 on the Google Playstore as on March 3, 2020.

INCREASE IN DIGITAL TRANSACTIONS

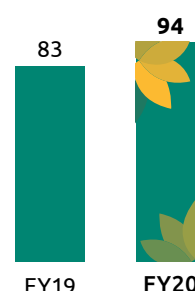
(%)



The number of banking transactions through digital channels as a percentage of overall transactions continues to grow steadily.

TOWARDS CASHLESS DISBURSEMENTS

(%)



Digitised paperless loan origination and cashless disbursements with remittances credited directly to customer accounts.

HIGHER EFFICIENCIES

We have enabled paperless and handheld device-based loan origination and cashless disbursements for our customers with remittances credited to their accounts. Since the commencement of our banking operations, 99.57% of our advances have originated through handheld devices. The processing of our loans is digitised and loans can be approved within minimal time post sourcing. Our use of handheld devices has reduced our turnaround time to service our customers.



BETTER TURNAROUND TIME

(TAT in days)

	Group loan	Individual loan	Micro and Small Enterprise loan	Affordable Housing
2018-19	4.2	6.9	19.5	24
2019-20	2.9	4.9	21.5*	22.5

Tablet-based loan origination system leading to improved turnaround time.

* Moved to 100% secured lending effective April 2019

EXPLORING NEW TECHNOLOGIES

We have a dedicated team for Robotic Process Automation (RPA) that concentrates on exploring areas where technology can help reduce turnaround time (TAT), resource consumption and so on. Currently, our reconciliation feature is enjoying the benefits of RPA.



Collaborations to strengthen digital processes

We aim to provide end-to-end digital processes to our customers. Therefore, we collaborated with Rupee Power — a leading credit origination platform (CreditOn) — which will enable us in customer acquisition, credit assessment, KYC and loan processing across our products.

The platform helps in real-time credit decision-making, fraud detection and digital KYC with sales underwriting workflows, while exposing these services to lenders' sales, digital and banking channels through APIs, mobile apps and microsites.

In phase-wise development of these processes, we crossed the first base with our first model of Loan Originating System (LOS), developed, tested and ready-to-go-live. The LOS comes with various features such as data entry of customers, eligibility check, real-time credit decisioning, disbursements and tracking case documents. It offers our relationship officers an easier way of doing business.

Dedicated Innovation Centre



We have an innovation Centre within our Bank that connects with new-age fintechs or technology companies to explore potential partnerships. These companies undergo an evaluation through a Proof of Concept (POC). On successful completion of the POC and necessary clearances, the solution is adopted by us.

DRIVING VALUE FOR OUR PARTNERS

We implemented Open Banking, an API gateway that provides our partners with an opportunity to collaborate with us in the API architecture. This empowers our customers to meet all their business requirements on a single platform and develop new business opportunities by integration.

Through this platform we will enable corporates, fintechs, start-ups, manufacturing enterprises, tech firms or any of our other partners to automate, streamline and develop new products and business cases, using our services in an integrated manner.

ENABLING DIGITAL BANKING WITH DEDICATED TEAM

Our 358 Digibuddies-led digitisation initiatives at our branches are helping customers embrace digital platforms such as the mobile banking app. With their efforts, we registered 2.2 Lakhs customers on our mobile banking app and 1.34 Lakhs UPI users. Currently, we have 1.1 Lakhs customers repaying through cashless repayment modes. We also developed digital payments system for our customers through UPI QR codes, enabling shopkeepers to accept cashless payments from their customers through these QR codes.

ROAD AHEAD

We plan to strategically invest in technology to create a safe, secure and convenient banking ecosystem for our customers that concurrently lowers our operating costs and improves efficiencies. Going forward, we intend to automate our operational processes, eventually adopting robotic platforms. We will also leverage data analytics for customer segmentation and create targeted offerings tailored to customer requirements; and move from person-to-person services to providing technology-assisted offerings for our expansive product range.

Marketing and Branding

Engaging and strengthening recall

Our objective is to reach out with comprehensive banking solutions and enable aspiring individuals to build better lives. We believe that we succeed only when we uphold our objective of building a lasting relationship with customers and connecting them with significant opportunities.

New-age customers are increasingly turning towards brands that are purpose-led and enshrine something larger than their offerings.

Hence, we must communicate more lucidly with customers and offer a holistic value proposition.



**Coffee break. 15 minutes.
Account opening. Instant.**

Ujjivan Bank Fixed Deposit

Open Now

Building enduring bonds

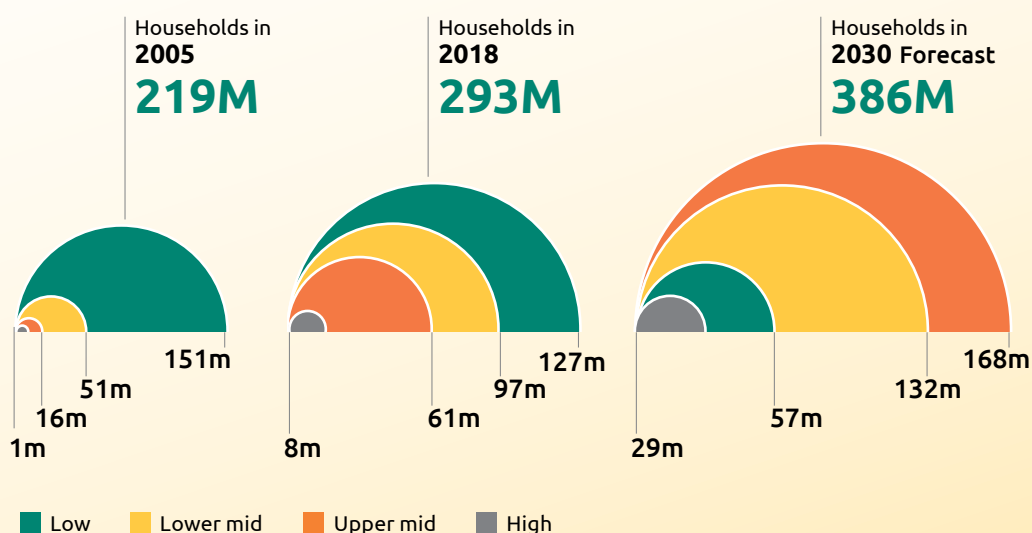
We introduced Sampoorna Family Banking solution to address every household's comprehensive banking requirements, ranging from the youngest member to the senior citizens. The aspiring middle class, salaried individuals and those involved in priority-sector activities are part of the core groups that we serve.

Deepening our sphere of services, we integrated people from diverse sections of the society.

We believe that building a credible and dependable brand identity is key to connect and serve our consumer groups and currently, our outreach campaigns have touched the lives of several Indians.

Going forward, we are calibrating to leverage unmet opportunities and grow as a trusted partner in our customers lives, today and tomorrow.

EVOLUTION OF THE HOUSEHOLD PROFILE IN INDIA



We are sharpening our focus on middle-income, lower-middle and upper-middle segments of society. With greater financial inclusion, a large number of households are shifting from the low-income to the middle-income segment. We are focusing on capturing a larger pie of this aspiring segment.

Image source: DNA

Our purpose forms the cornerstone of our marketing initiatives, while the well-being of our customers motivate us to conceive more engaging propositions to drive real change.

REARTICULATING OUR BRAND SALIENCE

Through the years, we have evolved to be trusted as a responsible financial services partner among millions of underbanked Indians. Ujjivan stands for comprehensive banking solutions for the aspiring middle class, dreaming of a better lifestyle.

NEW POSSIBILITIES

Our refreshing brand identity is crafted to represent prosperity and financial freedom through the lotus and the bird motifs. This reinforces our purpose and indicates the avenues that open up by associating with us.

SPEAKING THE CUSTOMER'S LANGUAGE

Our modules to connect through video and audio content are available in vernacular languages and embody the triple V mantra of Voice, Video and Vernacular, and help

reach our target customer cross-section. We seek to ensure that our communication across branches, ATMs, on-ground marketing initiatives and social media platforms (YouTube) conveys our message in the language that underlines India's diversity.

11

Vernacular languages used to connect with customers

Doing things **DIFFERENTLY** is an



50 Lakhs+

Customers reached through
#JantaConnect

SPREADING COVID-19 AWARENESS

Our #JantaConnect initiative during the pandemic, saw our on-ground team unite with over 50 Lakhs customers individually, educating them on the disease and the safety measures to adopt and protect their families and themselves. We rolled out informative videos to raise awareness on multiple subjects through vernaculars.

We extended our EMI moratorium to six months during this period. Hence, it was essential for customers to remain notified and take informed decisions, in consideration of the additional interest they would pay, if they were to avail the same. We developed a video on this subject and shared it with our customers.

We proudly showcased the trust our customers place in us through multiple testimonial videos where they talk about their banking experience with us. These are available on our YouTube channel.



Ujjivan Bank connected with me through telephonic calls during the lockdown to enquire about our well-being and advised us on the basic precautions to be taken against COVID-19. They also informed me about the moratorium available on the loan and its advantage and disadvantages.

Arvind Khathik
CTM branch, Ahmedabad,
MSE Loan



I am pretty impressed by the concern Ujjivan Bank showed during the COVID-19 pandemic. They were the only bank to connect with us during this challenging time and enquire about our well-being. It certainly shows their care for us.

Shakuntala Verma
Khargone branch, Madhya Pradesh, Gold Loan Customer



Unlike other financial institutions, Ujjivan Bank during this time of crisis has never forced us to pay EMI and they have been very polite whenever they spoke to us.

Mangama
Vadlur branch, Tamil Nadu –
Two-wheeler Loan (Raftaar Loan)



I am proud to be a part of the Ujjivan family. Ujjivan never forced EMI repayment during moratorium and also were willing to disburse loans at our doorstep.

Sreedevi
Singanallur branch, Tamil Nadu,
Group Loan for Business





ENHANCING UNDERSTANDING ON SAFE BANKING

We are enabling the safety of our customers by training them on security features for secured transactions in ATMs, internet or mobile banking or opening an account online. During the year, our Safe Banking video garnered over 4 Million views.

BADHTE LOGON KA BADHTA BANK

The 360-degree marketing campaign positioned us as a progressive bank for reform-oriented people and was designed to fortify our IPO. The response received during our IPO is a testimony to the success of the campaign.

CELEBRATING A CULTURE OF FESTIVITY

Festivals and their vibrant celebrations are synonymous with India. At the Bank, this messaging is designed to blend with Indian festivities by way of on-ground marketing campaigns on national holidays and days of social significance, such as International Women's Day, Father's Day, among others.

During the year, we deepened our recall in Kolkata through the annual 'Durga Pujo' celebrations in association with Ei Samay, a Bengali daily. We were a part of the Times Pujo Barir Shera Pujo, and Times Sharad Shreshtha campaign and reached over 1 Lakh people in the 'City of Joy'.

LENDING A HELPING HAND

It is important that our interactions with senior citizen clients reflect the added sense of responsibility and ensure that their savings continue to grow with us. Our life-events-based banking services encourage them to update their nominee to ensure that access to banking remains seamless in future. We connected with over 30,000 senior citizens during the year, assured them of our unwavering commitment and sought their blessings in our endeavours.

Tutorial videos on banking

Our aim is to familiarise customers with the basics of banking. The videos we develop encourage customers to adopt digital banking processes that include opening and managing an online account, making digital transactions, availing of loans alongside using the mobile banking application effortlessly. These videos are part of our product and brand awareness programmes and help start conversations around our brand.

Inward communication and response

Internal marketing forms a crucial link in our branding strategy. At the Bank, we consider our people as our 'internal customers'. We communicate to them about our new offerings to gauge their response before introducing them to our 'external customers'.

CREATING TOP-OF-THE-MIND RECALL

Consumer insight is critical for us to deliver on expectations year on year. In a survey we found that currently, 33% of respondents among the aspiring Indian middle class were aware of our Bank and brand. Our public relations initiatives strengthened our leadership presence in terms of 'share of voice' among SFBs, in the print and online media. Our corporate philosophy is guided by authentic storytelling, which is intricately intertwined with the Bank's purpose. Our customer engagement initiatives won us a feature in the February 2020 edition of The Economist.



Workforce

Crafting a culture of respect

As an organisation, we prioritise the service mantra both internally and externally. While technology plays a pivotal role in the effort, our employees are the real catalysts of change and progress at the Bank.

Our transparent and merit-based work culture nurtures and develops talent to thrive in the challenging environment. We are focused on building an agile and empowered talent pool that will propel the Bank towards its mission of building better lives both for our employees and customers.

Our people practices are derived from the Bank's core values: respect, trust, transparency, empathy and pride. Employees are encouraged to imbibe and demonstrate our core values.

The Bank's employees are empowered and enabled to respond to the rapidly evolving business landscape and build capability towards our ultimate goal of becoming the 'best mass market bank'.



BUILDING A DIVERSE TEAM

A diverse work culture is extremely important in a dynamic industry like ours as people from different backgrounds bring unique perspectives. Therefore, we are building a diverse team at the Bank. During the year, we hired 7,786 new people, of which 21% were women. We also on-boarded 25 differently-abled team members. We continue to recruit management trainees from top institutions across India, and have 149 management trainees working for different verticals.

7,786

Recruits in FY 2019-20

We have successfully created a Great Place to Work for all our people as we excelled in the five dimensions that are a hallmark of a High-Trust, High-Performance Culture™. As we are Great Place to Work-Certified™, we were considered for recognition in the Best Workplaces lists of the Great Place to Work® Institute. We have also been recognised among 'The Laureates' organisations that have ranked for 10 years or more in the Top 100. Very few organisations are part of this list and we are proud to be one.

- 3rd among India's Best Companies to Work For 2020
- Best Workplaces Among Organisations with More than 10,000 Employees
- Among 'The Laureates' for having ranked in Top 100 organisations for 10 years
- India's Best Workplaces in Small Finance Banks 2020

* Recognitions from Great Place To Work® Institute, for the period January 2020–December 2020

- 5th among the Best Large Workplaces in Asia 2020

*This recognition is based on being certified as a Great Place to Work® for the period March 2019-February 2020



UPSKILLING OUR WORKFORCE

We are helping our people upskill to prepare for the changing environment and promote continuous learning. Our Learning and Development team introduced several new approaches, such as theatre-based interventions, simulations, and micro e-learning modules, in addition to conventional classroom trainings. As an ongoing effort to upskill banking knowledge, we introduced two certification programmes, SFB Certification by IIBF and IT certifications by IDRBT, for both our backend and front-end team members.

Keeping pace with the technology upgrade in business our learning app, SWAY@M, saw renewed participation by employees. SWAY@M hosts a cross-section of functional, behavioural and regulatory themes. Mandatory training modules on e-learning



platform were assigned to every role to encourage self-learning. We ended the year with 16,491 active users on SWAY@M.

Our employees are our asset and their safety is of utmost importance to us. We introduced a new methodology of learning, theatre-based workshops on the topic of safety on the field for our Collections Team covering 617 of them. It focused on the safety of our collection staff and showcased the different scenarios they face.

Trainings for employees

194

Employees attended external training

8,354

Employees attended induction training

2,621

Employees attended refresher training

1,932

Employees attended supervisory skills training

4,621

Employees attended sales training

STATE LEADER TRAINING WORKSHOP

The Bank has always responded to crisis situations with speed and empathy. Keeping this purpose in mind we appointed State Leaders who are the decision makers during crisis situations and oversee the well-being of employees and business in the State they represent. At the workshop, State Leaders interacted with the various Heads of Departments, discussed their plans for their respective states in detail while taking direction from the Leadership team. Each State Leader has a mentor, who will support them in activities for the state.

ABHIYAN SELLING SKILLS FOR MICROBANKING

A focused sales training was conducted for the CRO, CRM and ACRM groups, who interact directly with our customers. The initiative was created in order to enhance their ability to cross-sell our products. The programme covered 2,298 people.

CARING FOR OUR PEOPLE

We believe that our success is the result of the hard work our employees put in and we share our success with them. During 2019-20, we launched the Employee Stock Option Plan (ESOP) and granted options to 28% employees. The stock options were given based on the tenure and employees' performance irrespective of their grades in the Bank. Overall, 4,410 employees were granted the first ESOP scheme of the Bank at a preferential rate in August 2019.

Planning a succession pipeline

We invested in succession planning by initiating a multi-pronged Leadership Development Series for National Managers, managing key functions. They underwent assessments of current capability that resulted in an Individual Development Plan. This was followed by workshops on People Management, Leading Change and Business Acumen.

During the year, several roles were exposed to cross-functional upskilling and cross-selling with the launch of new business verticals and the ramping up of others.



ESOP SCHEME

Hierarchies	Number of employees granted first	
		Bank ESOPs
Below Supervisory		1,785
Supervisory		2,153
Managerial		447
Senior Management		25
Total		4,410

Before our IPO, we also initiated our Employee Stock Purchase Scheme (ESPS), in which 4,359 employees opted to purchase the shares.



Health check-up initiative

13,204

Employees covered

686,608

Number of check-ups done

1,712

Hours of consultation

HEALTH AND WELL-BEING OF EMPLOYEES

Our benefits programmes are designed to focus on wellness and preventive care. We organised health checks across all branches and extended it to employee families as well. This initiative received an overwhelmingly positive response. Health talks were organised at all branches, regional offices and the head office. Also, the health checks were followed up by doctor consultations for all employees.

Welfare and Relief Charitable Trust

Our welfare trust helps us strengthen our welfare contribution to employees. It supports beneficiaries affected by unforeseen exigencies. During FY 2019-20, we supported our colleagues and customers who were hit by Cyclone Fani in Odisha and the floods in North Karnataka. Financial assistance was also provided to employees whose houses were damaged due to the floods.



ENGAGING WITH OUR PEOPLE AND THEIR FAMILIES

We conduct an Annual Employee Engagement survey, Bolo Ujjivan, which helps us to understand the engagement level of our people. We undertake various initiatives to better connect with them. We celebrate all festivals across our offices and ensure that families of our people also get a chance to participate in programmes such as the Annual Family Day and Bring Your Child to Work Day.

Insurance benefits cover partners of employees irrespective of gender

In a move to enhance diversity and inclusiveness at the Bank, our insurance policies now cover LGBT — lesbian, gay, bisexual, and transgender — employees, which means that their partners of the same or opposite sex are also covered as a dependent.



Business Division Review: MicroBanking

Deepening reach with specialised solutions

We reached out to over 45 Lakhs financially unserved and underserved households through our MicroBanking services. With a focus on building a stable and granular deposit base, we aimed to serve every member of the household, thereby increasing our customer base by three to four times. We focused on delivering a seamless and hassle-free banking experience to our customers, with an expanding product suite dedicated to serve their specific needs.

During FY 2019-20, we forayed deeper into semi-urban and rural India with our diversified product suite and catered to a wide spectrum of customers. Our MicroBanking segment is further divided into four sections – Group Loans, Individual Loans, Rural Banking and Sampoorna Family Banking.

₹10,933 Crores

Gross loan book
17% increase y-o-y

₹807 Crores

Total deposits (including deposit of
₹109 Crores from rural branches)
42% increase y-o-y

47+ Lakhs

Total MicroBanking asset
and deposit customers
9% increase y-o-y

₹11,004 Crores

Total disbursements
13% increase y-o-y





GROUP LOANS

Our group loans are delivered through Joint Liability Group (JLG) model. It increased by 12% over last year's portfolio. Under this unit, we launched a new variant – the Top-Up loan (for short-term needs), that is disbursed within a day; and is among the fastest services in the industry.

During the year, Group Loan's Outstanding Principal (GL-OSP) was at ₹8,971 Crores.



1-DAY disbursal

With Top-Up Loan, making it one of the fastest service standards in the industry



INDIVIDUAL LOANS



These loans are primarily targeted at those long-term group loan customers with a repayment track

record who are ready to graduate to individual loans. The portfolio grew by 60% during FY 2019-20, and reached 13.3% of the total MicroBanking portfolio against 9.4% in the previous year. We have streamlined our documentation and backend processes for greater efficiency and significantly reduced our disbursement Turnaround Time (TAT).

During the year, Individual Loan's Outstanding Principal (IL-OSP) was at ₹1,373 Crores.

Kisan Pragati Card

We launched a new agri secure product, Kisan Pragati Card, which offers an innovative and holistic financial solution to farmers. It covers their credit requirement for the agriculture and allied needs.

We also initiated Kisan Pragati Club, comprising 15-20 volunteer farmers across 35 branches to promote customer engagement, disseminate the principles of development through credit and inculcate better repayment ethics.



RURAL BANKING

We reinforced our presence in our existing markets of rural Karnataka, Tamil Nadu, West Bengal, Odisha and Gujarat with innovative and exciting products. During the year, we added 21 new branches in the unbanked areas, taking our total count of such centres to 144. Simultaneously, we also forayed into new markets of rural Rajasthan and Uttar Pradesh.

During FY 2019-20, our Agri group loans and Kisan Suvidha loans

focusing on small and marginal farmers have increased. They are now extended to regular branches with rural catchment areas. With the deployment of handheld devices, we are efficiently augmenting the deposit base and providing innovative value-added services to our customers.

During the year, Rural Loan's Outstanding Principal (RL-OSP) was at ₹589 Crores.



BUILDING BANKING BEHAVIOUR

In line with our motto of 'building banking behaviour' among our microfinance customers and their families, we launched Sampoorna Banking; and scaled our individual lending by introducing segment specific products and simplifying lending processes.



Sampoorna Banking



We launched Sampoorna Banking as an initiative to 'build better banking behaviour' among our microfinance customers and their families. It has helped us scale individual lending by introducing segment-specific products and simplifying the lending processes. Sampoorna Banking was launched across 450+ branches, largely focusing on product delivery through handheld devices with minimal paperwork.

Key initiatives undertaken with this programme:

- Reskilled our MicroBanking team to offer complete banking solutions through cutting-edge technology
- Introduced goal-based savings to enable savings for short-term and long-term family goals offering a safer alternative to savings in informal sectors and shadow banking players
- Mobilised deposits worth ₹10 Crores within three months of launch
- Positioned the Savings Account as an 'Emergency Account' with no penalties on complete balance withdrawal
- Opened over 36 Lakhs borrower accounts and 80,000+ family accounts
- Strengthened doorstep banking, offering customers the benefit of deposit and withdrawal facilities at their neighbourhood, garnering deposits of over ₹90 Crores in the six months after we initiated this move
- Engaged with 20+ Lakhs customers through family events held at different branches, vernacular videos and story-based IVR calls to promote awareness on banking products and safe banking practices.



FY 2019-20 ACHIEVEMENTS

- ✦ Added 37.2 Lakhs MicroBanking savings accounts and 82,406 family accounts, and 1.1 Lakhs cashless repayment customers
- ✦ Achieved 6.6 times increase in Mobile banking users (2.2 Lakhs) and 11 times increase in UPI users (1.34 Lakhs) users during this financial year, while 1.1 Lakhs customers opted for digital mode of loan EMI payment (3 times increase)
- ✦ Expanded Digibuddies programme to 358 branches to handhold customers on the use of digital platforms
- ✦ Onboarded 19.7k customers with private businesses on UPI QR, who executed ₹3.41 Crores worth credit transaction in their savings account via UPI QR
- ✦ Piloted Money Mitra for services such as loan EMI payment, SA deposit and withdrawal and fund transfer in customer neighbourhood
- ✦ Scaled-up individual lending by introduction of product variants and simplifying current asset product offerings and processes
- ✦ Re-engineered our business processes by driving digital initiatives such as cash-less repayments, digital pre-approved loans, payment solutions
- ✦ Launched new products like Top-Up loan (For short-term requirements) and Home Improvement loan (For financing needs of new-to-bank customers)
- ✦ Streamlined our processes for greater efficiency and significantly reduced our disbursement turnaround time (TAT) to an average of three days
- ✦ Maintained GNPA of 0.9% with close portfolio monitoring and continued collection efforts
- ✦ Forayed into new markets of Rajasthan and Uttar Pradesh
- ✦ Introduced agri secure product Kisan Pragati Card
- ✦ Initiated Kisan Pragati Club to encourage good banking practices

FOCUSSING ON FINANCIAL LITERACY

We also continued with our mission of sensitising our customers towards financial discipline, different financial tools and responsible banking practices in association with Parinaam Foundation. We covered over 1 Lakh MicroBanking customers through Parinaam's flagship Financial Literacy programme Diksha+.

ROAD AHEAD

Going forward, managing the effects of lockdown will be our priority. We will set in motion initiatives such as curtailing the credit cost, re-starting the business with repeat clients, scaling deposit and Sampoorna banking business, along with penetrating new geographies, and further pushing the growth of rural banking.



We will also introduce consumer durable loan, micro loan against property and use an analytics-based model to graduate group loan customers. Additionally, we will simplify our digital pre-approved loan process with the help of data

analytics and expand our UPI QR based payment solutions for merchants via UPI Acquirer platform and our UPI PSP Mobile app.

Besides, we will step up cashless repayment further through our 'Money Mitra' initiative and offer banking services from neighbourhood shops and pilot cash collection points. We are also planning to launch a Voice-, Video- and Vernacular-based, easily navigable mobile banking app for microfinance customers to drive digital usage.

Moving ahead, we will expand the product base with new channels of Loan EMI payment via popular and easy-to-use platforms – Popular UPI apps, BBPS, CCAvenue and Billdesk and use of BC and digital pre-approved Individual Loans via phone banking and mobile app.

Business Division Review: Micro & Small Enterprises (MSE)

Fuelling small growth engines

Over the years, the Micro & Small Enterprise (MSE) sector has emerged as an important sector of our economy. It contributes significantly to employment generation, indigenous innovation, exports, and inclusive growth.

In the post-GST era, this industry segment is undergoing a transformation with more digitalisation and formalisation. We cater to the financial requirements of both registered and non-registered MSEs for scaling their businesses.

₹980 Crores

Outstanding principal (OSP)
66% increase y-o-y

₹610 Crores

Total disbursements
22% increase y-o-y

14,500+

Customers
12% increase y-o-y



During the year, we focused on the promotion of relationship banking and completely secured lending. With consistent efforts, our secured lending has reached 100% with no incremental unsecured loans sourced from April 2019 onwards. Our secured OSP grew to 90% share of overall portfolio.

We focused on enhancing the deposit relationship with our MSE customers, which resulted in a deposit book of ₹27.5 Crores (including ₹13.7 Crores of term deposits) and a significant CASA ratio.



FY 2019-20 ACHIEVEMENTS

- ✦ Logged 119% growth in secured OSP from ₹408 Crores on March 31, 2019 to ₹892 Crores on March 31, 2020
- ✦ Gross Non-Performing Assets (GNPA) stood at 2.9% as on March 31, 2020, with stress in the residual unsecured portfolio being addressed with dedicated collection follow-up
- ✦ Widened geographic reach in existing and new SFB branches – 114 clusters, spanning 315 branches
- ✦ Forayed into the formal MSME segment
- ✦ The percentage of customers using three or more of our products and services reached 63%
- ✦ of our total customers during the year, with more emphasis on relationship banking
- ✦ Activated branch channel for sourcing customers, with its share growing from 4% as on March 31, 2019 to 14% as on March 31, 2020
- ✦ Implemented focused plan to improve productivity through structured training and development initiatives
- ✦ Enforced Risk Score Card in the Loan Origination System (LOS) for movement to a customer grading-based decision-making

ROAD AHEAD

Going forward, we will concentrate on semi-formal and formal MSME segments, led by our diversified product offering and relationship-based approach. We will seek to increase the contribution of internal channels for customer sourcing up to 75%, with incremental sourcing from branch channel penetration. Additionally, we will closely monitor and track collection strategy to ensure on-time repayment using digital medium to ensure that

customers do not slip into the habit of delaying payments due to moratorium issued as a result of COVID-19 induced lockdown.

We plan to launch fintech partnerships in supply chain finance domain to provide an additional lead channel. We will also introduce digital onboarding platform for improved delivery processes.

MSE Business Edge

This product is targeted towards the formal Micro, Small & Medium Enterprises (MSMEs) borrowers and facilitated our entry into the industry with a ticket size of up to ₹2 Crores. The product offers term loans and overdraft facilities for balance sheet-based funding.



Business Division Review: Affordable Housing

Supporting aspirations of owning a home

We are a trusted player in India's Affordable Home Loan market, especially among the low-income households, eager to own their dream homes. Our customers are primarily the aspiring middle-class and/or salaried class comprising semi-formal/informal income segments, buying their first house.

₹844 Crores

Total disbursements
43% increase y-o-y

₹1,524 Crores

Outstanding principal (OSP)
84% increase y-o-y

19,000+

Customers
62% increase y-o-y





Facilitating subsidy under PMAY-CLSS

As all our customers are from the lower/middle-class and 65% of them are from the salaried class with semi-formal/informal income, we help them avail the number of Pradhan Mantri Awas Yojana – Credit Linked Subsidy Scheme (PMAY-CLSS scheme).

Since inception, we have facilitated 1,700 customers to secure a subsidy under PMAY-CLSS



FY 2019-20 ACHIEVEMENTS

- ✦ Focused on employee learning and development to enhance productivity levels
- ✦ Logged a GNPA at 0.76% as on March 31, 2020
- ✦ Developed region-specific policies and will implement them in FY 2020-21
- ✦ Reduced end-to-end TAT by 1.5 days
- ✦ Developed digital onboarding solution to reduce TAT further; to be implemented in FY 2020-21

ROAD AHEAD

We will concentrate on ensuring timely repayment from all our customers and focus on collections. We will concentrate on increasing our Tier-I and Tier-II market penetration, with an emphasis on bank credit salary customers, moving towards the higher spectrum of semi-formal/formal salaried customers. Going forward, we will also make our presence felt among Tier-III and Tier-IV markets by leveraging our branch network.

Additionally, we will emphasise on region-specific product offerings, based on COVID-19 impact and rationalise internal products and processes to realign with the new normal and optimise cost. We will launch our rural policy starting with Karnataka and focus on places least affected by COVID-19.

In FY 2020-21, we will embark on a digital journey for sourcing, servicing customers, as well as forming alliances with online aggregators to widen our customer outreach.

We will ensure 100% digital repayments to optimise cost and efforts, along with digital onboarding, loan processing and disbursement. We will focus on creating cost-effective fintech partnerships for a better reach in a short time span.

Business Division Review: Personal Loan

Redefining our boundaries

Our Personal Loan vertical weaves convenience with conventional banking, creating a differentiated product portfolio. This vertical's offerings primarily meet the requirements of the salaried individuals employed in the private or public sector.

We made significant progress in this segment during FY 2019-20, growing six times both in terms of disbursements and loan book. During the year, we expanded from 14 to 36 cities; and started focusing on the inclusion of the Tier-II cities. Additionally, we concentrated on maintaining asset quality at the expected threshold.

₹83 Crores

Total disbursements
592% increase y-o-y

₹79 Crores

Gross loan book
618% increase y-o-y

5,335

Customers
569% increase y-o-y



We entered into strategic alliances, gaining insights on our targeted customer base. We leveraged our understanding of the segment to restructure our product policies and interest rates in line with the market. We also saw rising defaults in certain segments and locations and undertook a thorough portfolio quality review to keep our asset quality in check. Further, we reworked our customer segmentation, aligning our credit policies based on the observed trends.

4,777

Loans were disbursed during the year



FY 2019-20 ACHIEVEMENTS

- Grew six times both in terms of disbursements and loan book
- Expanded geographical footprint from 14 to 36 cities
- Recorded GNPA of 1.3% as on March 31, 2020
- Revamped our processes to go completely digital by leveraging systems and processes similar to fintechs

ROAD AHEAD

We plan to transform from the current 'Phygital' mode to 'Completely digital' process. In the coming financial year, we will launch new product variants for our targeted segments. Additionally, we will diversify our sourcing channel mix by building internal and external synergies and partnering with digital aggregators to deepen our customer reach and penetration. We will also concentrate on enhancements for existing customers and cross-sell products to serve other existing-to-bank customers in the FY 2020-21. With technology at the forefront, we aim to minimise physical transactions, using the latest technology in the market for both customer loan journey and the backend operations.

We also seek to strengthen our fintech alliances and integrate best-in-class services in the industry by utilising our own

API banking platform. The API banking platform will integrate processes and systems faster and make the complete system integrations completely safe against any potential cyber-attacks. Additionally, we will completely rely on digital means for customer verification. The application of digital integrations in this case, will make the process instantaneous. This will further enable us to serve our customers with all the social distancing norms in place. We have already trained our teams and look forward to launching the revamped business and processes in the coming year.

Business Division Review: Vehicle Finance

Foraying into vehicle financing

Our vehicle finance vertical is a direct result of listening to our customers and then creating products that meet their requirements. We aspire to become the first-choice financier for the mobility needs of our customers.

Our product mix under this vertical includes two-wheeler and E-3-wheeler (E-3W) loans, secured and hypothecated to our bank. We are building a secured book in a phased manner.

1,697

Number of loans

₹12.1 Crores

Total disbursements

₹12.5 Crores

Gross loan book



COLLABORATIONS FOR GROWING THE VEHICLES VERTICAL



We partner with several Original Equipment Manufacturers (OEMs) such as Mahindra, Kinetic, OLA Electric, Mayuri (E 3W) and other E 3W OEMs. Of these, Mahindra is ready to start Small Commercial Vehicle (SCV), along with E 3W expansion. We are also in the final stages of signing long-term deals with Smart E – A platform for E 3W, first loss default guarantee (FLDG) and Electric Auto -Structure and Commercial Discussion (Lead & Collection Management) with Three Wheels Union, an NBFC. Partnerships with TVS, Piaggio, SmartE, TWU, Bike Dekho, Car Dekho are in discussion stages as well.

FY 2019-20
ACHIEVEMENTS

- ✦ Received 100% payments through Standing Instructions (SI) autopayment
- ✦ Sourced 84% customers through our branches
- ✦ Recorded zero NPAs
- ✦ Served 57% women customers
- ✦ Catered to 74% self-employed people
- ✦ Increased loan range from ₹85,000 to ₹125,000 to cater to a large customer segment

ROAD AHEAD

Despite the pandemic and challenging consumption demand across India, experts predict a hike in the sale of personal vehicle because of people avoiding public transport. Besides, rural borrowers are expected to recover faster with the return of the workforce after their exodus from the cities. This, along with good rabi harvest will create need for finance in the rural markets, especially for commercial and personal vehicles.

Moreover, the sale of vehicles in urban and semi-urban areas is likely to increase as well, especially now that the lockdown is systematically being lifted.

The demand for personal vehicle rose to 15%, which is double of what it would have been otherwise. At the Bank, we are developing more innovative products to offer our customers a more personalised experience. We plan to expand our reach through new and exciting products and services mix.

We will focus on E 3W segment and broaden our scope to include electric-two-wheeler (E 2W) and used cars, along with mini and micro commercial vehicle.

During the upcoming financial year, we look forward to the launch of our Loan Origination System (LOS) with other added features for a seamless execution. We are also planning to introduce new digital features such as digital bank statement analyser, video KYC, ID verification, e-mandate and e-agreement.

We will focus on strengthening our vehicle financing in rural and semi-urban India and build a stronger portfolio.

Business Division Review: Trust, Association, Society and Club (TASC)

Reaching out to new customer segments

We mobilise deposits from institutional customers, especially the non-profits, governments, societies, clubs, trusts, educational institutions, and corporate segments in this business division.

We have a specialised team of relationship managers (RMs) who source new leads and cater to these customers. During the year, we launched two products—

Current Account & Savings Account and Public Fund Management System (PFMS)—to suit customer requirements in this vertical.

₹1,185 Crores

Total deposits
41% increase y-o-y



FY 2019-20 ACHIEVEMENTS

- ✦ Initiated comprehensive CASA solutions to suit customer requirements; garnered CASA of ₹121 Crores as on March 31, 2020
- ✦ Liabilities book for TASC 41% growth over FY 2018-19
- ✦ Shifted approach in TASC from term deposits to CASA and term deposits
- ✦ Introduced Public Fund Management System (PFMS) proposition for our customers

ROAD AHEAD

Going ahead, we will ramp up CASA mobilisation from the institutional segment and deepen our presence in various government businesses.



Business Division Review: Third-Party Products

Securing customers from eventualities

We provide our customers various types of insurance products. During the fiscal, we expanded the insurance business through our Branch network. Insurance business from the Credit Life segment is growing steadily in line with the business volumes, whereas business from Retail Insurance distribution covering Micro Insurance, POS Product, Health & Personal Accident Insurance has grown significantly.

55 Lakhs

Lives insured
2% increase y-o-y

₹307.7 Crores

Gross premium collected
33% increase y-o-y

₹20.3 Crores

Revenue
46% increase y-o-y

We have a corporate agency arrangement for distributing insurances with top insurance companies.

Corporate agency arrangement with insurance providers



LIFE INSURANCE

Bajaj Allianz Life Insurance Co Ltd.
HDFC Life Insurance Co. Ltd.
Aditya Birla Sun Life Insurance Co. Ltd.



GENERAL INSURANCE

Bajaj Allianz General Insurance Co. Ltd.
ICICI Lombard General Insurance Co. Ltd.



HEALTH INSURANCE

HDFC Ergo Health Insurance Co. Ltd.



FY 2019-20 ACHIEVEMENTS

- Launched Atal Pension Yojana
- Introduced insurance for vehicle finance
- Launch of Micro Insurance product from Aditya Birla Sun Life Insurance
- Initiated Pradhan Mantri Fasal Bima Yojana for Kisan Credit Card borrowers
- Process digitalisation initiated for insurance business

ROAD AHEAD

In FY 2020-21, we will focus on the efficiency of our branches, managing the product mix, launching simple Over-the-Counter (OTC) products, insurance distribution through phone banking. We will further leverage technologies to digitalise processes, initiate paperless onboarding, enable API integration with insurance partners and launch analytics-driven digital campaign for insurance distribution.

Business Division Review: Financial Institutions Group (FIG)

Expanding presence across markets

We cater to all types of financial institutions such as banks, co-operative banks, mutual funds, insurance companies, NBFCs, private equity firms, capital & commodity market entities and fintechs among others.

We manage liabilities business from various Financial Institutions Group (FIG) clients in the form of Current Account balances, Fixed Deposit Receipts, Term Money & Certificate of deposits. We act as an interface with all banks and mutual funds and arrange exposure limits, including lines of credit. We work with refinance institutions such as National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), Micro Units Development and Refinance Agency Bank

(MUDRA) and National Housing Bank (NHB) to make alternative funding options available as back up. We also lend to good quality NBFCs and MFIs within acceptable credit parameters.

During the year, we focused on diversifying the customer segments, foraying into the NBFC/MFI and Capital Market Segments and building CASA relationships, in addition to deepening our existing relations with institutional customers.

₹543 Crores

Total disbursements
126% increase y-o-y

₹549 Crores

Gross loan outstanding portfolio
144% increase y-o-y

₹5,133 Crores

Deposit and term money
39% increase y-o-y





FY 2019-20 ACHIEVEMENTS

- * Onboarded 97 new financial institutions to initiate deposit relationships
- * Total active FIG relationships stood at 260+ on liabilities side and 35 on assets side
- * Initiated current account relationships with different NBFCs/MFIs and Co-operative Banks during the financial year and achieved reasonable results in developing current account balances
- * Diversified liabilities portfolio across geographies and different client segments reduced concentration risk substantially
- * Developed alternative funding sources such as refinance, lines of credit from banks for contingencies
- * Raised wholesale funds in difficult market situation at competitive rates
- * Reduced reliance on Certificate of Deposit as source of funding

ROAD AHEAD

We will consistently focus on building current account (CA) balances from FIG segment clients. With good synergies and collaborations with branch banking teams, we on-boarded 61 liabilities clients during FY 2019-20 and propose to enhance the same in FY 2020-21. Moreover, we seek to expand our asset base by fostering new relationships and enriching current relationships. Our new product initiative will also attract CA floats, fee income from FIG clients.

Besides, we will increase our fee-based income with new products such as Bank Guarantee business and further enhance interbank limits, exposure limit from various mutual funds, insurance companies and various cooperative banks. We will selectively lend to NBFC and MFI clients with good portfolio quality to grow our asset book.

We will also launch Electronic Fixed Deposit Receipt (E-FDR) for the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange (BSE). We are also introducing current account linked Call Money Product. This product will take on the automated route based on its success. Additionally, we are exploring opportunities with NBFCs and fintechs to offer digitised collection and payment solutions to augment our CA growth.

Business Division Review: Branch Banking

Enhancing customer convenience

We are reaching out to our customers across India's 24 states and Union Territories through 575 banking outlets. During FY 2019-20, we grew our liabilities book through branch banking.

₹3,806 Crores

Liabilities book for Branch Banking
82% y-o-y increase in liability book

₹777 Crores

CASA
146% growth y-o-y

5.7 Lakhs

Customer

₹140 Crores

Privilege SA





FY 2019-20 ACHIEVEMENTS

- ✦ The TASC unit observed significant opportunities in government segment and successfully empanelled with PSUs and local government entities
- ✦ Revamped Business Edge Current Account Product, RuPay Platinum Debit Card with lifestyle benefits, increase in cash deposit limits and Cash Management Services (CMS) proposition to address the needs of medium and large businesses
- ✦ Garnered a diverse customer base with focused sourcing from various segments
- ✦ Decentralised TASC account opening process for faster turnaround
- ✦ Partnered with industry leaders for a strong and attractive Point of Sale (POS) devices proposition
- ✦ Launched pre-printed QR Codes for retail customers; a digital mode of payment acceptance solution
- ✦ Initiated implementation of Public Fund Management System (PFMS) for making banking easier and accessible
- ✦ Empanelled e-procurement with Karnataka government
- ✦ Grew active mobile banking users to 2.17 Lakhs and UPI users to 1.72 Lakhs
- ✦ Recorded business netbanking highest transactions of over ₹279 Crores with a total customer count of 1,296

PRIVILEGE SAVINGS ACCOUNT

It offers superior banking services, such as unlimited free ATM transactions, higher transaction limits, complimentary RuPay platinum debit card with lifestyle benefits. New acquisitions in Privilege Savings contributed ₹140 Crores during FY 2019-20 with a ticket size of ~₹1 Lakh.

DIGITAL ACCOUNTS

We cater to the tech savvy youth through our digital account/e-wallet segment. These accounts facilitate instant activation and access to banking facilities at fingertips. Post the launch of this product, we acquired 15,371 new customers. Besides, 30% of the digital account customers became active on UPI platform, increasing our share in the digital wallet industry.

ROAD AHEAD

Going forward, we will focus on sourcing the right mix of customer segments with potential of higher ticket size as showcased in the existing portfolio – senior citizens, salaried class, retailers, medical eco-system and professionals. We will



also cater to the needs of women with dedicated feature-packed products. We are keenly driving an active base of customers, leading to higher balance maintenance in 70% of savings account and 80% of current account, with an emphasis on CASA growth.

Given the large untapped potential of the salary market, we will channelise feet on street to acquire salary accounts with our superior Privilege Savings offering.

On the road ahead of our digital journey, we will primarily focus

on state-of-the-art contactless customer onboarding and account opening with video calls and data integration with central repositories.

We will also launch Udaan, an initiative to onboard more customers on the multi-lingual mobile banking platform and activate UPI transactions for ease of banking and bill payments. Our focus will be on implementing digitally enabled banking solutions such as Public Funds Management System (PFMS) for various agencies for payment and collection of funds.

Risk Management

Navigating challenges with prudence

The Bank has a strong risk management framework in place to identify, mitigate and monitor material risks across all its functions, directed by the Risk Management Committee of the Board. The Bank has an adequately staffed risk management team led by the Chief Risk Officer (CRO), to implement the directions of the Board. There are dedicated teams established within the Bank to assess and monitor credit risks, operational risks, market and ALM risks and information security risks.

The team is mainly at the Bank's corporate office but also has a presence in each of the regional offices, primarily to aid in cascading the operational risk framework at a granular level. The hallmark of the Bank's Risk Management function is its independence from business sourcing units with the convergence only at the Board level.

Market Risk Committee (ALCO). These committees are entrusted with the task to identify, measure, mitigate and monitor various risks.

The Bank's risk management framework is based on a clear understanding of its key material risks, disciplined risk assessment and measurement procedures,

and continuous monitoring. The policies and procedures established for this purpose, are continuously benchmarked with international best practices. The Bank has an oversight on all the risks through regular monitoring of Key Risk Indicators (KRI) and benchmarks against each type of risk.

The Risk Management Committee of Board (RMCB) fulfils its roles and duties through various management level risk committees. Risk-specific management level committees are also constituted such as Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Asset Liability and





CREDIT RISK

Area	Mitigation measures
Early Warning Systems (EWS)	<p>Branch level scorecards were enhanced to assess the performance on various parameters such as incremental overdues, error rates, non-starter cases, collection performance etc. The Bank has also incorporated external factors in addition to internal EWS parameters to have better early monitoring and to take proactive measures.</p> <p>For MSE and Housing Loans, the Bank has developed an internal EWS model at an account level for enhanced monitoring. The revised EWS frameworks will enable the Bank to monitor a borrower's internal/external repayment record and signs of overleveraging efficiently.</p> <p>For all verticals, the Bank has subscribed to various bureau reports to provide real time data on changes in credit scores, change in residential and communication details and leverage etc. as part of monitoring activities.</p>
Credit Rating Scorecards	<p>Designed and successfully launched risk rating scorecards for Microfinance, MSE and Housing Loan portfolios. These scorecards are designed to provide an objective and unbiased assessment on potential customers, duly factoring their personal income, repayment track records and collateral aspects (for secured loans). The scorecards will be back-tested, validated and calibrated in the ensuing financial year.</p> <p>Risk rating scorecards are also introduced for FIG loans during the year, which will be subjected to validation in the ensuing year.</p> <p>For other verticals, the Bank intends to introduce risk rating scorecards to increase objectivity in lending practices in the ensuing year.</p>
Expected Credit Loss	<p>Computed key risk factors under ECL- Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) have been kept in line with Ind-AS 109. The Bank has incorporated additional management overlays in its PD and LGD computation models to reflect the potential stress which can be caused by COVID-19 pandemic.</p>
Process Gaps and Enhancements	<p>Revamped various processes in credit appraisal w.r.t. documentation management, loan deviations, exposure norms, and new policies or enhancements to name a few. Occupation mapping of borrowers is currently being enhanced to undertake meaningful industry/sector analysis and corroborate with external outcomes.</p>
Industry Insights and Portfolio Analysis	<p>Continuous analysis of all loan portfolios to identify potential areas of stress on the basis of geography, ticket size, branch/clusters etc. Such analysis has helped the Bank to set mitigants in the form of limits and caps in exposure.</p>
Stress Testing	<p>The Bank undertakes comprehensive stress testing of all loan portfolios using sensitivity and scenario analysis. The impact of adverse events on the PAR%, NPA%, provisions and capital adequacy are assessed at regular intervals.</p>
Natural Disasters	<p>The Bank has undertaken various programmes for customer outreach and communication, social development programmes, changes in underwriting/credit policies and additional provisioning as risk mitigation measures in states affected by natural disasters.</p>



OPERATIONAL RISK

Area	Mitigation measures
Product and Process Reviews	All new products and processes (including enhancements) are subject to a mandatory comprehensive review. The Bank continuously reviews and enhances its key processes to adapt to industry best practices.
User Acceptance Testing	The Bank performs the User Acceptance Testing (UAT) to identify gaps in the actual deliverable versus what was proposed in the Business Requirement Document (BRD). These gaps are further addressed and closed during the Functional Specification Document (FSD) stage before moving to production.
Risk and Control Self-Assessment	During the year, RCSA was undertaken for eight processes. There is a time bound plan to close the open issues as observed during RCSA and an update is provided to Operational Risk Management Committee (ORMC) and RMCB at regular intervals.
Key Risk Indicators	The Bank has defined 19 KRIs at an organisation level as part of the Operational Risk Management Framework. These KRIs are analysed on monthly basis and a comprehensive report is submitted to the ORMC and Board at quarterly intervals with action plan for closure of open issues.
Loss Data Management	Loss Data Management is in place to record material incidents, learn from errors and strengthen existing controls. Incidents are recorded as operational loss and near miss events. This is followed by a Root Cause Analysis (RCA) for critical incidents. The Bank records instances along the Basel defined lines of Operational Risk events and process enhancements are tabled at various committees for further action.
Operational Risk Scorecards	An internal scoring mechanism is in place to capture all risk parameters at a granular level within the Bank i.e. branch level. The scorecard includes all facets of branch operations: MicroBanking, Housing and MSE loans, liabilities and other branch related parameters. Branches are categorised as High, Medium or Low risk based on these assessments on a monthly basis.
Outsourcing Risk	Progressive risk assessment of most material outsourced vendors (including legacy vendors) was completed during the year, to ensure that these vendors comply with the minimum requirements prescribed by the RBI. Detailed notes were recorded on the risk assessment done for each vendor through visits and were placed at various forums and committees for further action.
Internal Financial Control (IFC) Testing	This is an annual exercise and done by the Operational Risk team. The team, along with the stakeholders concerned, prepares and enhances Risk & Control Matrices (RCMs). The financial and operational controls in these RCMs are next put to test by collecting samples from across the review period and from different regions, and are then evaluated for success or failure of the control effectiveness. The critical gaps observed during such testing are discussed with the functions concerned for upgrading controls which may include automation of the controls.



LIQUIDITY AND MARKET RISK

Area	Mitigation measures
Funding Concentration	To effectively manage its ALM and also to diversify its funding sources, the Bank has also availed of refinance from SIDBI and NABARD which now constitutes a significant portion of the total funding mix.
Behavioural Analysis	Commenced a behavioural analysis of cash flows, especially for CASA balances using Value at Risk (VaR) based approaches to identify potential mismatches.
Trading Book Management	Duration based limits, value at risk based limits and open position limits etc. are introduced. These trading limits are monitored on a real time basis by the Middle Office. Any isolated instance of breach in limit is brought to the notice of stakeholders and remedial measures are taken.

Information Security

The Bank understands that it operates in a highly dynamic threat environment and has thus taken a plethora of measures to ensure the safety of customers while they perform their banking transactions. The Bank has implemented state-of-the-art security technologies in its infrastructure and monitors the potential threats round the clock. A comprehensive strategy encompassing people, process and technology is constantly reviewed in the light of emerging threats, the security requirements of the business and best practices. A 24x7 Cyber Security Operations Centre has been established that identifies potential incidents and takes the requisite action to respond, recover and learn from the incidents. Thus the Bank has adopted an approach of continuous improvement when it comes to security. In the field of emerging technologies, the Bank has embraced Artificial Intelligence, Machine Learning, Data Lake and User Behaviour Analysis for its Security Operations Centre.

The Bank regularly participates in Cyber Drills conducted by the Institute of Development and Research on Banking Technology (IDRBT) and conducts periodic Disaster Recovery drills for its technology infrastructure to ensure the availability of critical services in the event of a disaster. In order to keep abreast of the security best practices, the Bank participates in meetings conducted by CISO Forum and Data Security Council of India.

A well-documented Board approved information security policy is in place. The Bank has a robust Business Continuity and Disaster Recovery Plan that is periodically tested to ensure that it can meet any operational contingencies.



Internal Capital Adequacy Assessment Process (ICAAP)

The Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/ financial position/ capital adequacy. The ICAAP framework is guided by the Bank's Board approved ICAAP Policy. The Bank designed an initial framework for Enterprise Risk Management (ERM) which sought to move away from silo-based risk approach to a comprehensive and holistic approach to risk management. The framework is designed around Risk Adjusted Return on Capital (RAROC) based decision-making; a significant departure from the commonly used accounting-based performance review. The same is expected to be operationalised in the ensuing financial year.



Board of Directors



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1 — BISWAMOHAN MAHAPATRA

Part-time Chairman and Independent Director

Qualification: Master of Arts from Jawaharlal Nehru University, New Delhi, Master of Science in Management from Arthur D. Little Management Education Institute, Cambridge, United States of America and Master of Business Administration from Delhi University.

Mr. Mahapatra retired as an Executive Director of the RBI in August, 2014.

2 — NITIN CHUGH

Managing Director and CEO

Qualification: Bachelor's degree in Technology (Electrical Engineering) from Kurukshetra University and Professional Diploma in Marketing Management from All India Management Association.

Mr. Chugh was appointed the Managing Director and CEO of the Bank on December 01, 2019. He has had successful stints with HDFC Bank Ltd., Standard Chartered Bank, HCL, Hewlett Packard Ltd. and Modi Xerox Ltd.

3 — JAYANTA KUMAR BASU

Non-Executive Director

Qualification: Bachelor's degree in Arts (Economics) from Delhi University and Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad.

Mr. Basu is currently the Managing Partner at CX Advisors LLP. He was previously a Senior Vice President at Citibank.

4 — MONA KACHHWAHA

Non-Executive Director

Qualification: Post graduate diploma in Business Management from XLRI Jamshedpur and has completed a private equity programme from Oxford University.

Ms. Kachhwaha was previously employed with Citibank N.A. and Caspian Impact Investment Adviser Private Ltd.

5 — CHITRA K ALAI**Non-Executive Nominee Director**

Qualification: Bachelor's degree in Commerce from Osmania University, Master's Diploma in Business Administration from Symbiosis Institute of Management Studies and certified associate of the Indian Institute of Banking and Finance.

Ms. Alai is currently a general manager at the Chennai regional office of Small Industries Development Bank of India (SIDBI).

6 — PRABAL KUMAR SEN**Independent Director**

Qualification: Master's degree in Arts (Economics) from Calcutta University.

Mr. Sen was a professor at Xavier School of Management, Jharkhand, Institute of Rural Management as a Bank of Baroda chair professor and University of Burdwan. He was previously employed with the United Bank of India and worked as an interpreting officer in the Calcutta High Court.

7 — NANDLAL SARDA**Independent Director**

Qualification: Master of Technology in Electrical Engineering and Doctor of Philosophy from the Indian Institute of Technology, Bombay.

Mr. Sarda has previously served as a Director on the Boards of the Union Bank of India, Clearing Corporation of India and Andhra Bank. He was a professor in the department of computer science and engineering at Indian Institute of Technology, Bombay.

8 — VANDANA VISWANATHAN**Independent Director**

Qualification: Bachelor's degree in Science from Bangalore University and Master's degree in Arts in personnel management and industrial relations from the Tata Institute of Social Sciences.

Ms. Viswanathan co-founded and is a partner at Cocoon Consulting.

9 — MAHADEV LAKSHMINARAYANAN**Independent Director**

Qualification: Bachelor's in Science from Kerala University and Chartered Accountant from the Institute of Chartered Accountants of India.

Mr. Lakshminarayanan was previously a Partner at Deloitte Haskins & Sells LLP and Fraser & Ross and is currently Director on the Board of Aspinwall and Company Ltd.

10 — UMANG BEDI**Additional Director (Independent)**

Qualification: Bachelor's degree in engineering from University of Pune, Maharashtra and general management programme from Harvard Business School, Boston, Massachusetts, USA.

Mr. Bedi is a Co-Founder of Dailyhunt, India's largest local language content and news discovery platform across 14 Indian languages. He was previously the Managing Director - India and South Asia with Facebook India Online Services Private Ltd., ADOBE Systems India Private Ltd. and Intuit Inc.

Leadership Team



NITIN CHUGH
Managing Director and CEO

Qualification: Bachelor's degree in Technology (Electrical Engineering) from Kurukshetra University and Professional Diploma in Marketing Management from All India Management Association.

Mr. Chugh was appointed the Managing Director and CEO of the Bank on December 01, 2019. He has had successful stints with HDFC Bank Ltd., Standard Chartered Bank, HCL, Hewlett Packard Ltd. and Modi Xerox Ltd.



CAROL FURTADO
Head of Operations and Service Quality

Qualification: Bachelor's degree in Science from Bangalore University and Postgraduate Diploma in Business Administration from Mount Carmel Institute of Management.

Ms. Furtado was appointed Head Operations and Service Quality of the Bank in April 2020. She joined the Bank in 2005 and has held many important positions in both the erstwhile microfinance institution and the Bank since joining. She has previously worked with ANZ Grindlays Bank, Bank Muscat SAOG and Centurion Bank Ltd. In 2009, Women's World Banking awarded her the Financial Women's Association award in recognition of her demonstrated professional commitment.



ALOK CHAWLA
Head of Audit

Qualification: Bachelor's degree in Commerce from Delhi University, Chartered Accountant with the Institute of Chartered Accountants of India and Certified internal auditor with the Institute of Internal Auditors Inc.

Mr. Chawla was appointed the Head of Audit of the Bank on November 2, 2018. Before joining the Bank, he has worked with Mizuho Bank Ltd., ING Vysya Bank and Tata Motors Finance Ltd.



SANJAY KAO
Head of Human Resources

Qualification: Bachelor's degree in Technology (Chemical Engineering) from the Banaras Hindu University and Postgraduate Diploma in Management from the Indian Institute of Management, Calcutta.

Mr. Kao joined the Bank as the Chief Business Officer in 2018 and has been appointed the Head of Human Resources in April 2020. He has worked with Lipton India Ltd., Dunia Finance LLC, Citibank, NA and ABN AMRO Bank, NV.



UPMA GOEL
Chief Financial Officer

Qualification: Chartered Accountant with the Institute of Chartered Accountants of India.

Ms. Goel joined the Bank as the Chief Financial Officer in 2017. She previously worked with L&T Finance Holdings Ltd., Ujjivan Financial Services Ltd. and Escorts Securities Ltd.



CHANCHAL KUMAR
Company Secretary and
Compliance Officer

Qualification: Chartered Accountant with the Institute of Chartered Accountants of India and Company Secretary with the Institute of Company Secretaries of India and Certified associate of the Indian Institute of Banking and Finance.

Mr. Kumar was appointed as the Company Secretary and Compliance Officer in March, 2018. He has previously worked with Yes Bank, GE Capital Services India, ICICI Bank Ltd. and Anand Corporate Services Ltd.



JOLLY ZACHARIAH
Head of Channels

Qualification: Bachelor's degree in Commerce from Mumbai University.

Mr. Zachariah joined the Bank as Head of Channels of the Bank in February 2017. Before joining the Bank, he was the Chief Operating Officer (West) of Ujjivan Financial Services Ltd. and has also worked with Citigroup.



RAJAT KUMAR SINGH
Business Head of MicroBanking
and Rural Banking

Qualification: Bachelor's degree in Technology (Agricultural and Food Engineering) from the Indian Institute of Technology (IIT), Kharagpur.

Mr. Singh is the Business Head – MicroBanking and Rural Banking. He joined Ujjivan Financial Services Limited in 2007 as a Financial Analyst. He was appointed the Head of Strategy and Planning in February 2017. Subsequently, he was re-designated as the Head of MicroBanking and Rural Banking in February 2019.



RAJEEV PAWAR
Head of Treasury

Qualification: Physics Major from the University of Mumbai and MBA from Jamnalal Bajaj Institute of Management Studies, Mumbai.

Mr. Pawar joined as Head of Treasury in January 2020. He has previously worked with American Express Bank, Standard Chartered Bank, Kotak Mahindra Bank and Edelweiss Finance in India, Singapore and Dubai.



ARUNAVA BANERJEE
Chief Risk Officer

Qualification: Master's degree in Arts (Economics) from Calcutta University and Associate of the Indian Institute of Bankers.

Mr. Banerjee was appointed the Chief Risk Officer of the Bank in February 2017. He has previously worked with the State Bank of India, Standard Chartered Bank and Bahraini Saudi Bank. He was also the previous Chief Financial Officer of Remza Investment Company WLL.



KALYANARAMAN M
Chief Credit Officer

Qualification: BE (Hons) Electrical & Electronics Engineering from Regional Engineering College, Tiruchi and Master of Business Administration (Finance Systems) from the Indian Institute of Management Calcutta.

Mr. Kalyanaraman was appointed the Chief Credit Officer of the Bank in September 2019. Earlier, he has worked with SRF Finance Ltd., IIT Investrust Ltd., Infrastructure Leasing & Financial Services Ltd, Citibank India, Cholamandalam DBS Finance Ltd., TVS Credit Services and Equitas Small Finance Bank Ltd.

COVID-19 Response

Enhancing preparedness

The onslaught of the pandemic demanded that organisations reconsider and strengthen their safety practices. We are committed to ensuring the welfare of our employees and have deployed a Quick Response Team (QRT) to facilitate swift decision-making and immediate implementation.

This extended taskforce comprises leaders from across divisions and addresses concerns as they arise. We established a command centre to ensure that relevant stakeholders remain informed of the COVID-19 scenario, alongside

the developments at Ujjivan, to take quick decisions. The field leadership is always apprised about circumstances related to the pandemic around the country by way of our command centre.



3 EFFECTIVE MANTRAS TO FIGHT COVID-19

Let's join together to fight against Covid-19 by **following these 3 mantras strictly**. If any one of us fail to follow these mantras, we will break the chain of Safety.

- 1  **Health Mantra**
Wash/Sanitise hands every time you move from one place to another
- 2  **Safety Mantra**
Maintain minimum 6 feet distance
- 3  **Secure Mantra**
Always wear a mask

If you or any of your family members have any of these symptoms:



Breathing Difficulty



Throat Irritation



Cold/Dry Cough



High Fever

**STAY SAFE,
STAY HEALTHY**

PROTECTING OUR PEOPLE

We navigated the crisis by actively raising awareness on the virus among employees and sharing detailed guidelines on precautions via e-mail, WhatsApp, SMS, calls, posters and the virtual channels. The important mantras to be followed were – frequent washing of hands, maintaining social distancing for safety and wearing masks when outdoors.

We emphasised the need to stay updated on the situation and seek medical assistance whenever necessary. The awareness communication plan was drawn up in a structured manner and the leadership team remained in continuous touch with employees. Our workers across functions and departments, including regional offices, treasury, among others, were permitted to work from home. Branches started working with minimal staff to ensure highest safety standards in compliance with State Level Bankers' Committee (SLBC) guidelines. To engage and upskill our employees, we launched multiple modules on our e-learning platform.

As suggested by the Ministry of Ayush, we distributed Arsenic Album 30, a homeopathic medicine to boost immunity among employees. Additionally, 'doctor on call' and 'doctor at premise' services were extended to ease the process for employees to connect with doctors during emergencies. As a last-mile resort, we included COVID-19 within the scope of health insurance coverage for our employees and an additional insurance provided to our Grade B and C teams to accommodate their medical expense. The Ujjivan Welfare Trust crafted a fixed financial grant to aid employees should anyone in their families contract the virus.

CUSTOMER SAFETY MEASURES

Before the lockdown was expected to commence, we were prompt to take necessary steps to roll out an effective business continuity plan. We explored and implemented innovative digital methods to enable effective management of business commitments. About 98% of our branches and ATMs were, and are still operational, with critical regulatory norms

in place. Under our #JantaConnect programme, we reached out to almost 100% of our customers to spread COVID-19 awareness. We launched programmes in 11 Indian languages via calls and social media. Besides distributing essentials to those in need during the lockdown, we interacted regularly with our customers and adjoining communities for assurance. Our employees volunteered in large numbers to help carry this initiative forward.

Social Responsibility

Responsible towards our communities

Our growing business draws its strength from the community to which it owes its existence and licence to operate. We are firm believers in creating sustainable social impact by integrating our communities with our business objectives.

During FY 2019-20, our CSR activities largely focused on healthcare/preventive healthcare, sanitisation, cleanliness, disaster relief, promoting education, making available potable water and livelihood support.

PROJECT SWACHH NEIGHBOURHOOD

We undertook this key initiative to support the national Swachh Bharat Mission. The pilot project was conducted near Koramangala branch in Bengaluru. We gradually scaled this initiative to 98 locations across 67 districts in 15 states.

The project calls upon our people as volunteers who collaborate with local communities to clean

the areas and build a sustainable model for maintaining cleanliness in future. Locations contiguous to our branches were identified and the streets were cleared of garbage. Additionally, the walls and pavements were painted to discourage people from littering. Our people also involved local schools in these activities, inspiring them to maintain 'swachhta' neighbourhoods.

These initiatives were well supported by schools and local authorities. Some of these schools organised awareness marches aligned with our cleanliness drives, while at some locations the municipality joined us by enabling our volunteers with prompt garbage pick-up.

SOCIAL RESPONSIBILITY IN NUMBERS

22,700*

Total number of beneficiaries

₹1.24 Crores

Total CSR expenditure

*Some of the projects are under work-in-progress; hence estimated number of beneficiaries are also included.



The project was appreciated by the Pune Municipal Corporation's cleanliness contest '**Swachh Puraskar 2019-20**' in the **Best Swachh Private Organisation** category. The initiative stands true to our value of community involvement and active participation from our people for the good of the society at large.



CHOTE KADAM, A COMMUNITY DEVELOPMENT INITIATIVE

We partnered with Parinaam Foundation, a non-profit organisation and our long-term strategic partner, to initiate and develop a community development programme for marginalised communities. Chote Kadam's vision is to work alongside families, corporates, peers and knowledge partners to help transform neighbourhoods across India.

In this initiative, the residents of the selected neighbourhood collectively identifies the infrastructural projects that will improve the environment they live in as well as their quality of life. These projects range from fixing school buildings, renovation or construction of public toilets, strengthening maternity clinics and primary health centres, providing solar lights and making available potable water, among others.

FLOOD RELIEF ACTIVITIES

In Karnataka, we helped 6,000 families in the relief centres of north and central parts of the state with foodgrain kits, clothes, bedsheets and groceries. In other regions like Mysuru and Nilgiri, we provided groceries and other daily essentials, sleeping mats, tarpaulin sheets and blankets.

In Maharashtra, the floods devastated the homes of people, especially in Kolhapur, Sangli and Ichalkaranji. We supported these families by providing them a set of utensils and blankets. Similarly, in Gujarat and Assam, we arranged

FY 2019-20 PERFORMANCE OF PROJECT SWACHH NEIGHBOURHOOD

15

States and 98 locations where cleanliness drives were conducted

609

Saplings planted

71 tonnes

Of waste removed

6,405

Volunteers, including our people, students, local community members and municipal authorities

to deliver food packets with necessary groceries.

LIVELIHOOD SUPPORT DURING COVID-19 PANDEMIC

Indian Association for the Blind (IAB) provides livelihood support to the visually challenged community and partners with multiple corporates for creating livelihood opportunities for them. The outbreak of COVID-19 and the subsequent lockdown affected people from these regions. We contributed ₹10 Lakhs, which will help 200+ visually challenged families, supporting their daily needs such as food, medicine and other essentials.

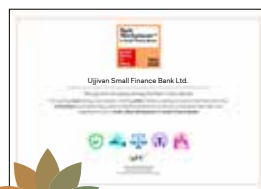


Key Awards

2020



Ranked 3rd among India's 'Best Companies to Work For 2020' by Great Place To Work® Institute



Recognised as one of 'India's Best Workplaces in Small Finance Banks 2020' by Great Place To Work® Institute



Recognised as 'Best Workplaces Among Organisations with More than 10,000 Employees' by Great Place To Work® Institute



Made it to the elite list of 'The Laureates for having ranked among the Top 100 companies for 10 years' by Great Place To Work® Institute

* Recognitions from Great Place To Work® Institute given for the period January 2020 – December 2020



Ranked 5th among 'Best Large Workplaces in Asia 2020' by Great Place To Work® Institute



Recognised as 'Best Microfinance Bank' at the Asia Money Best Bank Awards 2020

*This recognition is based on being certified as a Great Place to Work® for the period March 2019 - February 2020

2019

✦ **Won IDEX Legal Awards, 2019 for the 'Best In-house Legal Team under Medium Large Category'**

✦ **Recognised for 'Best innovation in IT' at Finnoviti Awards, 2019**

✦ **'Association of Microfinance Institutions Award' for the Best Customer Relationship Initiative**

✦ **Won 'ERM strategy of the year' award for developing a framework for implementing ERM using RAROC at ERM World Summit Awards, 2019**

✦ **Mr. Samit Ghosh, Former MD & CEO, was conferred the prestigious 'Inclusive Finance India Awards, 2019 in the category of Contribution to advancing financial inclusion by an individual'**

Management Discussion and Analysis

MACRO VIEW

India's Gross Domestic Product (GDP) attained an annual growth rate of 4.2% in FY 2019-20 against 6.1% in FY 2018-19. Asia's third largest economy was on the brink of an impending recession with contraction in GDP growth for the last two quarters of FY 2019-20. The signs of deceleration were clearly visible from Q2 with sluggish consumer spending, slump in the auto sector, issues in the NBFC sector, considerable slowdown in FMCG sector, and a moderation in private sector investments. Barring agriculture, mining & quarrying and public administration, all other sectors slowed down in FY 2019-20. The Index of Industrial Production (IIP) contracted by 0.7%, compared with 3.8% growth in the previous financial year. A sharp decline was seen in the capital goods, consumer durables, and construction and infrastructure sectors, while primary and intermediate goods registered moderate growth. India's current account deficit (balance of exports minus imports) position remained favorable at 0.2% of GDP in the third quarter of FY 2019-20 against 0.9% in Q2:FY 2019-20 and against 2.7% in Q3 a year ago.

As per the National Statistical Office, Ministry of Statistics and Programme Implementation, Govt. of India, the GDP growth in FY 2019-20 has primarily been driven by growth in government expenditure, which grew by 11.8% in FY 2019-20 against 10.1% in FY 2018-19 while investments contracted by 2.8% against 9.8% growth in FY 2018-19, and private consumption slowed down and registered a moderate growth of 5.3% against 7.2% in the last fiscal. The outbreak of the coronavirus pandemic has further clouded the growth outlook. The Covid-19 outbreak is expected to have an adverse impact on the global economy and Indian economy on an unprecedented scale. GDP growth in FY 2020-21 is expected to remain in negative territory, with some respite in the second half of the fiscal year. The way forward in terms of restoration of economic activity thus depends on the speed with which the pandemic is contained, how quickly the Indian economy opens up, and how soon supply disruptions are repaired and demand revives. It will also depend on the impact of the combined stimulus from fiscal, monetary, social and administrative measures that have been implemented to create conditions conducive to survival in the crisis, and revival in growth.

BANKING INDUSTRY SCENARIO

Bank credit growth in FY20 was tepid on the back of weak demand across all population groups (rural/semi-urban/urban/metropolitan). Non-food credit

of scheduled commercial banks (SCBs) grew by 6.7% (y-o-y) as compared with 12.3% a year ago. Metropolitan branches, accounting for nearly 63% of credit, recorded a deceleration in credit growth to 4.8% (Y-o-Y) in March 2020 from 13.5% a year ago. The gradual moderation in credit offtake can be attributed to the stricter credit norms by banks fearing piling up NPA's in the corporate books.

The only silver lining has been the agriculture sector. As on May 10, 2020, summer sowing of all crops in the country was higher by 43.7 % over last year's acreage. The forecast of normal monsoon by the India Meteorological Department (IMD) augurs well for agriculture output and farm incomes.

Credit growth to industry decelerated to 0.7 % in March 2020 from 6.9 % in March 2019. While the industrial credit has seen a de-growth, Industrial Production has also come to a standstill given the economy wide lockdown at the end of the year, impacting not only the major industries but also the small and micro industries that supply intermediary goods to the major industries.

Aggregate deposits growth of the scheduled banks marginally dipped to 9.5% y-o-y against 10.0% a year ago. The rate of growth has dipped due to lower contribution from the metropolitan areas and consumer focus towards other modes of savings, such as mutual funds and market linked deposits.

The COVID-19 pandemic is undoubtedly the worst health and economic crisis in the last century with unprecedented negative consequences on global value chains, labour and capital movements across globe and socio-economic conditions of large sections of world population. The economic slowdown induced by COVID-19 crisis will impact bank credit growth to a large extent with the expected growth being in high single digits in FY21. Loan recoveries are expected to be affected thus impacting profitability. Spike in the NPA levels will lead to banks raising capital and consolidation. The pandemic is also expected to lead to a significant reduction in demand from SMEs/Corporates. The resilience of each bank will be tested in how best it conserves capital and optimizes cost, scales up digital capabilities and offerings, re-engineers processes with automation to support remote operations, and strengthens credit monitoring, collection and analytics.

To steer the economy through the crisis, the RBI has taken a slew of calibrated measures. The measures announced

by RBI under the Regulatory Package for COVID-19, such as enhanced MSF and reduction in CRR will help inject liquidity into the banking system, stabilize the financial markets and repose public confidence in the challenging times. The stimulus through TLTRO, special refinance facilities of ₹50,000 Crores to NABARD, SIDBI and NHB to help them meet sectoral credit needs, moratorium for interim relief of borrowers, reduced policy rates and other liquidity enhancing measures, will ease cash flow constraints and provide impetus for credit growth.

Additionally, several measures announced by the Government of India as a part of the economic stimulus, such as special liquidity facility to NBFCs, Partial Credit Guarantee Scheme (PCGS) and structural reforms have ensured that liquidity strains do not cascade into solvency problems. Several measures have been announced for Micro, Small and Medium Enterprises (MSMEs) such as targeted credit flow of ₹3 Lakh Crores in the form of collateral free loans to smaller MSMEs, backed by 100% government guarantee given through NCGTC, creation of a fund of funds worth ₹5,000 Crores for MSMEs, and provision of ₹20,000 Crores of subordinate debt for stressed MSMEs through a Credit Guarantee Fund Trust, to ensure that they are not deprived of survival funding and growth capital.

The Indian economy has started showing signs of getting back to normalcy in response to the staggered easing of restrictions in June 2020. There is very little visibility about when supply chains will be full restored and demand conditions will stabilize. For the year as a whole, downside risks to domestic growth remain significant. After a largely depressed Q1, economic activity in Q2 may remain subdued due to social distancing measures and the temporary shortage of labour. Recovery in economic activity is expected to begin in Q3 and gain momentum in Q4 as supply lines are gradually restored to normalcy and demand revives. Overall, the markets have remained resilient, liquid and stable, establishing conditions for a finance-led recovery of the economy ahead of the revival of demand.

THE BANK'S RECORD BREAKING IPO

The Bank raised ₹10.45 Billion during the initial public offering in December including ₹2.5 Billion raised in pre-IPO round. The subscription to the IPO was open from December 2, 2019 to December 4, 2019, and received a very encouraging response from the market. The Bank listed on December 12, 2019, complying with the RBI requirement of mandatory listing within three years from the commencement of operations as a Small Finance Bank. The IPO had the distinction of being one of the most successful IPOs in the financial services sector in recent times.

COVID-19

Our approach to crisis management

The Bank has been closely monitoring the situation, preparing for all contingencies. A Quick Response Team

(QRT) was constituted for monitoring and supervising banking operations and providing updates to the Top Management. A special committee of the Board – Business Continuity Monitoring Committee has been formed to advise, monitor and assess the social, financial, business, credit and risk impact under the current economic scenario. We adopted a Work-from-home policy for our Corporate and Regional Offices effective March 24, 2020, while most of our branches operated with minimal staff, adhering to the guidelines on branch timings issued by State Level Bankers' Committee (SLBCs), Lead District Managers (LDMs) and local administration during the nation-wide lockdown. The Bank ensured adequate cash in its ATMs and advised customers to predominantly use ATM, Mobile and Internet Banking for their transactions in view of the current situation. Customers and staff were also educated to maintain social distancing and take preventive measures to contain the spread of the virus. We reached out to our staff and customers to ensure their wellbeing and express our solidarity in these trying times. We stopped disbursement of new loans and focused on providing essential banking services to our customers through our branches and alternate channels during the lockdown. We stopped the collection of repayments through centre meetings, an integral part of the microfinance business. The Bank suspended levy of minimum balance charges and ATM transaction charges till June 30, 2020, in adherence to the instructions from the Ministry of Finance. With the easing of restrictions in non-containment zones in May 2020, our business resumed, adhering to all social distancing norms to ensure safety of employees and customers. The Bank resumed work from the head office and the regional offices in a staggered shift system, with strict safety measures, ensuring not more than 33% of staff turnout in any shift. The branches continued to be governed by the SLBC guidelines for timings. As of the date of the report, we have started disbursements to our existing customers with good repayment track record and to new customers, who are mainly engaged in agriculture and allied activities.

We offered a three-month moratorium for all standard dues as of March 1, 2020 in line with the 'COVID-19 Regulatory Package' announced by RBI on March 27, 2020 for all segments of customers, deferring the repayments for ~ 99% of the loans accounts. 100% of our MicroBanking and Rural Banking customers opted to avail the moratorium as they predominantly belong to the underserved and un-served segment, and are experiencing income losses on account of suspension of normal business activities. An aggregate of 50-70% of the customers of Housing, MSE, Personal Loan and Vehicle Finance businesses opted for the moratorium. Further to the RBI dispensation on April 17, 2020, allowing standard but delinquent customers to avail moratorium, the Bank has implemented the same. In response to the guidelines on extension of loan moratorium announced by RBI on May 23, 2020, the Bank has put in place a Board approved policy on extending the loan moratorium for

our customers – for a further period of three months – from June to August 2020. We have adopted a slightly different approach for the extension of moratorium in that the moratorium shall be offered to customers, who request for a repayment holiday, since economic activities are recommencing and the restricted areas will be limited to containment zones. To reduce the burden of additional moratorium interest, for the MicroBanking clients we shall offer to capitalise the moratorium interest to the loan amount as non-interest bearing component, facilitating the borrowers to continue paying the existing EMI amount and extending the tenor by adjusting the amount through the last EMIs.

The Bank launched an extensive customer connect (over phone) programme in the last week of March and reached out to over 42 Lakhs customers across the country. Apart from spreading awareness on the COVID-19 pandemic and the moratorium policy, our customer connect programme encouraged the use of alternate channels for convenient banking transactions, providing advisory relating to managing finances such as maintaining savings and rolling over of term deposits, besides helping them assess the impact of the lockdown on their livelihood. During the lockdown, adoption of digital platforms for loan repayment has seen an uptick. We have tied up with Airtel Payment Bank and piloted loan repayment through their outlets in the working areas across 400+ branches. Though the lockdown has affected the livelihoods of the customers, resulting in loss of household incomes, the impact is largely temporary, and around 75% of the customers are expecting to resume their income generation activities within one month of re-opening of economic activities. In the MicroBanking segment, unlike the rural areas, the impact of the ongoing lockdown has been particularly severe in the metro and urban areas.

As part of our Corporate Social Responsibilities, we have organised volunteer drives to distribute dry rations to daily wagers, migrant workers and the low-income communities. The Bank has donated ₹45 Lakhs from the CSR budget to GiveIndia to complement government efforts to combat the COVID-19 crisis. Our CSR contribution to GiveIndia for its 'India COVID-19 Response Fund (ICRF)' was used to procure and deliver 5000+ PPE Kits to major hospitals in Mumbai. ₹42.5 Lakhs of our contribution of ₹45 Lakhs has been deployed thus far.

The Bank has effectively leveraged the downtime of the lockdown to promote extensive use of e-learning platforms to up-skill its employees. Around 92% of our staff has actively used the e-learning platforms. We are also focusing on re-engineering our business and back-end processes for better efficiencies and driving the digital initiatives. Seven focus groups have been formed to revisit existing workflow, retool business and functions and fast-track digital initiatives.

We continue to remain well funded even though the moratorium period on loans is affecting the usual

cash flows. We are maintaining a liquidity buffer for unforeseen contingencies in the coming months. We are deploying the surplus in high yield short term assets rather than lending in reverse repos to counter the cost of negative carry of surplus funds. We are exploring Securitisation and IBPC transactions in addition to term loan facilities from banks and available lines of refinance from NABARD, SIDBI and NHB and medium term line of credit from DFIs. Our deposits are stable with no significant withdrawals so far. The measures announced under the Regulatory Package, such as enhanced MSF and reduction in CRR, are also helping the Bank maintain sufficient liquidity. On the capital adequacy side, we continue to be comfortable with a CRAR of ~29% with a major proportion in the form of Tier I Capital.

With Unlock 1.0 kicking in from June, we expect resumption of field operations in non-containment zones, resulting in further increase in business and collection volumes. We are working on offering more digital and local modes of repayments and educating customers on the same. We are also closely monitoring our costs and keeping a tight leash on expenses, deferring or avoiding all non-priority expenses. We are very appreciative of RBI efforts towards providing relief to borrowers and stabilising the financial markets to handle the disruption caused by the COVID-19. Post the COVID-19 crisis, we are confident that we shall emerge stronger, with our revised business processes and efficiency measures.

Impact on our books

For FY 2019-20

The COVID-19 situation had minimal impact on our books for FY 2019-20 as the nation wide lockdown was imposed in the last few days of March, by which time most of our scheduled collections had already come in. The lockdown however did impact the typically high year end growth momentum of March, and our volumes stood lower than that envisaged earlier and significantly lower than that in the previous month, which affected the interest and fee income. The surplus liquidity carried as a buffer for the crisis period has led to a slight increase in finance cost for the last week of the month. The benefit of RBI dispensation on NPA recognition norms were applied on the moratorium portfolio, and it prevented any spike in credit cost. In the wake of the COVID-19 pandemic and the ensuing nationwide lockdown since the last week of March 2020, the Bank expected the shutdown to adversely impact the portfolio quality, and therefore made a prudential provision to the tune of ₹70 Crores.

For FY 2020-21

Although we shall continue to accrue interest income on the outstanding portfolio including those accounts that opt for moratorium, there will be an overall contraction in interest income and fee income on account of lower business volumes due to lockdown and adherence to social distancing norms. We expect a steady reduction in Cost of funds due to the several stimulus measures of the RBI to enhance liquidity in the banking system. With strict

control on costs, while cutting down and deferring all non-priority expenditure/ investments, we expect to see some reductions in our operating expenditure. However cost of field operations may increase on account of the social distancing norms. The RBI dispensation on NPA classification norms on moratorium portfolio shall also provide temporary relief by arresting a spike in credit costs. The impact on credit cost remains to be seen at the end of the moratorium and the end of dispensation on NPA classification at the end of August.

OPPORTUNITIES

The measures announced by RBI under the Regulatory Package for COVID-19, such as enhanced MSF and reduction in CRR will help inject liquidity into the banking system, stabilise the financial markets and repose public confidence in the wake of the COVID-19 situation. The stimulus through TLTRO, special refinance facilities of ₹50,000 Crores to NABARD, SIDBI and NHB to enable them to meet sectoral credit needs, reduced policy rates and other liquidity enhancing measures, will ease cash cashflow constraints and provide impetus for credit growth. Further, RBI dispensation allowing exclusion of assets under moratorium till May 31, 2020 from NPA classification norms will also prevent a sudden surge in credit costs. Restriction on dividend payout from profits for the fiscal year ended March 31, 2020 will help banks conserve capital and retain their capacity to absorb losses in an environment of heightened uncertainty.

Customer surveys have confirmed a temporary dip in household income levels in the wake of the COVID-19 crisis. Addressing the credit needs of this segment would help the customers resurrect their businesses and livelihoods. Given the ongoing crisis situation, we visualize it to be a good time to sensitise our customers and their families on basic savings and banking behaviour and promote Goal based deposits, as our deposit rates remain attractive.

The nation wide lockdown in the wake of the COVID-19 situation has triggered an increased propensity to use digital payments among our customers, especially Digital Loan Repayments, UPI QR code transactions and a number of mobile banking and UPI registrations among MicroBanking customers. We believe that this is a good opportunity to expand our digital initiatives and increase adoption of the digital channels. Our continued efforts on contactless and digital banking services will stand us in a good stead to further our outreach and build on this opportunity. Moreover, the volatility in the market yields is expected to help in the growth of Institutional Deposits.

The unserved and underserved middle- and low-income families: Offer a great growth potential and represent a large addressable market, besides being the fastest growing economically active demography in the country. With headroom for a lot of players, differentiated products and services finetuned to customer needs and convenience, delivered at the least cost with hassle

free processes, have become key to leveraging the vast target market.

Our expanding branch network and Unbanked Rural Centres (URCs): Our wide network of 575 banking outlets including 144 outlets in Unbanked Rural Centres (URC) where the Bank is the sole provider of banking services, offers us a significant opportunity to expand our customer outreach and deepen our penetration in existing geographies. The rural and semi-urban centres face relatively lower competition and help bring a large number of customers under the umbrella of our services.

Banking to the youth: The youth or the millennials comprising students in universities, institutions and skill development centres, soon-to-join the workforce in the formal or semi-formal sector, and those that will start their enterprises for self-employment, is a vast target segment. This digitally savvy generation is discerning, with high expectations from banking services, and would demand agile and contemporary banking solutions.

Our Large base of Customers and their families: Our 5 Million plus microfinance customers and their families offer us the opportunity to deliver a comprehensive suite of financial services such as deposits, loans for various purposes, remittance, insurance, pension products. We are poised to capitalise these opportunities as we expand our family banking initiatives across more branches, with a wider bouquet of services and offerings.

Demand for affordable housing and policy interventions: The demand for affordable housing continues to be strong, with increasing per capita disposal incomes and rapid urbanisation. Government policy interventions such as implementation of Real Estate Regulatory Authority (RERA) and the Credit Linked Subsidiary Scheme (CLSS) under the Pradhan Mantri Awas Yojana (PMAY) along with special projects initiated by the housing boards and development agencies in various states for lower income segments, had fuelled the increasing demand for low cost housing in metropolitan centres as well as urban and rural markets. We offer multiple products to fulfill the home financing needs of the customers under our housing loan programme.

MSME formalisation and growth: The largest provider of employment and an important contributor to exports and GDP, the sector has rapidly moved towards formalisation, post rollout of GST. Govt. initiatives such as Udyog Aadhaar memorandum, Stand-up India scheme Make-in-India and MUDRA loans have boosted the increasing credit growth in the sector. With our Business Edge offering and existing Overdraft facility targeted at the formal segment, we now have a full suite of funding products catered to all MSE segments spanning the Informal to the Formal. In addition, we continue to strive to achieve efficient omni channel delivery processes in line with our continued emphasis on customer service and reduction in loan service time.

Rural and Agriculture: Agriculture is one of the less impacted and less restricted sectors. An all-time high production estimate of Rabi crop by the Ministry of Agriculture and Farmers' Welfare bodes good growth potential in Agri and Rural centres.

THREATS

External economic shocks: The COVID-19 crisis

The target market of the SFBs comprising of low and middle-income individuals, daily wage earners and self-employed individuals engaged in small and medium enterprises are the most vulnerable to economic shocks such as the COVID-19 crisis and the demonetisation of 2016. The nationwide lockdown and social distancing imposed by the government to contain the spread of the virus, caused prolonged absence from work, triggering income losses for the customer pool, predominantly comprising daily wagers, informal sector workers, self-employed individuals and traders. Erosion of savings and deposits is imminent with the declining household income levels as are higher delinquencies and deteriorating credit worthiness of borrowers, impacting the volume of the eligible market segment and the retail deposit book.

While the RBI has granted temporary relief to borrowers in the form of a six-month term loan moratorium, SFBs are likely to witness the difficulties faced by their borrowers by way of increasing defaults and consequently increased credit costs on account of probable roll forward of the current overdue accounts and the inability of the collection teams to meet the customers due to the social distancing imposed by the lockdown. The moratorium is also expected to disrupt the collection discipline, triggering increasing delinquencies when the moratorium period ends, thus only deferring the damage.

The lockdown and the moratorium will affect the normal business momentum and collection rhythm and affect the usual cash flows of the SFBs for the first half of the fiscal, resulting in muted business growth and reduced bottom lines.

Risks of the business model – high touch operations and high volumes of cash collections

The COVID-19 crisis has reiterated the underlying risks of the business models of most SFBs – 'high touch' operations, personalised doorstep services, including centre meetings, driven predominantly by cash collection processes for the microfinance segment of customers. Low adoption of digital channels also is a chief deterrent to cashless collections and efficient use of alternate channels. The crisis has necessitated the need to overhaul and rethink the business model in the light of changed customer behaviour. Digital Banking will be a key driver of business in the post COVID-19 scenario. The SFBs will have to focus on contactless lending and completely digital processes for better efficiencies and greater customer convenience. Increased adoption of digital platforms among the target customer base to

drive cashless repayments, avail convenient and secured banking services in a self-service mode, will be the need of the hour.

Overheating of Microfinance sector in certain geographies

The COVID-19 crisis will exacerbate the problems of the Microfinance sector that is still grappling with repayment issues triggered by political events and natural calamities in certain stressed pockets. The sector has witnessed a slowdown in recent times along with increasing level of indebtedness in the last 12 months. The MSE sector was already in a state of slowdown, with contraction in the growth of gross bank credit to the sector and rising NPA, before the onset of the COVID-19 crisis. Even after the restrictions are lifted, consumer demand is likely to remain subdued, with big spending decisions getting postponed in anticipation of further instability, potentially affecting home and vehicle loans.

Increasing Competition

The banking and financing sector in India is highly competitive and the SFBs face significant organised competition from other small finance banks, NBFCs, microfinance institutions, cooperative banks, which have a sizeable presence in rural areas and housing finance companies. SFBs also face competition from public sector banks, private sector banks, other financial services companies and payment banks in India. In the organised sector, the competitors may have a better brand recognition, greater business experience, more diversified operations, greater customer and depositor base, besides having better access to lower costs of funding and consequently lower lending rates. The advent of specialised FinTech companies has also amplified the competition with their disruptive and efficient origination, sales and distribution process, competitively priced offerings and much faster turnaround time as compared to that offered by traditional banking players. On the other hand, there is an opportunity to partner with FinTech companies, in order to enhance customer acquisition and experience.

OUR STRATEGY

Diversify product offerings to enable multiple customer relationships

We aspire to be a one-stop-shop, offering a comprehensive suite of products and services, and personalised customer experience, to attract new customers and deepen our relationship with our existing customers. We plan to leverage our large microfinance customer base and offer MSE loans, vehicle finance and micro-loans against property to the family members. We have developed need-based products for small and marginal farmers, and intend to further enhance our offerings for financing agriculture and allied activities. We shall expand our offerings to MSE customers by introducing bill discounting and non-fund based credit facilities. We intend to collaborate with State Housing

Boards for providing housing loans to the beneficiaries of housing projects, as well as online aggregators to reach out to a larger potential customer base. We plan to completely digitise our personal loan offerings and expand our outreach to a larger base of salaried customers, by partnering with digital aggregators and offering app-based lending with quick TAT. We shall expand our offerings to finance the purchase of two-wheelers, three-wheelers, small commercial vehicles and used cars to scale up our newest business – vehicle loans.

Focus on Digital Banking and Analytics

The optimal use of advanced, cost-effective technology has significantly driven our operations, and going forward, we intend to strategically invest in technology to offer our customers a convenient and secured banking experience, while reducing our operating costs and increasing efficiencies. We also intend to automate our operational processes for better efficiencies by adopting robotic processes. We plan to leverage data analytics for customer segmentation and targeted offerings tailored to customer needs, targeted marketing, faster and better credit decisions and pro-active risk management. We intend to move from person-to-person services, to providing technology assisted services using handheld devices and phone banking services, to an exclusive self-service model through the use of internet and mobile banking. We intend to facilitate this with the establishment of digital and neo-banking services, covering the entire gamut of offerings.

Strengthen liability franchise and focus on increasing our retail base with a granular and stable CASA

We intend to strengthen our liability franchise with a focus on growing our retail deposit base to provide us with a stable, low-cost source of funding. We propose to meet a majority of our funding requirements through CASA deposits as well as recurring and fixed deposits, by building a sticky deposit base and attracting new customers from the unorganised sector. We intend to develop products and services designed for our rural and urban mass retail customers, specifically digital savings products for younger customers, who have entered or are entering into banking channels, and also enhance the usage of our accounts by leveraging our dedicated customer service, and user-friendly apps. We aim to focus on mass acquisition of deposit customers through programmes such as corporate salary accounts, in order to grow our customer base. We believe that our 'Sampoorna Family Banking' initiative will help expand our outreach and deepen our relationship with our existing MicroBanking customers.

Expand our distribution network to increase customer penetration

As most of our legacy MFI branches have already been converted to banking outlets, we shall very selectively open additional banking outlets and leverage the existing infrastructure to deepen our penetration. To promote non-branch delivery channels and encourage cashless transactions and adoption of digital platforms in a big way among our customers, we intend to set up a network of e-kiosks to provide round the clock access to our customers in their neighbourhoods. We shall focus on attracting target new-to-bank customers with convenient digital offerings. We also intend to explore strategic partnerships with Fintech companies to increase customer acquisition, reduce processing and on-boarding costs, reduce turnaround time and improve overall customer experience. We plan to use the right combination of physical and digital channels and partnerships to expand our reach and deliver value to our customers.









Focus on developing responsible banking behaviour for the unserved and underserved segments

Committed to financial inclusion of the unserved and underserved segments and fostering financial discipline among our customers, we intend to continue to train and educate our customers about the risks of over-indebtedness and multiple borrowing, and the benefits of putting their savings in a bank apart from the use of insurance products. We shall continue to partner with Parinaam Foundation to offer financial literacy programmes to enhance financial literacy. We also intend to develop Kisan Pragati Clubs, a mixed group of 15 to 20 farmers, who volunteer to disseminate principles of development through credit, inculcate better repayment ethics and promote greater customer engagement. We intend to take a number of initiatives to promote the use of bank accounts, UPI and digital payment gateways among our customers that still operate in a predominantly cash based transaction ecosystem.

Diversify Revenue Streams

An important strategic focus for us is to diversify our fee and non-fund based revenues. We shall leverage our Banking Outlet network, digital channels and our increasingly diversified product and service portfolio to develop our fee and commission-based business. We intend to pursue strategic relationships with corporate entities, the GoI and the state governments, to expand our outreach. We plan to augment fee-based income, by introducing new products and services, and cross-selling our offerings to our existing customers. The inherent nature of our assets business gives us an opportunity to build priority sector advances in surplus of the targets mandated by the RBI. We believe that trading of priority sector lending certificates will continue to be an important source of fee income.

UJJIVAN SMALL FINANCE BANK LIMITED AT A GLANCE: MARCH 31, 2020

 Banking Outlets & ATM <ul style="list-style-type: none"> • 575 BOs, of that 144 URCs (25% complied) • 475 ATMs including 52 ACRs 	 Loan Portfolio <ul style="list-style-type: none"> • OSP* at ₹14,153 Crores (₹11,049 Crores in March 2019), 28% growth • Non-MF book at 23% (15% in March 2019) 	 Deposit Balance <ul style="list-style-type: none"> • Deposit ₹10,780 Crores (₹7,379 Crores in March 2019), 46% growth • Retail: 44% (37% in March 2019) • CASA: 13.5% (10.6% in March) 	 Customers <ul style="list-style-type: none"> • 54.4 Lakhs Unique Active Customers (46.7 Lakhs in March 2019) • 47.1 Lakhs Active Liability Customers (28.0 Lakhs in March 2019)
 Portfolio Quality <ul style="list-style-type: none"> • GNPA at 1.0 (0.9% in March 2019) • NNPA at 0.2% (0.3% in March 2019) 	 Employee <ul style="list-style-type: none"> • 17,841 employees (14,752 in March 2019) • Book (Adv. & Dep.) per employee – ₹1.4 Crores (₹1.2 Crores in March 2019) 	 Profitability <ul style="list-style-type: none"> • PAT – ₹350 Crores (₹199 Crores in FY 2018-19) • ROA – 2.2% (1.7% in FY 2018-19) • ROE – 13.9% (11.5% in FY 2018-19) 	 Capital & Funding <ul style="list-style-type: none"> • Cost of Funds- 8.2% (8.5% in FY 2018-19) • CRAR – 29% (19% in March 2019)

*Net Advances at ₹14,044 Crores as on March 31, 2020 (₹10,552 Crores on March 31, 2019)

BO – Branch Offices

URC – Unbanked Rural Centres

OSP – Outstanding Principal

CASA – Current Accounts and Savings Bank Accounts

GNPA – Gross Non-Performing Assets

NNPA – Net Non-Performing Assets

PAT – Profit After Tax

ROA – Return on Average Assets

ROE – Return on Average Equity

CD – Certificate of Deposit

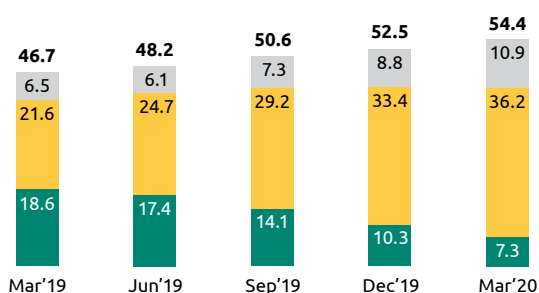
CRAR – Capital to Risk Weighted Assets Ratio

Customer growth

As on March 31, 2020, 87% of all customers had a deposit relationship with the Bank, as against 60% in March 2019. This expansion in customer base was driven by large-scale new customer acquisition across assets and deposit products as well as collaboration between business verticals for cross sell etc. Our unique customer base grew by 17% over the previous year by the end of FY 2019-20.

Active Customer Base

In Lakhs



Only Asset ■ Asset & Deposit Both ■ Only Deposit ■

* Includes inactive and dormant customers

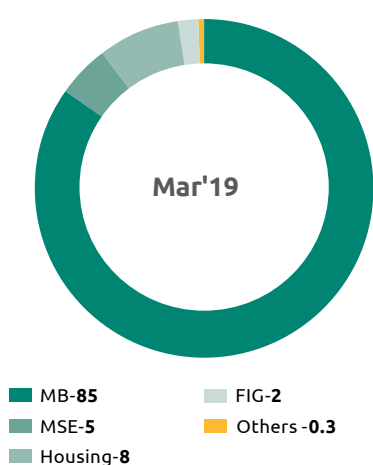
SEGMENT-WISE PERFORMANCE

Assets Business

FY 2019-20 witnessed a healthy growth of 28% in the asset book, despite our conscious call to slow down our MicroBanking and MSE businesses in select pockets of stress in Q3 and Q4. Our non-Microfinance businesses especially Micro and Small Enterprises (MSE), Affordable Housing and lending to financial institutions scaled up rapidly during the year, comprising 23% of overall asset book by the end of the year.

Total Book (%)

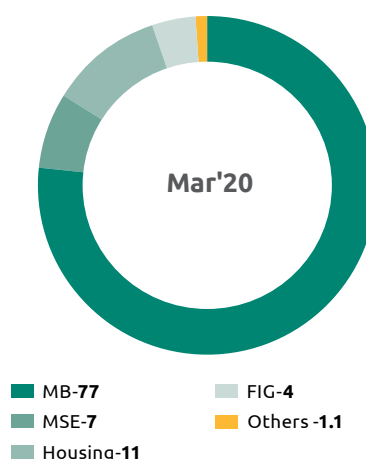
₹11,049 Crores



■ MB-85 ■ MSE-5 ■ Housing-8 ■ FIG-2
Others -0.3

Total Book (%)

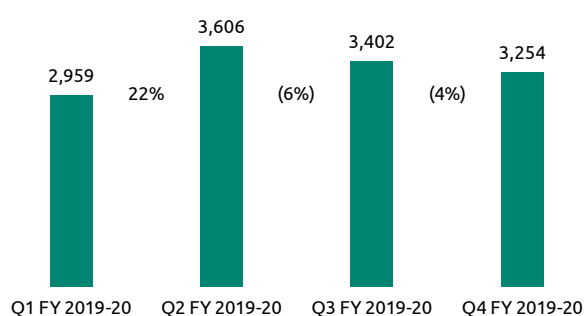
₹14,153 Crores



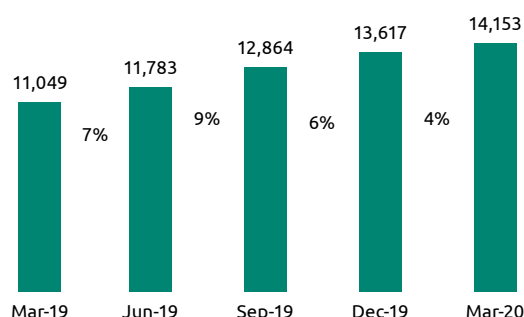
Quarter-wise Business

₹ Crores

Disbursement Growth



OSP Growth



The business growth had moderated in the third and the fourth quarters of the financial year, as the Bank had taken a cautious approach towards MFI lending in select pockets including Assam and parts of North East, West Bengal, Odisha, Tamil Nadu and Maharashtra, where delinquencies were higher due to natural calamities and other external factors. Normal business momentum was maintained in the unaffected areas, focusing on individual lending and simplified processes to improve productivity. The Bank also took a measured approach towards its MSE lending in select stressed pockets and limited its

exposure to NBFCs in its FIG lending business. With the nation wide lockdown imposed to contain the spread of COVID-19 in the last week of March 2020, the business volumes for the month of March were hugely affected.

Overall business traction was good during the financial year ended March 2020, closing at 28% y-o-y growth in AUM. The Bank witnessed significant y-o-y growth in Housing (84%) & MSE (66%) coupled with sustained growth in MicroBanking (17%). The FIG (Institutional) lending recorded remarkable y-o-y growth (144%), while the Personal Loan business incepted last year, gradually scaled up till Q3, when the Bank decided to reclassify the target customer segment, and aligned its credit policies, post a thorough portfolio quality review. The Bank also forayed into a new business segment – Vehicle Finance, starting with 2 wheeler loans for existing customers and staff, in select locations.

MicroBanking

MicroBanking today serves over 4.7 Million financially unserved and underserved households. We aim to multiply our customer base by 3-4 times by extending banking services to all members of a household. In this financial year, we have expanded our footprints in the semi-urban and rural parts of India, and diversified our product suite to cater to a wide range of customers. We continue to partner with the Parinaam Foundation to sensitise our customers towards financial discipline, educate them about the importance of savings, banking behaviour and responsible borrowing practices. We have covered over 1 Lakh MicroBanking customers through Parinaam's flagship Financial Literacy programme 'Diksha'.

In line with our motto of 'Building Banking Behaviour' among our microfinance customers and their families, we launched 'Sampoorna Banking' and scaled up our individual lending by introducing segment specific products and simplifying lending processes. We also focused on re-engineering our business processes by driving initiatives such as Cash Less repayments, Digital pre-approved loans, Payment Solutions.

MicroBanking portfolio crossed ₹10,000 Crores mark, with a borrower base of 41+ Lakhs by the end of March 2020. The business growth had moderated in the third and the fourth quarters of the financial year as the Bank had taken a cautious approach towards MFI lending in the select stressed pockets of Assam, Odisha, Tamil Nadu, West Bengal and Maharashtra. The portfolio quality stayed largely stable, with GNPA of 0.9%, in line with that of March 2019, due to close portfolio monitoring and continued collection efforts as well as the RBI dispensation on NPA recognition applied on the moratorium portfolio. Normal business momentum was maintained in the unaffected areas, focusing on individual lending and simplified processes to improve productivity. The deposit base stood at ₹807 Crores. 80,000+ family members were covered through our Sampoorna Banking initiative.

Launch of 'Sampoorna Banking':

We introduced 'Sampoorna Banking' across 450+ branches, largely focusing on product delivery through handheld devices, with minimal paperwork. Our key initiatives towards family banking were:

- Reskilling of our MicroBanking staff to offer a complete banking solution through a wide array of products such as saving accounts along with loans, term deposit at attractive rates, and micro-insurance schemes (for security of customer's family)
- Introduction of Goal based savings products to enable saving for short term and long term family goals and offer a safer alternative to savings in informal sectors and shadow banking players. We mobilised deposits of ₹10 Crores within 3 months of their launch
- Positioning of Ujjivan Account as an 'Emergency Account' with no penalties on complete balance withdrawal.
- Doorstep banking: Centre meetings which were largely used for repayment collections have been converted in banking services meetings, offering customers the benefit of deposit and withdrawal facilities at their neighborhood. In the last 6 months of introducing this change, we have been able to garner deposits of over ₹90 Crores.
- Customer Engagement Programs, covering over 20 Lakhs customers through family events held at different branches, vernacular videos and story based IVR calls, promoted awareness on banking products and safe banking practices

Segment Specific Asset Products:

Group Loans

Our group loans delivered through the JLG model saw an increase of 12% over last year's portfolio. In line with our objective of providing segment specific products, we launched a new variant – the Top-Up loan (for short-term needs), that is disbursed within a day; and is among the fastest services in the industry.

Individual Loans

Our special focus was on Individual loans that were primarily targeted at graduating our long term group loan customers with good repayment track record. Individual Loans portfolio grew by 60% over the last financial year and reached 13.3% of the total MicroBanking portfolio against 9.4% in the last year. We have streamlined our documentation and backend processes for greater efficiency and significantly reduced our disbursement Turnaround Time (TAT). In the coming years, we are planning to introduce consumer durable loan, micro loan against property and analytics based models to graduate group loan customers.

Rural Banking

We expanded our footprints in the existing states of Karnataka, Tamil Nadu, West Bengal, Odisha and Gujarat and ventured into green field states of Rajasthan and Uttar Pradesh. Rural Banking loan portfolio stood at ₹589 Crores with a borrower base of 2.0 Lakhs, while deposits stood at ₹109 Crores as of March 2020.

The year marked the development of a new Agri Secured product – Kisan Pragati Card, an innovative and holistic offering to enable farmers to meet their credit demand covering an array of agriculture and allied needs. Agri group loans and Kisan Suvidha Loans, focusing on small and marginal farmers, have been scaled up during the year and extended to regular branches with rural catchment areas. We initiated Kisan Pragati Club, comprising 15-20 volunteer farmers across 35 branches, to promote customer engagement, disseminate the principles of development through credit, and inculcate better repayment ethics.

Rural banking plans to expand its product suite by incorporating a mix of secured retail and enterprise loans pertaining to agriculture. With the deployment of a hand-held device based Loan Originations System for its existing product suites, Rural banking plans to efficiently augment its deposit base and provide innovative value added services to its customers.

Business Reengineering through Digitisation:

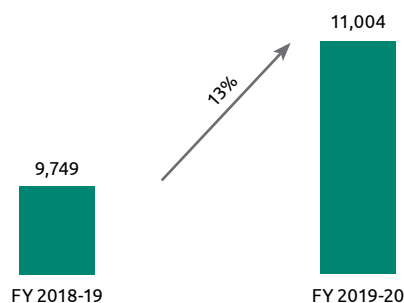
Our digitisation initiatives have been led by Digi-buddies at branches. Our 358 Digibuddies have helped customers adapt to digital platforms, taking Mobile Banking app registrations to 2.2 Lakhs and UPI users count to 1.34 Lakhs. We have made consistent efforts to re-engineer our backend processes for greater efficiencies. We currently have 1.1 Lakhs customers repaying through cashless repayment modes, hinting a success in our business re-engineering efforts. We will step up this effort through our 'Money Mitra' initiative, to offer banking services from neighborhood shops and pilot Cash Collection points.

Our initial experiment with digital pre-approved loans has been encouraging, and we plan to simplify the process with the help of our Analytics team, going forward. We have developed digital payments system for our customers through UPI QR codes, enabling small shopkeepers to accept cashless payments from their customers through the QR Codes. We are also planning to launch a Voice, Video and Vernacular based easily navigable mobile banking app for microfinance customers to drive the digital usage.

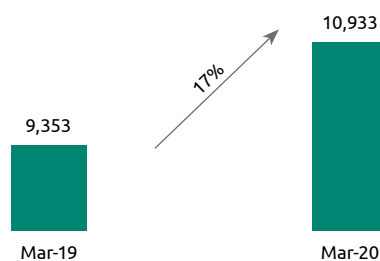
Key Statistics: MicroBanking

₹ Crores

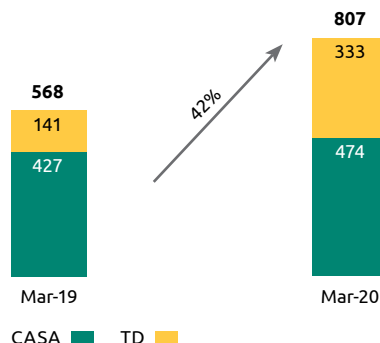
Disbursement Growth



OSP Growth



Deposits Growth



Housing

It has been a good year for affordable housing business in terms of fresh business acquisition and overall portfolio growth. We were able to grow the book by 84% (y-o-y), disbursing ₹844 Crores of fresh Home loans during the year, with total number of customers crossing 19,000 during the year. The portfolio quality largely stayed stable, with a slight increase of GNPA to 0.8% as on March 31, 2020 due to incremental defaults in North and East against 0.6% in March 2019. We have established ourselves as a serious player amongst the low-income group households aspiring to own their dream house. Approximately 65% of our customer base is salaried, buying their first house and availing benefits of PMAY CLSS scheme. We have facilitated 1700 customers to secure a subsidy under PMAY-CLSS since its inception.

During the nation wide lockdown, we have been using the downtime to focus on employee learning and development

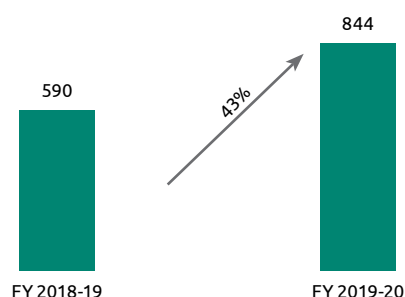
to enhance productivity levels. Post lockdown, our first priority will be ensuring timely repayment from all our customers by strong focus on collections, while we aim at increasing our penetration in Tier I & Tier II markets where USFB branches are already present. Region specific product offerings basis impact of COVID-19 are being designed to strengthen our approach of rapid penetration into these markets, catering to the aspiring middle-class, comprising the semi-formal/informal income segments.

In FY 2020-21, the business will embark on a digital journey for sourcing and servicing customers alongside forming alliances with online aggregators for better outreach. In addition to geographic expansion (mostly Tier III & Tier IV locations), regional policies will also be put in place with product enhancements to accommodate new property segments.

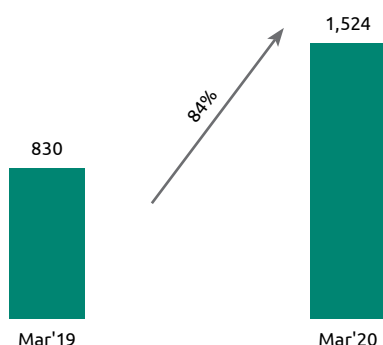
Key Statistics: Housing Loan

₹ Crores

Disbursement Growth



OSP Growth



MSE

The MSE sector continues to be an essential cog of the Indian economy, and in the post GST era, this sector is undergoing a transformation in the way it does business, leading to increased formalisation and digitalisation. In these evolving times, the MSE vertical provides business funding and growth capital to the MSE units to help them scale-up. The vertical maintained consistent growth to close at a loan book of ₹980 Crores on March 31, 2020, with a borrower base of around 14,500. The portfolio quality witnessed some stress especially in the old unsecured portfolio, closing with a GNPA of 2.9% as

on March 31, 2020 against 2.3% in March 2019. We had taken a conscious call to slowdown the MSE in stressed pockets from Q3 onwards, and despite the challenges of portfolio stress and a calibrated approach to business, we managed a healthy 66% y-o-y growth in portfolio.

We also focused on enhancing the deposit relationship of these customers, garnering a deposit book of ₹27.5 Crores, with a significant CASA ratio. The focus will continue to be on extending holistic banking solutions to the MSE customers by driving synergy with branch banking team and enhancing the relationship value of the customers.

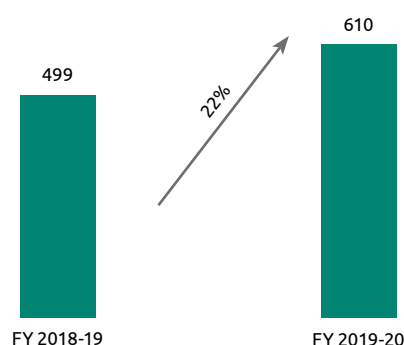
The focus for FY 2019-20 has been on secured loans, with no incremental unsecured loans sourced from April 2019. We also forayed into the formal MSME segment with the introduction of MSE Business Edge product with increased ticket sizes up to ₹2 Crores, targeted at formal MSME units.

Investments in technology such as the Loan Origination System (LOS) mobility module, digital onboarding solution, and process re-engineering will continue to drive efficiency in distribution and credit underwriting processes. We are fully committed to delivering a superior customer experience with a full suite of financial products and services, catering to all segments of the MSE sector.

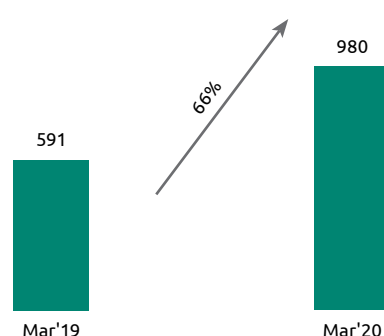
Key Statistics: MSE

₹ Crores

Disbursement Growth



OSP Growth



Personal Loan

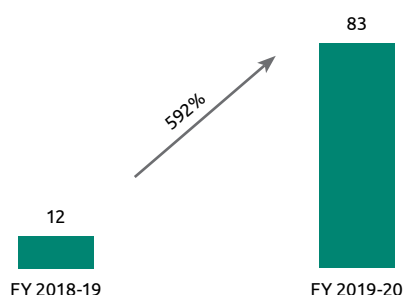
During the FY 2019-20 the PL Business grew by six times, both in terms of disbursements and portfolio. Amount disbursed during the financial year was ₹83 Crores and the OSP as of March 2020 stood at ₹79 Crores. A total of 4,777 loans was disbursed during the year, with an average ticket size of ₹1.7 Lakhs. We expanded our geographical footprint from 14 cities to 36 cities during the financial year.

The business grew rapidly in the first two quarters of the year, till the Bank decided to temporarily suspend the business and undertake a thorough portfolio quality review in the wake of rising defaults in select customer segment in a few locations. The GNPA stood at 1.3% as on March 31, 2020. We reworked our customer segmentation and aligned our credit policies based on the observed portfolio quality trends and shall re-launch the business in FY 2020-21, with new product variants to serve our existing customer base and then progressively reach out to the New To Bank segment digitally – post the stabilisation of COVID-19 pandemic situation. During the downtime, we are revamping our processes to go completely digital by leveraging systems and processes akin to the Fintechs. Our focus will be on supporting the front-end sales team by acquiring leads through digital marketing. Additionally, we will be diversifying our sourcing channel mix by building internal and external synergies and partnering with digital aggregators, which already have a good customer base, to deepen our customer reach and penetration. Personal Loan Business will also see new product variants such as completely digital short term-small ticket application based lending with a very quick TAT, enhancements for existing PL customers and cross sell products to serve other Existing to Bank customers in FY 2020-21.

Key Statistics: Personal Loan

₹ Crores

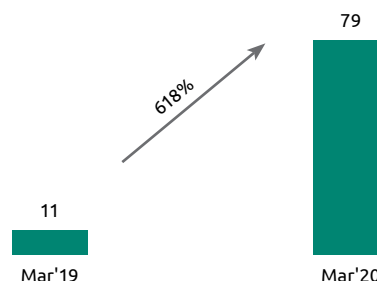
Disbursement Growth



Key Statistics: Personal Loan

₹ Crores

OSP Growth



Institutional Lending

Financial Institutions Lending Group of the Bank manages lending to Microfinance Institutions and NBFCs catering to MSME, Housing, Vehicle Finance, Consumer Loans and similar sectors. The Bank has grown its Institutional Lending book in a controlled manner considering overall business environment and the recent NBFC crisis, and disbursed ₹543 Crores during the year, recording 126% growth y-o-y, and closed with a book of ₹549 Crores (144% y-o-y growth). The book is spread across diverse sectors and 35 distinct clients. The Maximum permitted exposure per entity is restricted to ₹50 Crores and highest tenor of current book is 3 years. The Bank monitors its exposures on regular basis and has no overdue in any account.

Vehicle Loan

Vehicle Finance is one of the newest business vertical of the bank. In FY 2019-20, Vehicle Finance focused on readying policies, processes, products and systems along with launching business in certain pockets. We disbursed 1,697 loans amounting to ₹12.1 Crores during the year. We are largely positioning ourselves for the two-wheeler and the three-wheeler segment. We have signed MOUs with electric vehicle manufacturers, and are getting a positive response from the manufacturers as well as the dealerships. In the next financial year, we plan to scale up the vehicle finance business in a very calibrated manner, continuing our focus on the mass market, serving the livelihood needs of the segment rather than the aspirational needs.

Deposit Growth

During FY 2019-20, our deposit book recorded 46% y-o-y growth mainly driven by Retail Deposit. CASA grew by 86% y-o-y, closing at 14% of the total deposit book as of March 31, 2020 against 11% in March 2019. The bank had initiated several engagement activities with active customers to drive active usage of the accounts and launched several target segment focused products and services to facilitate increased new account acquisitions.

Retail Deposits

Our Retail deposits recorded a significant growth during the year, closing at ₹4,724 Crores, constituting 44% of the

total deposit as of March 31, 2020. The Branch Banking and MicroBanking teams, ably supported by the MSE and Housing finance teams worked in tandem to drive growth in retail deposits. With our wide spread network of 575 banking outlets, several customer engagement initiatives to promote adoption of digital channels and drive usage of accounts, diversified products and services aligned to the targeted segments and the launch of 'Sampoorna Banking' initiative, we have witnessed good traction in our retail deposit business.

MicroBanking Unit

The MicroBanking unit launched 'Sampoorna Banking', an initiative targeted at leveraging its vast customer base of 47+ Lakhs and their families to offer a holistic suite of products and services. To counter the volatile nature of the largely disbursement-driven deposits mobilised from the segment, and enable a more stable deposit base, Goal based savings products were launched. The offering encourages saving for the short-term and long-term family goals, and also offers a safer alternative to savings with the informal sectors and shadow banking players. We mobilised deposits of ₹10 Crores within three months of its launch. We also positioned Ujjivan Account as an 'Emergency Account', with no penalties on complete balance withdrawal. We have opened over 80,000 family accounts. We have witnessed higher average balances maintained in the family accounts than in the regular customer loan accounts.

The unit also initiated deposit and withdrawal facilities in the centre meetings, which were hitherto largely used for repayment collections, mobilising ₹90 Crores of deposits during the year. We piloted e-kiosks, offering banking services from neighborhood shops to present our customers a convenient alternative to branches in addition to digital platforms for their transaction needs. Our team of digi-buddies have helped customers adapt to digital platforms, taking Mobile Banking app registrations to 2.2 Lakhs and UPI users count to 1.34 Lakhs. We are also planning to launch a Voice, Video and Vernacular based easily navigable mobile banking app for microfinance customers, to drive digital usage. We are working towards digitising our backend processes and piloted 'Loan on Phone' for our repeat customers, a move that we believe will be instrumental in freeing up bandwidth of our field staff to source more deposits and nurture existing relationships. MicroBanking CASA constituted 59% of the total deposits garnered from the segment.

Branch Banking Unit

The Branch Banking unit predominantly focused on driving CASA relationships from its target segments – Senior Citizens, Youth & Students, Salaried Individuals, Retailers, Enterprises and TASC. The unit has identified women and start-ups as new areas of focus to further build its account base. The unit expanded its suite of offerings for the aspirational class of customers with

launch of new products that saw significant traction. Privileged savings account, targeted at middle-income segment, comprising the salaried class, senior citizens and family members of self-employed individuals, with additional features such as airport lounge access, was launched during the year, generating ₹140 Crores of deposit. Business Edge Current Account, targeted at the retail trader community, with bundled POS terminals and cash management services significantly helped in growth of Current Account balances. In addition, we are working on on-boarding partners to provide value-added services such as Purchase Protection, Store Management and Expense Management.

The unit also piloted Digital Deposit and Savings product, primarily focused on catering to the youth segment. The products aim to deliver an end-to-end digital solution to our customers, offering a convenient, anyplace, anywhere, anytime banking relationship.

The unit relentlessly focused on nurturing existing relationships, increasing customer engagements and driving active use of the accounts and encouraged the use of our multi-lingual, easy to use alternate channels comprising Mobile Banking, Internet Banking, Business Net Banking, Debit Cards, POS Terminals – along with UPI and QR Code services. The acceptance and usage of digital services grew significantly, with 60% of our customers actively using the digital channels. Active Mobile banking users grew by 137% y-o-y to 2.17 Lakhs users and UPI users grew by 218% y-o-y to 1.72 Lakhs users. Business Net Banking recorded 1,296 customers on board while QR for retailers crossed 6,000 on-boarded customers.

Deposits under the Branch Banking vertical registered a robust 82% y-o-y growth to close at ₹3,806 Crores, while the CASA of ₹777 Crores stood at 2.5 times that in March 2019. Average savings account balances increased from ₹5,700 in March 2019 to ₹10,767 in March 2020, confirming the effectiveness of our various customer engagement drives.

The unit collaborated with MSE, Housing, TASC and FIG verticals, leveraging the synergies and delivering a comprehensive range of products and services.

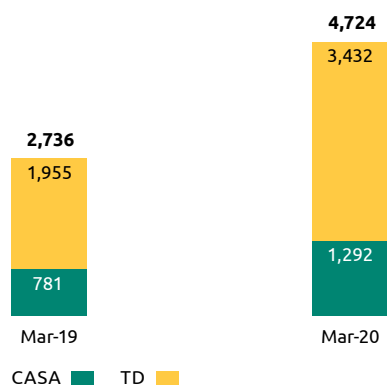
Going forward, we shall focus on sourcing quality leads to facilitate transactional relationships, improve our product mix, to mobilise more CASA with higher MAB commitments, drive usage of digital channels and promote higher cross sell of products per customer. We are reviewing our Branch sales and customer onboarding processes for better customer on-boarding experience and customer service, greater customer connect and cross sell opportunities, thereby improving the liability relationship per customer. We shall also launch straight through acquisition of digital savings and term deposit accounts, and leverage digital marketing, generating

leads to supplement the efforts of our front-end field staff, thereby freeing up bandwidth for better nurturing of customer relationships. Our unwavering focus will be on deepening our relationship with existing customers, offering them a complete range of products and services such as Housing loans, MSE loans, Personal and Vehicle loans, Insurance and other tailor-made banking solutions.

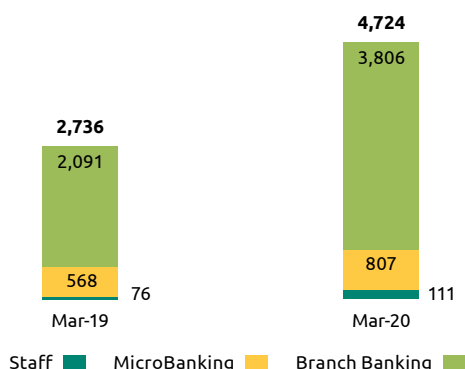
Key Statistics: Retail Deposits

₹ Crores

Retail Deposit by Product



Retail Deposit by Segment



Institutional deposit

Our Institutional deposit business continued to grow during the year, ably complementing the growth in the retail deposits and fulfilling the liquidity requirements of the Bank. A key focus area this year was diversifying the customer segments, foraying into the government segment and building CASA relationships, in addition to deepening our existing relationships with institutional customers.

The Financial Institutions Deposits unit of the Bank mobilises Certificate of Deposits, Fixed Deposits, Current Accounts and Term Money from various Banks and Financial Institutions. The team of Relationship Managers is well spread across India and deals with various financial institutional clients comprising Commercial Banks, all types of Co-operative Banks, Mutual Funds, Insurance Companies, NBFCs, Micro Finance entities, Capital & Commodity Market Intermediaries and other Financial Institutions. The team closely works with the Branch Banking team to on-board and serve Financial Institution clients even in remote locations. The unit sourced 97 new relationships during the year. Besides mobilising deposits, the unit also manages Inter-bank limits and Lines of Credit from various banks and raises funds from alternate sources such as Term Loan, IBPC, Refinance facilities to ensure stable liquidity for the Bank.

During FY 2019-20, the unit started sourcing significant Current Account relationships and balances from Financial Institutions, in addition to mobilising deposits and term money. The Bank was successfully empaneled with the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), to accept margin Fixed Deposit Receipts (FDRs), and has been showing traction in collateral business, which we plan to further enhance in the coming year.

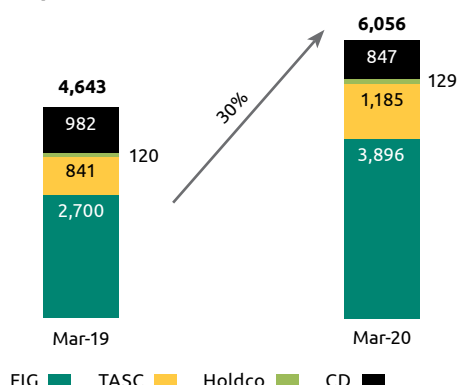
In FY 2020-21, the group intends to further augment its deposit base and enhance its Current Account business by offering various transaction banking services and innovative products. The team will continue to collaborate with Branch Banking team to leverage the large network of co-operative banks and regional rural banks operating in the towns and cities of 24 states and Union Territories, where our network is present. The team will continue to enhance relationships with various Banks and Mutual Funds to avail higher limits of funding.

The TASC (Trust, Association, Societies and Co-operatives) business unit of the Bank focuses on mobilising deposits from institutional customers, especially the non-profit, government, educational institutions and corporate segments. A team of specialised relationship managers and our expanded branch network help source new relationships and develop relationship with our existing customers. During the year, the unit initiated offering comprehensive CASA solutions to suit customers' requirements and garnered CASA of ₹114 Crores. We also initiated (Public Fund Management System) PFMS proposition for our customers. In FY 2020-21 we shall ramp up CASA mobilisation from the institutional segment and deepen our presence in various government businesses.

Key Statistics: Institutional Deposits

₹ Crores

Deposits Growth



Insurance

We offer our borrowers, co-borrowers and their spouses, the option of enrolling under group insurance scheme run by our insurance partners. Our insurance offerings are targeted at providing financial support to the family of the customer and eliminating the burden of repayment of outstanding loan in case of the unfortunate event of the loan-bearer's death. There is a huge unmet need for insurance products among our customers. We have entered into corporate agency arrangement with Bajaj Allianz Life Insurance Co Ltd, HDFC Life Insurance Co Ltd and Aditya Birla Sun Life Insurance Co Ltd to provide life insurance solutions to our customers. Similar arrangements have been made with Bajaj Allianz General Insurance Co Ltd and ICICI Lombard General Insurance Co. Ltd. for general insurance and HDFC ERGO Health Insurance Co. Ltd. for health insurance respectively. During the year, we have launched various insurance solutions including Hospital Daily Cash, Asset Insurance and the Pradhan Mantri Fasal Bima Yojana, to strengthen our product offering. As part of our Financial Inclusion initiative, we have launched the Atal Pension Yojana. In the coming financial year, we will introduce additional tailor-made solutions for our customers.

Financial and Operational Performance

The financial year ended March 31, 2020, saw the Bank continuing its track of growth, expansion and profitability. The Bank closed the financial year on a good note, delivering healthy performance in asset and retail deposit businesses, maintaining a stable portfolio quality, resulting in bottom line numbers in line with expectations. Our post-tax profits stood at ₹350 Crores, as against ₹199 Crores in the previous year.

Overall, the total income grew by 49% over the last financial year on the back of a strong loan book growth of 28%. Interest income on advances amounted to ₹2,557 Crores (including securitisation income of ₹5.5 Crores), constituting 85% of our total revenue. Income on Statutory and other investments amounted to ₹146 Crores, growing by 53% during the year, on account

of the higher deposit base, and constituted 5% of the total income.

Fee and other income comprising processing fee, profit on sale of Priority Sector Lending Certificates (PSLC), commission income on distribution of third party products, and interest or gain on investments and other miscellaneous income grew by 56% over the last financial year, and constituted 11% of the total income against 10% in the previous year. We earned ₹45 Crores from sale of PSLC during the financial year against ₹28 Crores in the previous year. Income from processing fee stood at ₹167 Crores against ₹112 Crores in the previous year. Commission income on distribution of third party products grew to ₹20 Crores against ₹14 Crores in the previous financial year, on account of increasing focus on cross-sell across businesses and activation of the distribution channel across the larger network. Miscellaneous income comprising annual card maintenance fee income, income from banking operations, foreclosure and late payment charges and profit on sale of investments amounted to ₹58 Crores, constituting 18% of fee and other income, and 2% of total income. Card maintenance fee grew to ₹16 Crores against ₹1 Crore in the previous year, especially on account of better balance maintenance in the accounts. Income from banking operations grew to ₹27 Crores, against ₹13 Crores in the previous financial year, on account of increased digital transactions reflecting greater usage of the accounts. Recoveries from past write offs amounted to ₹31 Crores against ₹21 Crores in the previous financial year.

Our asset yields largely stayed stable despite the scale-up of our low yield secured businesses, which formed 22% of our total portfolio as on March 31, 2020 against 14% in March 2019. On the borrowings side, the scale-up of our retail deposit franchise, growth of CASA coupled with the diversified sources of funding and the hugely successful IPO in Q3, helped reduce dependence on high cost refinance, reducing cost of funds to 8.2% from 8.5% in the previous year. The Bank almost entirely retired its high cost legacy borrowings during the year, which stood at sub 1% at the end of March 2020, against 3% as on March 31, 2019.

Finance cost increased by 48% due to increase in funding requirement to support a growing asset book.

Our NIM stood at 10.8% against 10.9% in the previous year, dipping slightly on account of high liquidity buffer maintained around the year end, in the wake of the unforeseen contingencies of the COVID-19 pandemic.

Our operating costs increased by 31% on account of 101 additional outlets rolled out during the year and increase in manpower to support the growing businesses and power the new outlets. Personnel costs registered a 39% increase over the previous financial year, especially on account of increased manpower from 14,752 staff to 17,841 in March 2020. The rollout of additional banking

outlets, coupled with the scale-up and launch of new businesses such as Personal Loans and Vehicle Loans, necessitated the increased hiring. Personnel costs also included impact of ESPS and ESOP amounting to ₹29 Crores. Other operating costs comprising occupancy, technology and connectivity, traveling and conveyance, cash handling and management, marketing, direct business related and other expenses increased by 23% over the previous year. Approximately 39% of the increase in other Operating expenditure is on account of the increased occupancy charges for additional branches rolled out during the year.

Our Cost to Income ratio dipped significantly to 67.4% from 76.5% in FY 2018-19 due to economies of scale kicking in as we scale up our businesses and take a calibrated approach towards further expansion of infrastructure. Our continued efforts at containing our costs through various initiatives such as contract renegotiation, digitisation of backend processes (Robotic Process Automation, implementation of recruitment management system and promotion of in house e-learning platforms were instrumental behind the large improvement in cost to income ratio. Also, listing expenses on account of the IPO, amounting to ₹43 Crores was routed through the share premium account.

Our Credit expenses for the year increased to ₹171 Crores against ₹41 Crores in the previous year. The Bank made an incremental provision of ₹66 Crores on standard assets and ₹105 Crores on NPA, including ₹64 Crores of write offs. The Bank has maintained a conservative provisioning norm, in excess to that mandated by RBI, and made incremental prudential provisions to ensure a higher PCR and coverage of gross advances. Provisioning coverage stood at 1.6% on the gross advances as on March 31, 2020 against 1.2% in March 2019. Total cumulative provision on portfolio stood at ₹230 Crores as on March 31, 2020, consisting of provision of ₹120 Crores on standard assets and ₹110 Crores on NPA. The provision comprised ₹160 Crores of policy specific provisions and ₹70 Crores of additional general provision in view of the potential impact of COVID-19. Of the total provision of ₹70 Crores for COVID-19, ₹49 Crores is in respect of accounts in default but standard. The Provision Coverage Ratio (PCR) for the Bank stood at 80% at the end of the year, while Net NPA (NNPA) stood at 0.20% against 72% and 0.26%, respectively in March 2019.

The Bank's Return on Asset (RoA) stood at 2.2% against 1.7% in the previous year, and Return on Equity (RoE) at 13.9% against 11.5% for FY 2018-19.

Income Statement

Particulars	FY 2019-20	FY 2018-19	y-o-y Growth
Interest Earned	2,704	1,832	48%
Other Income	322	206	56%
Total Income	3,026	2,038	49%
Interest Expended	1,070	725	(48)%
Personnel Cost	745	537	(39)%
Other Operating Cost	574	466	(23)%
Total Cost	2,389	1,729	(38)%
Profit Before Provision	637	309	106%
Credit Cost	171	41	(321)%
Profit/(Loss) Before Tax	466	268	74%
Net Tax	116	69	(68)%
Profit After Tax	350	199	76%

Particulars	FY 2019-20	FY 2018-19
Fee Income to Total Revenue	10.6%	10.1%
Yield	20.0%	20.0%
Cost of Funds	8.2%	8.5%
NIM	10.8%	10.9%
ROA	2.2%	1.7%
ROE	13.9%	11.5%
Cost to Income	67.4%	76.5%
CRAR	28.8%	18.9%
Net Profit Margin	11.6%	9.8%

As on March 31, 2020, our balance sheet size stood at ₹18,411 Crores, an increase of 34% over ₹13,742 Crores at the end of March 31, 2019. The Bank's network increased from ₹1,820 Crores as on March 31, 2019 to ₹3,188 Crores as on March 31, 2020 on account of the hugely successful equity infusion of ₹1045 Crores (including the amount raised in Employee Stock Purchase Scheme) through IPO in Q3 FY 2019-20. The issue was oversubscribed by 170 times, and listed at 59% premium to issue price. Share premium stood at ₹722 Crores, net of listing expenses of ₹43 Crores. Capital to Risk Weighted Asset Ratio (CRAR) improved to 29% as of March 2020, from 19% as of March 2019, due to improved profitability and equity infusion.

Our gross loan book closed at ₹14,153 Crores, registering a 28% growth over the preceding year, while our deposit base closed at ₹10,780 Crores, growing 46% y-o-y, largely driven by a healthy growth in retail deposits, which grew from 37% of total deposits in March 2019 to 44% at the end of March 2020, with good traction in CASA. The Bank's CASA balances (as a % of total deposits) increased from 11% to 14% in the financial year.

Our balance sheet stayed well-funded with deposits covering 76% of our gross advances. The growth of granular retail deposits and a comfortable ALM position also helped us maintain sufficient liquidity. Our LCR stood at 254% as of March-20 and stayed at comfortable levels throughout the year. We are maintaining a liquidity buffer for unforeseen contingencies of the COVID-19 pandemic in the coming months. We are deploying the surplus in high yield short term assets rather than

lending in reverse repos to counter the cost of negative carry of surplus funds. We have a healthy pipeline of refinance, interbank and other source of funding. Our deposits are stable with no significant withdrawals so far. The measures announced under the Regulatory Package, such as enhanced MSF and reduction in CRR, are also helping the Bank maintain sufficient liquidity.

Connecting Customers and Digital Initiatives

As the Bank embarks on its fourth year of operations, customer connect and their digital journey stands at the core of our focus areas. The Digital Banking and Channel functions are at the forefront of constant evolution, to provide the customer, the bank and all its stakeholders with segment-leading, technology-backed services.

The Bank is now live with an end-to-end digital account opening solution for all customers. We have successfully piloted the same with over 15,000+ customers in a very short duration, and expect more customers to join in the coming times. The introduction of four additional languages viz. Marathi, Gujarati, Odiya and Punjabi in the mobile banking app, has been well-received by customers and has led to increased usage of the platform.

Further, the introduction of biometric authentication through finger-print login in mobile banking App has simplified access to our services, leading to saving of valuable time and effort of our customers.

A dedicated team for Robotic Process Automation (RPA) has been created for a focused approach towards exploring areas where technology can help in reducing TAT, resource consumption etc. Reconciliation is one of the activities that is currently enjoying the benefits of the RPA.

We implemented Open Banking, an API gateway that provides our partners with an opportunity to collaborate with us in the API architecture. This empowers our customers to meet all their business requirements on a single platform and develop new business opportunities by integration. Through this platform we will enable corporates, fin-techs, startups, manufacturing enterprises, tech firms or any of our other partners to automate, streamline and develop new products and business cases, using our services in an integrated manner.

The Bank has been successful in setting up an Innovation Centre, to explore potential tie-ups with new age Fintechs or technology companies. All these companies undergo an evaluation through a POC (Proof of Concept). On successful completion of the POC and necessary clearances, the solutions will be adopted by the bank. With this, we expect the Bank to emerge as a leading partner for Fintech companies, thereby ensuring steady growth for both.

Channels

The customer has a series of access options, which makes banking with us convenient and hassle free. Doorstep Banking and the brick and mortar branches are supplemented by convenient alternative channels that provide 24x7 access to full services of the bank, through cash automated networks, Digital Full Service Banking and Phone Banking.

Electronic Banking: The Ujjivan Classic & Platinum debit card offers customers secured payments and unmatched Cash-in/Cash-out facilities for convenience and accessibility. Over 5 Million cards have been issued, enabling customers to securely access over 2 Lakhs ATMS, shop at 30 Lakhs plus POS enabled commercial shops and transact online 24x7. Ujjivan RuPay Platinum Debit cards come with additional benefits such as the Airport Lounge access, cashbacks and attractive discounts.

The Bank's network of 423 ATMS and 52 customised Cash recyclers allowing cash deposits offer exceptional convenience and service with industry leading uptimes of ~98%+.

Phone Banking: The team works round the clock, 365 days a year, to provide assisted banking services to customers in 14 languages, maintaining exceptional service standards and a wait-time of about 17 seconds on average, before the call is connected to a Phone Banking officer. This unit is a significant channel for the bank, transitioning from a service centre to a transaction and sales centre. To continually improve service standards, while empowering customers, we plan to enhance our Interactive Voice Response, to offer basic banking services such as Balance Enquiry, cheque book request, statement request and blocking of lost card.

Personal & Business net Banking and Mobile Banking:

Our digital ecosystem works effectively, delivering uninterrupted 24x7 access across internet and mobile banking platforms. Digital transactions have increased by three times in FY 2019-20, while the share of digital transactions to the total transactions is at 25%, compared to 8% in FY 18-19. Business net banking empowers small and medium enterprises to manage funds optimally and save time spent visiting bank branches. We are planning to launch a Voice-, Video- and Vernacular-based, easily navigable mobile banking app for microfinance customers to drive digital usage. We also piloted digital savings and deposit products, facilitating instant activation and access to banking facilities at fingertips. 15,000+ new customers were acquired in the pilot.

The deployment of alternative channels has been central to the eventual move from person-to-person services to providing technology assisted offerings for our expansive product range. Contactless delivery of banking services has become the need of the hour, in line with the social distancing norms imposed post outbreak of the COVID-19 pandemic.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

Risk Management

The Bank has a strong risk management framework in place to identify, mitigate and monitor material risks across all its functions. Directed by the Risk Management Committee of the Board (RMCB), the Bank has an adequately staffed risk management team led by its Chief Risk Officer (CRO), to implement the directions of the Board. The team is mainly placed in the Bank's corporate office, and also has a presence in each of the regional offices, primarily to aid in cascading the operational risk framework at a granular level. The key risks that the Bank is exposed to in the course of its business are Credit Risk, Market Risk, Liquidity Risk, Operational Risk and Information security. The hallmark of the Bank's Risk Management function is its independence from business sourcing units with the convergence only at the Board level.

Credit Risk

Credit Risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. Losses stem from outright default or reduction in portfolio value. Through continuous monitoring and enhancement, the Bank has established a distinct risk architecture, policies and procedures for managing its credit risk. Predominantly a retail bank, with exposure in Microfinance, MSE loans, Housing loans, Personal loans and Vehicle loans, the key focus of the Bank is on retail lending, given the granularity of individual exposures, and is managed largely on a portfolio basis across various products and customer segments. There are robust front-end and back-end systems in place to ensure credit quality and minimise loss from defaults. The Bank has also been selective in building its institutional lending portfolio to establish meaningful relationships with financial institutions.

The factors considered while sanctioning retail loans include income, demographics and repayment track records of the borrower and tenor of the loan. Credit risk is managed by capping exposures on the basis of borrower group and ticket size amongst others. This is backed by portfolio diversification, stringent credit approval processes and periodic post-disbursement monitoring and remedial measures.

The Credit Risk Management Committee (CRMC) of the Bank meets at monthly intervals to review the credit portfolio, including review of performance of all loans approved within a defined deviation matrix, or issues relating to loan documentation. During the year under review, the credit risk team was engaged in developing risk scorecards and Early Warning Systems (EWS), enhancements to documentation and loan appraisal standards, collateral management and credit spread computation. The team was also engaged in assessing Expected Credit Loss (ECL) on credit portfolio as required under Ind AS 109 principles. While application of Ind AS in banks has been deferred, the Bank nonetheless was required to compute ECL as its books are consolidated

with that of its holding Company, Ujjivan Financial Services Limited, an NBFC and this necessitating application of Ind AS standards.

The Bank has a conservative and prudent policy for specific provisions on NPAs. Our provision for NPAs is higher than the minimum regulatory requirements, while adhering to regulatory norms for the provision of Standard Assets.

Market Risk and Liquidity Risk

Market Risk arises largely from the Bank's statutory reserve management and trading activity in the interest rate market. During the year, the Bank had commenced trading in Government of India securities, (G-Sec) in a calibrated manner through its HFT portfolio. G-Sec trading activity was mainly undertaken on an intraday basis, though towards the end of the last quarter, the Bank had started keeping open positions on an overnight basis. Trading profit booked during the year was small, but the Bank is poised to build on the experience and step up its trading book in the next financial year. The risks are managed through real time monitoring by the Bank's Treasury Mid Office, which works within a well-defined Limit Management Framework that caps risk in various securities through limits/triggers. The risk measures include sensitivity limits, namely, PV01, Modified Duration of HFT/HTM Portfolio, Value-at-Risk (VaR) Limit, Stop Loss Trigger Level (SLTL), monitored on end-of-day basis.

Liquidity Risk is the risk when a bank may not be able to meet its short-term financial obligations due to an asset-liability mismatch or interest rate fluctuations. The Bank managed its liquidity requirement and the associated risks efficiently during the year. As a part of this process, the Bank has established various limits to mitigate both liquidity and interest risks. While the maturity gap and stock ratio limits help manage liquidity risk, the Net Interest Income (NII) and Market Value on Equity (MVE) impacts help mitigate interest rate risk. The Bank had also maintained a comfortable Liquidity Coverage Ratio (LCR), well above the regulatory limits during the year. As a prudent risk management practice, the Bank has been also been monitoring the Net Stable Funding Ratio (NSFR), and is thus adequately prepared to meet the RBI mandated requirements. The Asset Liability and Market Risk Committee (ALCO) of the Bank, meets on a monthly basis or at more frequent intervals to evaluate the liquidity situation. Amongst the multiple, impactful measures introduced during the year, was the monitoring of deposit concentration and the resultant stress, if any. There was a concerted effort made during the year to diversify the liability profile of the Bank, with reliance on CDs as a funding source, progressively reducing from 9% of overall borrowings and deposits in March 2019 to 6% in March 2020. and replacing it with institutional deposits and refinance from financial institutions. The ALM situation of the Bank remained healthy through the year, and was tested for efficacy in simulated stress situations. The Bank had also enhanced and tested its Contingency Funding Plan (CFP).

ICAAP

The Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/financial position / capital adequacy. The ICAAP framework is guided by the Bank's Board approved ICAAP Policy. Additionally, the Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme, but plausible, stressed business conditions. Changes in the Bank's risk levels and in the on/off balance sheet positions are assessed under such assumed scenarios using sensitivity factors related to their impact on profitability and capital adequacy. The Bank submitted its second ICAAP document including an evaluation of adequacy of capital considering Pillar I risks, Pillar II risks and Stress Capital requirements during the year.

Operational Risk

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. The Bank is continuously striving to enhance its processes. Manuals, an important spin off to the various operational risk policies, were documented for key activities such as Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI) and Loss Data Management.

For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) chaired by the MD & CEO. The committee, convened by the CRO, meets every quarter to provide an oversight on key operational risk issues, the summary of which is presented to the RMCB. Following are some of the key techniques applied to manage operational risk within the Bank. It involves both a qualitative and quantitative approach.

- Product and Process reviews
- User Acceptance Testing (UAT)
- Risk Control and Self-Assessment (RCSA)
- Key Risk Indicators (KRI)
- Loss Data Management
- Thematic reviews
- Operational Risk Scorecards (at branch level)
- User Access reviews
- Outsourcing risk reviews
- Internal Financial Control (IFC) testing
- Business Continuity Planning (BCP)

Information Security

The Bank operates in a highly dynamic threat environment and has thus taken a plethora of measures to ensure

the safety of customer transactions. The Bank has implemented state of the art security technologies in its infrastructure and monitors the potential threats round the clock. A comprehensive strategy encompassing people, process and technology is constantly reviewed in the light of emerging threats, the security requirements of the business and best practices. A 24x7 Cyber Security Operations Centre has been established that identifies potential incidents and takes the requisite action to respond, recover and learn from the incidents. The Bank has adopted an approach of continuous improvement when it comes to security. In the field of emerging technologies, the Bank has embraced Artificial Intelligence, Machine Learning, Data Lake and User Behaviour Analysis for its Security Operations Centre.

The Bank regularly participates in Cyber Drills conducted by the Institute of Development and Research on Banking Technology (IDRBT), and conducts periodic Disaster Recovery drills for its technology infrastructure to ensure the availability of critical services in the event of a disaster. In order to keep abreast of the security best practices, the Bank participates in meetings conducted by CISO Forum and Data Security Council of India.

A well-documented Board approved Information Security Policy is put in place. The Bank has a robust Business Continuity and Disaster Recovery plan that is periodically tested to ensure preparedness for any operational contingencies.

Legal

The Legal Department has rapidly grown since its inception during the transition from NBFC-MFI into Small Finance Bank and is now a blend of young and experienced professionals, with expertise in various fields, placed at the Corporate Office as well as the Regional Offices of the Bank. The department renders its services in the important areas of Legal Advisory & Documentation, Contract Management, Employment Law Related Matters, Corporate Affairs, Litigation Management & Recovery Assistance. On the Liabilities side, the department advises on standard processes and legal requirements for opening of CASA Accounts for Trusts, Associations, Societies and Clubs on a case to case basis within prompt timelines. Further, with the Bank venturing into lending to financial institutions, the Legal department also provided end to end assistance in finalisation and execution of agreements and other financing documents for high value loans.

The Legal Department and Collections Department operate as a cohesive unit to achieve substantial recovery through legal tools such as issuance of Legal Demand Notices, S. 138 Notices, filing recovery suits, conducting Lok Adalats, initiating action under SARFAESI Act etc. The Legal Department of the Bank has also conceptualised an innovative tool for recovery – 'SAMADHAN' which invites customers to amicably settle their dues before the Bank initiates legal action. The Legal Department has also, since inception, supported the Marketing department in building the brand 'Ujjivan' by securing intellectual

property rights for the same. The Legal Department is also committed to securing registrations of any logos/ taglines/Product names that are innovated by the Marketing Department. Around 45 trademarks have been registered in the past two years.

With rapid digitalisation of the Banking Industry, the Legal Department has aligned itself to the need for Ujjivan Small Finance Bank Limited to stay ahead of the competition by leveraging technology. Ensuring a balance between ease of business and complying with legal/regulatory guidelines, the Legal Department provides comprehensive legal advice for new digital products/processes. The Department was adjudged the Winner of the IDEX Legal Awards, 2019 in the Category of 'Best In-House Legal Department – Medium Large'.

The Bank is bracing itself for transition and adding several new business lines in the coming years and the Legal Department is committed to providing prompt, comprehensive and practical legal support.

Compliance

The Bank is fully committed to the Financial Inclusion mission of the Reserve Bank of India (RBI). The Bank has complied positively with the regulatory requirements of lending 75% of its Adjusted Net Bank Credit (ANBC) to priority sectors, having loans and advances of up to ₹25 Lakhs and operating at least 25% of its total branches in Unbanked Rural Centres (URCs). The Bank has also complied with the listing requirements within three years from the date of commencement of operations.

The independent Compliance function of the bank was further strengthened during the year, with the establishment of regional compliance structure across 4 regions. The central and the regional Compliance units are committed to building a strong compliance culture in the bank. The compliance risk register, which serves as a repository of regulations mapped across the various granularities of the Bank, has been implemented and has helped put in place relevant internal policies, besides identifying and reducing risk through periodic testing. The Compliance team also seeks regular feedback on compliance matters from the business and operation teams through self-certifications and monitoring. The department further provides advisory services; performs assessment of compliance to KYC-AML regulations, performs transaction monitoring activities through AML alert handling mechanism, and assesses the control environment.

The Bank had undergone an Inspection by the RBI under the Annual Financial Inspection (AFI) model during Q4 FY 2018-19. As on March 31, 2020, RBI has accepted the Bank's compliance with 100% of the observations under Monitorable Action Plan (MAP) and 92% of the observations under Annual Financial Inspection (AFI). The Bank is committed to addressing the remaining points in a time bound manner and ensuring compliance. Further, the Bank is compliant with the framework for

timely submission of data in line with the Risk Based Supervision (RBS) as mandated by RBI.

Internal Audit

The Internal Audit process of the Bank complements the Risk management function as the third line of defense. Traditionally, the focus was on audit of branch processes, with each microfinance branch as a separate audit. However, with its transformation into a Bank, there are newer audit processes that have been introduced with Risk Based Internal Audit having commenced. The Bank has built a strong team for various audit verticals at HO and ROs, IAD functions with the objective to provide assurance to management and board about the adequacy and effectiveness of Governance, Risk Management and Controls.

The Internal Audit Department of Bank has five audit verticals covering all Branches, Central Functions, IS Audit, Credit Audit and Concurrent Audit of Branches. The annual audit plan encompassing all the audit areas is prepared on Risk Based Approach and submitted to Audit Committee of Board (ACB) for approval. The ACB assesses the adequacy and effectiveness of the internal audit function, including the structure of the internal audit department, progress of annual audit plan, staffing etc., and ensures effective and independent review procedures.

Vigilance

During the year under review, we initiated the base work for implementation of the enterprise-wide Fraud Risk Management System {e-FRMS}, targeted at securing the transactions of the customers, monitoring any unusual activities and overall enhancement of the security with a view to mitigating transaction-related frauds. The year has also seen a lot of focus on the physical security aspect of the branches post installation of Remote Monitoring System {RMS}, coupled with two-way audio and continuous support extended by vigilance to ensure overall stability. Preventive controls were focused on, to minimise cash losses and frauds, by upgrading the security systems, creating awareness among the staff and conducting regular checks across branches. Risk containment unit has endeavoured to expand its activities into newer products, upgraded the systems in line with various businesses and helped avoid disbursement to fraudulent customers. Focus on AML and customer complaint cases (ATM and Debit card issues), resulted in faster resolution of customers' complaints.

During the year under review, cash loss cases due to robbery predominantly occurred in two regions viz., East and North. However, the number of instances, as compared to the previous year, has reduced as a result of certain preventive measures put in place, such as opening more accounts in other Banks with a view to immediately depositing the cash collected at the field in such accounts.

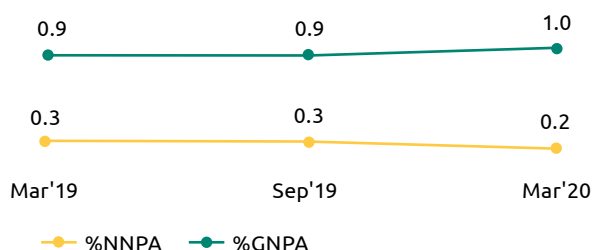
We are preparing to better face the fraud risk that may arise from new business verticals such as vehicle loans and digital deposit accounts, in addition to the older products such as housing loans and micro and small

enterprise loans. The EFRM system will also further strengthen the anti-fraud environment and security. Striking a perfect balance between customer satisfaction and customer security will be one of the important agendas for Vigilance.

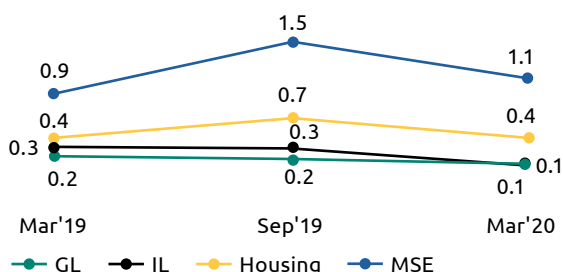
Credit

The year in perspective was characterised by weak macro-economic environment coupled with strong micro-economic trends. Individual loan demand continued to be strong for most of the year against the background of various crises, culminating in the COVID-19 situation after Feb 2020.

The bank's credit growth and credit quality are summarised in the following (%)



Net Non-Performing Assets by Vertical (%)



The Bank continued to invest in credit underwriting and recovery management technologies to help source good quality borrowers and closely monitor the repayments. This won attention from different quarters including sharing of best-practices at international fora.

The Bank continued to maintain robust credit quality with Gross NPA (GNPA) at 0.97% as compared to 0.92% in March 2019. Incremental prudential provisions have been made, taking the provisioning coverage to 1.6% on the gross advances. Cumulative Provisions as of March 31, 2020 stood at ₹230 Crores, consisting of ₹160 Crores of policy specific provisions and ₹70 Crores additional general provisions. The Provision Coverage Ratio (PCR) for the Bank stood at 80% at the end of the year and Net NPA (NNPA) at 0.20% against 72% and 0.26% in March 2019 respectively.

MicroBanking & Rural Banking

The portfolio quality of Micro and Rural banking customers was robust, with a cumulative repayment rate of 99% as of March 2020. The pro-active Credit Risk Management practices have ensured stable business growth along with a very healthy GNPA of 0.88% as on March 31, 2020 as against 0.86% the preceding year despite the volatile lending environment encountered from time to time, in different pockets across the country. Net NPA stood at 0.10%. The Individual Lending Business, which saw a growth of 60%, was complemented by a Repayment Rate of 99.1% and GNPA of 0.65% as on March 31, 2020, as against a Repayment Rate of 98% and GNPA of 1.52% the preceding year. The Rural loan book grew by 218% during the year and posted a GNPA of 0.32%, against 0.01% the preceding year.

In addition to effective credit cost management, the Bank also recovered past written off dues to the tune of ₹31 Crores including recoveries of 17% of write-offs during the preceding year.

FY 2019-20 has been a challenging year since we witnessed multiple natural calamities in various pockets of the country. Parts of Orissa, Maharashtra, Karnataka, Assam, Madhya Pradesh, Bihar, and Kerala were severely impacted due to cyclone and heavy rains during Q2, in the wake of which the Bank extended relief support to customers by providing essential items and moratorium and emergency credit in accordance with the applicable SLBC guidelines. The repayment behaviour of a large majority had returned to normalcy post the repayment holiday period, thereby ensuring a stable portfolio quality.

Further, the microfinance industry also experienced crisis in Assam and coastal Karnataka due to the perpetual issue of over-indebtedness of customers attracting political intervention. The Bank's exposure to Assam is 3.4% of its total portfolio, and its exposure is almost nil in coastal Karnataka. Earlier during the year, Assam was also impacted due to floods. Moreover, an intense opposition to Citizenship Amendment Act (CAA) also disrupted normal business in Quarter 3. These two external events led to the disruption of the local economy and deterioration of the credit portfolio, adversely impacting a section of our customers, especially in upper Assam. Given our well diversified portfolio, our exposure in upper Assam is only 1.3% of the total portfolio. Several industry and state authority level discussions were undertaken by MFIN to formulate an amicable solution to this crisis and a relief package was designed for the distressed borrowers. The Bank will focus on extending this relief to the eligible customers once the COVID-19 induced lockdown is lifted.

The Bank has also been a front-runner in adopting holistic credit assessment tools and was one of the first to implement the usage of comprehensive credit information reports (CCIR) for all its borrowers; this report, in addition to microfinance trade lines provides retail loan credit information, enabling informed decision-making on borrower level exposures. Further,

we have also adopted MFIN's Code for Responsible Lending to ensure uniformity in the lending framework to the segment of microfinance customers. The Bank's Early Warning Signal framework was enhanced, covering all external environmental factors to ensure a holistic view of operational and credit risks pertaining to this sector and segment of customers and thus helping us manage growth appropriately in high, medium and low risk areas, and customise credit policies specific to geographies. We have also advanced the risk management framework for this segment of customers by introducing application scorecards for group loans by profound mining of historical data and building more decision science to the loan offerings.

One of the digital initiatives we undertook this year, was the enhancement of our end-to-end automated digital underwriting platform. The sanctioning for group loans has been fully automated, enabling better efficiencies and excellent processing turnaround time. We have also made significant progress in automating our key rural products, namely Agri group loans and Kisan Suvidha loans. We have begun to offer pre-approved loans through our LOS. We are also piloting 'Loan on Phone', an initiative to encourage credit-worthy borrowers to seamlessly renew their loans through a contactless service delivery process. Our objective is to graduate borrowers to the self-service mode and help them benefit from superior services while streamlining operating costs for the Bank.

Portfolio Management during COVID-19

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium to all its MicroBanking borrowers up to 3 months on the repayment of all installments falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, including standard overdue cases as of February 29, 2020. In response to the guidelines on extension of loan moratorium announced by RBI on May 23, 2020, the Bank has put in place a Board approved policy on extending the loan moratorium for our customers for a further period of three months from June to August 2020. We have adopted a slightly different approach for the extension of moratorium in that – moratorium shall be offered to customers on a need basis as the economic activities are opening up and the restricted areas will be limited to containment zones. For all such accounts for which the moratorium is granted, the asset classification shall remain standstill during the moratorium period (i.e., the number of days past-due shall exclude the moratorium period for the purpose of asset classification under the prescribed norms). The Bank holds provisions of 1.6% on its gross advances as of March 31, 2020. PCR for Micro & rural banking stands at 89% and NNPA at 0.10% as against PCR of 76% and NNPA of 0.21% in March 2019.

We are closely monitoring the current situation and have conducted a survey to assess the impact of the crisis on the livelihoods and income levels of our customers. 84% of our customers surveyed are facing a decline in their incomes during the lockdown. However, for most of them, this is a short-term phenomenon. 96% of our customers are expected to return to normalcy within three months of re-opening of economic activities. We are working on enabling credit policies and processes to fund good and deserving customers, helping them resume normal business activities as early as possible. We have also enhanced our processes to ensure that no undue risk is taken while making this effort. We are confident of emerging stronger from this situation with minimal impact on our portfolio quality.

MSE

This segment has been characterised by challenging economic environment throughout the year. Strict sourcing and evaluation checks helped the Loan book register 66% growth – despite the business stoppage in the crucial last week of the financial year. 91% of the total loan book is secured by property mortgages and the balance is unsecured business loans. GNPA of MSE business stands at 2.9% as of March 31, 2020 against 2.3% in March 2019. NNPA of MSE is at 1.1%, against 0.9% as of March 31, 2020, and provision coverage ratio (PCR) is steady at a healthy 63% at the end of FY 2019-20.

On account of the COVID-19 situation, 71% borrowers have been granted moratorium up to three months by the bank. For a focused approach towards recoveries, the collections of MSE accounts are monitored by internal teams and dedicated resources are assigned to each and every DPD bucket, since the lockdown

Credit policies and process are revised and updated frequently to enhance the quality of underwriting. Current assessment methods coupled with Risk based score cards are used to assess the prospective borrowers based on their demography, financial capability, repayment history, business vintage and other credit related parameters. This will be further advanced in the future to develop a rigorous rule engine to ensure faster turnaround of loans and better quality of underwriting.

To empower the credit resources to assess and underwrite large ticket size cases, training, policy workshops and adaptive tests were conducted throughout the year. To strengthen the portfolio monitoring, stressed branches are put on a Cluster Improvement Plan, an internal monitoring mechanism to improve the quality of the book in the localised geography. Further, Annual Reviews by way of house visits and assessment of business for large borrowers were introduced during the financial year.

Housing

GNPA for home loans stood at 0.8% against 0.6% in March 2019 while NNPA held steady at 0.40%. PCR stood at 48% as on March 2020 against 35% in March 2019. During the year we have taken steps to introduce credit score cards for the business, which will help in improving the decision time and quality as the business matures. 67% of our borrowers opted for moratorium due to COVID-19 under Moratorium 1.0.

FIG

The Bank forayed into institutional lending to Microfinance institutions and NBFCs catering MSE, affordable housing and Agri-allied enterprises sectors in FY 2018-19. The Loan book registered 100% growth in FY 2019-20. As at the end of the year, the book size was ₹549 Crores with all accounts classified as standard. All loans are secured and mostly covered by security cover of at least 110%.

Due to the outbreak of COVID-19, a third of the number of borrowers have been granted moratorium up to 3 months by the bank.

Credit policy is regularly updated to enhance the quality of underwriting. Rigorous monitoring of Portfolio is done regularly to check the health of the portfolio.

New Business Lines

The Bank has forayed into new loan products such as Personal loans and Vehicle loans. While personal loans are being offered to new to bank customers, especially the salaried class, vehicle loans are mostly being offered to existing MicroBanking customers and their family members. Both the business lines have robust portfolio quality. The focus would be to further build on the digital platforms and enhance underwriting with the use of various e-service and verification platforms.

Conclusion

The Bank's efforts to proactively source quality borrowers and manage their repayments were well-tested during FY 2019-20. The COVID-19 crisis has however been extraordinary, with events unfolding daily and sometimes hourly. The Bank continues to monitor the existing portfolio quality, while scanning the environment for signs of restart of business disbursement. We believe that our existing and proposed investments in people, process and technology, will help the bank emerge stronger and better from the current scenario.

Operations

The Key initiatives for the Operations department for the year:

Work-flow to handle customer complaints, queries and service requests

Prior to FY 2019-20, all service requests, queries and complaints of customers, relating to MSE and housing loans were handled on e-mail. To eliminate the resultant inefficiency, delays and risk of omission, the Bank

switched to processing complaints, queries and service requests through a workflow in the Bank's customer relationship management application, CRM Next. Around 50 categories of requests and complaints were created in CRM Next, with a pre-defined TAT and escalation matrix for each request and complaint, bringing a high degree of efficiency, resulting in customer satisfaction. A similar workflow was also commissioned in CRM Next to handle queries relating to settlement of insurance claims of deceased borrowers and/or their spouses.

Robotic Process Automation (RPA) for reconciliation of UPI and IMPS transactions

In October 2019, the department took a major step in the direction of automation by introducing RPA, a tool that facilitates processing large volumes of data in a very short span of time, for reconciliation of UPI and IMPS transactions. The automation offers significant savings in costs, a much higher degree of accuracy, easy implementation and eliminates manual intervention in tasks that are repetitive and rule-based.

The UPI traffic that the Bank handles has grown by 70% in the recent months; likewise, IMPS transactions too have grown by leaps and bounds. Reconciliation of transactions is a resource-intensive task, if done manually. Prior to implementation of RPA, reconciliation of UPI and IMPS transactions would be done by vendors and subsequently checked by the Bank's own employees. The Bank would pay over 3.5 Lakhs rupees per month to the reconciliation vendor and deploy 1 full time employee just to check the vendor's output. With the deployment of RPA, the Bank has eliminated the dependency on vendor, not to mention the associated costs; and an employee of the Bank has to spend only 2 hours a day to review the output. Further, the RPA utility can handle incremental volumes without any concomitant increase in time or costs. It has been a gamechanger for the Bank.

Daily Control Function Checklist (DCFC) for branches

To enable a near real-time overview of operations at branches, a 47-point Daily Control Function Checklist (DCFC) was introduced in December 2019. DCFC has to be updated by Branch Managers or Branch Operations Officers daily and it can be reviewed by the Cluster Managers – Branch Operations or any other controlling authority in charge of branches on the next day. This allows Cluster Managers and such other controlling authorities to gauge the state of affairs of operations at branches on a near real-time basis and initiate immediate corrective measures. DCFC also acts as a checklist for Branch Managers and Branch Operations Officers, prompting them to check the critical areas of operations in branches daily.

Aadhaar Enrolment Centres

The Bank was empanelled as a registrar and enrolment agency by Unique Identification Authority of India (UIDAI) in August 2018. The Bank extended the Aadhaar enrolment services offered from 16 branches spread across the two states of Assam and Karnataka in FY

2018-19 to 44 branches spanning 14 states and 2 Union Territories in FY 2019-20. The Bank carried out over 1.2 Lakhs Aadhaar enrolments and Aadhaar data updates in FY 2019-20.

Technology

Our Information Technology Strategy Plan and Road Map, built on the three pillars of Cost Reduction, Process Improvement and Regulatory Compliance are aligned to our business strategy and goal. The Bank has a world-class Core Banking System a wide network of servicing channels to serve the MicroBanking, next-generation and open market customers.

The well-defined quick to market product framework has helped businesses to seamlessly launch New Assets and Liability product variants. The Retail and Business Net Banking channels were enriched with new add-on features keeping the cyber security controls in place. One of the major add-on features was 24x7 NEFT service, which helps the customer transfer funds across Banks, round the clock. We have enabled the 24x7 NEFT facility in all the self-servicing channels.

Customers may maintain transaction accounts and loan facilities with various banks. To facilitate loan repayment from the other bank to Ujjivan Small Finance bank and vice versa, a Mandate Management System has been implemented. Within the Mandate Management System, the e-mandate facility enables the customer to self-authenticate and complete the Mandate Registration through e-authentication by Debit Card or Internet Banking credential. Ujjivan Small Finance Bank was the third Bank in India to go live with the e-mandate list in the NPCI site.

Cash deposit facility in ATM machine (ACR) has been implemented to offer our customers an alternative channel for cash deposits. In line with the RBI guidelines mandating the storage of customers Aadhar number in a secured place, blocking unauthorised access by applications and officials, Aadhar Vault and Tokenisation have been implemented and all the Aadhar numbers were securely vaulted and the reference numbers were stored in the Customer Relationship Mater database. Changes were made in the Core Banking system to facilitate real time card activation for new to bank and newly on-boarded customers. This year, we have introduced Robotic Process Automation (RPA) in IMPS Payment Reconciliation to settle disputed transactions on the same day, thereby reducing the TAT and increasing the customer satisfaction.

Treasury

With a growth in size and complexity of its balance sheet, the Bank has relocated its Treasury unit to the country's financial capital Mumbai and set up a state-of-the-art Dealing Room. This is a full-service Treasury unit, which includes ALM, Liquidity Management, Reserves Management, Trading and Client Services.

The Treasury team consists of experienced professionals with a proven track record in Balance Sheet Management and Trading. It has access to all RBI and CCIL Securities Trading, Lending and Repo platforms and information systems such as Bloomberg. The Bank has bilateral limits in place, with most major interbank participants.

The team manages the Bank's regulatory reserves including CRR and SLR. Judicious and efficient management of the SLR Portfolio has ensured consistent above market returns. The portfolio consists of Central and State Government Bonds and Treasury Bills invested at high yields and is therefore well positioned to benefit from the accommodative interest rate stance of the RBI.

There is also an active Trading Desk, which deals in SLR and non-SLR securities, and contributes to the Bank's bottom line by capitalising on trading opportunities presented by the market.

The Liquidity position of the Bank continues to be extremely strong with all liquidity ratios well above the prescribed limit set by the RBI. The bank is well-positioned to handle any fallout of the COVID-19 pandemic and use the opportunity to grow its business. A very high order of digitisation and automation has ensured that Treasury Operations have continued seamlessly throughout the lockdown.

Service Quality

The Bank has always been committed to delivering the highest quality of services to its customers, by instilling the required people skills in our staff and enhancing our processes. A dedicated Service Quality department of the Bank has always been a key differentiator for us. Our service quality initiatives have evolved over the years, focusing on delivering exceptional customer experience, bringing in industry-best service standards and quality, ensuring that our customer grievances are managed smoothly and the regulations set by relevant authorities with respect to customer service are complied with. We have defined service standards through Service Index models for each business vertical and key support functions to ensure that both external and internal customer expectations are met. To develop service culture across the organisation, various rewards and recognition programmes are constituted, both at individual and at branch level. 42 individual staff were recognised with Service Champion/Service Excellence award during the year and 11 branches were awarded every month for the best service quality. To ensure that our customers are well-served for banking transactions related to critical life events, service quality through ground level training has sensitised the field staff on empathy and professionalism. During the year, the Bank's complaint, request and query management has been strengthened to ensure flawless and proactive servicing for our customers. The Bank ensures that the customer has ample opportunities to be heard and the feedback thus received through various channels is implemented well,

both at the process and people levels. All our branches conduct monthly customer service meet called 'Let's Connect – Aapki Baat Bank Ke Saath', on third Saturdays. More than 7,000 customers from all segments, including senior citizens participated every month and provided us feedback to strengthen our services. We have undertaken 'mystery audit' exercise through an independent agency to assess quality of services provided by our branches. The mystery audit observations have helped improve customer experience at our branches, corroborated by significant improvement in the overall customer satisfaction scores in FY 2019-20 when compared with the baseline scores achieved in FY 2018-19.

Human Resources

The bank remains resolute in demonstrating its core value of 'people first'. Nurturing and developing talent continue to be our primary focus. A total of 7,786 new employees joined the bank in FY 2019-20 and we ended the year with 17,841 staff. 56% of the new employees were hired through internal employee referrals. Continuing to encourage and promote talent within the organisation, 22% of job openings were closed through internal job postings, 21% of new hires were women and we closed the year with 19% of women workforce, maintaining diversity across the organisation. We also on-boarded 25 differently abled employees across the organisation. The Bank continues to on-board Management Trainees from diverse institutions to hone and nurture young talent for the future. We recruited 149 management trainees during the year.

We continue to invest in our employees to excel at their job and develop them for future roles. In addition to training on building banking skills, we enhanced our focus on development of higher skills programmes across the Bank. We introduced certifications for key roles – both for the backend and frontend, e.g. SFB Certification by IIBF, IT certifications by IDRBT, to name a few. To encourage a culture of self-paced learning, we launched a number of programmes on our internal learning application SWAYAM, on different modules of compliance, digital banking, products and process. As a growing bank, in FY 2019-20, we invested in succession planning by initiating a multi-pronged Leadership Development Series for National Managers, managing key functions. With the launch of the Vehicle Finance business and ramped up Personal Loans business, various roles were exposed to cross-functional up-skilling and cross-selling. In line with our mantra of 'customer first', we ran a series of

customer service programmes themed 'Life Events' across branches.

We have always believed in sharing our success with our employees, and in line with our objective, we launched the Employee Stock Option Plan in 2019. Options were granted to 28% of employees. In addition, prior to the IPO, the Bank also launched its Employee Stock Purchase Scheme, in which 4,359 of our employees opted to purchase the shares. We have continued to focus on the health and well-being of our employees by arranging health checkups and health talks. 13,204 employees were covered through the health check-up initiative. In addition, our staff contributed ₹25.94 Lakhs towards the Employees Welfare Trust Fund. The Bank also match-funded the same amount.

To understand the pulse of our employees, the 'Bolo Ujjivan' – Annual Employee Engagement survey was conducted. A sophisticated platform was built to conduct the survey, which was hosted in 10 regional languages. The survey results were discussed in various forums and leaders were encouraged to take effective action on the results obtained. Apart from the survey, various forums were designed to help employees connect with National and Regional leaders. As part of the endeavour to make employees across the country feel part of the family, we come together and celebrate regional festivals across all our offices and branches, with great enthusiasm. We also make employee's families part of the celebration by celebrating 'Annual Family Day' and 'Bring Your Child to Work Day'. This has helped inculcate the Bank's culture and values along with employees and their families. Every achievement of our employees is celebrated in a grand fashion. The biggest event of the year – Annual Awards function, is held across all regions felicitating the best performing branches and individuals. Employees who complete 10 years and more are honoured in the '10th Anniversary Awards event', and presented with a personalised appreciation letter from the MD and CEO, with a custom-made gold coin.

Pillar III Disclosures

as at March 31, 2020

1. LIST OF KEY ABBREVIATIONS

Abbreviation	Full form
ADF	Automated Data Flow
AFI	Annual Financial Inspection
AFS	Available For Sale
ALCO	Asset Liability Committee
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
BC	Business Correspondent
BCMP	Business Continuity Management Policy
BIA	Basic Indicator Approach
CA	Current Account
CAC	Credit Approval Committee
CAB	College of Agriculture Banking
CASA	Current Account Saving Account
CBO	Chief Business Officer
CBS	Core Banking Solution
CET1	Common Equity Tier 1 Capital
CFO	Chief Financial Officer
CGTMSE	Credit Guarantee Fund Trust For Micro And Small Enterprises
CIC	Core Investment Company
CRAR	Capital to Risk-weighted Assets Ratio
CRMC	Credit Risk Management Committee
CRL	Code for Responsible Lending
CRO	Chief Risk Officer
CRR	Cumulative Repayment Rate
CRR	Cash Reserve Ratio
CS	Company Secretary
DPD	Days Past Due
DSCB	Domestic Scheduled Commercial Bank
EAD	Exposure at Default
ECL	Expected Credit Loss
ECRA	External Credit Rating Agency
EDP	Enterprise Data Platform
ELC	Entity Level Controls
ESOP	Employee Stock Option Scheme
EWS	Early Warning System
FALLCR	Facility to Avail Liquidity for LCR
FIG	Financial Institutions Group
FIRB	Foundation Internal Rating Based Approach
GLC	General Ledger Code
GNPA	Gross Non-Performing Asset
GPTW	Great Place to Work
GST	Goods and Service Tax
HQLA	High Quality Liquid Assets
IAD	Internal Audit Department
IBA	Indian Banks' Association
IBPC	Inter Bank Participation Certification
ICAAP	Internal Capital Adequacy Assessment Process
IIBF	Indian Institute of Banking and Finance
IFC	International Finance Corporation

Abbreviation	Full form
IGAAP	Indian Generally Accepted Accounting Principles
IMF	International Monetary Fund
Ind-AS	Indian Accounting Standards
IRAC	Income Recognition and Asset Classification
IRRBB	Interest Rate Risk in Banking Book
KRA	Key Responsibility Area
KRI	Key Risk Indicator
KYC	Know Your Customer
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LMS	Loan Management System
LTRO	Long Term Repo Operation
LR	Leverage Ratio
LWE	Left Wing Extremism
MCA	Ministry of Corporate Affairs
MD	Modified Duration
MD & CEO	Managing Director and Chief Executive Officer
MDG	Modified Duration Gap
MSE	Micro and Small Enterprises
NBFC-ND-SI-CIC	Non-Banking Financial Company-Non Deposit-taking-Systemically Important- Core Investment Company
NE	North Eastern
NIBM	National Institute of Bank Management
NI Act	Negotiable Instruments Act
NNPA	Net Non-Performing Asset
NPI	Non Performing Investment
NPV	Net Present Value
NRI	Non Resident India
NSFR	Net Stable Funding Ratio
NTB	New to Bank
NURC	Non Unbanked Rural Centre
ORMC	Operational Risk Management Committee
OSP	Outstanding Principal
OTRR	On Time Repayment Rate
OTS	One Time Settlement
PAC	Product Approval Committee
PAR	Portfolio at Risk
PAT	Profit After Tax
PB	Payments Bank
PD	Probability of Default
PMAY	Prime Minister Awas Yojana
PNCPS	Perpetual Non-Cumulative Preference Shares
PONV	Point of Non-Viability
PSL	Priority Sector Lending
PTP	Promise to Pay
QC	Quality Check
RBI	Reserve Bank of India
RCA	Root Cause Analysis

Abbreviation	Full form
RCSA	Risk and Control Self-Assessment
ROA	Return on Asset
RPA	Robotic Process Automation
RSA	Risk Sensitive Assets
RSL	Risk Sensitive Liabilities
RWA	Risk Weighted Assets
SA	Standardized Approach
SDA	Standardized Duration Approach
SFB	Small Finance Bank
SLBC	State Level Bankers' Committee
SLR	Statutory Liquidity Ratio
SLS	Structural Liquidity Statement
SMA	Special Mention Accounts
SPV	Special Purpose Vehicle
TAT	Turnaround Time
TLTRO	Targeted Long Term Repo Operation
UAT	User Acceptance Testing
UFSL	Ujjivan Financial Services Limited
UPI	Unified Payment Interface
URC	Unbanked Rural Centre
VaR	Value at Risk
YTD	Year Till Date

2. INTRODUCTION

Ujjivan Small Finance Bank (hereinafter called "the Bank") has prepared this disclosure document in compliance with the directions of Reserve Bank of India (hereinafter referred to as "the Regulator" or "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 March 31, 2020.

3. ABOUT THE BANK

3.1. Branch network and distribution reach

The branch position of the Bank as at March 31, 2020 was as follows:

Particulars	Count
Total Banking outlets, of which	575
Banking outlets ¹ (Non URC ²)	431
Banking outlets (URC) ³ , of which	144
i) Qualifying URC Branches (Branches situated in tier 3-6 locations in NE ⁴ states and LWE ⁵ districts)	33
ii) Business Correspondents (BC)	7

¹A 'Banking Outlet' for a Domestic Scheduled Commercial Bank (DSCB), a Small Finance Bank (SFB) and a Payments Bank (PB) is a fixed point service delivery unit, manned by either bank's staff or its Business Correspondent where services of acceptance of deposits, encashment of cheques/cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week. It carries uniform signage with name of the bank and authorisation from it, contact details of the controlling authorities and complaint escalation mechanism. The bank should have a regular off-site and on-site monitoring of the 'Banking Outlet' to ensure proper supervision, 'uninterrupted service' except temporary interruptions due to telecom connectivity, etc. and timely addressing of customer grievances. The working hours/days need to be displayed prominently.

²Unbanked Rural Centre (URC)

³An unbanked rural centre (URC) is defined as a rural (Tier 5 and 6) centre that does not have a CBS-enabled 'Banking Outlet' of a Scheduled Commercial Bank, a Payment Banks or a SFB or a Regional Rural Bank nor a branch of a Local Area Bank or licensed Co-operative Bank for carrying out customer based banking transactions.

⁴North eastern states

⁵Districts with active Left Wing Extremism (LWE)

The Bank is fully compliant with the RBI guidelines on having 25% (25.04% as at March 31, 2020) of its Banking Outlets in the URCs. All erstwhile asset centres (centres which continued to do asset only business pending conversion into full service commercial bank branches) have now been converted into Banking Outlets (BO) within the mandated 3 years of commencement of banking operations.

The Bank had seven individual Business Correspondents (BCs) as at March 31, 2020. However, it has increased the network through engagement of Corporate BCs to provide increased avenues to its customers, in light of the COVID-19 pandemic. The Bank is currently in the process of on-boarding a third corporate BC as partner. Eighty agents through the Corporate BC network are expected to go-live by end of June 2020. The Bank is also exploring to make repayment options available across all key UPI apps by partnering with multiple players by June 2020. The individual BCs enrolled are compliant with the requirements laid out by RBI. These individual BCs perform essential banking services such as acceptance/ withdrawal of small value deposits, balance enquiry, mini statement of accounts and undertake activities pertaining to updating Know Your Customer (KYC) requirements. The agents of the Corporate BCs on the other hand are used primarily to provide alternate options to the Bank's customers to make loan repayments. Personnel managing each individual BC are duly certified by the Indian Institute of Banking and Finance (IIBF) as required by RBI. The Bank evaluates the performance of BCs at regular intervals. For its URC requirement, the Bank's strategy will continue to focus on brick and mortar branches in providing a wide array of banking services.

The Bank operated a network of 423 Automated Teller Machines (ATMs) and 52 Automated Cash Recyclers (ACR) as at March 31, 2020.

3.2. COVID-19: Summary of measures taken by the Bank (Update as at May 18, 2020)

The month of March 2020 saw a disruption in the normal course of business due to the on-going COVID-19 pandemic. While its impact on Q4 of FY 2019-20 was negligible, the impact was felt in the first quarter of the current financial year. The Bank is continuously monitoring the developments and implementing necessary steps to mitigate the same. Details of the various initiatives are provided under relevant sections of this disclosure. A summary of the initiatives taken by the Bank are produced as below:

- A Quick Response Team (QRT) was constituted for monitoring and supervising banking operations and to provide updates to Top Management regularly. A special committee of the Board - Business Continuity Monitoring (BCM) Committee has been formed to advise, monitor and assess the social, financial, business, credit and risk impact under the current economic scenario. The Bank had adopted a Work from Home (WFH) policy for its Corporate and Regional Offices effective March 24, 2020 in view of the 21-day lockdown as announced by the government and continues to provide this facility as an option for all back-end staff within the Bank.
- Most of the Bank's branches were open and operated with minimal staff during the lockdown, adhering to the guidelines on branch timings issued by SLBCs, LDMs and local administration. The Bank ensured adequate cash in its ATMs and encouraged its customers to utilize alternative channels to banking namely ATMs, Mobile and Internet Banking for their transactions in view of the current situation. Customers and staff were also educated to maintain social distancing norms and take preventive measures to contain the spread of the virus. The Bank is reaching out to its staff and customers on regular basis to ensure their wellbeing and to express solidarity in these trying times.
- The Bank has implemented all the directions made by RBI vide its circular dated March 27, 2020. Since the beginning of lockdown, the Bank focused on providing only the essential banking services to its customers through branches and alternate channels. The Bank has stopped the levy of minimum balance charges and ATM transaction charges up to June 30, 2020 in adherence to the instructions from the Government.
- The Bank has put in place a Board approved policy on providing moratorium on loan repayments for its customers. The Bank has extended moratorium under all segments, deferring the repayments for ~99% of loan accounts. The communication regarding the moratorium was disclosed on the Bank's website and also communicated to customers through SMS and verbal communication. The Bank has temporarily discontinued collection of repayments through center meetings, which is an integral part of the microfinance business. As an outcome to the above actions, the Bank expects muted collections and business growth in the Q1 of FY 2020-21.
- On the liquidity front, the Bank's deposit base was stable with no significant withdrawals. The measures announced by RBI with respect to enhanced Marginal Standing Facility, reduction in Cash Reserve Ratio etc. have helped the Bank in maintaining sufficient liquidity. The Bank has various avenues to leverage upon in mitigating any future liquidity shortfalls. Some of the measures include securitization, IBPC transactions, term loan facilities from other banks and utilizing lines of refinance from NABARD, NHB and SIDBI, in case of need.
- The Bank sees an opportunity amidst this crisis for increasing its digital footprint across all its business operations. The Bank has on-boarded necessary personnel and has appointed a specialized executive to spearhead all Digital Banking initiatives within the Bank. The Bank is also in the process of recruiting a Chief Technology Officer to support this initiative.

3.3. Progress in IT and Digital banking

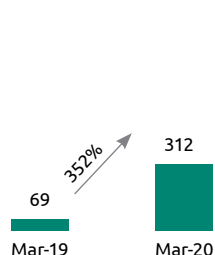
During the quarter, process enhancements were undertaken to improve customer satisfaction and bring in efficiencies. An option for digital cash deposit receipt has been made available to the customers in addition to the physical cash deposit slips. NSDL system integration has been effected to authenticate PAN as identity proof for customers. The process of enabling Direct Benefit Transfer to customers has been simplified with a shorter turnaround time.

An AML query management system has been developed in order to maintain repository of AML queries and responses in one place which was earlier being maintained manually using spread sheets. This development will help in reducing mail box storage capacity, avoid data loss, effective follow up and reduce manual efforts. In compliance with regulatory guidelines of re-KYC, the Bank has implemented suitable processes and system capabilities for periodic updates on PAN verification, Aadhaar authentication, obtaining current address proof, providing acknowledgement to customers etc. The increased limit of deposit insurance coverage from ₹1 Lakh to ₹5 Lakhs per depositor as mandated by DICGC was implemented during the quarter.

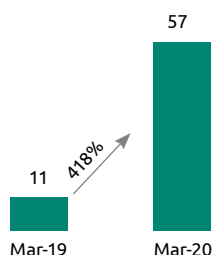
As at March 31, 2020, digital transactions constituted 25% of the total transactions, a strong improvement from 8% as at March 31, 2019. The Bank had also launched QR code program on a pilot basis which garnered in excess of 6,000 enrolments with over 190 Lakhs transactions on YTD basis. Digital channel adoption (Mobile banking and UPI) among customers had crossed the 2.5 Lakhs benchmark. A brief summary of the digital footprint is as follows:

UPI Transactions

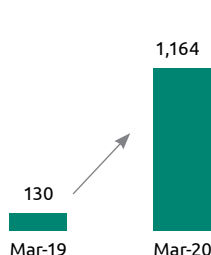
No. of Customers in '000


Bill Payments

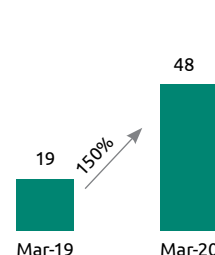
No. of Customers in '000


Business Net Banking

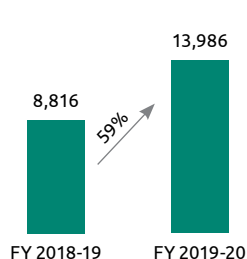
Number of Customers


Internet Banking

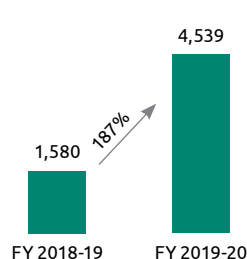
No. of Active Customers in '000


ATM Transactions

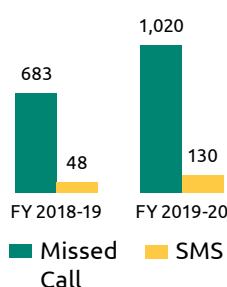
No. in '000


POS Transactions

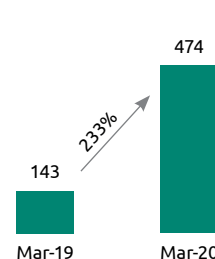
No. in '000


SMS/Missed Call

Hits in '000


Mobile Banking

No. of Active Customers in '000


3.4. Awards and recognitions

During the year, the Bank has been received the following awards and accolades under various categories:

- 1) Ranked 5th among "Asia's Best Companies to Work for- 2020" by Great Places to Work (GPTW).
- 2) Asia Money Best Bank Awards 2020 for "Best Microfinance Bank".
- 3) "ERM Strategy of the year" for implementing Enterprise Risk Management at ERM World Summit and Awards 2019.
- 4) "Risk Rising Star of the year" for ERM implementation at CRO Leadership Summit and Awards 2020.
- 5) IBA Banking technology innovation awards for "The Best IT Risk Management and Cyber Security Initiative".
- 6) IDEX Legal Awards, 2019 for the "Best in-house Legal Team" under medium-large category.
- 7) Finnoviti Awards 2019 for "Best Innovation in IT".

4. KEY PERFORMANCE HIGHLIGHTS OF THE BANK:

Some of the key achievements made for quarter ended March 31, 2020 were as follows:

Key Highlights	Description
Customer base	• Total outreach: 54.4 Lakhs customers (52.5 Lakhs customers in December 2019; 46.7 Lakhs in March 2019)
Loan Portfolio	• Gross Advances at ₹1,415,330 Lakhs (₹1,361,723 Lakhs in December 2019; ₹1,062,276 Lakhs in March 2019) • Non-Microfinance book at 23% (23% in December 2019; 15% in March 2019)
Deposit Balance	• Total Deposits (Retail plus Institutional): ₹1,078,048 Lakhs (₹1,065,600 Lakhs in December 2019; ₹737,944 Lakhs in March 2019) • CASA: 14% (11.60% in December 2019; 11% in March 2019) • Retail: 44% (43% in December 2019; 37% in March 2019)
Portfolio Quality	• Gross Non-Performing Assets (GNPA): 0.97% (0.95% in December 2019; 0.92% in March 2019) • Net Non-Performing Assets (NNPA): 0.20% (0.38% in December 2019; 0.26% in March 2019) • Write offs during Q4: ₹1,960 Lakhs (Total Write off for FY 2019-20: ₹6,431 Lakhs)
Employee strength	• 17,841 (17,783 as at December 2019; 14,752 as at March 2019)
Profitability	• Profit after Tax (PAT) for Q4: ₹7,315 Lakhs (₹8,966 Lakhs in Q3). PAT for FY 2019-20: ₹34,992 Lakhs • Return on Assets (ROA): 2.21% (~2.10% in December 2019; 2.0% in March 2019)
Funding	• Cost of Funds: 7.88% (8.08% in as at December 2019; 8.58% in March 2019)

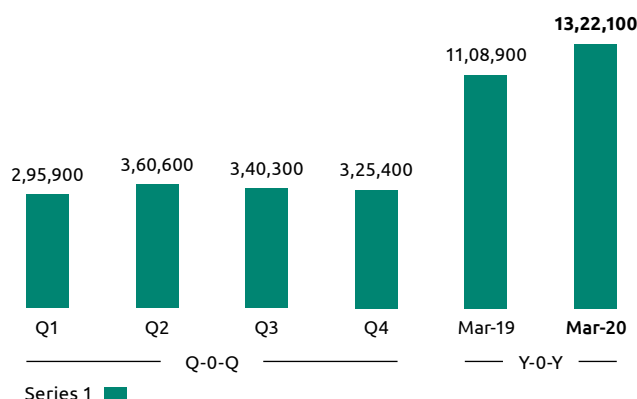
The key performance ratios of the Bank were as follows:

Quarterly data	March 2019	June 2019	Sept 2019	December 2019	March 2020
Yield	20.0%	20.1%	20.2%	20.1%	20.0%
Cost of Funds	8.4%	8.5%	8.4%	8.1%	7.9%
Net Interest Margin	10.8%	10.5%	10.8%	10.9%	11.2%
Return on Assets	2.0%	2.7%	2.4%	2.1%	1.6%
Return on Equity	14.2%	20.2%	18.9%	14.1%	9.3%
Cost to Income ratio	78%	64%	69%	71%	65%
Other income/ Total Income	11.0%	14.2%	10.3%	9.6%	8.9%

Return on Equity (RoE) has reduced from September 2020 onward largely due to the successful IPO launch in December 2019. The additional capital infusion has resulted in reduced of ROE on percentage basis.

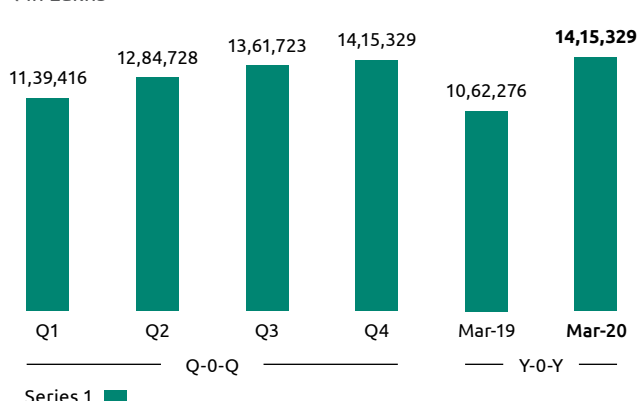
Disbursement

₹ in Lakhs



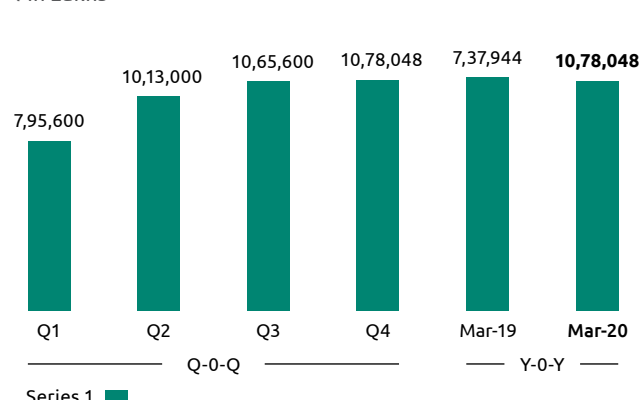
Gross Advances

₹ in Lakhs



Deposits (Including CDs)

₹ in Lakhs



5. TABLE DF- 1: SCOPE OF APPLICATION

5.1 Qualitative Disclosures

Parent Organization/Holding Company: 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.

5.1.1 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

5.1.2 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

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

Name of the 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

6. TABLE DF-2- CAPITAL STRUCTURE

6.1 Qualitative Disclosures

6.1.1 Equity capital

The Bank has an authorized capital of ₹250,000 Lakhs in the form of Common Equity qualifying as Tier 1 capital under the guidelines of RBI. The authorized capital was increased from ₹170,000 Lakhs to ₹250,000 Lakhs vide a shareholder's resolution dated April 26, 2019 to accommodate the Initial Public Offer (IPO). The Bank has an issued, subscribed and paid up equity capital of ₹172,822 Lakhs, having 1,728,223,169 shares of face value ₹10 each as at March 31, 2020.

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 Bank to 5.62% (Foreign Portfolio investors (FPI) and Non Residential Indians (NRI)) as at March 31, 2020, the Bank was compliant with RBI guidelines on SFBs. Further, in compliance with the licensing guidelines, UFSL, the Holding Company, 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.

6.1.1.2. Promoter contribution⁶:

Subsequent to the IPO in December 2019, the promoter contribution in the Bank had reduced to 83.32% from being a 100% subsidiary of the holding company. As per RBI guidelines, if the initial shareholding by promoter in the Bank is in excess of 40%, it should be brought down to 40% within a period of five years. Additionally, the promoter's minimum contribution of 40% of paid-up equity capital shall be locked in for a period of five years from the date of commencement of business of the bank. Further, the promoter's stake should be brought down to 30% of the paid-up equity capital of the bank within a period of ten years, and to 26% within twelve years from the date of commencement of business of the bank.

The Bank takes cognizance of the same and compliance to the above guidelines will be undertaken as per the timelines prescribed. The shareholding pattern of the Bank as at March 31, 2020 was as follows:

Category of the Shareholder	No. of shares held	%age of shareholding
Promoter	1,440,036,800	83.32%
Mutual Funds	13,664,044	0.79%
AIFs	56,119,283	3.25%
Foreign portfolio investors	92,376,833	5.35%
Financial Institutions/Banks	458,639	0.03%
Resident Individuals/HUF	96,583,477	5.59%
NBFCs	770,298	0.04%
Others	28,213,795	1.63%
	1,728,223,169	100%

⁶ Refer RBI on Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014.

⁷ Issued and Paid up equity capital

⁸ Perpetual Non-cumulative Preference Shares

The Capital Structure of the Bank under Basel II norms is provided as below:

Capital Structure- Summary of Tier I & Tier II Capital

Sl. No.	Instrument	Whether Tier I or II	Amount (₹ in Lakhs)
1	Equity ⁷	Tier 1	172,822
2	PNCPS ⁸	Tier 1	20,000
Total			192,822

6.1.2 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 of 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 (₹ in Lakhs)	Issue date	Date of Redemption	Basel III complaint (Y/N)	Contractual Dividend rate (% p.a.) (on a fixed rate basis)
PNCPS	20,000	9th Feb 2017	Perpetual	Yes	11% p.a.

6.1.3. Subordinated Debt Instrument

The Bank has fully repaid its subordinated debt obligations and has no immediate plans for any floatation to augment its Tier II capital.

6.1.4. Dividend policy

The Bank has formulated the Dividend Distribution Policy in compliance with the provisions of Companies Act, 2013 and Rules made thereunder, provisions of Banking Regulation Act, 1949 and Guidelines/circulars issued by Reserve Bank of India ("RBI") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). The objective of the Policy is to appropriately reward shareholders through dividends for reposing their confidence in Bank while retaining the capital required for supporting future growth.

The payment of dividend to equity and PNCPS shareholders is also subject to conditions as prescribed by RBI issued vide RBI/2004-05/451 DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005.

On April 17, 2020, RBI had issued a special direction⁹ to all commercial banks on declaration of dividends by banks. RBI had directed that all banks shall not make any further dividend pay-outs from the profits pertaining to the financial year ended March 31, 2020 until further instructions. This restriction shall be reassessed by the regulator based on the financial results of banks for the quarter ending September 30, 2020. Accordingly, the Bank has passed an internal resolution in its Board meeting for restriction in payment of dividends for FY 2019-20.

7. TABLE DF- 3: CAPITAL ADEQUACY

7.1 Qualitative Disclosures

The Bank has been well capitalized since inception and was further augmented after its IPO. As required by RBI in its operating guidelines to SFBs¹⁰, the Bank is required to adopt the Standardized approach for Credit Risk and maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 15% segregated as under:

Requirement	Threshold
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	CET 1 at 7%

While SFBs are required to comply with Basel II norms for Capital Adequacy, as would be noted from the table

above, some elements of the capital structure, such as Common Equity and Additional Tier 1 requirement, are from Basel III guidelines. In essence therefore, in the case of SFBs, the regulator has adopted a hybrid model.

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 November 8, 2017 (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 addition to the hybrid model for complying with capital adequacy requirement, for its internal and regulatory reporting, the Bank also complies with certain aspects of Basel III requirement, such as computation and maintenance of RBI prescribed minimum Liquidity Coverage Ratio (LCR) at 90% (revised to 80% vide RBI guideline¹¹ up to September 30, 2020, subsequent to which 90% up to March 31, 2021 and 100% thereafter) and Leverage Ratio at 4.5%. The RBI, on March 27, 2020, had decided to extend the implementation of Net Stable Funding Ratio (NSFR) from April 1, 2020 to October 1, 2020, an extension by six months as part of its COVID-19 regulatory package.

The disclosures pertaining to capital adequacy are as per the Generally Accepted Accounting Practices (GAAP). Financial statements under Ind-AS regime have been deferred by RBI until further notice and hence a comparison of capital adequacy under both the regimes will be presented after the same is made applicable for the Bank.

7.2 Quantitative Disclosures

The break-up of Basel II capital funds as at March 31, 2020 was as follows:

Capital Funds

		₹ in Lakhs
Particulars		Amount
A Tier I Capital		
A.1 Paid-up Share Capital		172,822
A.2 Reserves		124,427
A.3 Perpetual Non-Cumulative Preference Shares		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		4,005
B.4 Good will and Adjustments for less liquid position/intangibles		11,416
C Net Tier 1 Capital		301,829

⁹Refer RBI guideline on 'Declaration of dividend by banks' issued vide RBI/2019-20/218 DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020

¹⁰Refer RBI guidelines on Operating Guidelines for Small Finance Banks issued vide DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016

¹¹Refer RBI guideline on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) issued vide RBI/2019-20/217 DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020

₹ in Lakhs

Particulars	Amount
D Tier II Capital	
D.1 General Provisions	7,135
D.2 Investment Fluctuation Reserve	1,523
D.3 Lower Tier 2 capital instruments	-
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	8,659
G Total Eligible Capital	310,488

Capital Requirements for Various Risks

Sl.No	Capital Requirements for various Risks	Amount
A Credit Risk		161,619
A.1	For non-sec portfolio	161,619
A.2	For Securitised portfolio	NIL
B Market Risk		220
B.1	For Interest Rate Risk	220
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		21,203
D Total Capital Requirement		183,042
E Total Risk Weighted Assets		1,345,254
F Total capital funds of the bank		310,488
G Capital Adequacy Ratio of the Bank (%)		23.08%

The detailed break up of Credit RWA is as follows:

₹ in Lakhs

Asset Description	Risk weighted assets
Cash and Balances with Reserve Bank of India	0
Balances with Banks and Money at Call and Short Notice	2,728
Investments	13
Advances	10,24,688
Fixed Assets	20,697
Other Assets	26,689
Off Balance Sheet	2,642
Total	10,77,457

Basel II Ratios as at March 31, 2020

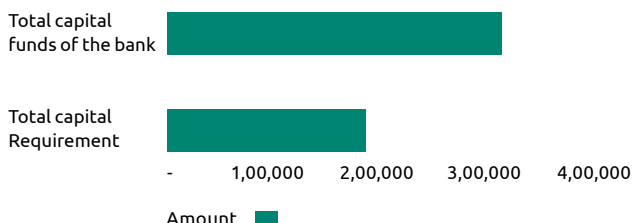
₹ in Lakhs

Particulars	Amount/Ratio (Only Credit RWA)	Amount/ Ratio (all Pillar 1 risks)
Tier I Capital	301,829	301,829
Tier II Capital	8,659	8,659
Total Capital	310,488	310,488
Total RWA	1,077,457	1,345,254
CET Ratio	26.16%	20.95%
Tier I Ratio	28.01%	22.44%
Tier II Ratio	0.80%	0.64%
CRAR	28.82%	23.08%

With the recent IPO, the CRAR of the Bank has witnessed a significant increase. The high capital adequacy is transitory in nature and is expected to stabilize with higher credit off -take in the ensuing financial year. This is also expected to cushion any potential adverse impact on account of COVID-19 pandemic in the ensuing year.

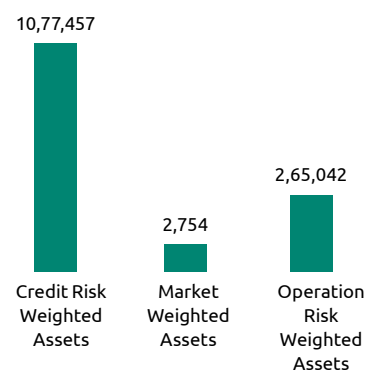
Graphical representation of capital position by reckoning all three risks is as below:

Required versus Available Capital



Regulatory Capital Requirement

₹ in Lakhs

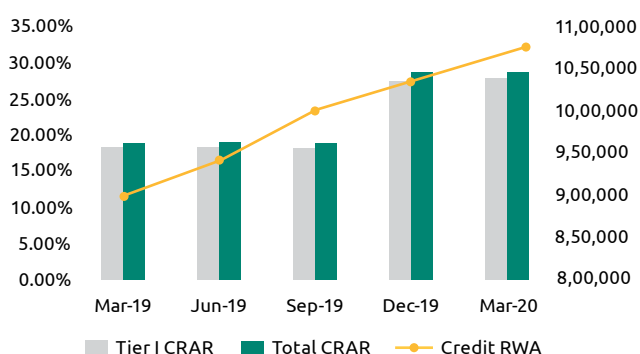


Series 1

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

Movement of CRAR and Credit RWA

₹ in Lakhs



8. TABLE DF- 4: CREDIT RISK: GENERAL DISCLOSURES

8.1. Qualitative disclosures

8.1.1. 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. The Bank does not offer Bill Discounting as a product.
- 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. The Bank had no derivative transaction on its books.

8.1.2. Moratorium on loan repayments under COVID-19 regulatory package

On March 27, 2020, RBI issued fresh directions¹² to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) were permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans, as also the residual tenor would be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period. This was further extended up to August 31, 2020 by RBI on May, 22 2020 to provide further relief. RBI had also issued detailed guidelines on treatment of asset classification and provisioning for such accounts on April 17, 2020.

¹²Refer 'COVID-19 regulatory package' issued by RBI vide RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020.

In compliance to the above directions, the Bank has put in place a Board approved policy for providing moratorium on loan repayments for its customers. The Bank has extended moratorium under all segments, deferring the repayments for ~99% of loan accounts. The communication regarding the moratorium was disclosed on the Bank's website and also communicated to customers through SMS and verbal communication. The Bank has temporarily discontinued collection of repayments through center meetings. All microfinance customers have opted for moratorium and the following table provides details of moratorium availed by other verticals:

₹ in Lakhs			
Business vertical	Borrowers	% to total borrowers	Amount
MSE	10,497	48%	68,300
Housing	13,116	52%	97,900
Personal Loans	2,668	44%	4,150
Vehicle Loans	1,480	81%	1,020
Institutional Lending	10	31%	11,662

The Bank has implemented tools for real time monitoring of these borrowers, the details of which are given under section 10 of this disclosure.

8.1.3. 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 events (such as demonetization and the current COVID-19 pandemic) have impacted/are expected to impact the portfolio quality at Bank wide level. Taking cognizance of this and especially since the microfinance portfolio comprised 77% of the loan book as at March 31, 2020, the Bank has always deemed it appropriate to follow a conservative approach in its provisioning policy.

Further, with the onset of COVID-19 pandemic, RBI has directed all banks to maintain 10% provision on standard overdue cases (1-89 DPD) split between two quarters. However, the Bank has deemed it appropriate to maintain over and above the RBI mandated norms keeping in mind the inherent risk in the portfolio. The Bank has also increased its provision rate in NPA category to further strengthen the Provision Coverage Ratio (PCR %) The details of additional provisions made were as follows:

₹ in Lakhs			
Particulars	Bank's Provisions	RBI req. (Min 5% in Mar'20)	RBI Req. (Min 10% by June'20)
Provision on Standard Overdue Cases (%)	38%	5%	10%

₹ in Lakhs			
Particulars	Bank's Provisions	RBI req. (Min 5% in Mar'20)	RBI Req. (Min 10% by June'20)
Additional Provision on Standard Overdue Cases	4,580	550	650
Additional Provision on NPA Cases	2,420	-	-
Total Additional Provision	7,000	550	650
Total Cumulative Provisions	23,000	16,500	17,100
Total Portfolio	1,415,330	1,415,330	1,415,330
% Coverage on Total Portfolio	1.64%	1.17%	1.21%

The provision particulars at the quarter end are provided below:

₹ in Lakhs			
Asset Class	Gross Advances	Provision	% Provision
Standard	1,401,615	12,033	0.86%
Sub-standard	12,491	9,793	78.40%
Doubtful	1,056	1,006	95.22%
Loss	166.55	166.55	100.00%
Total	1,415,330	22,998	--

Presently, the Bank provides 0.50% on its standard asset portfolio against the RBI mandated figure of 0.40%.

With the above enhancements, the Provision Coverage Ratio (PCR %) had increased to 80% (89% in microfinance) as at March 31, 2020 as against 72% (76% in microfinance) as at March 31, 2019. The vertical wise distribution of PCR % is provided as below:

₹ in Lakhs			
Region	GNPA	Provision	PCR%
Group loan (Incl. rural banking)	8,668	7,697	89%
Individual Loans (Incl. rural banking)	955	852	89%
MSE	2,812	1,765	63%
Housing	1,164	558	48%
Personal Loan	104	83	80%
Staff Loan	11	9	82%
Grand Total	13,714	10,965	80%

8.1.3.1. Provisions as per Expected Credit Loss (ECL) under Ind-AS

During FY 2018-19, RBI had issued a notification¹³ that the legislative amendments recommended by the RBI were under consideration of the Government of India. Accordingly, it has been decided to defer the implementation of Ind AS till further notice.

However, this deferral was applicable only to Scheduled Commercial Banks (SCBs).

¹³Refer RBI notification on Deferral of Implementation of Indian Accounting Standards (Ind AS) issued vide RBI/2018-2019/146 DBR.BP.BC. No.29/21.07.001/2018-19 dated March 22, 2019.

The Ind AS transition continues to be applicable to Non-Banking Financial Services Companies (NBFC). In as much as the financial accounts of the Bank are consolidated with that of the Holding Company, an NBFC, the Bank has also recast its financials using the Ind AS standards, including the computation of Expected Credit Loss (ECL). This is in addition to financial statements under Generally Accepted Accounting Principles (GAAP). The Bank, however, continues to report its financial statements according to GAAP norms.

As the accounts of the Bank are consolidated with that of its Holding Company at the year end, the Bank was required to compute key risk factors under ECL i.e. Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The consolidated accounts take into consideration the impact of ECL.

The Bank has incorporated additional management overlays in its PD and LGD computation models to reflect the potential stress which can be caused by COVID-19 pandemic.

8.1.4. Rescheduled/ Restructured loans

The Bank only selectively and in exceptional circumstance, where a comprehensive review by Credit and Collections warrants it, reschedules or restructures 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/ restructured loans. Loan rescheduling is done for genuine cases and not for technical reasons.

- Restructuring results in an immediate downgrading 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 restructuring, it slips into further lower asset classification with reference to pre- restructuring repayment schedule and attracts provisioning as per the policy.

- If a non-performing asset is rescheduled, it continues to have the same classification as prior to rescheduling and slips into further lower asset classification upon non-performance as per asset classification norms with reference to the pre-rescheduling repayment schedule and attracts provisioning as per policy. If the account performs regularly, it is 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 scenarios¹⁴. For the microfinance book, this is provided for as a percentage of the overall restructured book. These additional provisions are aimed to capture the loss due to diminution in the fair value of advances due to restructuring.

- The Bank however reschedules loans that are the recipient of grants under the Prime Ministers Avas Yojana scheme. The Bank follows the directives of the scheme and such loans when rescheduled are excluded from the purview of the provisioning directives of RBI.

- The Bank is currently in the process of enhancing its Restructuring policy in light of the COVID-19 pandemic. Post completion of the loan moratorium provided by RBI, the Bank will assess the need for restructuring after consultation with borrowers and on a selective basis.

8.1.5. Write-offs

The following table provides the criteria for writing off loans for the different category of loans. The Bank, however continues its efforts on recovery even after writing off:

Category of loans	Trigger point
Unsecured loans	a) Doubtful and Loss assets can be written off after 180 Days Past Due (DPD) which are fully provided for b) Loss assets identified earlier based on specific reasons or circumstances can be written off after 180 DPD with Credit Risk Management Committee (CRMC) approval
Secured Loans	Can be written off after 545 DPD
Loss Assets classified as Benami loan/Sub lending/ Abscond cases	a) Unsecured loans after 180 DPD b) Secured loans after 365 DPD c) Benami/Sub-lending cases may be written off earlier basis the report from Risk and Fraud Management Committee.
Fraud Cases (As confirmed by the Risk and Fraud Management Committed and reviewed by the Risk Committee)	a) An unsecured loan after 180 DPD or immediately after the fraud has been established and full provision is made on the Bank's books. b) A secured loan after 365 DPD or immediately after the fraud has been identified and full provision made on the books. c) Any fraud account over and above ₹1 Lakh can only be written off by the MD and CEO

¹⁴Refer 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.

For Q4 of FY 2019-20, the Risk Management Committee had approved write-offs to the tune of ₹1,936 Lakhs. These were advances which were provided for in full and where no recoveries had been made in the recent past. Further, the Bank is of the opinion that these advances have low probability of recovery. A summary of write off made in the current financial year is given as under:

Period	Amount (₹ in Lakhs)
Q1	1,570
Q2	1,685
Q3	1,216
Q4	1,936
FY 2019-20	6,407

8.1.6. Credit Risk Management

The overall distribution of gross advances as at March 31, 2020 was as under:

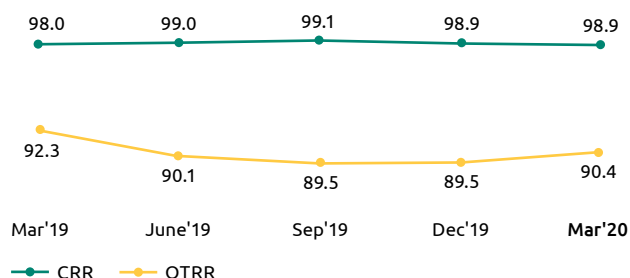
Business vertical	OSP	% Share
Group Loans (MF)¹⁵	946,838	66.90%
Individual Loans (MF)¹⁶	146,840	10.37%
Housing	152,387	10.77%
MSE	98,026	6.93%
Loan against FD	6,312	0.45%
Personal Loan	7,858	0.56%
Vehicle Loan	1,288	0.09%
FIG	54,899	3.88%
Staff	1,094	0.08%
Less: Adjustments¹⁷	(211)	-0.01%
Total	1,415,330	100.00%

At Bank level, the Gross NPA (GNPA) had marginally increased to 0.97% in March 2020 from 0.95% in December 2019 and 0.92% in March 2019. The reasons for increase are explained in the respective portfolio review.

8.1.6.1. Microfinance loans

Key risk indicators such as Cumulative Repayment Rate (CRR) had shown stable trends affirming that the overall health of the credit portfolio was healthy in the microfinance portfolio.

Cumulative Repayment Rate & On time Repayment Rate (%)

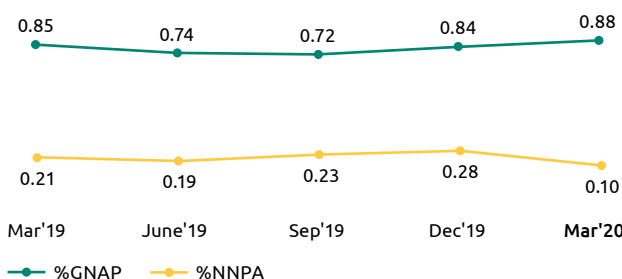


¹⁵Includes Agriculture Group Loans (AGL)

¹⁶Includes agriculture loans

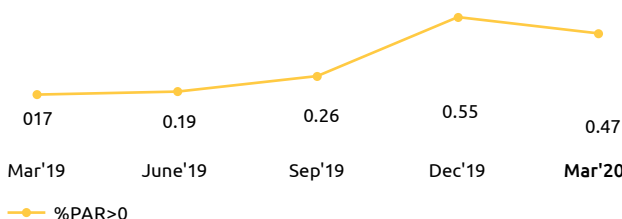
¹⁷Adjustments on account of interest suspense accounts

%GNPA & %NNPA



On Time Repayment Rate (OTRR) has marginally increased to 90.4% as compared to previous quarter while Cumulative Repayment Rate (CRR) has been stable at 98.9%. The 12 Month on Books (MOB) advances showed a decreasing trend in PAR due to better recoveries from states which were affected by natural calamities.

%PAR 12 MOB



PAR > 0 DPD in Microfinance loans sourced during the last 12 months was at 0.47%, an increase from March 2019. The increase in delinquency can be mainly attributed on account of PAR additions seen in micro finance on account of natural calamities and external events affecting Assam state. The movement in PAR in states affected by natural calamities was as follows:

State	PAR Movement & Progress in Affected Branches				Credit Cost
	June'19	Sept'19	Dec'19	Mar'20	
Odisha	10.5%	2.8%	3.4%	3.2%	380
Karnataka	2.3%	9.7%	2.0%	1.5%	120
Maharashtra	1.1%	2.4%	7.3%	5.5%	180
Bihar	0.2%	2.0%	0.4%	0.2%	10
Madhya Pradesh	1.1%	2.1%	2.5%	2.5%	230
Total	4.3%	4.6%	3.0%	2.6%	920

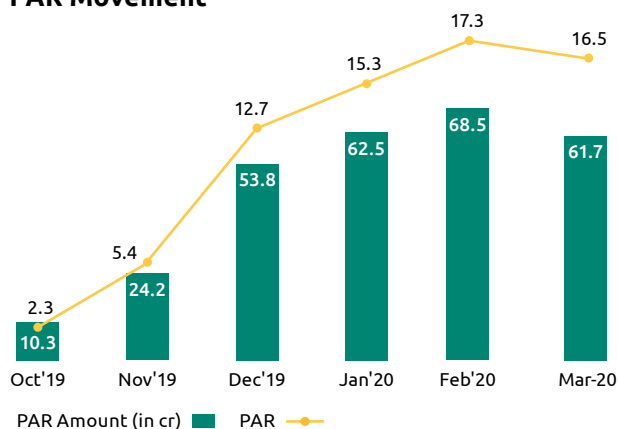
Among the affected geographies, Karnataka and Bihar continued to show excellent progress and the portfolio performance is back to near normal levels. Odisha, Madhya Pradesh (MP) and Maharashtra have shown gradual improvements with no incremental stress observed. There is slow recovery from Odisha observed across the industry and the Bank has leveraged bureau

information for prioritizing collection efforts. In MP, agricultural activity was impacted due to crop damage and borrowers' income was affected for one Crop cycle. The Bank had initiated settlement programs in the months of March 2020 at specific locations. In Maharashtra, customers from Kolhapur & Sangli belts had started making payments in Q4 after taking three months to recover from the stress. However, collection practices adopted by the Bank have been soft due to political influence in the area.

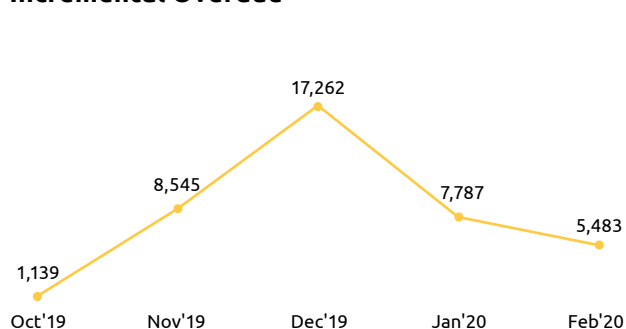
The state of Assam was affected due to two external events, listed below, which had the combined effect of disrupting the entire state economy and credit lending. This had also adversely impacted the Bank's customers, like all other microfinance institution customers, which resulted in large scale portfolio stress.

- Student and labour unions protests against MFI's owing to high indebtedness of microfinance borrowers in Upper Assam
- The introduction of CAA and NRC led to extreme unrest in the entire state including customers from lower Assam, leading to violence for several days and section 144 being imposed during December 2019.

PAR Movement



Incremental Overdue



The Bank has undertaken various programs for customer outreach and communication, social development programs, changes in underwriting/credit policies and additional provisioning as risk mitigation measures to address this issue. The Bank had identified 68 officers in February 2020 to move to the role of collections for follow up on potential NPA accounts with a collection efficiency of 23%. This focus is expected to continue until the portfolio stabilizes. The Bank has also undertaken relief activities in Jorhat district. Relief activities are planned for customers in Titabor and Golaghat in the ensuing quarter. The Bank is also working on implementing the MFIN relief package across the entire portfolio.

8.1.6.1.1. COVID-19: Actions taken by the Bank (updated as at May 18, 2020)

Moratorium has been provided to all eligible customers (~99% microfinance borrowers) for the period between Mar'20 and May'20. Janta Connect – a program to create awareness on moratorium and COVID-19 was undertaken by the Bank during March 2020 and April 2020 through which more than 42 Lakhs customers were contacted. During the lockdown period, the Bank focused on seeking inputs from borrowers through specific surveys to assess the impact on customer livelihoods and probable migration. The Bank surveyed in excess of 90,000 customers with a guided questionnaire during April 14, 2020 to April 18, 2020. Some of the key results of the survey were as follows:

- **COVID-19 awareness:** 91%, with 97% in Metro region and 87% in rural
- **Moratorium:** 77.6% needed moratorium, 4.6% can pay 1 EMI, 17.8% - do not need moratorium
- **Income impact during lockdown:** Reduced to zero (62%), High Impact (22%), Moderate (7%), Low/No Impact (9%)
- **Worst income impact %:** Wage earners (82%), Self-employed (75%), Agriculture (62%), Salaried (39%)
- **Migration:** 96% - No migration, 2.5% migrated/returned to native places, 1% planning to migrate or go to native.

These inputs were critical to frame the business and risk management strategy for the future. The Bank has revised its Credit Policy accordingly. Training has been imparted to all the employees of business and credit teams on the Do's and Don'ts. The Bank intends to focus on serving good repeat customers in the immediate term with a guarded approach for new credit applications. On a priority basis, customers engaged in agriculture and essential services were approached for repeat loan requirements on priority while wage earners and migrant customers will be serviced post normalcy. Independent cross check on loan applications was undertaken through tele-calling. Branch supervisors were trained and re-certified to conduct credit assessment at branch level instead of the usual practice of regional hub and spoke model. Branch working areas were also dynamically updated for operations or otherwise based on ward level information available on containment zones and local guidelines.

The Bank intends to fully leverage and unlock the potential in digital loan processing and digital repayment methods. In this regard, the Bank has started repeat loan processing over phone on a pilot basis. Repeat loans shall be offered through this medium to sets of pre-screened customers. Trainings across regions have been completed with specific branch trainings which are currently underway. On the collections side, the Bank has tied up with Airtel payment bank to leverage their vast network. The Bank intends to on-board such agents across forty branches to begin with.

With the multiplicity in sources of credit to microfinance customers and without a uniform regulation, safeguarding the interests of low-income-customers, who are generally quite vulnerable, was becoming increasingly challenging. For this purpose, a meeting of all Providers of micro-credit was called to agree and adopt a uniform-common code for customer-conduct in micro-credit. This code was titled 'Code for Responsible Lending (CRL) in Micro-credit'. This document defined the elements of Code for Responsible Lending (CRL) which is sector specific and entity agnostic. This code was applicable to unsecured micro-credit loans¹⁹ given to microfinance segment²⁰ by all Providers²¹. The CRL document dealt with guidelines encompassing areas of

fair interaction with customers, suitability of products, education and transparency in offerings, information and privacy of credit information and grievance redressal mechanism. The Bank has obtained the necessary approval from its Board and has adopted the CRL document formally notified the CRL steering committee about its acceptance. The Bank also provides information (as per pre-specified format) on quarterly basis to the CRL steering committee.

The Committee was informed that the CRL document would be signed and submitted to the CRL Steering Committee on approval.

8.1.6.2. Non-Microfinance Portfolio

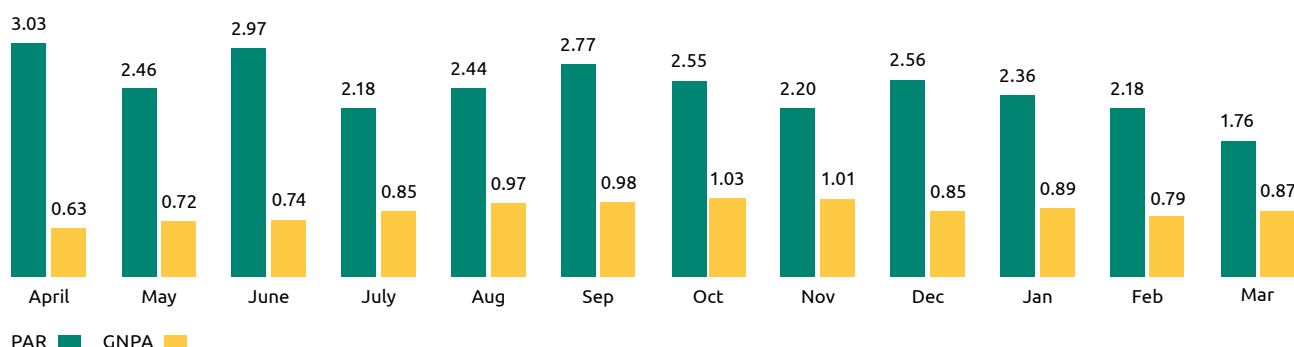
The non-microfinance portfolio includes advances for secured Housing, MSE loans, Agriculture Loans, Personal loans, Institutional Loans and a very small book for vehicle finance. The entire non-microfinance loans contributed 23% i.e. (₹321,652 Lakhs) of the total advances. From a risk management perspective, the Bank has put in place various frameworks for risk identification, risk measurement, risk mitigation and risk monitoring. The intended purpose was to establish a robust governance, risk and compliance framework for the newer portfolios. These frameworks would help the Bank to identify incipient stress and provide early warning signals of stress.

A brief description of the performance in each category is furnished as below:

8.1.6.2.1. Secured Housing

₹ in Lakhs						
Housing Loans	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Y-o-Y Growth%
South	25,660	30,618	36,605	42,170	46,176	79.95%
North	15,509	16,892	18,526	19,748	20,570	32.63%
East	9,325	11,563	14,633	17,214	19,556	109.72%
West	32,505	41,534	51,406	58,921	66,015	103.09%
Grand Total	82,998	100,607	121,169	138,053	152,318	83.52%

PAR & GNPA (%)



¹⁹For NBFC-MFIs, these loans come under 'qualifying asset' criterion. It may be noted individual loans i.e. loans without the group liability and where repayment capacity of the customer is thoroughly assessed by the Provider are outside the purview of CRL.

²⁰As defined by the RBI.

²¹Provider is defined as a legal entity, which provides micro-credit in line with RBI norms under 'qualifying assets' criterion for NBFC-MFIs and provide their data to Credit Information Companies (CICs). Therefore, Provider includes entities such as NBFC-MFI, SFB, Bank, NBFC, Section 8 Company etc. It is clarified that all micro-credit loans delivered directly or indirectly (such as under partnership model or through securitization, direct assignment or co-origination) are covered.

As at March 31, 2020, the Bank had 19,127 plus borrowers under the housing portfolio. The year saw action in Affordable housing segment with lot of prime segment players entering the segment which was earlier dominated by few regional AHFCs and NBFCs due to higher yields, more demand and Government push on Affordable housing. The Bank registered an 84% y-o-y growth and disbursal grew by 44% during FY 2019-20. The Housing loans portfolio registered a robust growth up to February 2020 but growth was muted in the month of March 2020 on the account of COVID-19 pandemic and the subsequent national lockdown.

The Bank provides its Housing product offering through 344 branches. The product offering have been continuously aligned with the business strategy and with focused target on semi-urban customer segment. As at March 31, 2020, 64% of the total borrowers were salaried while 35% were self-employed (non-professional) and the rest being self-employed (professional segment). The Bank has leveraged the PMAY-CLSS subsidy scheme, a scheme which is attractive to the aspiring middle class buying their first house.

Striving to ensure a higher contribution of direct sourcing, the Bank has developed a structured sales process. Regional Business Managers (RBMs) have directly supervised loan officers for canvassing the various offerings through open market activities. Product team has driven monthly training via conference calls and leveraged the internal training mobile application. Variable pay program has also been structured to encourage direct business. Product handbook and assessment based training content has been designed and circulated to ensure that the Bank's field force is equipped appropriately.

As part of risk mitigation efforts and to tap cross selling opportunities, the Bank has been successful in enrolling customers for life insurance schemes and general insurance scheme. During the year, the Bank earned an income of ₹85 Lakhs and ₹51 Lakhs through sale of life and general insurance schemes.

8.1.6.2.1.1. COVID-19: Actions taken by the Bank (updated as at May 18, 2020)

The Bank has engaged with 19,000+ customers to equip them with COVID-19 pandemic measures and taking moratorium requests. The Bank has undertaken various deep-dive portfolio analyses based on occupation, ticket size, product types and repayment trends. The Bank has also prepared a watch list of accounts for real time monitoring. To this regard, the Bank has subscribed to bureau data for obtaining real time updates on over-leverage, change in residential status and communication details. Regular reports are being disseminated to field functionaries for necessary action. During the lockdown, the Bank initiated various employee engagement activities in online training programs on products and policies, examinations for frontline teams. The Bank has prepared an initial draft of a State wise collateral policy and standardized the customer visit reports for residence, place of residence and collateral. The Bank also sought to close credit shield policy issuance pending cases and followed up on death claims settlement from insurance partners.

Collections will be the key focus area for the Bank post lockdown. The Bank is currently working upon on region wise and industry wise changes to credit policy basis COVID-19 impact. More focus will be given on Green zone, Rural areas and priority for existing customers irrespective of district categorization.

During the year, the Bank had successfully launched its credit rating scorecards in its LOS. This was a mandate of RBI. The credit rating scorecards are not being used for decision making for the time being. But these are a first and an important step in enhancing the credit review mechanism for this line of business. With periodic recalibration based on data, it is expected that the credit scorecards as a decision making tool will be effective from the FY 2021.

8.1.6.2.2. Micro and Small Enterprises (MSE):

₹ in Lakhs

Region	Mar-19	Jun-19	Sep-19	Dec- 19	Mar-20	Y-o-Y Growth%
South	17,695	19,985	23,827	26,785	28,234	59.56%
North	16,209	18,481	20,277	21,719	22,691	39.99%
East	16,874	20,218	26,577	29,995	31,357	85.83%
West	8,307	9,830	12,716	14,479	15,590	87.67%
Grand Total	59,084	68,514	83,396	92,978	97,872	65.65%

The MSE vertical disbursed ~₹61,100 Lakhs during FY 2019-20 registering a 22% growth over FY 2018-19 (₹~49,900 Lakhs) with an average ticket size of ₹14.60 Lakhs. The Bank offered MSE loans from 114 clusters²², covering almost all the Bank branches. As at March 31, 2020, the share of secured loans within MSE had reached 91% of the total MSE loan book. During the quarter, the Bank availed SIDBI refinance of ₹4,000 Lakhs to reduce the cost of funds. The Bank has completely stopped its unsecured MSE product and the residual amount is being allowed to run off. Collection effort was stepped up in the clusters that are affected to contain further slippages up to March 24, 2020.

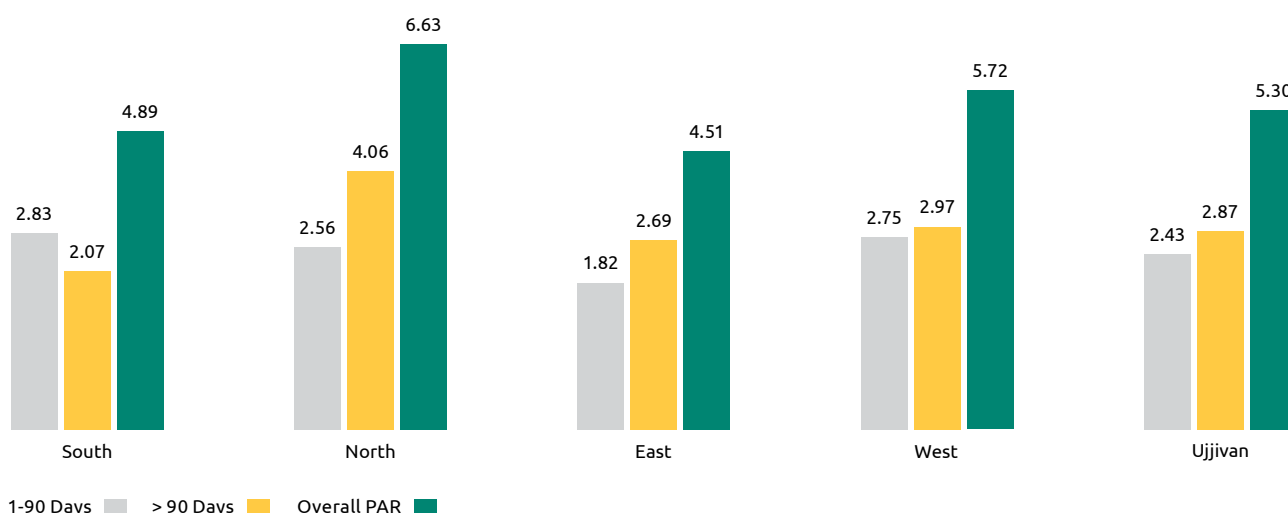
The Bank has taken cognizance of the underlying risks in this market and had internally defined triggers for

active monitoring. To improve / monitor its asset quality, the Bank has implemented a “cluster improvement plan” with specific credit tightening in stressed sectors based on internally defined triggers at cluster level. Through this initiative, the Bank has tightened credit appraisal criterion, raised delegation of sanction to higher authorities and provided focused efforts on collections and recovery. These clusters are continuously monitored until such time that improvement is shown especially with respect to arresting PAR.

On the technology front, the Bank is continuously looking at opportunities to improve its operational efficiency through regular patch updates, and introduction of new functionalities in its systems. These enhancements are aimed to improve TAT and officer productivity.

The distribution of PAR as at March 31, 2020 was as follows:

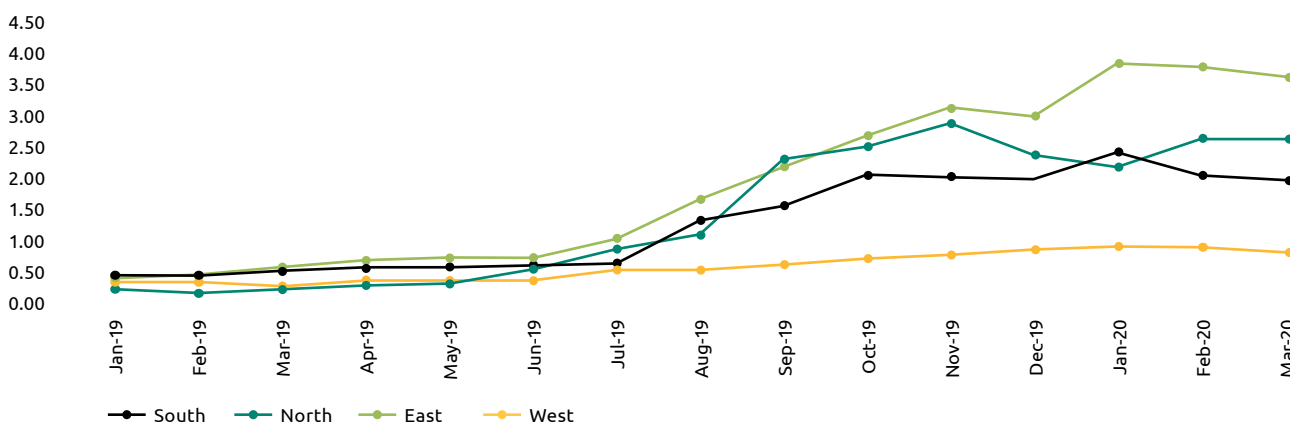
Asset Quality Distribution



²²For the purpose of operational efficiency, the Bank has grouped branches into clusters. On an average, there are 3-5 branches in every cluster. The definition of a cluster is flexible to cater to internal operational follow-up and credit monitoring.

The trend in NPA for Secured MSE loans was as follows:

Secured MSE Region wise NPA Trend



During the year, the Bank had successfully launched its credit rating scorecards in its LOS. This was a mandate of RBI. The credit rating scorecards are not being used for decision making for the time being. But these are a first and important step in enhancing the credit review mechanism for this line of business. With periodic recalibration based on data, it is expected that the credit scorecards as a decision making tool will be effective from the FY 2021.

8.1.6.2.2.1. COVID-19: Actions taken by the Bank (updated as at May 18, 2020)

The Bank has engaged with 14,000+ customers to equip them with COVID-19 pandemic measures and taking moratorium requests. The Bank has undertaken various deep-dive portfolio analyses based on occupation,

ticket size, product types and repayment trends. The Bank has also prepared a watch list of accounts for real time monitoring. To this regard, the Bank has subscribed to bureau data for obtaining real time updates on overleverage, change in residential status and communication details. Regular reports are being disseminated to field functionaries for necessary action. During the lockdown, the Bank initiated various employee engagement activities like online training programs on products and policies, examinations for frontline teams. The Bank leveraged its internal training platform for the same. The Bank has prepared an initial draft of a state-wise collateral policy and standardized the customer visit reports for residence, place of residence and collateral. The Bank also sought to close credit shield policy issuance pending cases and followed up on death claims settlement from insurance partners.

8.1.6.2.3. Agriculture and Rural Business

The Agriculture and Rural Business had performed well and a summary of their key indicators is given below:

₹ in Lakhs					
Particulars	March 2019*	June 2019*	September 2019*	December 2019	March 2020
QTD Disbursement	10,400	11,540	16,440	18,537	17,942
YTD Disbursement	20,500	11,540	27,940	46,665	64,400
Outstanding Principal	18,500	28,740	39,460	50,575	58,520 [#]
Ticket Size	30,543 (GL) and 78,830 (IL)	28,832 (GL) and 90719 (IL)	30,459 (GL) and 95,639 (IL)	31,461 (GL) 59,043 (AGL) and 94,003 (IL)	32044 (GL) 59414 (AGL) 105096 (IL) 92864 (KSL)

*Rounded to nearest 100

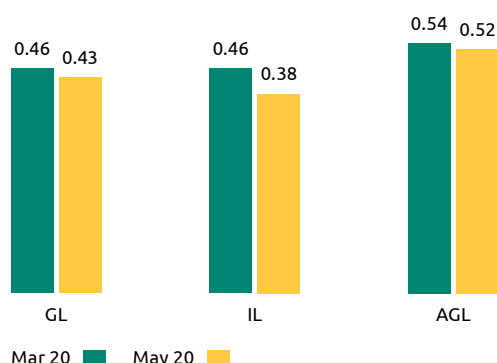
[#]The figures presented here are inclusive of agriculture group loans

The trend in portfolio quality (Updated as at May 2020) is as follows:

₹ in Lakhs			
Particulars	March 2020	April 2020	May 2020
PAR > 0 DPD	337	320	317
Overall OD accounts	1,543	1,390	1,385
PAR% > 0 DPD	0.59%	0.56%	0.54%
GNPA%	0.33%	0.22%	0.21%

The product wise trend in PAR is as follows:

PAR%



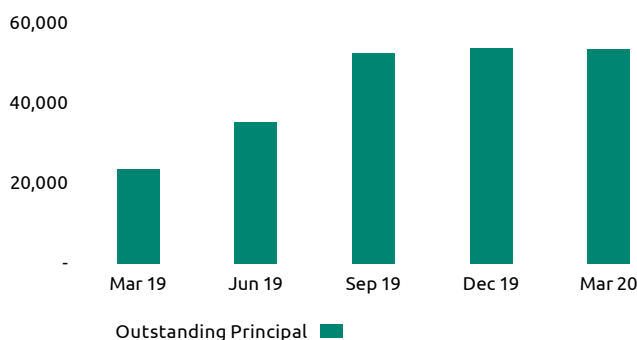
The impact of COVID-19 pandemic has had a relatively lower impact in agriculture sector as compared to other sectors. The Bank sees a potential to step up its agri business with state specific policies for the same. During the ensuing year, the Bank intends to re-launch its Vikas Loan program (Micro-LAP).

8.1.6.2.4. Loans to Financial Institutions

The Bank commenced building a book of loans to Non-Banking Financial Companies from October 2018, with an approval from the Board. It was considered opportunistic to delve into this segment not only to diversify the asset portfolio of the Bank, build on relationship that the Bank has several of these NBFCs as liability customers, but also to capitalise on its knowledge of the sector and the strength of the large capital base that the Bank has. As at March 31, 2020, the Bank had built a portfolio of loans to Financial Institutions of ₹54,899 Lakhs. The Bank has been selective in building this portfolio to establish meaningful relationships with financial institutions. In appraising the requirement, the Bank lays equal emphasis on governance and financial parameters of the borrowing company, with the portfolio heavily skewed towards NBFC- MFI, a segment where the Bank has considerable expertise and historical association. Due to the COVID-19 pandemic, the Bank has adopted a cautious approach in providing additional finance. The Bank will revisit its institutional lending strategy during September 2020. The Bank has currently extended moratorium to 10 borrowers as part of COVID-19 assistance. This was done after a careful assessment of cash flow projections and on a case to case basis. It is noteworthy to mention that the repayment track record of institutional borrowers has been excellent with zero PAR and NPA as at reporting date.

Outstanding Principal

₹ in Lakhs

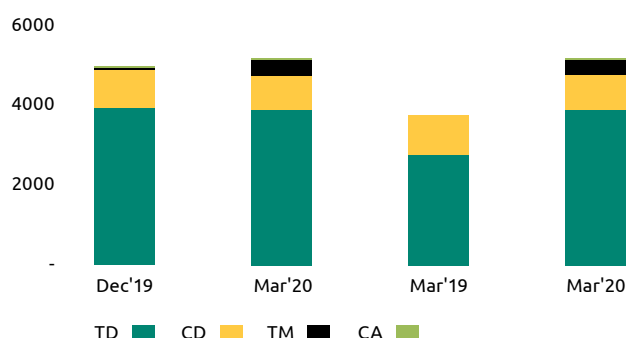


The rating wise distribution of FIG portfolio is as below:

₹ in Lakhs		
External Rating	Sum of Clear Balance	% Share
A	8,377	15.26%
A-	18,980	34.57%
A+	2,188	3.98%
AA-	714	1.30%
BBB	9,158	16.68%
BBB-	3,567	6.50%
BBB+	10,663	19.42%
Unrated	1,250	2.28%
Grand Total	54,899	100.00%

With this portfolio, the Bank also aims to explore various diversification benefits including sourcing of institutional deposits. During the year, 110 new liability relationships were added. The Bank had faced some challenges in sourcing deposits especially in states like West Bengal (directive for no deposits with SFBs), Madhya Pradesh (recent government directive to not to invest in SFBs) and Punjab (directive to maintain deposits with SFBs restricted to 50% of owned funds). To mitigate the challenges, the Bank intends to diversify and focus on other segments/ geographies within the capital markets and NBFC-MFI space.

FIG Deposit Mobilization



8.1.6.2.5. Personal Loans (PL)

In its effort to diversify the composition of its asset book, the Bank has rolled out its Personal Loan product in select cities. During the year, the Bank had expanded its geographical footprint from 14 to 36 cities. The Bank uses multiple sourcing channels such as Direct Selling Agents, Internal Staff and digital platforms. There have been key learnings from the initial stage of operations and the Bank has initiated a slew of policy measures especially through clear demarcation in segmentation, targeting and positioning. However, there is a need to revisit the business strategy due to the COVID-19 pandemic. The Bank intends to revamp its product offerings with focus on non-impacted industries, push for super-prime and prime segment of customers and government employees. The Bank also intends to revamp its operations and replace its Loan Operating System with end to end digital acquisition. For risk monitoring purposes, the Bank has designed Early Warning Systems to maintain and monitor credit quality. The priorities for the ensuing financial year will be to launch in new markets, scale distribution across all channels and also explore partnerships with select Fintech companies for sourcing though the overlay will be the Bank's own credit policy parameters.

The trend in portfolio growth on a quarter of quarter basis is summarised below

₹ in Lakhs				
Particular	June'19	Sept'19	Dec'19	Mar'20
# Customers	1,783	3,200	4,832	5,335
OSP (₹ in Lakhs)	2,784	5,101	7,705	7,858
PAR > 30 Days	0.50%	1.31%	1.65%	3.92%

8.1.6.2.6. Vehicle Finance

As at March 31, 2020, the Vehicle Finance business had crossed the benchmark of ₹1,200 Lakhs and the product were made available from 43 branches. The Bank has partnered with various OEMs as part of its business strategy. The entire business model is cashless for disbursement and repayment. A brief summary of the portfolio is as follows:

₹ in Lakhs			
Vehicle Loans	Feb 2020	Mar 2020	Apr 2020
Count	1546	1834	1,835
OSP	1,061	1,254	1,259
Overdue	0	8(16 cases)	4 (7 cases)

The Bank is currently exploring other tie-up options and increasing its manpower requirements across regions. The Bank intends to provide its offerings in the MMCV (Micro and Mini Commercial Vehicle) segment in the ensuing financial year. Due to the COVID-19 pandemic, the Bank intends to adopt a cautious approach up to September 2020 with more focus on collections and follow up in post disbursement documents of existing cases. Sector wise analysis for impact of COVID-19 is being undertaken to identify potential areas for growth while desisting from high risk segments.

8.1.6.3. Treasury

The Treasury Department of the Bank comprises of 3 independent units i.e. Front Office, Middle Office and Back office. The Front Office is responsible for trading, investment and fund management activity. Front Office is headed by Head of Treasury and is guided by Board approved Investment Policy. Middle Office is responsible for limit monitoring, valuation, regulatory / internal reporting and risk evaluation. Middle Office reports to Chief Risk Officer. Back office is responsible for settlement and reconciliation activities which reports to Head of Operations.

Investments: The Bank has a Board approved policy to make investments in both SLR and Non SLR securities. However as at March 31, 2020, the Bank's investment book consisted only of SLR investments except for one investment in a Non SLR security of ₹10 Lakhs which was passed on to the Bank from the Holding Company at the time of Business Transfer. The investment into SLR securities is undertaken for the purpose of regulatory compliance i.e. SLR maintenance and for Asset Liability Management (ALM). Investment in SLR securities is held as both HTM and AFS, though holding in AFS comprises mainly investments in Treasury Bills only. The investment in non SLR securities is mainly for short term cash deployment and for investment income. The market value of SLR investments as at March 31, 2020 was ₹239,600 Lakhs with an appreciation over book value by ₹2,339 Lakhs. As permitted by RBI guidelines, the Bank moved a part of its HTM portfolio in the first month of the current financial year and booked a token profit.

As a matter of policy, the Bank maintains SLR securities in excess of the mandated regulatory requirement. This also helps the Bank to maintain a comfortable position in SLS and helps in borrowing through Repo and TREPS. Since the SLR investment portfolio of the Bank is divided among HTM and AFS portfolios and only Treasury Bills are held in AFS portfolio the Bank was not required to maintain provision on investment portfolio on account of this classification.

The mandatory requirement for maintenance of SLR as stipulated by RBI, for the period under review was 18.75% of Net Demand and Time Liabilities (NDTL) till October 11, 2019, reduced to 18.50% of NDTL from October 12, 2019 to January 3, 2020 and further to 18.25% thereafter, till the end of the review period. The RBI had announced a staggered reduction in SLR requirement to be held by banks, reducing every quarter till April 11, 2020. The Bank has complied with the regulatory SLR requirement and has maintained SLR much above the requirement. RBI, through its statement on developmental and regulatory policies dated March 27, 2020, announced a reduction in CRR requirement from 4% to 3% valid with effect from fortnight beginning March 28, 2020 for one year, ending on March 26, 2021. RBI also announced a reduction in minimum daily CRR balance maintenance from 90% to 80% effective from 1st day of the reporting fortnight beginning March 28, 2020 valid up till June 26, 2020.

This reduction in CRR from 4% to 3% freed up ₹6,900 Lakhs from CRR holding. The Bank has also recast its CRR requirement based on concessions permitted by RBI in terms of its circular number RBI/2019-20/159 DOR. No. Ret.BC.30/12.01.001/2019-20 dated February 10, 2020.

Trading: The Bank had resumed trading in Government of India security in Q3, in a calibrated manner through its HFT portfolio. While the Bank had initially commenced trading on an intraday basis only, it has now graduated to keeping open positions on an overnight basis as well. Open positions taken by the Bank are progressively being stepped up with the required controls. The trading limits are monitored on a real time basis by the Middle Office. Any isolated instance of breach in limit is brought to the notice of stakeholders and remedial measures taken. The Bank was successful in generating a nominal trading profit through this activity during the period under review.

Fund Management: Treasury Department is responsible for the day to day liquidity and fund management activity. The day to day fund excess or shortfall is arrived at based on a daily liquidity statement prepared by Front Office in co-ordination with Finance department. Based on the daily shortage or excess of funds, Front Office undertakes money market borrowing and lending activity. The source of borrowing and lending amongst Call money, Repo and TREPS is decided based on the most favourable rate. The Bank was successful in capitalising on low interest rates prevalent in market by borrowing funds at very low rates through different sources of money market. The Bank has interbank limits with all the major banks. The regulatory limit on Call/Notice money borrowing and lending is monitored on a daily basis by Middle office and reported to all stakeholders.

COVID-19 ignited large sell-offs in the domestic equity, bond and forex markets leading to an increase in redemption pressures. This led to a surge in liquidity premia on instruments such as corporate bonds, commercial paper and debentures and it became difficult for these instruments to access working capital through bank credit.

To counter the economic impact and subsequent pressure on cash flows, RBI decided to conduct auctions of Long Term Repos (LTRO) of up to three years tenor of appropriate sizes for a total amount of up to ₹10,000,000 Lakhs at a floating rate linked to the policy repo rate. RBI introduced LTRO with a view to assuring banks about the availability of durable liquidity at reasonable cost relative to prevailing market conditions, and to further encourage banks to undertake maturity transformation smoothly and seamlessly so as to augment credit flows to productive sectors. It is a measure that market participants expect will bring down short-term rates and also boosts investment in corporate bonds. These new measures coupled with RBI's earlier introduced 'Operation Twist' are an attempt by the Central Bank to manage bond yields and push transmission of earlier rate cuts.

The Bank had participated in LTRO operations, using its reserve of excess SLR securities as pledge, and raised a total of ₹28,200 Lakhs.

These fund raise have considerably bolstered the Bank's medium term resource base and have provided the required cushion for the longer term SLS buckets.

While the RBI's current windows of Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) offers banks money for its immediate needs ranging from 1-28 days, the LTRO supplied the banks with liquidity for 1- to 3-year needs. LTRO operations are intended to prevent short-term interest rates in the market from drifting a long way away from the policy rate, which is the repo rate.

RBI subsequently announced a repeat of this exercise through TLTRO 2.0. The Bank has secured the approval of its Board to participate in the auction of TLTRO.2.0

In line with the prudent risk management practice, the Bank has in place a Board approved Contingency Funding Plan (CFP) in place, which is tested by the Front Office at a quarterly frequency. In all the instances of CFP testing, the Bank was successful in generating fund commitment, from various sources, much above the average monthly shortfall.

8.1.7. Credit Risk Monitoring:

8.1.7.2. Micro finance portfolio

The Bank undertakes portfolio monitoring on a periodic basis with specific focus on key portfolio triggers. Decisions with respect to business continuity and new customer acquisition at branch level/state level are taken by the Credit Risk Management Committee (CRMC). The Bank has defined quantitative trigger limits with respect to early delinquency rates, On Time Repayment Rates and spurt in business growth. Any exception to the internally defined thresholds is reviewed by the Head of Credit - Microbanking and Rural Banking. The Bank monitors the health of its Microbanking portfolio at branch level through its branch scorecards. These scorecards assess the performance on various parameters such as Incremental Overdues, error rates, Non-starter cases, collection performance etc. The Bank undertakes its portfolio monitoring separately for Group Loans (GL) and Individual Loans (IL) within the Microbanking segment.

Considering that many a times the external environment or factors affect the portfolio performance of a branch or district or a state, the Bank has incorporated external factors in addition to internal EWS parameters to have better early monitoring and to take proactive measures. Some of the external factors which will now be considered are area specific communal issues, protests, sub-lending/ring leader issues, snatching attempts etc. In addition to the above, industry level information shall also be collected from the Bureau to rate the states or districts and align the growth strategy accordingly.

During the quarter, the Bank had launched an application score card for group loans, which was developed through

statistical model. This application score card has been integrated with Business Rule Engine (BRE) where every application will have a score generated from BRE which shall be reviewed as part of credit appraisal. This score will be in addition to present BRE rules. Credit approvers at backend shall review the BRE results (as per the existing practice) along with application score card while processing the applications. The Bank intends to monitor the performance of these scorecards for further fine-tuning of parameters on a semi-annual basis.

8.1.7.3. 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 legal risk induced credit risk. Collateral related processes and procedures were reviewed to ascertain various gaps in the process. The Bank seeks to address these gaps during the financial year which will help in reduction of errors and associated risks. The Bank has designed monitoring mechanisms at process level encompassing credit deviations, collateral management, documentation etc. Regular reports are placed to the CRMC for direction.

During the quarter, the Bank had revised its Early Warning System (EWS) at an account level for enhanced monitoring. The revised EWS frameworks will enable the Bank to monitor a borrower's internal/external repayment record and signs of overleveraging efficiently.

8.1.7.4 Other Portfolio- FIG, Vehicle Loans and Personal Loans

The Bank monitors the portfolio performance of other business verticals on a monthly basis. Business, Credit, Risk, Audit and Compliance functions monitor these verticals on key indicators such as logins, turnaround time, ticket size, sanctioned versus disbursement, product performance, PAR and NPA trends etc. Risk undertakes an independent assessment of the same and submits its findings to the CRMC for further action. Audit and Compliance undertakes post-mortem analysis to ensure adherence to various internal and regulatory guidelines and they in turn submit their findings along with recommendations at appropriate forums within the Bank. Based on the findings, the Bank undertakes the necessary changes to its product programs and credit policies.

Developments of rating scorecards for these segments are under different stages of implementation. The Bank intends to launch scorecards for all these categories in the ensuing financial year.

Early Warning Systems for monitoring FIG loans has been approved by CRMC. The same will be used to extensively in the ensuing financial year. For Personal and Vehicle loans, the Bank has subscribed to various bureau reports to provide real time data on changes in credit scores, change in residential and communication details and leverage etc. as part of monitoring activities.

8.1.8. Audit

The Bank is subject to have an independent Internal Audit department (IAD) under Governance norms mandated by the Reserve Bank of India (RBI). An Internal Audit department has been setup in the Bank since the inception of Bank. The Bank's top Management and Board have taken additional steps to further strengthen the IAD in the Bank and act as Third Line of Defence. The internal audit function and its functionaries are responsible and:

- Accountable and report only to the Board through the Audit Committee of Board (ACB);
- Independent of auditable activities i.e., have no responsibilities related to the first line of defence, the second line of defence and the vigilance function;
- Audit all activities undertaken by the first line of defence, the second line of defence and the vigilance function;
- Having sufficient staff strength, skills, resources and authority within the bank to enable auditors to carry out their assignments effectively and objectively.

The IAD has its own Audit Policy and Manual approved by the Board. The Internal Audit process of the Bank complements the risk management and monitoring tool as the third line of defence. The IAD has following Audit verticals where in the Risk Based Internal Audit (RBIA) approach was implemented in FY 2019-20 with extensive support from top management and second line of defence, briefly explained below:

- a. **Branch Audit:** The audit is performed at the operational Branches, including Banking Correspondents. IAD now has internally developed Risk Control Matrices and assesses the residual risks at the Branches. The Department follows a quantitative and qualitative risk assessment for each and every Branch audit. This helps the operating and senior management to take appropriate mitigation on the identified risks.
- b. **Credit Audit:** The audit of lending activity covers all the assets, products, process and credit risk department, which enumerates the risks in aggregation. This approach assesses the root cause and focused mitigation plan. Apart from these, Loan Review Mechanism of all accounts beyond a threshold limit as approved by the ACB is also part of Credit Audit. The risk identification, measurement and mitigation from sourcing to monitoring and collection of asset accounts results in continuous improvisation.
- c. **Central Function:** Largely focus on all HO functions/ departments, second line of defence, vigilance function and all liability operations. The RBIA approach is in accordance with ICAI and IIA.US standards. This encompasses the Governance, Risk Management and Control (GRC) approach in each and every audit and internal review.

d. IS Audit: Assessment of application level risks, IT infrastructure (Network, Operating systems, Database), IT processes / Operations and IT governance to assure information assets are protected and security risk is mitigated, are covered in this audit activity and / or Integrated audit activities wherein, the IT controls are reviewed, as part of an end-to-end coverage of business process along with General IS controls.

e. Concurrent Audit: As per RBI guidelines on Concurrent Audit System in Commercial Banks, Concurrent audit at branches should cover at least 50% of the advances and 50% of deposits of a bank. In addition to these, there are specific branches/verticals which fall under the ambit of concurrent audit as per the RBI guidelines.

Accordingly the Bank identified the Branches that contributed to 50% of advances and 50% of deposits of the bank to be covered under concurrent audit. Similarly, few critical processes like Payments and Treasury function are also covered under concurrent audit. The Bank has put in place a Board approved separate Concurrent Audit Policy. On September 18, 2019, RBI has revised guidelines on Concurrent Audit and has advised to follow the Risk based approach in Concurrent Audit also. IAD has revised its policy & process and approved from ACB in January 2020. Accordingly w.e.f. April 1, 2020, the Branch identification and implementation of Concurrent Audit activity is now in accordance with RBIA as prescribed by RBI.

In accordance with the IAD policy, all the auditors adhere to the code of ethics of Institute of Internal Auditors (IIA) Inc. As professionals, members of IAD are additionally subject to the code of ethics of other professional bodies to which they belong like ICAI. IAD members apply and uphold the principles of Integrity, Objectivity, Competency and Confidentiality.

8.1. Quantitative Disclosures

8.2.1. Exposure summary: Facility type

₹ in Lakhs		
Exposure Type	Domestic (₹ in Lakhs)	Overseas
Fund- Based exposure	1,841,123	-
Non- Fund Based Exposure*	7,846	-
Total	1,848,969	-

*Non-fund based exposure includes undrawn limit to Overdrafts, Secured Housing and MSE customers and Contingent liabilities.

8.2.2. Geographic Distribution of advances (State-wise)

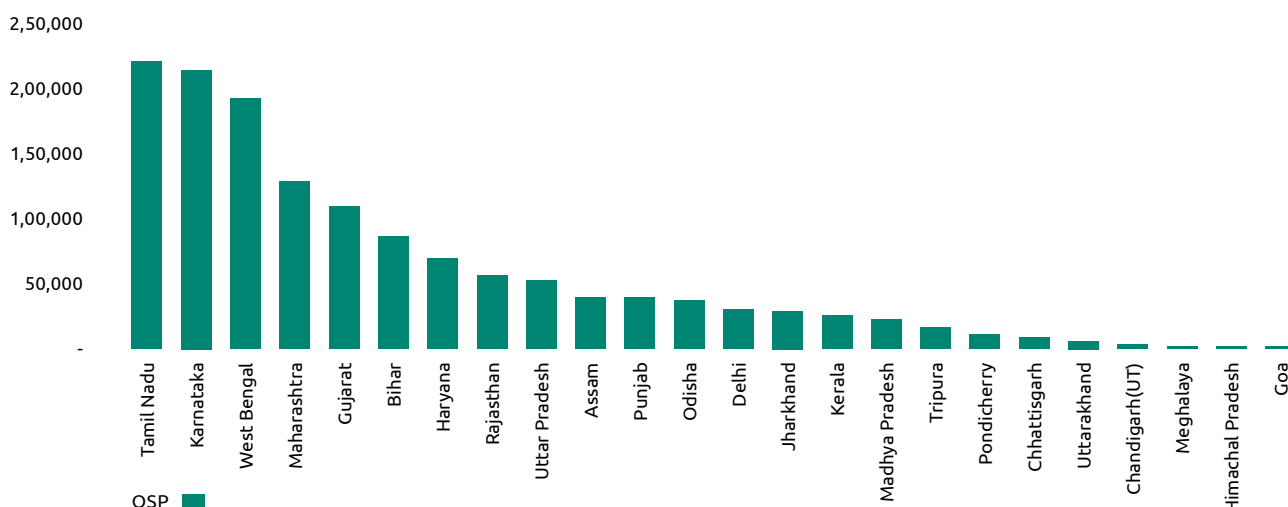
₹ in Lakhs		
States	OSP	% Share
Tamil Nadu	223,973	15.82%
Karnataka	216,785	15.32%
West Bengal	195,364	13.80%
Maharashtra	130,294	9.21%

₹ in Lakhs		
States	OSP	% Share
Gujarat	110,477	7.81%
Bihar	87,600	6.19%
Haryana	69,802	4.93%
Rajasthan	56,929	4.02%
Uttar Pradesh	52,461	3.71%
Assam	39,875	2.82%
Punjab	39,239	2.77%
Odisha	36,472	2.58%
Delhi	29,986	2.12%
Jharkhand	29,566	2.09%
Kerala	25,184	1.78%
Madhya Pradesh	22,171	1.57%
Tripura	16,539	1.17%
Pondicherry	11,135	0.79%
Chhattisgarh	8,214	0.58%
Uttarakhand	6,019	0.43%
Chandigarh	2,476	0.17%
Meghalaya	2,010	0.14%
Himachal Pradesh	1,739	0.12%
Goa	1,019	0.07%
Total	1,415,330	100.00%

The share of microfinance advances (including agriculture loans) constituted 77.27% (i.e. ₹1,093,678 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 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.

State wise gross advances



8.2.3. Advances distribution by activity

Sl. No	Categories	Disbursements during the Quarter		Outstanding at the end of the Quarter		
		No. of A/cs	Amount disbursed	No. of A/cs	No. of beneficiaries	Balance O/s
1	Priority Sector (I+II+III+IV+V+VI+VII+VIII+IX)	700,676	290,945	4,571,020	4,292,167	796,953
I	Agriculture (IA+IB+IC+ID)	250,778	98,334	1,610,359	1,542,302	195,997
II	MSMEs (i)+(ii)+(iii)+(iv)+(v)	195,053	87,637	886,858	758,603	235,440
III	Export Credit	-	-	-	-	-
IV	Education	-	-	2	2	2
V	Housing	36,933	33,599	296,066	288,742	181,107
VI	Renewable Energy	-	-	-	-	-
VII	Social Infrastructure	-	-	-	-	-
VIII	'Others' category under Priority Sector	217,912	71,376	1,777,735	1,702,518	344,408
IX	Net PSLC	-	-	-	-	-160,000
3	Non-Priority Sector Loans (I+II+III+IV+V)	21,384	30,293	201,510	146,121	618,376
I	Agriculture	10	8	208	208	10
	Out of Agriculture, Loans against Negotiable Warehouse Receipts (NWRs)	-	-	-	-	-
II	Education Loans	-	-	-	-	-
III	Housing Loans	924	7,771	8,880	8,667	57,560
IV	Personal Loans under Non-Priority Sector	1,200	1,147	9,477	8,949	8,920
V	Other Non-Priority Sector Loans	19,250	21,367	182,945	128,297	125,437
4	Total Loans (1+3)	722,060	321,239	4,772,530	4,438,288	1,415,330

8.2.4. 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. While there is a quarterly monitoring of PSL in total and category-wise, the final compliance to PSL is reckoned on a yearly basis i.e. March 31, 2020. For computing PSL, the Bank takes the ANBC of corresponding quarter of the previous year.

The ANBC as on the corresponding date of the preceding year i.e. March 31, 2019 was ₹1,062,276 Lakhs. The Priority Sector lending was maintained at 75.02% as a percentage to ANBC. The Bank ended up having an overall surplus of ₹246 Lakhs and sufficient surplus in each sub-category except for the PSL Agri sub category. PSLC worth ₹20,000

Lakhs Crores was purchased to bridge an anticipated shortfall in PSL Agri category. The summary of compliance to PSL norms is as follows:

₹ in Lakhs				
Sl. No.	Sector wise achievements	Effective ANBC	Total Outstanding	% Achievement
1	Overall PSL	1,062,275.89	796,953.44	75.02%
2	Agriculture	1,062,275.89	195,996.60	18.45%
3	Small and Marginal Farmers	1,062,275.89	350,717.91	33.02%
4	Non - Corporate Farmers	1,062,275.89	175,996.60	16.56%
5	Micro Enterprises	1,062,275.89	228,277.31	21.49%
6	Weaker Sections	1,062,275.89	796,953.44	75.02%

The PSL portfolio which was sold as Priority Sector Lending Certificate (PSLC) is as follows:

₹ in Lakhs	
Particulars	March 31, 2020
	PSLC Sold
1) PSLC Agriculture	-
2) PSLC Small Farmers / Marginal Farmers	200,500
3) PSLC Micro Enterprises	65,950
4) PSLC General	160,000
	426,450

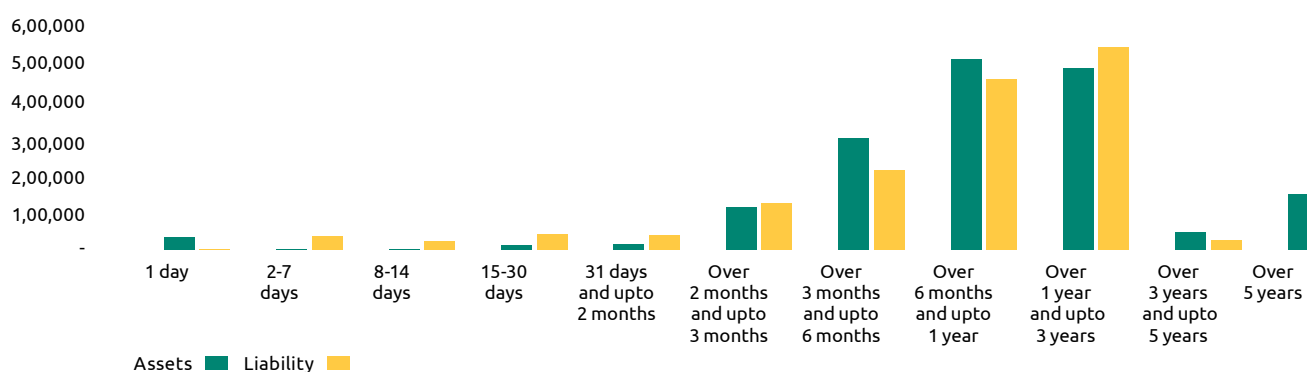
8.2.5. Maturity pattern of assets and liabilities

The Bank continued to remain highly liquid through the year with surplus on a day to day basis being invested in

call market or other short dated liquid investments. It has managed its funding requirement through a mix of retail and institutional deposits, progressive build-up of CASA balances, with a small balance being met through Certificates of Deposits. The Bank managed its ALM position effectively ensuring that there was no mismatch and that the mandatory buckets were not breached. To ensure that any incipient stress on these first four buckets is countered, the Bank has built an excess reserve of SLR securities that provides the required cushion in times of stress on the first four buckets. Conversely, when the position is eased, the excess is used to tap the repo market to meet the Bank's short term funding requirement. In a declining interest scenario, accessing the repo market aids the Bank's effort to reduce the cost of funding.

₹ in Lakhs				
Buckets	Loans and advances	Investments	Deposits	Borrowings
Day - 1	117	33,893	2,273	-
2-7 Days	1,635	957	21,165	13,686
8-14 Days	1,506	2,454	14,145	9,714
15-30 Days	3,501	8,652	25,821	14,000
31 Days and up to 2 months	7,859	8,019	37,011	2,214
Over 2 months and up to 3 months	89,252	22,631	99,490	22,880
Over 3 Months and up to 6 months	258,304	38,015	170,449	38,605
Over 6 Months and up to 1 year	432,308	67,165	310,083	134,496
Over 1 Year and up to 3 years	417,561	57,361	395,498	134,982
Over 3 Year and up to 5 years	46,902	405	1,868	24,750
Over 5 years	145,419	63	245	-
Total	1,404,364	239,614	1,078,048	395,327

Residual Maturity of Assets and Liabilities



SLS Mismatch:

₹ in Lakhs

SLS	1 Day	2-7 Days	8-14 Days	15-30 Days
Total Outflows	15,294	35,300	26,241	46,625
Cumulative Outflows	15,294	50,595	76,836	123,461
Total Inflows	60,653	95,926	6,171	29,134
Cumulative Inflows	60,653	156,579	162,750	191,884
Mismatch	45,359	60,626	-20,070	-17,491
Cumulative Mismatch	45,359	105,985	85,914	68,423
Mismatch %	297%	172%	-76%	-38%
Cumulative Mismatch%	297%	209%	112%	55%

As shown above, the Bank is positively matched (the cumulative inflow is greater than cumulative outflows). The Bank has commenced a behavioural analysis of cash flows, especially for its Current Accounts and Savings Account balances using Value at Risk (VaR) based approaches to identify potential mismatches. The analysis is done on the basis of two years data and is expected to be repeated at regular intervals so as to form a constructive basis when the Bank has three years data. Aside from providing critical input on the churn and the likely impact that such churn can have on the liquidity mismatch, the analysis is intended to be the basis for devising strategy to stave off any flight of short term deposits, as the Bank focuses on building its CASA volumes. In addition to behavioural analysis for crucial day 1 liabilities, like DD payable accounts, OD undrawn and other factors are being conducted.

8.2.6. Non-performing assets (NPA)

₹ in Lakhs

Category of Gross NPA	March 2020
Sub-standard	12,491
Doubtful	1,056
Loss	167
Total	13,714
Net NPA	2,749

₹ in Lakhs

NPA Ratios	Percentage
Gross NPA to Gross Advances	0.97%
Net NPA to Net Advances	0.20%

8.2.7. Movement of Gross NPA's

₹ in Lakhs

NPA Ratios	Percentage
Opening Balance	9,785
Additions during the period	14,519
Reductions during the period	10,590
Closing Balance	13,714

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

₹ in Lakhs

NPA Ratios	Percentage
Opening Balance	7,030
Provisions made during the period	10,973
Write back of excess provisions	7,039
Closing Balance	10,965

The increase in delinquency and provisions can be mainly attributed to PAR additions seen in micro finance on account of Assam portfolio. The state of Assam was affected by external events in Q3 which had the combined effect of disrupting the entire state economy and credit lending. This had also adversely impacted the Bank's customers, like all other microfinance institution customers, which resulted in large scale portfolio stress.

Non-performing Investments (NPI)

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

8.2.9. Movement of provisions for depreciation on investments

₹ in Lakhs

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

The provision made is NIL as the entire investment book as at March 31, 2020 was classified as Held To Maturity (HTM) and therefore did not warrant Mark to Market (MTM).

9. TABLE DF-5: CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

9.1. Qualitative Disclosures

- 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.
- 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.

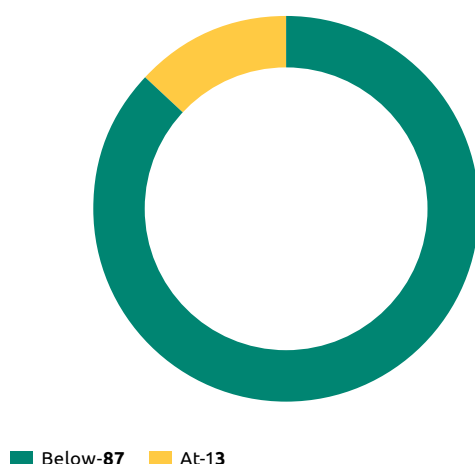
- c) RBI has decided to reduce the risk weight for consumer credit including personal loans, but excluding credit card receivables, to 100%.²³ This has enabled the Bank to apply 100% risk weight on its Microbanking loans (consumption loans) and personal loans segment.
- d) Institutional lending is risk-weighted as per ratings assigned by Eligible Credit Rating Agencies (ECRA) as prescribed by RBI.
- e) As on March 31, 2020, the Bank had a residual outstanding of "grandfathered" loans which comprised 0.58% of its funding book. These loans will be fully repaid by next quarter. As per regulatory guidelines, there was an additional risk weight of 25% assigned to this portfolio.

9.2. Quantitative Disclosures

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on March 31, 2020

Sl.No	Risk Weight	₹ in Lakhs
1	Below 100% Risk Weight	16,12,193
2	100% Risk Weight	2,36,766
3	More than 100% Risk Weight	10
4	Deductions from CRM	-
5	Total	18,48,969

Risk Weight based Gross Cross Exposure (FB+NFB) (%)



Below-87 At-13

10. TABLE DF-6: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH

10.1. Qualitative Disclosure

- The Group Loan and Individual Loan portfolio, under microfinance is unsecured. Loans to the Affordable Housing segment are collateralized by a mortgage over the property financed. There is primarily a secured product variant under MSE loans and a residual book of unsecured loans which is being run down and is expected to be fully repaid in the ensuing financial year. Loans to Financial Institutions are secured by a charge over book debts which are registered with CERSAI.
- The Bank accepts Eligible Financial Collateral²⁴ in a few instances for risk mitigation under secured Institutional lending and MSE loans. These financial collaterals are netted off for its collateralized transactions under comprehensive approach²⁵ while computing its Risk Weighted Assets (RWA).
- The Bank has a Portfolio Review/ Loan Review Mechanism (LRM) to review the health of the portfolio/ borrowers and work on mitigation of any risk associated with the portfolio or borrower in particular.
- 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, housing, two wheeler and personal loans.
 - The Bank works with 4 Credit Information Companies (CICs) and ensures 100% application screening through the bureaus using their comprehensive credit reports.
 - 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 Bank has implemented its Early Warning System (EWS) tool for Housing and MSE loans to enable the Bank to monitor the repayment behaviour and discipline of the borrower. This tool is now being further enhanced with real time updates from bureau to capture any movement in increase in excess leverage, change in contact details and change in residential status. This enhancement has been implemented in response to the on-going COVID-19 pandemic which has caused widespread business slowdown. This tool provides valuable insights which enable the Bank to focus more on customers deemed to be of higher risk

²³Refer RBI guidelines on Risk Weight for Consumer Credit except credit card receivables issued on September 12, 2019

²⁴Refer section 7.3.5 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015

²⁵Refer section 7.3 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015

- 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.

11. TABLE DF-7: SECURITISATION EXPOSURES: DISCLOSURE FOR STANDARDISED APPROACH

11.1. Qualitative Disclosure

There were no securitization exposures in the banking book and trading book as at March 31, 2020.

12. TABLE DF- 8: MARKET RISK AND LIQUIDITY RISK

12.1. Qualitative Disclosures

The Bank has a well-defined Investment and Market Risk Management Policy. This policy covers all important areas of market risk identification, monitoring and measurement. The other policy which primarily deals with Liquidity 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.

During the year, the Bank shifted G Sec of ₹6,500 Crores face value, from HTM to AFS during the financial year 2019-20. This shifting was done at the beginning of the year with the approval of the Board of Directors.

12.1.1. 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. Personal loans are for short dated tenors and the average tenor for loans to Financial Institutions did not exceed 24 months.

The ALM position for the Bank was well managed and regulatory thresholds complied with. The Bank has various avenues to leverage upon in mitigating any future liquidity shortfalls. Some of the measures include securitization, IBPC transactions, term loan facilities from Bank and utilizing lines of refinance from NABARD, NHB and SIDBI.

The share of legacy borrowings had reduced sharply to 0.75% as at March 31, 2020 as compared to 3.10% as at March 31, 2019. To effectively manage its ALM and also to diversify its funding sources, the Bank has also availed of refinance from SIDBI and NABARD which constituted 23.65% of the total funding mix. Other than it being cost effective and since there is no obligation to maintain Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) on these borrowings, these provide the necessary cushion for ALM.

The reliance on Certificate of Deposits (CDs) had also reduced as at March 31, 2020 constituting 6.51% of the funding mix as compared to 8.92% in the corresponding period in the previous year. The Bank has fully repaid its Non-Convertible Debentures (NCDs).

Deposits (Retail and Institutional) had registered a robust increase in its share of funding mix. The share of deposits has increased from 50% in March 2019 to 64% as at March 2020. As part of its Contingency Funding Plan and also to diversify its funding sources, the Bank has been sanctioned a committed line of credit from a large private sector bank to the tune of ₹5,000 Lakhs. The accent on retail deposits will continue in the ensuing years with an objective to optimize cost of deposits.

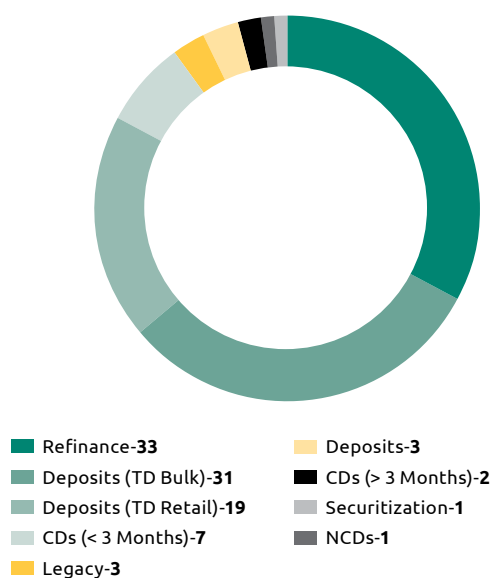
A comparative picture of the funding mix is given below:

						₹ in Lakhs
Sl. No	Particulars	March 2019 ²⁶	June 2019	September 2019	December 2019 ²⁰	March 2020
1	Legacy	34,700	26,658	15,657	15,000	10,000
2	Refinance	372,000	353,950	301,360	289,900	314,441
3	Interbank	0	0	20,000	5,000	70,886
4	Deposits	561,300	688,268	816,458	841,700	847,454
5	CDs (< 3 Months)	77,500	22,500	23,500	30,000	60,000
6	CDs (> 3 Months)	22,500	2,500	17,500	0	26,500
7	NCDs	10,000	10,000	10,000	0	-
8	Securitization	9,100	5,378	1,638	0	-
9	IBPC	33,500	33,500	0	0	-
Outstanding		1,120,600	1,142,754	1,206,113	1,181,600	1,329,281

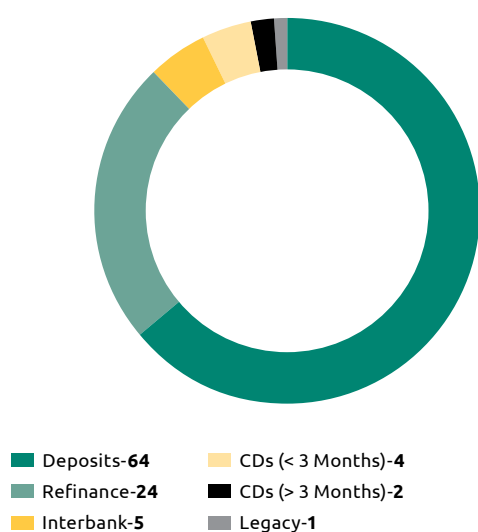
²⁶ Rounded to nearest hundred

The distribution of funding mix is detailed as below:

Funding Mix- March 2019 (%)



Funding Mix- March 2020 (%)



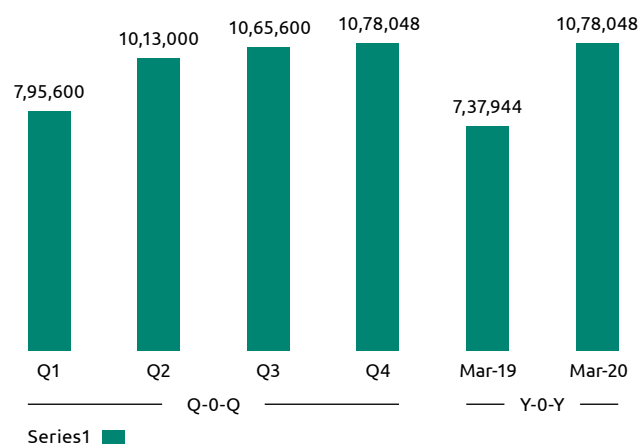
12.1.2. Deposit profile of the Bank

The Bank had registered a q-o-q growth of 1% while the y-o-y growth in deposits was a robust 72%. The internal target for growth in deposits could not be met on account of national lockdown in the fourth week of March 2020, a critical time period for garnering fresh

deposits. The comparative position of deposit profile is furnished below :

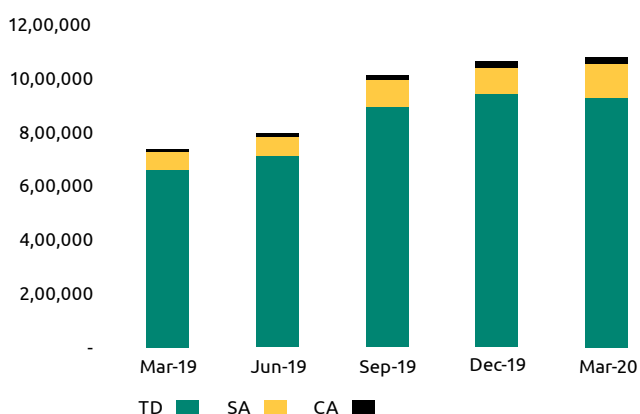
Deposits (Including CDs)

₹ in Lakhs



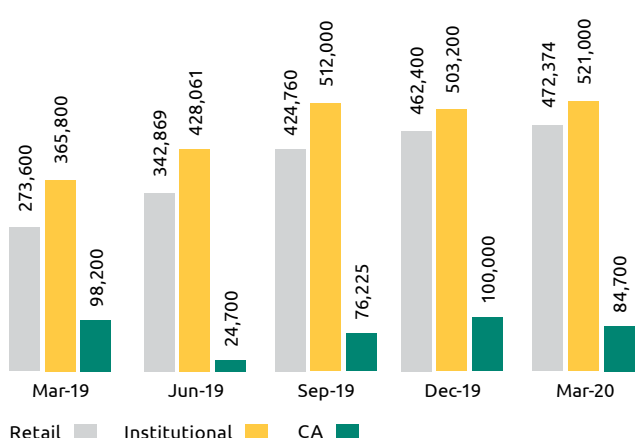
Trend and dist. in Deposits

₹ in Lakhs



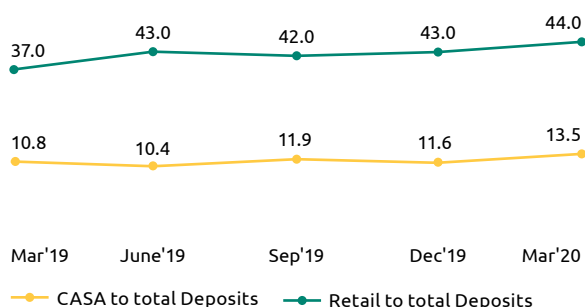
Distribution of Deposits

₹ in Lakhs



One of the strategic imperatives of the Bank is to grow the share of CASA in its total deposits base. The Bank has increased its share of Retail and Institutional deposits over the corresponding period in the previous year. The Bank has dedicated teams within the liabilities side focused on mobilization of deposits from each client type.

CASA and Retail Deposit Trend (%)



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 Small Finance Banks in India. 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.

The LCR position, computed on the basis of daily average of three months, was comfortable and significantly in excess of the mandatory minimum i.e. 90% as applicable w.e.f. 1st January 2020.

(₹ in Lakhs)

Liquidity Coverage Ratio	
A High Quality Liquid Assets	Adjusted Baseline Scenario
Level 1 Assets	232,904
Level 2 A Assets	-
Level 2 B Assets	-
B Total Stock of HQLAs	232,904
C Cash Outflows	145,854
D Cash Inflows	54,130
E Net Cash-flow	91,724
F 25% of Total Cash Outflow	36,464
G Higher of E or F	91,724
Liquidity Coverage Ratio	253.92%

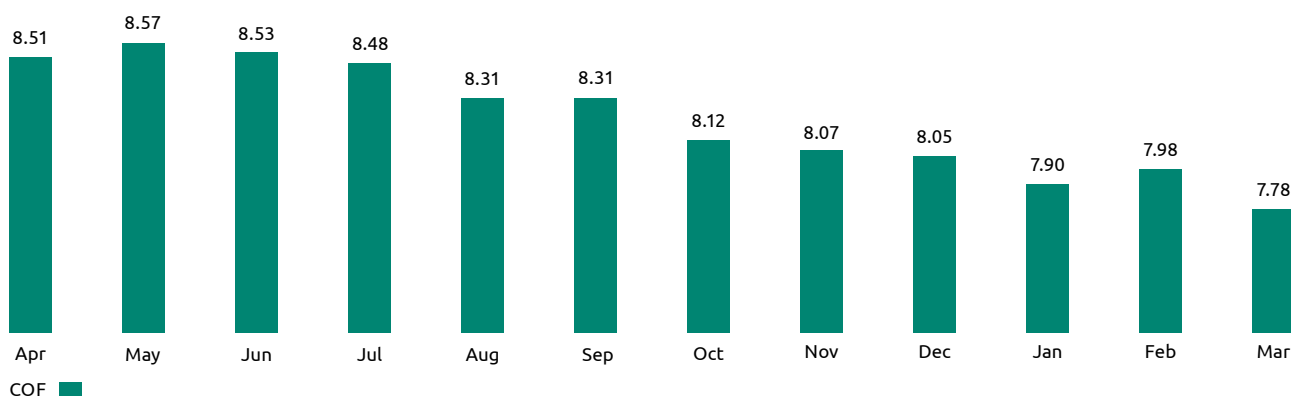
The high LCR was on account of high average cash position of ₹17,541 Lakhs and excess SLR securities. The excess SLR securities were acquired in order to facilitate the Bank in borrowing through Variable rate Repo (via CROMS) and TREPS and therefore in capitalising on falling interest rate scenario. Better cash and SLR management will optimize the LCR.

Net Stable Funding Ratio (NSFR): RBI had issued its final guidelines for NSFR²⁷ which will come into effect from April 1, 2020. However, the same has been extended to October 1, 2020 in the backdrop of the COVID-19 pandemic.

12.1.3 Cost of Funding

Cost of Funds of the Bank has shown a declining trend during the year. COF was 8.51% at the beginning month of the year and reduced to 7.78% at the end of the year. The details are as below:

Cost of Funds (%)



²⁷Refer RBI guidelines issued vide circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018

12.2. Quantitative Disclosures

As at March 31, 2020, the AFS²⁸ book consisted only of treasury bills and there was no exposure in the HFT²⁹ book. On the basis of SDA³⁰, the capital requirement for market risk reported to the Board from a governance perspective was as under:

₹ in Lakhs			
ISIN of T-Bills	Market Value	Modified Duration	Weighted M duration
IN002019Y282	1,500	0.00	0.04
IN002019Z420	9,614	0.73	70.11
IN002019Z297	3,893	0.49	19.23
IN002019Y290	4,994	0.02	1.06
IN002019Z438	11,525	0.75	86.17
IN002019Y308	1,497	0.04	0.60
IN002019Y357	9,932	0.13	13.16
IN002019Y316	8,907	0.06	5.19
IN002019Z180	1,785	0.29	5.26
IN002019Z321	503	0.55	2.76
IN002019Y324	29	0.08	0.02
IN002019Z073	3,976	0.11	4.53
IN002019Z032	6,487	0.04	2.58
IN002019Z032	1,497	0.04	0.60
IN002019Z057	11,447	0.08	9.04
Capital Charge	220		
RWA	2,754		

₹ in Lakhs	
Capital Requirement for Market Risk	Amount
Interest Rate Risk	220
Equity Position Risk	-
Foreign Exchange Risk	-
Total	220
Total Market Risk RWA	2,754

13. TABLE DF- 9: OPERATIONAL RISK

13.1. Qualitative Disclosures

13.1.1. Strategy and policy for Operational Risk Management

Operational Risk is "the risk of loss resulting from inadequate or failed internal processes, people, 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 is not limited to, exposure to penalties, fines, punitive damages arising out of supervisory action, civil litigation damages, related legal costs and any private settlements.

13.1.2. Governance Structure

For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) chaired by MD & CEO with a quorum

of Head of Operations, Chief Vigilance Officer, Chief Risk Officer, Chief Technology Officer with Head of Internal Audit as an observer. This committee which is convened by Chief Risk officer meets every quarter to provide an oversight on key operational risk issues, the summary of which is presented to the RMC of the Board. The ORMC supports the Risk Management Committee (RMC) of the Board and is responsible for implementing the best practices in managing Operational Risk.

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. Manuals, an important spin off to the various operational risk policies were documented for key activities such as Risk and Control Self-Assessment (RCSA), Risk and Control Matrix (RCM), Key Risk Indicators (KRI), and Loss Data Management.

13.1.3. Risk identification, measurement, monitoring and reporting

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

- **Product and Process reviews:** All new products and processes (including enhancement) are subject to a mandatory comprehensive review by the operational risk department. Post assessment, the Bank chalks out detailed plans for compliance and closure of the observations. Subsequent to closure, the new/enhancement to product/process are placed at the Product and Process Approval Committee (PPAC) for approval. The Bank continuously reviews and enhances its key processes to adapt to industry best practices. During the quarter, the Bank had undertaken various enhancements under consideration especially in the area of account opening process for liability products.
- **UAT Testing (including BRD and FSD):** For any change management/ automation of products and processes, the department owners prepare the Business Requirement Document (BRD). The BRD is reviewed by key control and business functions for further improvements. Subsequently, the same is provided to the IT department within the Bank. The IT department then prepares the Functional Specification Document (FSD) detailing the scope of the project. Once the project is moved to testing stage, operational risk department performs the User Acceptance Testing (UAT) along with others to identify gaps in the actual deliverable versus that which was proposed in the BRD. These gaps are further addressed and closed before moving to production. During the quarter, the Bank had undertaken UAT for various activities such as Direct Benefit Transfer (DBT) process, De-dupe process etc. The involvement of operational risk department in UAT

²⁸Available for Sale

²⁹Held for Trading

³⁰Standardized Duration Approach

has enabled the Bank to identify and mitigate critical gaps ab. initio.

- **RCSA:** The Bank had resumed RCSA during the year as a centralised process and had completed eight processes. This was a change from an earlier effort to implement RCSA at a granular level through its branches, though it is anticipated that this will be reintroduced in the next financial year. During the quarter, four processes, namely Clearing, Payments and Remittances and Loans/Overdrafts against Deposits had been completed and discussed with the key stakeholders. The Bank intends on undertaking RCSA for four more processes in the ensuing year. There is a time bound plan to close the open issues as observed during RCSA and an update is provided to ORMC and RMC-Board at regular intervals.
- **Key Risk Indicators:** Presently, the Bank has defined 19 KRIs at an organization level as part of the Operational Risk Management Framework. These KRIs are analysed on monthly basis and a comprehensive report is submitted to the ORMC and Board at quarterly intervals with action plan for closure of open issues. The thresholds for the KRIs have been decided upon in consultation with the stakeholders. The Bank is also in the process of enhancing the existing framework by defining functional KRIs for key functions such as HR, Operations, MicroBanking etc., for better monitoring. This is expected to be completed in the ensuing quarter. With the results of RCSA exercise, the thresholds for these KRIs will be progressively revised.
- **Loss Data Management** is in place to record material incidents and learn from errors and strengthening existing controls. Incidents are recorded as operational loss and near miss events. This is followed by a Root Cause Analysis (RCA) for critical incidents. EGRC module in SAS is implemented to record all loss events across the Bank. Significantly, the efforts of the Operational Risk team have resulted in greater reporting of operational risk incidents from the branches. The Bank has created a separate General Ledger Code (GLC) to record losses (separate for fraud and non-fraud) on account of these incidents and these are reported to the Board at quarterly intervals. The Bank encourages its personnel to report incidents in an unbiased manner without fear for retribution. The incident reporting process enables creation of loss database as per Basel definitions. The activities broadly include the following:
 - Reconciliation of General Ledgers (GL) to operational loss as recorded in SAS
 - Root Cause Analysis (RCA) of critical events
 - Quarterly loss data submission to Board

Barring one major incident of fraud at one of its branches in the East, the Bank otherwise had only minor instances of fraud and these related to cash activities in 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. During the year though, the Bank noted increasing instances of its microfinance customers being defrauded through card cloning or through their sharing of confidential information with fraudsters. The Bank is enhancing its customer awareness program to minimise the impact of such incidents.

- **Thematic reviews:** While carrying out RCSA, KRIs, UAT testing, incident reporting etc., Operational Risk team identifies few risk indicators warranting a special thematic review of the entire process. This enables the Bank to identify issues and gaps at minute level which are then taken up for rectification. These thematic reviews do not follow standardized risk identification techniques and therefore provide wider scope for a deeper and customized study of issues and gaps. During the quarter, the Bank had undertaken thematic reviews for Tax Deducted at Source (TDS) process, DBT process and Goods and Service Tax (GST) application process. Such thematic studies have enabled the Bank to further refine its existing processes and plug gaps that had been identified.
- **RRU³¹ Scorecard approach:** The Bank has developed an internal scoring mechanism to capture all risk parameters at a granular level within the Bank i.e. branch level. The scorecard includes all facets of branch operations: Microbanking, Housing and MSE loans, liabilities and other branch related parameters. Branches are categorized as High, Medium or Low risk based on these assessments on monthly basis. The scores are reviewed at ORMC and actionable 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. The scorecard is continuously enhanced to include relevant parameters for optimizing the Operational Risk score. The Bank is in the process of automating the scorecard to make it a more effective tool.
- **User Access reviews** are conducted for critical applications to ensure that access and role matrix are well defined and that access is commensurate with the responsibility assigned. These reviews are undertaken at half-yearly intervals.
- **RCU process:** The Bank has established a monitoring mechanism for identifying and rectifying instances of suspicious customers doing banking business. On a monthly basis, Vigilance department undertakes RCU check from a sampling of liability customers. The outcome of the RCU check provides a commentary on the customer profile. For all cases identified as 'negative', the Operational Risk department undertakes a special review in consultation with branch personnel and recommends corrections. For customers who are found to be negative after the rectification measures, exit strategies from customers are explored. This mechanism has enabled the Bank to avoid undertaking business relationships with potential anti-social members of society. This process is being further

³¹Risk Rating Unit

enhanced to include customers who are on boarded through various digital channels.

- **Evaluation of process adherence at branches:** Branches across regions are reviewed against a checklist devised by the Operational Risk team to ensure adherence to branch processes. The team had visited 70% of the live branches as at March 2020 to review them on the defined parameters. The checklist is reviewed and enhanced every quarter to strengthen monitoring. With onset of COVID-19 and lockdown, and branch visits curtailed for the time being, the check list is being restructured to ensure that monitoring and review is not eased and can be done on a remote basis, based on reports derived from systems and through remote access and verification of registers.
- **Outsourcing Risk:** Progressive risk assessment of most material outsourced vendors (including legacy vendors) was completed during the year to ensure that these vendors comply with the minimum requirements prescribed by RBI. Detailed notes were recorded on the risk assessment done for each vendor through visits and were placed to ORMC/Board at quarterly intervals. All observations made by RBI in this connection in its Annual Financial Inspection (AFI) are complied with. The Bank has in place an outsourcing policy which provides guidance on outsourcing certain functions to specialized agencies for increasing efficiency and lower costs. '**Outsourcing**' is defined as the Bank's use of a third party (either an affiliated entity within the corporate group or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the Bank itself, now or in the future. The outsourcing policy is framed in compliance to various RBI guidelines on outsourcing issued from time to time. All vendors, deemed as material, are subjected to a rigorous pre on boarding risk assessment, done both by the Operational Risk team and the Information Security team and this is repeated at annual intervals. Renewal of outsourcing contracts are tracked by the Operational Risk Vertical. Intimation of due for renewal is sent to respective verticals at least 90 days prior to the date of renewal. Outsourcing done by the Bank is subjected to an annual audit by the Internal Audit team who provide the required compliance certificate to RBI.
- **Internal Financial Control (IFC) testing:** This is an annual exercise and done by the Operational Risk team. The team along with concerned stakeholders prepare and enhance Risk & Control Matrixes (RCMs). The financial and operational controls in these RCMs are then put to test by collecting samples from across the review period and from different regions, and are then evaluated for success or failure of the control effectiveness. The critical gaps observed during such testing are discussed with concerned functions for upgrading controls which may include automation of the controls. The result of this evaluation is also presented to ORMC and RMC of Board to update them on effectiveness of the internal controls of the Bank,

and take guidance. This result is also shared with the Bank's external auditor to provide insight on adequacy and effectiveness of the controls in the Bank. The IFC testing is also mandatory requirement as per Companies Act, 2013.

13.1.4. Human Resource Management

The Bank is continuously engaged in addressing people risk. The employee count at the year-end had reached 17,841. The Bank had on boarded 7,786 candidates during the year. The annualized attrition as at March 31, 2020 was 20.84%. Employees in the age band of 25 to 35 years were the highest in numbers.

Towards the end of the year, employees were reached out over phone in corporate and regions to enquire about their well-being and extend any support that they may require amidst the COVID-19 lockdown. This exercise will be undertaken at regular basis in the ensuing year using health declaration surveys on the Bank's internal learning platform.

During the quarter, the Bank completed group health insurance enrolments with 97% of its employees opting for the same. The Bank has also negotiated a special COVID-19 insurance for its grade B and C employees.

The Bank provides rigorous **training** to its employees in its pursuit to develop bank related skill sets. The Bank had invested ₹7,566 per employee trained during the year³². The Bank has in place a detailed process and guidelines for training programs on a calendar based approach. Newly inducted employees are required to complete assigned induction programs as applicable for their role within 30 days of joining. During the year, the Bank has undertaken various training programs such as branch roll out trainings, employee induction, refresher programs, selling skills, up skills and other specialized training programs. The Bank updates its training content on various topics and areas in its SWAYAM app on a continuous basis. The Bank sponsors training programs for its employees working in critical areas/technically skilled jobs and to participate in programs conducted by renowned organizations such as College of Agriculture Banking (CAB), Indian Institute of Banking and Finance (IIBF), National Institute of Bank Management (NIBM) and others. During the quarter, the Bank had provided training to 17,775 employees in 1,441 batches.

13.1.5. Information Technology and Security Risk

The Bank, by virtue of its business, faces a plethora of information security risks. This was further exacerbated during the COVID-19 lockdown when the Bank implemented a Work from Home (WFH) policy and provided remote access to many of its employees. Provision of remote access, required enhanced monitoring to ensure that COVID-19 themed attacks were thwarted. Data security is central to the Bank and forms the core. The Bank believes that good security risk management is good business and has thus formulated an enterprise-wide Information Security Policy and Cyber

Security Policy to govern the protection of information assets. In addition, as per regulatory requirements, the Bank has put in place an up to date Incident Management and Cyber Crisis Management Plan to deal with incidents and cyber crises. There is also a policy governing the acceptable usage of information and system assets and policy to ensure continuity of business operations in the event of a disaster.

Given the dynamic nature of risks that the Bank faces, the Bank periodically assesses the risks and develops strategies to ensure that risks are mitigated to an acceptable level. Being technology-oriented, most of the risks are technological in nature and thus the Bank invests heavily in security technologies. The Bank carries out a range of security assessments throughout the year. A 24x7 Cyber Security Operations Centre has been established to detect and contain security anomalies. This Cyber SOC is also responsible to actively monitor emerging threats based on intelligence gathering. The Bank has developed a comprehensive awareness program wherein employees are trained during on-boarding, periodic phishing simulations are carried out and awareness mailers are broadcasted to both employees and customers.

During the year, the Bank won the coveted award from IBA as the "Best IT risk Management and Cyber Security Initiative" for the third year in succession.

13.1.6. 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. The branches across regions are equipped with call-tree chart and FAQ to provide continuous customer service in case of disruption like cyclone Fani, floods, riots bringing internet service down, etc.

The effectiveness of the Bank's Business Continuity process is realized in times of crisis as most recently during the Corona pandemic. With the onset of the pandemic, the Bank constituted a committee both at the Board and Management level. The Management team meets at frequent intervals to assess the emerging situation and decide on measures that have to be taken. This is disseminated at a granular level through its regional committees. It is significant to record that the Bank continued to offer banking services from all its branches through the pandemic, though footfall was low. Each branch has a mapped BCP branch and all employees have backups identified in the BCP branches. This has ensured that essential services have continued to be offered even if some staff members are affected.

The Board Committee is kept advised at weekly intervals and provides the required direction both in terms of strategy and personnel management. The Bank had documented its Business Impact Assessment (BIA) for critical corporate office functions, but these are being enhanced taking into account the newer processes and products being offered and to also include an Impact Assessment of its IT Applications.

13.1.7. Procurement

The procurement activity in the Bank assumes significant importance as it involves procurement of assets for the purpose of building internal efficiencies and building better infrastructure for ensuring effective customer service. The Bank has in place a Board approved procurement policy which defines the guidelines, procedures and responsibilities for various purchases/expenses related to procurement and provides a framework to ensure that the purchased products/services conform to specified requirements. The Bank is in the process of establishing a dedicated centralized procurement team for greater efficiency and stronger negotiation. The Bank has on boarded the required personnel for the same.

The Procurement policy is being revised and is being updated in accordance with the new Procurement department and roles. It has also been strengthened where the Bank deemed it to be necessary to ensure an apt guideline. The Procurement Standard Operating Procedure (SOP) stands updated and it has become more robust giving clear insight of the complete process and clear demarcation of roles and responsibilities allowing the process to be taken to the next level.

In this era of automation, there are a few projects which are being steered during HY 2020-21 and ones planned for the second half of this financial year. These projects are expected to improve the efficiency and efficacy of the purchase process at the Bank level and will also aid in better tracking of requirements, inculcate environment friendly practices and a shorter Turnaround Time (TAT).

The second phase of automation is expected to lead to better contract management. All contracts are vetted by the Legal department within the Bank before execution and all service agreements are accompanied by Non-Disclosure Agreements/ Clauses.

13.1.8. Capital charge assessment

Although RBI has not mandated SFBs to maintain capital charge for Operational Risk, the Bank has adopted Basic Indicator Approach (BIA) for measuring the capital requirements for Operational risk as applicable to Scheduled Commercial Banks. The Bank has computed its Operational Risk Capital Charge at 15% of the average of gross income for the past three completed years of operation.

13.2. Quantitative Disclosure

The Bank follows the BIA approach to compute its Operational Risk capital charge and RWA. The detailed computation is as follows:

₹ in Lakhs			
Particulars	Mar-18	Mar-19	Mar-20
Net Profit	686	19,922	34,992
Operating Expenses	65,287	100,335	131,858
Provisions and Contingencies	31,276	10,980	28,731
Gross Income	97,249	131,237	195,581
Average (3 years)		141,356	
Capital Charge		21,203	
RWA		265,042	

14. TABLE DF- 10: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

14.1. 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) Earnings 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.

14.2. Quantitative Disclosures

14.2.1. Earnings at Risk (Earnings Perspective)

₹ in Lakhs			
Interest Rate Risk in the Banking Book (IRRBB)			
Sl. No	Country	Interest Rate Shock	
		+200 bps shock	-200 bps shock
1	India	(387)	387
2	Overseas	-	-
		(387)	387

14.2.2. Economic Value Perspective (MDG Approach)

₹ in Lakhs		
Category	Items	Amount
A	Equity	281,829
B	Computation of Aggregate RSA	1,753,791
C	Computation of Aggregate RSL	1,510,274
D	Weighted Avg. MD of RSL across all currencies	1.02
E	Weighted Avg. MD of RSA across all currencies	1.53
F	MDG	243,517
G	Change in MVE as % of equity for 200bps change in interest rate	-8.10%
H	Change in MVE in absolute terms	(22,834)

15. TABLE DF-13: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Equity shares

Disclosure template for main features of regulatory capital instruments	
	Equity Shares
1 Issuer	Ujjivan Small Finance Bank Limited
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: INE551W01018
3 Governing law(s) of the instrument	Applicable Indian Statutes and regulatory requirements
Regulatory treatment	
4 Transitional Basel III rules	Common equity Tier 1
5 Post-transitional Basel III rules	Common equity Tier 1
6 Eligible at solo/group/ group & solo	Solo
7 Instrument type	Common Shares
8 Amount recognised in regulatory capital (₹ in Million, as of most recent reporting date)	₹17,282.23 Million
9 Par value of instrument	₹10/-
10 Accounting classification	Capital
11 Original date of issuance	₹0.50 Million – July 4, 2016 ₹1099.868 Million – July 30, 2016 ₹13,300 Million - February 10, 2017 ₹140.55 Million- November 11, 2019 ₹714.29 Million- November 13, 2019 ₹2,027.03 Million- December 10, 2019

Disclosure template for main features of regulatory capital instruments	
	Equity Shares
12 Perpetual or dated	Perpetual
13 Original maturity date	No Maturity date
14 Issuer call subject to prior supervisory approval	No
15 Optional call date, contingent call dates and redemption amount	NA
16 Subsequent call dates, if applicable	NA
Coupons / dividends	Dividend
17 Fixed or floating dividend/coupon	NA
18 Coupon rate and any related index	NA
19 Existence of a dividend stopper	NA
20 Fully discretionary, partially discretionary or mandatory	Fully discretionary
21 Existence of step up or other incentive to redeem	No
22 Noncumulative or cumulative	Non-Cumulative
23 Convertible or non-convertible	NA
24 If convertible, conversion trigger(s)	NA
25 If convertible, fully or partially	NA
26 If convertible, conversion rate	NA
27 If convertible, mandatory or optional conversion	NA
28 If convertible, specify instrument type convertible into	NA
29 If convertible, specify issuer of instrument it converts into	NA
30 Write-down feature	No
31 If write-down, write-down trigger(s)	NA
32 If write-down, full or partial	NA
34 If temporary write-down, description of write-up mechanism	NA
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Secured Term Loan Borrowings , Creditors of the Bank and Depositors
36 Non-compliant transitioned features	No
37 If yes, specify non-compliant features	NA

PNCPS

Disclosure template for main features of regulatory capital instruments	
	Preference Shares
1 Issuer	Ujjivan Small Finance Bank Limited
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3 Governing law(s) of the instrument	Applicable Indian Statutes & Regulatory requirements and RBI Basel III Guidelines dated July 1, 2015
Regulatory treatment	
4 Transitional Basel III rules	Addition Tier 1 Capital (AT1)
5 Post-transitional Basel III rules	Addition Tier 1 Capital (AT1)
6 Eligible at solo/group/ group & solo	Solo
7 Instrument type	Perpetual Non-Cumulative Preference shares
8 Amount recognised in regulatory capital (₹ in Million, as of most recent reporting date)	₹2,000 Million
9 Par value of instrument	₹10/-
10 Accounting classification	Capital
11 Original date of issuance	February 10, 2017
12 Perpetual or dated	Perpetual
13 Original maturity date	No Maturity date
14 Issuer call subject to prior supervisory approval	No
15 Optional call date, contingent call dates and redemption amount	NIL
16 Subsequent call dates, if applicable	NIL
Coupons / dividends	Dividend
17 Fixed or floating dividend/coupon	Fixed
18 Coupon rate and any related index	11.0%
19 Existence of a dividend stopper	Yes
20 Fully discretionary, partially discretionary or mandatory	Fully discretionary
21 Existence of step up or other incentive to redeem	NIL
22 Noncumulative or cumulative	Non-Cumulative
23 Convertible or non-convertible	Non-Convertible

Disclosure template for main features of regulatory capital instruments	
	Preference Shares
24 If convertible, conversion trigger(s)	NA
25 If convertible, fully or partially	NA
26 If convertible, conversion rate	NA
27 If convertible, mandatory or optional conversion	NA
28 If convertible, specify instrument type convertible into	NA
29 If convertible, specify issuer of instrument it converts into	NA
30 Write-down feature	Yes
31 If write-down, write-down trigger(s)	PONV trigger & CET1 trigger
32 If write-down, full or partial	Full and Partial
34 If temporary write-down, description of write-up mechanism	The Issuer shall: <ol style="list-style-type: none"> 1. Notify holders of preference Shares 2. Cancel any dividend accrued and un paid to as on write down date 3. Without the need for the consent of holders of the PNCPS, write down the face value of the PNCPS by such amount as the Issuer may in its absolute discretion decide. Provided that, in no event shall such amount of write down be less than the amount required to immediately return the Issuer's Common Equity Tier 1 Ratio (as defined below) to above the CET1 Trigger Event Threshold (as defined below), nor shall such amount of write down exceed the amount which would be required to be written down to ensure that the Common Equity Tier 1 Ratio is equal to the aggregate of the CET1 Trigger Event Threshold and 2.5%, or such other percentage as may be prescribed by the RBI (the "CET1 Write Down Amount").
35. Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to the claims of all depositors and general creditors and all capital instruments qualifying Tier II Capital instruments and perpetual debt instruments. Only Superior to Equity Shares
36. Non-compliant transitioned features	No
37 If yes, specify non-compliant features	NA

16. TABLE DF-14: TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS

Equity Shares

Full Terms and Conditions of Equity Shares of the Bank		
SN	Particulars	Full Terms and Conditions
1	Voting shares	Equity Shares of the Bank are Voting Shares
2	Limits on Voting Shares	Limits on Voting rights are applicable as per provisions of the Banking Regulation Act, 1949. One share has one voting right
3	Position in Subordination hierarchy	Represent the most Subordinated claim on liquidation of the Bank. It is not secured or guaranteed by issuer or related entity nor subject to any other arrangement that legally or economically enhances the seniority of the claim
4	Perpetuity	Principal is perpetual and never repaid outside of liquidation (Except discretionary repurchases/buy backs or other means of effectively reducing capital in a discretionary manner that is allowable under relevant law as well as guidelines, if any issued by RBI in the matter)
5	Accounting Classification	The paid up amount is classified as Equity Capital in Banks Balance Sheet
6	Distributions	Distributions are paid out of Distributable items (retained earnings included). There are no circumstances under which distributions are obligatory. Non Payment is therefore not an event of default
7	Approval for Issuance	Paid up capital is only issued with approval given by Board of Directors

16. TABLE DF-14: TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS

PNCPS

SN	Particulars	Full Terms and Conditions
1	Type of Instrument	Perpetual Non-Cumulative Preference Shares
2	Terms for Raising PNCPS	Issue of PNCPS for augmenting the overall capital of the Issuer to strengthen the Issuer's capital adequacy and enhance its long-term resources in compliance with the applicable law.
3	Seniority	The claims in respect of the PNCPS, subject to applicable law, will rank: <ol style="list-style-type: none"> Superior to claims of holders of equity shares and Subordinate to the claims of all depositors, term loan borrowings, all capital instruments qualifying as tier II capital and all perpetual debt instruments
4	Listing	Unlisted.
5	Tenor	The PNCPS shall be perpetual i.e. there is no maturity date and there are no step-ups or any other incentives to redeem the PNCPS.
6	Dividend Payment Frequency	Subject to Dividend Limitation and Loss Absorption, dividend will be payable as per the discretion of the Bank's Board. The Board is empowered to <ol style="list-style-type: none"> Declare Interim Dividend during the financial year Declare for subsequent financial years (including interim dividends) or Declare dividend during the period between the end of the financial year and before conducting the AGM.
7	Dividend Rate	11% per annum or at a rate as specified in terms of RBI Master Circular on Basel III capital regulations
8	Dividend Stopper	In the event that the Preference shareholders are not paid dividend at the Dividend Rate, there shall be no payment of discretionary dividend on equity shares until the Dividend payments to the shareholders are made in accordance with terms hereof.
9	Put Option	Not Applicable.
10	Call Option	<p>Issuer call: The Issuer may at its sole discretion, subject conditions for Call and Repurchase and exercise of such call option (with a notification to the holders of the PNCPS which shall specify the date fixed for exercise of the call option), exercise a call option on the PNCPS ("Issuer Call"). The Issuer Call may be exercised at the option of the Issuer no earlier than on the fifth anniversary of the Deemed Date of Allotment.</p> <p>Tax Call: If a Tax Event has occurred and is continuing, the Issuer may at its sole discretion, subject to Conditions for Call and Repurchase and notification to the holders of PNCPS of not less than 21 calendar days prior to the date of exercise of such call option (which notification shall specify the date fixed for exercise of the call option), exercise a call option on the PNCPS ("Tax Call"). Provided further that, subject to conditions for Call and Repurchase the Issuer may substitute the PNCPS with capital instruments that are in accordance with the RBI Master Circular on Basel III capital regulations and any other applicable law</p> <p>Regulatory Call: If a Regulatory Event has occurred and is continuing, the Issuer may at its sole discretion, subject to Conditions for Call and Repurchase and notification to the holders of PNCPS of not less than 21 calendar days prior to the date of exercise of such call option (which notification shall specify the date fixed for exercise of the call option), exercise a call option on the outstanding PNCPS ("Regulatory Call"). Provided further that, subject to Condition 27 (Conditions for Call and Repurchase) the Issuer may substitute the PNCPS with capital instruments that are in accordance with the RBI Master Circular on Basel III capital regulations and any other applicable law.</p>
11	Repurchase/ Redemption/ Buy-back	The Issuer may subject to Conditions for Call and Repurchase having been satisfied and such repayment being permitted by the RBI Master Circular on Basel III capital regulations, repay the PNCPS by way of repurchase, buy-back or redemption.
12	Loss Absorption	<p>PNCPS should have principal loss absorption through a write-down mechanism which allocates losses to the instrument at a pre-specified trigger point. The write-down will have the following effects:</p> <ol style="list-style-type: none"> Reduce the claim of the PNCPS in case of liquidation; Reduce the amount re-paid when a call over the PNCPS is exercised by the Issuer; and Partially or fully reduce dividend payments on the PNCPS. <p>The specific criteria for such loss absorption through conversion/write-down/write-off on breach of pre-specified trigger and the Point of Non-Viability (PONV) will be in accordance with the applicable RBI guidelines. The relevant terms of Annex 16 in Master Circular of Basel III capital regulations shall be deemed to be incorporated herein.</p>

SN	Particulars	Full Terms and Conditions
13	Permanent Principal Write-down on PONV Trigger Event	<p>If a PONV Trigger Event occurs, the Issuer shall:</p> <ol style="list-style-type: none"> 1. Notify the holders of the PNCPS; 2. cancel any dividend which is accrued and unpaid on the PNCPS as on the write-down date; and 3. Without the need for the consent of the holders of the PNCPS, write down the outstanding principal of the PNCPS by such amount as may be prescribed by RBI ("PONV Write Down Amount") and subject as is otherwise required by the RBI at the relevant time. The Issuer will affect a write-down within 30 (thirty) days (or such other time as may be prescribed by applicable law) of the PONV Write-Down Amount being determined by the RBI. A Permanent Principal Write-down on PONV Trigger Event may occur on more than one occasion. <p>Unless specifically permitted by applicable law, once the face value of the PNCPS has been written down pursuant to PONV Trigger Event, the PONV Write-Down Amount will not be restored in any circumstances, including where the PONV Trigger Event has ceased to continue.</p>
14.	Temporary principal Write-down on CET1 Trigger Event	<p>If a CET1 Trigger Event (as described below) occurs, the Issuer shall:</p> <ol style="list-style-type: none"> 1. Notify the holders of the PNCPS; 2. Cancel any dividend which is accrued and unpaid to as on the write-down date; 3. Without the need for the consent of holders of the PNCPS, write down the face value of the PNCPS by such amount as the Issuer may in its absolute discretion decide. Provided that, in no event shall such amount of write down be less than the amount required to immediately return the Issuer's Common Equity Tier 1 Ratio to above the CET1 Trigger Event Threshold, nor shall such amount of write down exceed the amount which would be required to be written down to ensure that the Common Equity Tier 1 Ratio is equal to the aggregate of the CET1 Trigger Event Threshold and 2.5%, or such other percentage as may be prescribed by the RBI (the "CET1 Write Down Amount"). <p>A write-down may occur on more than one occasion. Once the value of a PNCPS has been written down pursuant to this temporary Write down, the value of the PNCPS may only be restored in accordance with condition of reinstatement.</p>

17. TABLE DF-15: DISCLOSURE ON REMUNERATION

18.1. 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.

Name: Composition of the Nomination and Remuneration Committee

Sr. No.	Name of director	Designation/Category
1.	Ms. Vandana Viswanathan	Chairperson -Independent Director
2.	Mr. Biswamohan Mahapatra	Member - Independent Director
3.	Mr. Prabal Kumar Sen	Member - Independent Director
4.	Jayanta Kumar Basu	Member-Non-Executive, Non-Independent Director

Following are the main terms of reference of the Committee:

1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees.
- (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (iii) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals.

The Nomination and Remuneration Committee, while formulating the above policy, ensures that:

- (i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Bank successfully;
2. Formulating criteria for evaluation of performance of independent directors and the Board of Directors;
3. To ensure 'fit and proper' status of proposed/ existing Directors;
4. Devising a policy on diversity of Board of Directors;

5. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
6. 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 and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance. The Bank shall disclose the remuneration policy and the evaluation criteria in its annual report;
7. Analysing, monitoring and reviewing various human resource and compensation matters;
8. Determining the Bank's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
9. Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
10. Determining 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;
11. Recommending to the Board, all remuneration, in whatever form, payable to senior management;
12. Administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme of the Bank, inter-alia, including the following:
 - a) Determining the eligibility of employees;
 - b) The quantum of option to be granted under the Employees' Stock Option Scheme per Employee and in aggregate;
 - c) The exercise price of the option granted;
 - d) The conditions under which option may vest in employee and may lapse in case of termination of employment for misconduct;
 - e) The exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
 - f) The specified time period within which the employee shall exercise the vested option in the event of termination or resignation of an Employee;
 - g) The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
 - h) Re-pricing of the options which are not exercised, whether or not they have been vested if stock option rendered unattractive due to fall in the Market Price of the Shares;
 - i) Formulating and implementing the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the Compensation Committee:
 - The number and the price of stock option shall be adjusted in a manner such that total value of the Option to the Employee remains the same after the Corporate Action;
 - For this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad may be considered;
 - The Vesting Period and the life of the option shall be left unaltered as far as possible to protect the rights of the Employee who is granted such option;
 - j) The grant, vest and exercise of option in case of Employees who are on long leave;
 - k) Allow exercise of unvested options on such terms and conditions as it may deem fit;
 - l) The procedure for cashless exercise of options;
 - m) Forfeiture/ cancellation of options granted;
 - n) Framing of suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, by the ESOP trust, the Bank and its employees, as applicable;
 - o) All other issues incidental to the implementation of Employees' Stock Option Scheme; and

- p) Construing and interpreting the Plan and any agreements defining the rights and obligations of the Bank and eligible employees under the Plan, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Plan.
13. Administering, monitoring and formulating detailed terms and conditions of the Employee Stock Purchase Scheme of the Bank;
 14. Conducting due diligence as to the credentials of any director before his or her appointment/re-appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI;
 15. 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;
 16. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
 17. To develop a succession plan for the Board and to regularly review the plan;
 18. To approve Job descriptions & KRA's of Senior Managers and Business Line Managers on an annual basis;
 19. To review Performance of the senior/business line managers by NRC on an annual basis;
 20. 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;
 21. To recommend to the board, all remuneration, in whatever form, payable to senior management;
 22. Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:
 1. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
 2. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

23. Carrying out any other function as is mandated by the Board from time to time and / or enforced/ mandated by any statutory notification, amendment or modification, as may be applicable; and
24. Performing such other functions as may be necessary or appropriate for the performance of its duties.

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 March 31, 2020 was 17,841.

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 and Nomination & Remuneration Policy has been laid out keeping the following perspectives into considerations:

- (a) The Compensation principles should support the Bank 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 should support the Bank to attract and retain talent and skills required to further the Bank's purpose and ideology.

- (b) The pay structure shall always conform to applicable Income Tax and other similar statutes.
- (c) All practices of the Bank shall comply with applicable labour laws.
- (d) The pay structure should be standardized for all levels of employees.
- (e) 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.
- (f) The compensation structure shall be easy to understand for all levels of employees.
- (g) 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.
- (h) 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.

There were no changes to the compensation policy of the Bank, last year.

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 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. Description of the ways in which current and future risks are taken into account in the remuneration processes.

- Structurally, the control functions such as Risk, Audit and Vigilance are independent of the business functions and each other, thereby ensuring

independent oversight from various aspects on the business functions.

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

- A discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance.
- The compensation policy is designed to promote meritocracy within the Bank i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.
- The Bank shall, from time to time benchmark its compensation practices against identified market participants to define its pay structure and pay levels.
- The merit and increments are finalized and approved by the National Human Resources Committee (NHRC) at annual intervals, basis organization's budgets and accomplishments as well as market reality.
- 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.
- Employees rated "Below Expectations" shall not be provided any increments, unless statutorily required.

• 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

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 business 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. High performance of an individual/ department is dependent not only on delivery of business metrics but also achievements of control functions.

For e.g.: Over-achievement of business targets would not translate into a high performance rating if there are significant issues with Portfolio quality. Cost of acquisition, both in short and long term are typically evaluated to ensure healthy bottom-line.

• A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after

- (a) The performance bonus pay-out shall be Annual. Discretion is typically applied related to staggered pay-out in case large pay-outs, 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.

- (b) The Bank believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the Bank are distributed amongst employees basis their criticality and performance.
- (c) Typically, all Stock option schemes at 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 5 years.
- (d) **Malus / Claw back:** In the event of negative contributions of the individual towards the achievements of the Banks objectives in any year, the deferred compensation is subjected to Malus / Claw back arrangements. Similar provisions apply in case the individual is found guilty of any major non-compliance or misconduct issues.

Description of the different forms of variable remuneration that the bank utilizes and the rationale for using the same

Variable Compensation at the Bank has the following distinct forms:

1. Statutory Bonus
2. Performance Pay :
 - a. Performance bonus
 - b. Monthly Variable Pay
3. Rewards & Recognition

The policy has been laid out keeping the following perspectives into considerations:

- The Variable pay structure and amounts shall always conform to applicable Income Tax laws, Labour laws, Regulatory requirements, any other applicable statutes and prevalent market practice.

- 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.

Statutory Bonus: Statutory Bonus in India is paid as per Payment of Bonus Act, 1965.

Performance Bonus: All employees who are not a part of any Monthly Variable Pay but part of the year end performance review will be covered under the Performance Bonus Plan of the Bank. However, the actual pay-out of performance bonus shall be paid only to employees who have met its performance criteria.

Monthly Variable Pay: Employees in the Sales function, directly responsible for revenue generation are covered under the Monthly Variable Pay if meeting the criteria of the respective scheme. Typically, some of the entry level roles and up to two levels of supervision thereof shall be covered.

Rewards & Recognition: The Bank has designed schemes and practices from time to time to celebrate employee / departmental / organizational successes. 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, seven and ten 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

17.2. Quantitative Disclosures

Sl. no	Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers ³⁴)	Numbers
1	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Total Meeting Held: 9 Total sitting fee paid: ₹16.20 Lakhs
2	Number of employees having received a variable remuneration award during the year.	8 employees (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)
3 ³⁵	Number and total amount of sign-on awards made during the financial year.	₹37.99 Lakhs
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
6 ³⁶	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	> ** Cash : ₹52.68 Lakhs > *** ESPS shares : ₹28.85 Lakhs > **** ESOP grants : ₹4.38 Lakhs (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)
7	Total amount of deferred remuneration paid out in the financial year.	₹18.17 Lakhs (Current MD&CEO/ Ex-MD&CEO/ CFO / CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)
8	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	> Fixed gross : ₹815.20 Lakhs > Variable deferred : ₹18.17 Lakhs (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)
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

18. TABLE DF-17: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE

		₹ in Lakhs
Summary comparison of accounting assets versus leverage ratio exposure measure		
Item		Amount
1	Total consolidated assets as per published financial statements	1,452,076
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	306,347
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)	82,700
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	1,155
7	Other Adjustments	-15,420
8	Leverage ratio exposure	1,826,857

³⁴ Key material risk takers are internally defined as mentioned in row 2 of the above table.

³⁵ ESOPs basis RBI approval as sign-on grants to Current MD&CEO; vesting due over 2 years – 2020 and 2021

³⁶ ** For current-MD&CEO and Ex-MD&CEO, Target Variable Pay provisioned and notional amount has been provisioned. The actual amount will be decided post closure of Annual Performance reviews. It will be planned based on NRC guidance and paid basis RBI approval.

> For all 8 employees, amount is provisioned for variable pay for 50% of total target variable pay due for payment in FY 20-21. Actual payment will be subject to Bank and Individual performance.

*** Including 26,90,000 shares allotted to Ex-MD&CEO

**** Excluding ESOPs of current MD&CEO since it was granted as sign-on grant. ESOPs are granted but not exercised.

19. TABLE DF 18: LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Item	Amount
On-balance sheet exposures	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,758,423
Domestic Sovereign	239,535
Banks in India	11,842
Corporates	54,899
Exposure to default fund contribution of CCPs	72
Other Exposure to CCPs	
Others	1,452,076
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(15,420)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1,743,003
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	82,700
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)	82,700
Other off-balance sheet exposures	
17 Off-balance sheet exposure at gross notional amount	7,846
18 (Adjustments for conversion to credit equivalent amounts)	6,692
19 Off-balance sheet items (sum of lines 17 and 18)	1,155
Capital and total exposures	
20 Tier 1 capital	301,829
21 Total exposures (sum of lines 3, 11, 16 and 19)	1,826,857
Leverage ratio	
22 Basel III leverage ratio	16.52%

Presently the contribution of Tier I capital to Total Basel II capital is 97.21%. 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%.

Directors' Report

Dear Stakeholders,

On behalf of the Board of Directors (the "Board") of Ujjivan Small Finance Bank Limited (the "Bank or Ujjivan"), it is our immense pleasure to present the 4th Annual Report of the Bank along with the Audited Financial Statements and Auditor's Report thereon for the financial year ended March 31, 2020.

OVERVIEW AND STATE OF AFFAIRS OF THE BANK

The financial year ended March 31, 2020, saw the Bank continuing its track of growth, expansion and profitability. The Bank closed the financial year on a good note, delivering healthy performance in asset and retail deposit businesses, maintaining a stable portfolio quality, resulting in bottom line numbers in line with the expectations. The business growth had moderated in the third and the fourth quarters of the financial year as the Bank had taken a cautious approach towards microfinance lending in certain pockets including Indian state of Assam, West Bengal, Odisha, Tamil Nadu, Maharashtra and parts of North-East India where delinquencies were higher due to natural calamities and other external factors. The Bank also took a measured approach towards its Micro and Small Enterprises ("MSE Business") lending in certain stressed pockets and limited its exposure to Non-Banking Financial Companies ("NBFCs") in its Financial Institutional Group ("FIG") lending business. With the nationwide lockdown imposed to contain the spread of COVID-19 in the last week of March, 2020, the business volumes for the month were significantly affected.

Overall business traction was good during the financial year, with a 28% Y-o-Y growth in the Assets Under Management (AUM). The Bank witnessed significant Y-o-Y growth in its Housing Business (84%) and MSE Business (66%) coupled with sustained growth in microfinance book (17%). The FIG (Institutional) lending recorded remarkable growth (144%) while the Personal Loan business incepted last year gradually scaled up till Quarter 3 when the Bank decided to re-align its credit policies post a thorough portfolio quality review. The Bank also forayed into a new business segment – Vehicle Finance, starting with 2 wheeler loans for existing customers and staff in select locations.

In response to the 'COVID-19 – Regulatory Package' announced by Reserve Bank of India ("RBI") on March 27, 2020, the Bank provided moratorium for all segments of customers, deferring the repayments for ~ 99 % of the loan accounts. The RBI dispensation granted on Non-

performing asset classification of the portfolio under repayment moratorium helped prevent any spike in credit costs. Also, the Bank made a prudential provision to the tune of ₹70 Crores in view of the COVID-19 situation.

The Bank's deposits book saw a 46% Y-o-Y growth, largely driven by a healthy growth in retail deposits which grew from 37% of total deposits in March, 2019 to 44% at the end of March, 2020, with good traction in Current Account Saving Account ("CASA"). Bank's CASA balances (as a % of total deposits) increased from 11% to 14%.

Committed to providing a comprehensive suite of products and services to its customers, the Bank expanded its bouquet of offerings during the year under review. Kisan Pragati Card was launched to primarily cater to the financing needs of customers engaged in agriculture and allied activities and Business Edge product, targeted at the formal segment, was launched for MSE customers. Privileged Savings Account product with additional features and RuPay platinum card for business and current account customers were launched to diversify the deposit product offerings. The Bank initiated Goal based deposits for the microfinance customers and their families. The Bank also launched digital saving and term deposit products for better customer convenience and efficient onboarding besides rolling out Internet Banking, UPI and QR code based payment solutions during the year.

The Bank launched a digital evangelism program to increase adoption of digital channels among its customers. Neighbourhood cash collection points were piloted and centre meeting deposits were launched for Micro Banking customers and their families to promote active usage of the accounts by providing convenient alternative channels for transactions. For better customer convenience, the Bank's mobile banking application has been developed in 9 (Nine) languages. The number of customers using digital services has grown by 3 (Three) times in the past one year with digital transactions constituting 25% of overall transactions as against 8% in the previous year.

During the year under review, the Bank's total customer base grew by 17% Y-o-Y to 54.4 Lakhs while Deposit customers increased by 68% to 47.1 Lakhs.

The Bank operationalised 101 Banking Outlets ("BO") including 24 in Unbanked Rural Centres ("URC"). By the end of the year under review, the Bank had converted all its asset centres into banking outlets, complying with the requirement of converting the erstwhile Micro Finance

Institution ("MFI") branches to bank branches within 3 (Three) years from the commencement of banking operations. As of March 31, 2020, The Bank operated a network of 575 BOs, including 144 in URC, complying with the RBI prescribed norm of 25% of the BOs to be situated in URC and 475 ATMs including 52 Automated Cash Recyclers (ACRs).

The Bank successfully completed its Initial Public Offer ("IPO") as per regulatory requirements and got listed its equity shares on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE"). IPO was over-subscribed by ~170 times. The Bank rolled out Ujjivan Small Finance Bank -Employee Stock Option Plan 2019 ("ESOP 2019") and Ujjivan Small Finance Bank-Employee Stock Purchase Scheme 2019 ("ESPS 2019") for the eligible employees of the Bank and of Ujjivan Financial Services Limited ("UFSL or Holding Company or Promoter") at a preferential rate prior to the IPO.

The Bank was adequately capitalised with Capital Adequacy Ratio ("CRAR") of ~29% as of March 31, 2020 and its funding position stayed comfortable throughout the year. The Bank took a prudent call to build a liquidity buffer in the wake of the COVID-19 situation.

The Bank stayed committed to its Corporate Social Responsibility initiatives and spent ₹12,466,821 during the year under review on several impactful activities focused on healthcare/ preventive health care, sanitisation, cleanliness, disaster relief, promoting education, safe drinking water and livelihood support. One of the key initiatives this year was the "Swachh Neighbourhood" which started off as a pilot campaign for cleanliness in the neighbourhood of the Koramangala branch in Bengaluru and later scaled to 98 locations across 67 districts in 15 Indian States.

For the financial year ended March 31, 2020, Net Profit is ₹349.92 Crores against ₹199.22 Crores in the previous financial year ended March 31, 2019.

Mr. Samit Kumar Ghosh retired on November 30, 2019 and Mr. Nitin Chugh took over the role of Managing Director and CEO with effect from December 01, 2019.

Mr. Sunil Vinayak Patel also retired as the Part-time Chairman of the Bank on January 31, 2020 and resigned as an Independent Director w.e.f February 01, 2020.

Mr. Biswamohan Mahapatra was appointed as the Part-time Chairman of the Bank for a period of 3 (Three) years w.e.f April 28, 2020.

SUMMARY OF FINANCIAL PERFORMANCE

(₹ in Crores)		
Particulars	Financial Year Ended March 31, 2020	Financial Year Ended March 31, 2019
Revenue from Operations	2,703.60	1,831.61
Other Income	322.21	205.96
Less: Operational Expenses	(527.46)	(423.96)
Personnel Expenses	(718.49)	(518.80)
Profit/loss before Depreciation, Finance Costs, Exceptional items, Provisions and Tax Expense	1,779.86	1,094.81
Less: Depreciation/ Amortisation/ Impairment	(72.63)	(60.59)
Profit /loss before Finance Costs, Exceptional items, Provisions and Tax Expense	1,707.23	1,034.22
Less: Finance Costs	(1,070.01)	(725.20)
Profit /loss before Provisions, Exceptional items and Tax Expense	637.23	309.02
Less: Provisions & Contingencies	(170.99)	(40.60)
Add/(less): Exceptional items	-	-
Profit /loss before Tax Expense	466.24	268.42
Less: Tax Expense (Current & Deferred)	(116.32)	(69.20)
Profit /loss for the year (1)	349.92	199.22
Total Comprehensive Income/loss (2)	-	-
Total (1+2)	349.92	199.22
Balance of profit /loss for earlier years	118.36	5.17
Less: Transfer to Debenture Redemption Reserve	-	-
Less: Transfer to Statutory Reserves	87.48	49.80
Less: Transfer to investment Fluctuation Reserve	5.53	9.70
Less: Dividend paid on Equity Shares	-	-
Less: Dividend paid on Preference Shares	11.00	22.00
Less: Dividend Distribution Tax	2.26	4.53
Balance carried forward	362.01	118.36

Key Ratios: (Comparative ratios are annualised)

Particulars	Financial Year Ended March 31, 2020	Financial Year Ended March 31, 2019
Interest income as a percentage to working funds	17.09%	17.28%
Non-interest income as a percentage to working funds	2.04%	1.94%
Operating profit as a percentage to working funds	4.03%	2.93%
Business (deposits plus gross advances) per employee (₹)	12,564,408	11,344,358
Profit per employee (₹)	214,720	153,279
EPS (Basic) (₹)	2.19	1.20
EPS (Diluted) (₹)	2.18	1.20

Highlights of the year under review:

- PAT of the Bank for the financial year ended March 31, 2020 stands at ₹349.92 Crores.
- Overall PAR stands at 2.7% against 1.5% in March, 2019.
- NNPA at 0.2% against 0.3% in March, 2019.
- Bank repaid almost all of its high cost legacy borrowings, which constituted only 1% of its total outstanding borrowings and deposits as of March 31, 2020.
- Cost of funds of the Bank reduced from 8.5% at the end of March 2019 to 8.2% in March, 2020.
- The Deposit book stood at ₹10,780 Crores spanning 42.1 Lakhs accounts at the end of March, 2020.
- CASA book stood at ₹1,459 Crores, Time Deposits (excluding CDs) stood at ₹8,474 Crores of which institutional deposits stood at ₹5,042 Crores.
- Certificate of deposits stood at ₹847 Crores.

Cost to Income Ratio reduced to 67.4%, from 76.5% in FY 2019-20 on account of economies of scale, cost control initiatives and process improvements.

Profitability: Pre-tax profits – ₹466.24 Crores and Post-tax profits – ₹349.92 Crores for the financial year ended March 31, 2020.

LISTING OF EQUITY SHARES OF THE BANK THROUGH IPO

In terms of the RBI In-Principle Approval, RBI Final Approval and Guidelines for licensing of "Small Finance Banks" in the private sector issued by RBI on November 27, 2014 ("SFB Licensing Guidelines"), the Bank was required to list its equity shares on the Stock Exchange within 3 (Three) years from the date of commencement of business of the Bank, i.e., by January 31, 2020.

The Bank came up with an IPO of 202,702,702 equity shares of face value of ₹10 each for cash at a price of ₹37 per equity share (including a share premium of ₹27 per equity share) aggregating to ₹7,459.46 Million.

The aforesaid IPO included a reservation of 20,270,270 equity shares, aggregating to ₹709.46 Million, for subscription by eligible shareholders of UFSL.

A discount of ₹2 per equity share was offered to eligible shareholders of UFSL bidding in the aforesaid reservation portion.

The subscription to the IPO was open from December 02, 2019 to December 04, 2019 and the Bank's IPO witnessed a historic response from the Investors and was oversubscribed by ~170 times.

The IPO had the distinction of being one of the most successful IPOs in the financial services sector in recent times.

Pursuant to the IPO, the equity shares of the Bank got listed on BSE and NSE on December 12, 2019.

The Bank, as part of its IPO, had undertaken Pre-IPO Placement of 71,428,570 equity shares by way of preferential issue on private placement basis at a price of ₹35 per equity shares for cash consideration.

Transfer to Reserves**A. Statutory Reserve**

The Bank has transferred ₹87.48 Crores to statutory reserves pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

B. Investment Fluctuation Reserve ("IFR")

The Bank has made an appropriation of ₹5.53 Crores (previous year: ₹9.70 Crores) out of profits for the financial year ended March 31, 2020 to the IFR pursuant to the RBI notification RBI/2017-18/147 DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018.

DIVIDEND

The Bank has formulated and implemented a Dividend Distribution Policy pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and RBI Requirements

with an objective to appropriately reward shareholders through dividends for reposing their confidence in the Bank while retaining the capital required for supporting future business growth. The said Policy is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

Equity Dividend:

The RBI, vide its circular dated April 17, 2020, has decided that the banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further communication from RBI, with a view that banks must conserve capital in an environment of heightened uncertainty caused by

COVID-19. Accordingly, the Board of the Bank has not proposed any final dividend on the equity shares for the financial year ended March 31, 2020.

Preference Dividend:

In compliance with the provisions of all applicable laws, term sheet of preference shares and the aforementioned policy and considering the overall performance of the Bank, the Board of the Bank had declared interim preference dividend @ 5.50% on 200,000,000, 11% Perpetual Non-Cumulative Preference Shares of ₹10/- each during the financial year ended March 31, 2020.

The said dividend was declared out of the profits earned by the Bank during the quarter ended on June 30, 2019.

The details of the dividend declared on 200,000,000, 11% Perpetual Non-Cumulative Preference Shares of ₹10/- each amounting to ₹11 Crores is as follows:

Date of declaration	% age of dividend	Amount of dividend excluding dividend distribution tax (₹ in Crores)	Dividend Distribution Tax (₹ in Crores)
July 30, 2019	5.50	11.00	2.26

CHANGE IN THE NATURE OF BUSINESS

There was no change in the nature of business of the Bank during the financial year ended March 31, 2020.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments have occurred after the closure of the financial year ended March 31, 2020 till the date of this report, which might have affected the financial position of the Bank. The COVID-19 pandemic and the nationwide lockdown since the last week of March, 2020 may adversely impact the portfolio quality, hence the Bank has made a prudential provision to the tune of ₹70 Crores.

REVISION OF FINANCIAL STATEMENT OR THE DIRECTORS' REPORT

The Bank has not revised its financial statements or the directors' report in respect of any of the three preceding financial years either voluntarily or pursuant to the order of any judicial authority.

GENERAL INFORMATION

Detailed overview of the banking industry and important changes therein, external environment and economic outlook have been elaborated in the Management and Discussion Analysis Report which forms part of the Annual Report of the Bank for the financial year ended March 31, 2020.

CAPITAL AND DEBT STRUCTURE

A. Changes in the Capital Structure

During the financial year ended March 31, 2020, the Authorised Share Capital of the Bank was increased from ₹17,000,000,000 (Rupees One Thousand Seven

Hundred Crores) divided into 1,500,000,000 (One Hundred Fifty Crores) equity shares of ₹10/- (Rupees Ten) each and 200,000,000 (Twenty Crores) 11% perpetual non-cumulative preference shares of ₹10/- (Rupees Ten) each to ₹25,000,000,000 (Rupees Two Thousand Five Hundred Crores) divided into 2,300,000,000 (Two Hundred Thirty Crores) equity shares of ₹10/- (Rupees Ten) each and 200,000,000 (Twenty Crores) 11% perpetual non-cumulative preference shares of ₹10/- (Rupees Ten) each vide shareholder's resolution dated April 26, 2019.

B. Issue of Equity Shares or Other Convertible Securities

During the financial year ended March 31, 2020, the Bank had issued and allotted 14,055,097 equity shares under ESPS 2019, 71,428,570 equity shares by way of preferential issue on private placement basis and 202,702,702 equity shares pursuant to its IPO.

ESPS 2019

The Bank, pursuant to the resolutions passed by the Board on July 30, 2019 and by Shareholders on August 03, 2019, had adopted the ESPS 2019. The objective of the ESPS 2019 is inter-alia to reward the employees of the Bank, its present or future subsidiary (ies) and/or holding company (ies), for their association and performance as well as to motivate them to contribute to the growth and profitability of Bank.

Pursuant to the ESPS 2019, the Board is authorised to issue up to 72,001,840 fully paid up Equity Shares of face value of ₹10 each with pari-passu voting rights, to the eligible employees (as defined under the ESPS 2019), in accordance with the terms and conditions as may be decided by the Nomination and Remuneration Committee of the Bank.

The ESPS 2019 was implemented under two schemes, Upfront Scheme and Monthly Scheme. Under the

Upfront Scheme, employees made the upfront payment to purchase the equity shares and equity shares were allotted to them while under the Monthly Scheme, employees opened a monthly recurring deposit and the equity shares would be allotted to such employees at the end of the 12 months subject to the fulfillment of terms and conditions of subscription. As on March 31, 2020, 14,055,097 Equity Shares have been allotted pursuant to the ESPS 2019 Upfront Scheme.

Details of equity shares issued and allotted under ESPS 2019 Upfront Scheme are as follows:

Date of issue and allotment	Method of allotment	Face value (₹)	Issue price (₹)	Number of equity shares allotted
November 11, 2019	Employee Stock Purchase Scheme	10	35	14,055,097

As on March 31, 2020, 3,247,467 equity shares have been earmarked for subscription under the ESPS Monthly Scheme. The equity shares would be allotted to eligible employees under ESPS Monthly Scheme at the end of the 12 months, subject to the fulfillment of terms and conditions of subscription.

Preferential issue on private placement basis

The Bank, as part of its IPO, had undertaken Pre-IPO Placement of 71,428,570 equity shares by way of preferential issue on private placement basis for cash consideration.

The Pre-IPO Placement was authorised by the Board and shareholders in their meeting held on November 08, 2019.

Details of equity shares issued under preferential issue on private placement basis are as follows:

Date of issue and allotment	Method of allotment	Face value (₹)	Issue price (₹)	Number of equity shares allotted	Number of equity shares allotted to the promoter group
November 13, 2019	Preferential Issue	10	35	71,428,570	Nil

IPO

In terms of RBI In-Principle Approval, RBI Final Approval and SFB Licensing Guidelines, the Bank was required to list its equity shares on the Stock Exchanges within three years from the date of commencement of business of the Bank, i.e., by January 31, 2020.

Having commenced operations on February 01, 2017, to meet the licencing conditions, the Bank undertook an IPO of 202,702,702 equity shares of face value of ₹10 each for cash consideration including a reservation for subscription by eligible shareholders of its Holding Company, which resulted in, *inter alia*, listing of the equity shares on stock exchanges and partial dilution of its promoter's shareholding.

Date of issue and allotment	Method of allotment	Face value (₹)	Issue price (₹)	Number of equity shares allotted	Number of equity shares allotted to the promoter group
December 10, 2019	IPO	10	37*	202,702,702*	Nil

*20,270,270 equity shares was reserved for subscription by eligible shareholders of the Holding Company and a discount of ₹2 per equity share was offered to them under the reservation portion.

C. Issue of Equity Shares with Differential Rights and/or Sweat Equity Shares

During the financial year ended March 31, 2020, the Bank has neither issued any equity shares with differential rights nor any sweat equity shares.

D. Employee Stock Options/ Share Based Employee Benefit Schemes

The Bank has formulated and implemented ESOP 2019 and ESPS 2019 to reward the employees of the Bank, its present or future subsidiary (ies) and/or holding company (ies), for their association and performance as well as to motivate them to contribute to the growth and profitability of the Bank.

ESOP 2019

The Bank, pursuant to the resolutions passed by the Board on January 22, 2019 and by the Shareholders on March 29, 2019, adopted the ESOP 2019. The Bank may grant an aggregate number of up to 144,000,000 stock options under the ESOP 2019.

Upon exercise and payment of the exercise price, the option holder will be entitled for allotment of one equity share per stock option. Accordingly, the number of equity shares that may be issued under the ESOP 2019 shall not exceed 144,000,000 equity shares of face value ₹10 each.

The ESOP 2019 is effective from March 29, 2019. The objectives of ESOP 2019 are, among others, to attract and retain employees with stock options as a compensation tool. Through ESOP 2019, the Bank offers an opportunity of sharing the value created with those employees who have contributed or are expected to contribute to the growth and development of the Bank.

The ESOP 2019 has been framed and implemented in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014, Companies Act, 2013 and rules made thereunder and relevant guidance notes and accounting standards. As on March 31, 2020, 40,799,100 stock options have been granted by the Bank under ESOP 2019 to eligible employees of the Bank and its Holding Company.

No change has been made in the ESOP 2019 during the financial year ended March 31, 2020.

Particulars	Details								
Options granted	40,799,100								
Options vested	Nil								
Options exercised	Nil								
The total number of shares arising as a result of exercise of options	38,075,857 equity shares assuming all grants are exercised. As on March 31, 2020, no options have been exercised								
Options lapsed	2,723,243								
The exercise price	₹35 per option								
Variation in terms of options	Nil								
Money realised by exercise of options	Nil								
Total number of options in force	38,075,857 are in force as on March 31, 2020								
Employee-wise detail of options granted to:									
Key Managerial Personnel	<table> <tr> <th>Name of KMP</th><th>Option Granted</th></tr> <tr> <td>Mr. Nitin Chugh</td><td>3,798,697</td></tr> <tr> <td>Ms. Upma Goel</td><td>156,986</td></tr> <tr> <td>Mr. Chanchal Kumar</td><td>82,974</td></tr> </table>	Name of KMP	Option Granted	Mr. Nitin Chugh	3,798,697	Ms. Upma Goel	156,986	Mr. Chanchal Kumar	82,974
Name of KMP	Option Granted								
Mr. Nitin Chugh	3,798,697								
Ms. Upma Goel	156,986								
Mr. Chanchal Kumar	82,974								
Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil								
Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	Nil								

The disclosures as required under Regulation 14 of SEBI (Share Based Employee Benefits) Regulations, 2014 read with Circular CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 issued by SEBI are available on the website of the Bank at <https://www.ujjivansfb.in>.

ESPS 2019

The Bank, pursuant to the resolutions passed by the Board on July 30, 2019 and by the Shareholders on August 03, 2019, adopted the ESPS 2019. The ESPS 2019 has been framed and implemented in compliance with the provisions of SEBI (Share Based

Employee Benefits) Regulations, 2014, Companies Act, 2013 and rules made thereunder and relevant guidance notes and accounting standards.

The objective of the ESPS 2019 is inter-alia to reward the eligible employees of the Bank and its holding company for their association and performance as well as to motivate them to contribute to the growth and profitability of the Bank.

Pursuant to the ESPS 2019, the Board is authorised to issue up to 72,001,840 fully paid up equity shares of face value of ₹10 each with pari-passu voting rights, to the eligible employees (as defined under the ESPS 2019), in accordance with the terms and conditions as may be decided.

The ESPS 2019 was implemented under two schemes, Upfront Scheme and Monthly Scheme. Under the Upfront Scheme the employees made upfront payment to purchase the equity shares and equity shares were allotted to them while under the

Monthly Scheme, the employees opened a monthly recurring deposit and the equity shares would be allotted to such employees at the end of the 12 months subject to the fulfillment of terms and conditions of subscription.

The Nomination and Remuneration Committee has been entrusted with the responsibility of administering the ESPS 2019. The Nomination and Remuneration Committee of the Bank, pursuant to its resolutions dated August 08, 2019 authorised the opening of the subscription of equity shares under Phase 1 and Phase 2 of the ESPS 2019 for eligible employees as defined under the ESPS 2019.

Further, the Nomination and Remuneration Committee, pursuant to its resolution dated October 06, 2019, authorised the opening of the subscription of equity shares under Phase 3 of the ESPS 2019 for eligible employees as defined under the ESPS 2019 in respect of the unsubscribed portion of equity shares left after Phase 1 and Phase 2.

As on March 31, 2020, 14,055,097 equity shares have been allotted pursuant to the ESPS 2019 under upfront scheme.

Particulars	Details
Total number of equity shares allotted under ESPS 2019 under upfront scheme	14,055,097
Total number of equity shares subscribed under the monthly scheme, to be allotted at the end of the 12-month period (subject to fulfilment of the terms and conditions of such subscription)	As on March 31, 2020, 3,247,467 equity shares have been earmarked for subscription under the ESPS monthly scheme subject to fulfilment of the terms and conditions of subscription.
The total number of Equity Shares arising as a result of ESPS 2019	17,302,564 Equity shares as on March 31, 2020 assuming full subscription of equity shares earmarked under monthly scheme of ESPS 2019 being allotted.

Employee-wise details of the Equity Shares that were issued to Key Managerial Personnel:

	Name of KMP	Shares Issued
	Mr. Nitin Chugh	Nil
	Mr. Samit Kumar Ghosh*	2,690,000
	Ms. Upma Goel	104,355
	Mr. Chanchal Kumar	14,252
Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil	
Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	Nil	

*Mr. Samit Kumar Ghosh retired as the Managing Director and CEO of the Bank on November 30, 2019.

The disclosures as required under Regulation 14 of SEBI (Share Based Employee Benefits) Regulations, 2014 read with Circular CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 issued by the SEBI are available on the website of the Bank at <https://www.ujjivansfb.in>.

E. Issue of Debentures, Bonds or any Non-Convertible Securities or Warrants

During the financial year ended March 31, 2020, the Bank has neither issued any debenture, bonds, non-convertible securities nor any warrants.

F. Promoter's Stake Dilution

As per the SFB Licencing Guidelines shareholding of UFSL in the Bank has to be brought down to 40% within 5 (Five) years from the date of commencement of its business i.e, by January 31, 2022.

Accordingly, Bank has constituted a focussed Board level Committee in the name of Promoter Shareholding Dilution Committee for taking all necessary steps to comply with the SFB Licencing Guidelines.

CAPITAL ADEQUACY

The CRAR of the Bank has been calculated on the basis of Basel II guidelines. The CRAR of the Bank as on March 31, 2020 using RWA for credit risk exposures, as required under the operating guidelines of RBI for Small Finance Banks, stood at ~29% as against the minimum capital adequacy requirements of 15%.

The Bank is subject to the Basel II Capital Adequacy guidelines (NCAF) stipulated by RBI. The CRAR of the Bank is calculated as per the standardised approach for Credit Risk.

CREDIT RATING

Credit ratings assigned to various instruments of the Bank during the financial year ended March 31, 2020.

Instrument Name	Name of Credit Rating Agency	Amount (₹ in Crores)	Rating	Date of Credit Rating	Revision in the Credit Rating
Fund-based - LT-Term Loan	CARE	72.75	CARE A+; Stable	12-04-2017	30-08-2019
Fund-based-Long Term	CARE	1,386.31	CARE A+; Stable	12-04-2017	30-08-2019
Certificate of Deposit	CRISIL	2,500	CRISIL A1+	30-03-2017	28-02-2020
Short Term FD	CRISIL	3,000	CRISIL A1+	30-03-2017	28-02-2020
Non-Convertible Debentures	CARE	60	CARE A+; Stable	12-04-2017	-
Non-Convertible Debentures	CARE	40	CARE A+; Stable	12-04-2017	-

The Bank has made timely redemption of the following Non-Convertible Debentures ("NCD") maturing during the financial year ended March 31, 2020.

Sr. No.	ISIN	Description of NCD	Maturity date	Amount (₹ in Crores)	Debenture Trustee
1	INE334L07076	Secured and Redeemable	July 30, 2019	40	IDBI Trusteeship Ltd.
2	INE334L07100	Secured and Redeemable	May 28, 2019	60	IDBI Trusteeship Ltd.
Total				100	

TRANSFER OF UNPAID AND UNCLAIMED AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND

Section 125 read with Section 124 of the Companies Act, 2013 requires that dividends that are not encashed/claimed by the shareholders for a period of seven consecutive years, have to be transferred to the Investor Education and Protection Fund (IEPF).

Being the fourth financial year since incorporation, there were no amounts due for transfer to IEPF. Further, as on March 31, 2020, there is no shareholder who has not encashed/claimed the dividend amount and there is no unclaimed dividend amount lying with the Bank.

MANAGEMENT

The Board was duly constituted during the financial year ended March 31, 2020 and the changes in the Board composition is as follows:

A. Appointments

Ms. Chitra K Alai
DIN: 03138604

Pursuant to the Loan Agreements between Small Industries Development Bank of India ("SIDBI") and the Bank, SIDBI had appointed vide its letter dated May 09, 2019, Ms. Chitra K Alai as its nominee, not liable to retire by rotation, on the Board of the Bank vice Mr. Sanjay Jain w.e.f May 09, 2019.

The Board had noted her appointment in its meeting held on May 28, 2019.

Mr. Sachin Bansal
DIN: 02356346

The Board had appointed Mr. Sachin Bansal, in its meeting held on May 28, 2019, as an Additional Director (Independent) of the Bank w.e.f June 01, 2019 to hold office up to the date of 3rd Annual General Meeting of members of the Bank ("AGM").

Further, he was appointed as Director (Independent) pursuant to resolution passed by the members of the Bank in the 3rd AGM held on July 12, 2019 for a term of five consecutive years commencing June 01, 2019 up to May 31, 2024.

In terms of Section 152 of the Companies Act, 2013, he was not liable to retire by rotation.

Rationale for his appointment:

The Board noted that Mr. Sachin Bansal is an acknowledged iconic leader in the e-commerce space (Co-founder of Flipkart) with phenomenal technological acumen and foresight. His guidance and direction will be very valuable in achieving Bank's mission of creating a state-of-the-art mass market bank.

Ms. Vandana Viswanathan

DIN: 05192578

Ms. Vandana Viswanathan was liable to retire by rotation and retired at 3rd AGM held on July 12, 2019 and, being eligible, had offered herself for reappointment.

The members of the Bank appointed her as Non-Executive, Non-Independent Director at 3rd AGM held on July 12, 2019.

Further, she was appointed/re-designated as Director (Independent) pursuant to a resolution passed by the members of the Bank in the Extraordinary General Meeting held on August 03, 2019 for a term of five consecutive years commencing September 22, 2019 up to September 21, 2024.

She meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1)(b) of SEBI Listing Regulations.

In terms of Section 152 of the Companies Act, 2013, she is not liable to retire by rotation.

Rationale for her appointment:

The Board noted that Ms. Vandana Viswanathan is a career professional in managing Human Resources (HR). As a HR professional, her expertise and guidance will be very valuable to the Bank.

Mr. Mahadev Lakshminarayanan

DIN: 05003710

Mr. Mahadev Lakshminarayanan was appointed as Director (Independent) pursuant to resolution passed by the members of the Bank in the Extraordinary General Meeting held on August 03, 2019 for a term of five consecutive years commencing August 01, 2019 up to July 31, 2024.

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013

read with Rule 5 of Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1)(b) of SEBI Listing Regulations.

In terms of Section 152 of the Companies Act, 2013, he is not liable to retire by rotation.

Rationale for his appointment:

The Board noted that Mr. Mahadev Lakshminarayanan is a career professional. As a Chartered Accountant he had held various positions in Deloitte. His financial expertise and guidance will be very valuable to the Bank.

Mr. Nitin Chugh

DIN: 01884659

The RBI had accorded its approval vide its letter dated May 14, 2019 for the appointment of Mr. Nitin Chugh as a Managing Director and CEO of the Bank for a period of three years commencing December 01, 2019.

Further to the approval of RBI, the Board had, in its meeting held on May 28, 2019, appointed him, as the Managing Director and CEO of the Bank w.e.f December 01, 2019.

The members of the Bank have approved his appointment in the 3rd AGM held on July 12, 2019.

In terms of Section 152 of the Companies Act, 2013, he is not liable to retire by rotation.

Mr. Umang Bedi*

DIN: 02432920

The Board had appointed Mr. Umang Bedi, in its meeting held on March 23, 2020, as an Additional Director (Independent) of the Bank w.e.f April 01, 2020 to hold office up to the date of ensuring 4th AGM.

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1)(b) of SEBI Listing Regulations.

The Board recommends his appointment, as an Independent Director, to the members for their approval at the ensuing 4th AGM.

In terms of Section 152 of the Companies Act, 2013, he is not liable to retire by rotation.

Rationale for his appointment:

The Board noted that Mr. Umang Bedi is an iconic leader who has co-founded Dailyhunt; India's largest local language content & news discovery platform across 14 Indian languages. He has phenomenal technological acumen and foresight. His guidance

and direction will be very valuable in achieving Bank's mission of creating a state-of-the-art mass market bank.

**His appointment is effective after the closure of the financial year ended March 31, 2020.*

B. Resignations

Mr. Sachin Bansal
DIN: 02356346

He had resigned as an Independent Director w.e.f January 27, 2020.

Reason of Resignation: He had confirmed that he had resigned from the Bank's Board in the interest of propriety and corporate governance as an entity owned and controlled by him has made an application to the RBI for a universal banking license and there were no other material reasons.

Mr. Sunil Vinayak Patel
DIN: 00050837

Reason of Resignation: As per the extent RBI Guidelines, he was not eligible to be reappointed as Chairman of the Bank as he had attained 70 (Seventy) years of age. Accordingly, he had tendered his resignation as Independent Director of the Bank w.e.f February 01, 2020 (post completion of his tenor as Part-time Chairman of the Bank on January 31, 2020).

Further, he had confirmed that he had resigned due to personal reasons and commitments and there were no other material reasons.

Mr. Luis Miranda
DIN: 01055493

Reason of Resignation: He was having common directorship between the Bank, which is an Insurance Intermediary and Manipal Cigna Health Insurance Company Limited, an Insurance Company and such common directorship may pose potential conflict of interest in terms of provisions of Section 48A of the Insurance Act, 1938 which per se restricts such common directorship. To uphold the principles of good corporate governance, he had opted to resign as an Independent Director of the Bank with effect from March 22, 2020.

He had confirmed that except the reasons stated above, there were no other material reasons for his resignation.

C. Retirements/Cessation

Mr. Sanjay Jain
DIN: 02559601

Pursuant to the Loan Agreements between SIDBI and Bank, SIDBI had appointed vide its letter dated

May 07, 2018, Mr. Sanjay Jain as its nominee, not liable to retire by rotation, on the Board of the Bank.

He ceased to be Nominee Director of the Bank w.e.f May 09, 2019 as SIDBI appointed/nominated Ms. Chitra K Alai as its Nominee on the Board of the Bank w.e.f May 09, 2019.

Ms. Vandana Viswanathan
DIN: 05192578

Ms. Vandana Viswanathan was liable to retire by rotation and retired at 3rd AGM held on July 12, 2019 and, being eligible, had offered herself for reappointment.

The members of the Bank appointed her as Non-Executive, Non-Independent Director at 3rd AGM held on July 12, 2019.

Mr. Samit Kumar Ghosh
DIN: 00185369

Mr. Samit Kumar Ghosh completed his tenor as the Managing Director and CEO of the Bank on November 30, 2019.

Mr. Sunil Vinayak Patel
DIN: 00050837

Mr. Sunil Vinayak Patel completed his tenor as the Part-time Chairman of the Bank on January 31, 2020.

Mr. Jayanta Kumar Basu
DIN: 01268046

Mr. Jayanta Kumar Basu would be retiring by rotation at the ensuing 4th AGM and, being eligible, offers himself for reappointment as Director (Non-Executive, Non-Independent). He shall be liable to retire by rotation in terms of Section 152 of the Companies Act, 2013.

D. Re-Designated/Re-Categorised

Ms. Vandana Viswanathan
DIN: 05192578

Ms. Vandana Viswanathan was Non-Executive, Non-Independent Director of the Bank and was appointed/re-designated as Director (Independent) pursuant to resolution passed by the members of the Bank in the Extraordinary General Meeting held on August 03, 2019 for a term of five consecutive years commencing September 22, 2019 up to September 21, 2024.

Ms. Mona Kachhwaha
DIN: 01856801

Ms. Mona Kachhwaha was an Independent Director of the Bank and she was re-categorised from Independent Director to Non-Executive, Non-Independent Director of the Bank w.e.f. September 22, 2019 whose office is liable to retire by rotation.

E. Key Managerial Personnel

As on March 31, 2020, pursuant to Section 203 of the Companies Act, 2013, Mr. Nitin Chugh, Managing Director and CEO, Ms. Upma Goel, Chief Financial Officer and Mr. Chanchal Kumar, Company Secretary and Compliance Officer are the Key Managerial Personnel ("KMP") of the Bank.

Mr. Samit Kumar Ghosh

Mr. Samit Kumar Ghosh, Ex-Managing Director and CEO and KMP of the Bank retired on November 30, 2019.

Mr. Nitin Chugh

Mr. Nitin Chugh was appointed as Managing Director and CEO of the Bank for a period of 3 (Three) years commencing December 01, 2019.

In terms of Section 203 of the Companies Act, 2013, the Board had appointed him as KMP of the Bank for the period co-terminus with his tenure as Managing Director and CEO of the Bank.

Ms. Upma Goel

Ms. Upma Goel was appointed as Chief Financial Officer and KMP of the Bank w.e.f February 01, 2017.

Mr. Chanchal Kumar

Mr. Chanchal Kumar was appointed as Company Secretary, KMP and Compliance Officer in terms of Regulation 6 of the SEBI Listing Regulations of the Bank w.e.f March 24, 2018.

DECLARATION BY INDEPENDENT DIRECTORS AND STATEMENT ON COMPLIANCE OF CODE OF CONDUCT

The Bank has received declarations from its Independent Directors confirming that they meet the criteria of independence as prescribed under Section 149 (6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI

Listing Regulations and that they have complied with the code of conduct for independent directors as prescribed under Schedule IV of the Companies Act, 2013.

Further, pursuant to Regulation 25(8) of the SEBI Listing Regulations, the Independent Directors of the Bank has also confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence.

In the opinion of the Board, all the Independent Directors meet the criteria with regard to integrity, expertise and experience (including the proficiency*).

**All Independent Directors of the Bank have registered themselves in the data bank as specified under Section 150 of the Companies Act, 2013 read with Rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014. The Independent Directors have committed to qualify the online proficiency self-assessment as required under aforesaid Rule within prescribed timeline.*

The Bank has also received from its directors a statement that they have complied with the Code of Conduct for Directors and Senior Management.

NUMBER OF MEETINGS OF THE BOARD

The Board met 10 (Ten) times during the financial year ended March 31, 2020. The details of Board Meetings are available in the Corporate Governance Report which forms part of the Annual Report.

BOARD COMMITTEES

The Bank believes that the Board Committees are pillars of good corporate governance. In pursuit of highest standard of corporate governance and to comply with the provisions of Companies Act, 2013, SEBI Listing Regulations and RBI guidelines, the Bank has constituted various statutory board committees. Further in order to improve the Board effectiveness, efficiency and fast decision making the Bank has also constituted few non statutory Board Committees.

As on March 31, 2020, the Bank has 14 (Fourteen) Board Committees which are given below:

Board Committee	Companies Act, 2013	SEBI Listing Regulations	RBI Requirements
1. Audit Committee	Yes	Yes	Yes
2. Risk Management Committee	No	Yes	Yes
3. Nomination and Remuneration Committee	Yes	Yes	Yes
4. Stakeholders Relationship Committee	Yes	Yes	No
5. IT Strategy Committee	No	No	Yes
6. Customer Service Committee	No	No	Yes
7. Fraud Committee (Special Committee of Board for Monitoring High Value Frauds)	No	No	Yes
8. Review Committee of Wilful defaulters	No	No	Yes
9. Corporate Social Responsibility Committee	Yes	No	No
10. Human Resource & Compensation Committee*	No	No	No
11. Committee of Directors*	No	No	No
12. Business Strategy Committee*	No	No	No
13. Promoter Shareholding Dilution Committee (Formerly known as Listing Committee)*	No	No	No
14. Business Continuity Monitoring Committee*	No	No	No

* Non-Statutory Committees constituted for effective supervision

The details of composition, number of meetings held and date thereof and terms of reference of above Committees are available in Corporate Governance Report which forms part of the Annual Report.

RECOMMENDATIONS OF AUDIT COMMITTEE

During the financial year ended March 31, 2020, there was no incidence, where the Board has not accepted any recommendations of the Audit Committee.

BANK'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

The Bank pursuant to the provisions of Section 178 of the Companies Act, 2013, Regulation 19 of SEBI Listing Regulations and RBI Requirement has formulated and adopted a Nomination and Remuneration Policy on directors' appointment and remuneration and the criteria for determining qualification, positive attributes and independence of directors, which is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

BOARD EVALUATION

The Board has carried out annual evaluation of its own performance, performance of Board Committees and Individual Directors pursuant to the provisions Section 178 read with Schedule IV of Companies Act, 2013 and Regulation 19 of the SEBI Listing Regulations.

Performance evaluation criteria for Board, Board Committees and Individual Directors were approved by the Nomination and Remuneration Committee in its meeting held on January 21, 2020.

The approved evaluation formats and criteria are in line with the SEBI guidance note on evaluation dated January 05, 2017.

The Nomination and Remuneration Committee has laid down comprehensive parameters for evaluation, few of which are listed below:

- I. The Board: Composition, structure, meetings, functions, management and professional development, ethics and compliance among others.
- II. The Committees: Mandate & Composition, effectiveness, structure, meetings, independence of the committee, contribution to decision making of the Board, among others.
- III. Individual directors (including Chairperson, Independent Directors and Non-Independent Directors): Leadership, Commitment, Contribution, Experience, Expertise, Independence, Integrity, Attendance, Responsibility, Flow of Information among others.

The performances of the Board and Board Committees were evaluated after seeking inputs from all the directors.

The Board and the Nomination and Remuneration Committee reviewed the performance of the Individual Directors on the basis of the approved criteria for evaluation. In addition, the Chairman and Managing Director and CEO were also evaluated on the key aspects of their roles.

Performance evaluation of Independent Directors was done by the entire Board, excluding the Independent Director being evaluated.

In a separate meeting of Independent Directors held on March 23, 2020, performance of Non-Independent Directors, performance of the Board as a whole and performance of the Chairman was evaluated.

REMUNERATION OF DIRECTORS AND EMPLOYEES

The remuneration being paid to the Managing Director and CEO is in accordance with the provisions of the Companies Act, 2013 and in conformity with the RBI approval.

The remuneration of non-executive directors was paid by way of sitting fees which is within the limits prescribed under Section 197(5) of the Companies Act, 2013.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1), (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this Report as **Annexure-1**.

REMUNERATION RECEIVED BY THE MANAGING DIRECTOR/WHOLE-TIME DIRECTOR FROM HOLDING OR SUBSIDIARY COMPANY

During the financial year ended March 31, 2020, Mr. Nitin Chugh, Managing Director and CEO or Mr. Samit Kumar Ghosh, Ex-Managing Director and CEO of the Bank, have not received any commission from the Bank and remuneration or commission from Ujjivan Financial Services Limited, Holding Company of the Bank. Bank has no subsidiary company.

DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls established and maintained by the Bank, work performed by the internal, statutory and secretarial auditors, reviews performed by the Management and the relevant Board Committees, the Board, in concurrence with the Audit Committee, is of the opinion that the Bank's internal financial controls were adequate and effective as on March 31, 2020.

Pursuant to Section 134 (5) of the Companies Act, 2013, the Board, to the best of its knowledge, hereby confirms and states that:

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

ADEQUACY OF INTERNAL FINANCIAL CONTROL

The Bank has laid down certain guidelines, policies, processes and structures to enable implementation of appropriate internal financial controls across the Bank. These control processes enable and ensure the orderly and efficient conduct of the Bank's business, including safeguarding of assets, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparation of reliable financial information. There are control assessment for both the Bank's critical operating processes and IT applications, including ERP applications, wherein the transactions were approved and recorded. These controls are both manual and automated. Review and control mechanisms are built in to ensure that such control systems are adequate and operating effectively.

Because of the inherent limitations of internal financial controls, including the possibility of collusion or improper management override of controls, material misstatements in financial reporting due to error or fraud may occur and may not be detected. Also, evaluation of the internal financial controls is subject to the risk that the internal financial control may become inadequate

because of changes in conditions or that the compliance with the policies or procedures may deteriorate.

The Bank has, in all material respects, an adequate internal financial controls system which was considerably enhanced during the year and such internal financial controls were operating effectively based on the internal control criteria established by the Bank considering the essential components of internal control stated in the guidance note on audit of internal control over financial reporting issued by the Institute of Chartered Accountants of India.

FRAUDS REPORTED BY THE AUDITORS

During the financial year ended March 31, 2020, neither the statutory auditors nor the secretarial auditor have reported to the Audit Committee/Board or Central Government any instances of material fraud in the Bank by its officers or employees under Section 143(12) of the Companies Act, 2013.

DISCLOSURES RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

A. Report on Performance and Financial Position of the Subsidiaries, Associates and Joint Ventures

There were no Subsidiary Company, Associate Company and Joint Venture of the Bank during the financial year ended March 31, 2020.

B. Companies which have become or Ceased to be Subsidiaries, Associates and Joint Ventures

No Company became or ceased to be Subsidiary Company, Associate Company and Joint Venture of the Bank during the financial year ended March 31, 2020.

DEPOSITS

The Chapter V of Companies Act, 2013 does not apply to the Bank. During the financial year ended March 31, 2020, the Bank has accepted deposits from public in ordinary course of its banking business. The details of the deposits are enumerated in the financial statement for the financial year ended March 31, 2020.

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

PARTICULARS OF LOANS, GUARANTEES AND/OR INVESTMENTS

The provisions of Section 186 of Companies Act, 2013 except sub-section (1) do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. The details of the investments are disclosed in Schedule-8 of the financial statements as per applicable provisions of Banking Regulation Act, 1949.

RELATED PARTY TRANSACTIONS AND CONTRACTS/ARRANGEMENTS

There was no materially significant related party transactions entered between the Bank and its related parties, except for those disclosed in the financial statements.

All the contracts/arrangements/transactions entered by the Bank with the related parties during financial year ended March 31, 2020 were on arm's length basis; accordingly, the disclosure of particulars of contracts / arrangements entered into by the Bank with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 in Form AOC-2 is not applicable.

The Bank has formulated a Policy on 'Materiality of Related Party Transactions' which forms part of the Policy on dealing with 'Related Party Transactions' which is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

As per Section 135 (1) of the Companies Act, 2013 "Every company having net worth of rupees five hundred Crores or more, or turnover of rupees one thousand Crores or more or a net profit of rupees five Crores or more during the immediately preceding financial year shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director".

Pursuant to the above, the Bank has duly constituted CSR Committee with three Directors and all of them are Independent Directors.

The Bank has formulated CSR policy which is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

The detailed Annual Report on the CSR activities for the financial year ended March 31, 2020 is annexed to this Report as **Annexure-2**.

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

Energy efficiency and conservation is a part of our business planning. The Bank's systems and processes are designed in manner to ensure optimum energy usage by continuous monitoring of all forms of energy and augmenting the efficiency of operations.

A number of initiatives was taken by the Bank during financial year 2019-20 to save electricity consumption. Some of the key initiatives were designing Bank's branches and offices in a manner to ensure maximum utilisation of day light, after office hours all employees

who need to work in a branch sit in a common area and all the non-essential lights, ACs, etc. are checked and switched off. AC/Lights installed at meeting rooms etc. in branches as well as Head office and Regional offices are to be switched off when the rooms are not occupied. ACs are switched off after 6:30 PM, and all ACs are maintained at 24 degree or above in branches.

The Bank endeavors to shut down all branches on time. All these initiatives have resulted in considerable electricity savings. Moreover, it procures star rated electrical equipment, auto monitors, auto switch timers and LED lights are installed for cost efficient operations in the Bank.

Bank has also launched Vehicle Finance Business for funding of electric vehicles which are zero polluting and energy efficient vehicles.

There was no Foreign Exchange inflow however there was foreign exchange outflow of \$222,404 during the financial year ended March 31, 2020.

RISK MANAGEMENT POLICY

The Risk Management Committee ("RMC") of the Bank consists of experienced directors from diverse background who bring in the best risk practices to the Bank. The RMC, comprises of 4 (Four) Directors out of which 2 (Two) are Independent Directors.

The RMC fulfills its roles and duties through various management level risk committees such as Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Asset Liability and Market Risk Committee (ALCO). These committees are entrusted with the task to identify measure, mitigate and monitor various risks.

The frequency, members and the quorum required for these management level committees is furnished in the respective risk management policies. These committees meet at regular intervals to assess and monitor the level of risk pertaining to market, credit and operations.

The Bank has identified the following risks which are material in nature and therefore may threaten the existence of the Bank:

- 1) Credit Risk
- 2) Operational Risk
- 3) Market Risk

In addition to the above primary risks, the Bank also monitors the following second order or derived risks using specialised methodologies. The Bank has on boarded specialised personnel for monitoring the same

and a comprehensive analysis is made under its Internal Capital Adequacy and Assessment Process (ICAAP).

- 1) Liquidity Risk
- 2) Information Security risk
- 3) IT risk
- 4) Outsourcing risk
- 5) Compliance Risk
- 6) Interest Rate Risk
- 7) Reputational Risk
- 8) Strategic Risk

The Bank's risk management framework is based on a clear understanding of the above risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with international best practices. The Bank has an oversight on all the risks through regular monitoring of Key Risk Indicators and benchmarks against each type of risk.

Further, the Board reviews the risk management framework of the Bank and verifies adherence to various risk parameters and compliances at quarterly intervals. The RMC approves all its risk-related policies, including the quarterly/half-yearly/annual review reports of major Risks.

The Bank has in place effective risk management policy (ies) which highlights the functions, implementation and the role of RMC and the Board.

WHISTLE BLOWER POLICY/VIGIL MECHANISM

The Bank's Whistle Blower Policy allows employees, directors and other stakeholders to report matters such as genuine grievances, corruption, fraud, misconduct, and instances of leakage of unpublished price sensitive information ("UPSI"), misappropriation of assets and non-compliance of code of conduct of the Bank or any other unethical practices. The Policy provides

adequate safeguard against victimisation to the Whistle Blower and enables them to raise concerns and also provides an option of direct access to the Chairman of Audit Committee.

During the financial year ended March 31, 2020, none of the personnel have been denied access to the Chairman of the Audit Committee.

The Whistle Blower Policy is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

Name and Address of the Whistle and Ethics Officer

Mr. Sanjay Kao – Head of Human Resources

Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560095,
Karnataka
Email: sanjay.kao@ujjivan.com

Protected disclosures against the Whistle and Ethics Officer should be addressed to the Managing Director and CEO of the Bank and the protected disclosure against the Managing Director and CEO of the Bank should be addressed to the Chairman of the Audit Committee.

Name and Address of Managing Director and CEO of the Bank

Mr. Nitin Chugh

Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560095,
Karnataka
Email: nitin.chugh@ujjivan.com

Name and Address of the Chairman of the Audit Committee

Mr. Mahadev Lakshminarayanan

26, 25th Main, Near LIC Apartments, J P Nagar 1st Phase,
Bangalore South, Bengaluru-560078,
Karnataka
Email: m.lakshminarayanan@ujjivan.com

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

The status of the whistle blower complaints received and resolved by the Bank:

Particulars	Number of Complaints
Number of Whistle Blower Complaint at the beginning of the financial year ended March 31, 2020	0
Number of Whistle Blower Complaint received during the financial year ended March 31, 2020	16
Number of Whistle Blower Complaint resolved during the financial year ended March 31, 2020	15
Number of Whistle Blower Complaint at the end of the financial year ended March 31, 2020	1

SIGNIFICANT AND MATERIAL ORDERS BY THE REGULATORS OR COURTS OR TRIBUNALS

During the financial year ended March 31, 2020, there were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Bank and its operations in future.

AUDITORS

A. Statutory Auditors

Further to the approval of RBI, M/s. MSKA & Associates, Chartered Accountants (ICAI FRN: 105047W) were appointed as the statutory auditors of the Bank for the financial year ended March 31, 2019 vide shareholders' approval accorded in the Extra-Ordinary General meeting of the Bank held on September 28, 2018.

The members of the Bank, in the 3rd AGM held on July 12, 2019, reappointed M/s. MSKA & Associates, Chartered Accountants (ICAI FRN: 105047W) as statutory auditors of the Bank for the period of 3 (Three) financial year until the conclusion of Sixth AGM of the Bank to be held in financial year 2022-23.

Aforesaid appointment is subject to annual approval of RBI. RBI had accorded its approval for appointment of M/s. MSKA & Associates, Chartered Accountants (ICAI FRN: 105047W) as statutory auditors of the Bank for financial year 2019-20.

The Bank shall make an application to RBI for appointment of M/s. MSKA & Associates, Chartered Accountants (ICAI FRN: 105047W) as statutory auditors for financial year 2020-21.

The Auditor's Report on the financial statements of the Bank for the financial year ended March 31, 2020 does not contain any qualification, reservation or adverse remark. The Auditor's Report, enclosed with the financial statements, forms part of the Annual Report.

B. Secretarial Auditor

Mr. K. Jayachandran, Practicing Company Secretary (ACS No.: 11309 and Certificate of Practice No.: 4031) was appointed as the Secretarial Auditor of the Bank in the meeting of Board held on July 30, 2019 to conduct Secretarial Audit of the Bank for the financial year ended March 31, 2020 as required under Section 204 of the Companies Act, 2013 and the rules made thereunder and Regulation 24A of SEBI Listing Regulations. The Bank has provided all assistance and facilities to the Secretarial Auditor for conducting his audit.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark and is annexed to this Report as **Annexure - 3**.

EXPLANATIONS IN RESPONSE TO AUDITOR'S QUALIFICATIONS

The Statutory Auditor's Report on the financial statements of the Bank for the financial year ended March 31, 2020 and Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

The statutory auditors have highlighted a statement in their report under Emphasis of Matter as under:

Quote:

"We draw attention to Note 15 to the financial results, which describes that the extent to which the COVID-19 Pandemic will impact the Bank's result will depend on future developments, which are incapable of assessment at this point in time."

Response by the Board:

Keeping in view the current circumstances due to the outbreak of COVID-19 pandemic, the Bank has made total provision of ₹7,000 Lakhs for COVID-19 as on March 31, 2020 out of which ₹4,897 Lakhs is in respect of accounts in default but standard against the potential impact of COVID-19. The provision held by the Bank are in excess of the RBI prescribed norms.

EXTRACT OF ANNUAL RETURN

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the annual return in Form MGT-9 is annexed to this Report as **Annexure - 4**.

ANNUAL RETURN

Pursuant to the provisions of Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Bank for the financial year ended March 31, 2020 will be available on the website of the Bank at <https://www.ujjivansfb.in/annual-return>.

COMPLIANCE WITH SECRETARIAL STANDARDS

The Bank has complied with the provisions of Secretarial Standards specified by the Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs under Section 118(10) of the Companies Act, 2013. The Bank has also complied with the provisions of Secretarial Standard-3 and Secretarial Standard-4 on voluntary basis.

HUMAN RESOURCES

The Bank has been ranked & recognised amongst the Best Workplaces consistently for nearly a decade. The Great Place To Work® Certification is one of the most prestigious achievements for organisations across the globe. The Bank was Ranked **6th in 'India's Best Companies to Work For' in 2019**.

The Bank was also awarded the **“Best HR Practice in Finance Sector Award at Banking, Financial Services and Insurance Awards in 2019**. The Bank also received many other accolades to its credit such as:

- 16th Best Large Workplaces in Asia 2019.
- India’s Best Workplaces for Women 2019 (top 75).
- Best Workplaces TM in Small Finance Banks.
- IBA Banking Technology Innovation Awards for ‘The Best IT Risk Management and Cyber security Initiative.
- ERM Strategy of the year’ for developing a framework for implementing ERM using RAROC approach at ERM World Summit Awards 2019.
- Finnoviti Awards, 2019 for ‘Best innovation in IT’.
- IDEX legal awards 2019 for the ‘Best in-house legal team medium large’ category.

Mr. Samit Kumar Ghosh, Founder and former Managing Director and CEO of the Bank, was conferred upon the prestigious Inclusive Finance India Awards, 2019 in the category of **“Contribution to advancing financial inclusion by an individual”**

CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT

The Bank recognises its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business, ethics and accountability to its shareholders, customers, government and other stakeholders. The Bank’s activities are carried out in accordance with good corporate practices and the Bank is constantly striving to make them better and adopt the best practices.

The Bank believes that timely reporting, transparent accounting policies and a strong Independent Board goes a long way in preserving shareholders’ trust and maximising long-term corporate value.

In pursuing the mission of becoming “The best institution to provide financial services to the un-served and underserved customers and transform to a bank serving the mass market”, the Bank has been balancing its dual objectives of “social” and “financial goals since its inception. “Responsible financing”, “ethical values” and “transparency” in all its dealings with its customers, lenders, investors and employees” have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the customers, lenders and investors.

The Report on Corporate Governance for the financial year ended March 31, 2020 as per Regulation 34(3) read with Schedule V of the SEBI Listing Regulations forms part of the Annual Report.

A Business Responsibility Report containing the requisite details as under Regulation 34 (2) of the SEBI Listing Regulations forms part of the Annual Report and is also disclosed on the Bank’s website at <https://www.ujjivansfb.in>.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required under Regulation 34 of SEBI Listing Regulations, the Management Discussion and Analysis Report forms part of the Annual Report.

DISCLOSURE UNDER SECTION 22 OF THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Bank has a strict Prevention of Sexual Harassment (POSH) Policy in accordance with the statutory requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Policy is applicable to all employees of the Bank. The Bank is committed to providing a workplace that is free from discrimination, harassment and victimisation, regardless of gender, race, creed and religion, place of origin and sexual orientation of a person employed or engaged with the Bank.

Composition of the Internal Complaints Committee (“ICC”)

Every Region has an ICC and each ICC consists of the following members:

- Presiding Officer: who shall be a woman employed at a senior level in the region.
- Secretary: who shall be the Regional Human Resources Manager
- 2 Members: From amongst Employees in the region, preferably committed to the cause of women/having legal knowledge/experience in social work.
- 1 Independent Member: Nominated from amongst NGOs/associations committed to the cause of women or a person familiar with the issues relating to Sexual Harassment.
- Other Members: Additional members may be co-opted, if required, from amongst Employees working in senior positions in the region, especially from business, operations and control functions.

Function of ICC

Bank’s ICC is responsible for all administrative units/ branches/regional offices. All complaints of Sexual Harassment at the Workplace will be enquired into by the ICC having jurisdiction over the establishment where the Respondent is posted. The ICC will forward a report of its findings to the Employer for action.

The status on the complaints received and resolved by ICC:

Number of Complaints Received	Number of Complaints Resolved	Number of Complaints Pending for Resolution
13	8	5*

*3 cases reported on November 14, 2019 and 2 cases reported on January 29, 2020.

STATUTORY DISCLOSURES

None of the directors of the Bank are disqualified as per provisions of Section 164(2) of the Companies Act, 2013. The directors have made necessary disclosures, as required under various provisions of the Companies Act, 2013, SEBI Listing Regulations and RBI guidelines.

COST RECORDS

The Bank is not required to maintain cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

Complying with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, Familiarisation Programmes were conducted during the financial year ended March 31, 2020 to give an overview and introduction to the Independent Directors about the Bank's business and operations. Further, under the Familiarisation Programme for the Independent Directors, newly appointed independent directors are appraised with the organisation structure, operational overview, financial overview, board matters and procedures, key risk issues and its mitigation strategy, among others.

The details of such programme is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

The Bank has obtained a certificate from K. Jayachandran, Practicing Company Secretary, certifying that the Bank has complied with the conditions of the Corporate Governance as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the SEBI Listing Regulations for the financial year ended March 31, 2020.

The certificate is annexed to this Report as **Annexure-5**.

STATEMENT OF DEVIATION OR VARIATION IN USE OF FUND RAISED FROM PUBLIC BY WAY OF IPO

Details of fund raised from public by way of IPO:

Name of listed entity	Ujjivan Small Finance Bank Limited
Mode of Fund Raising	Public Issue
Date of Raising Funds (Listing)	December 12, 2019
Amount Raised (₹)	7,459.46 Million
Object	Augment Tier-1 capital base to meet future capital requirement of the Bank
Funds Utilised (₹)	7,459.46 Million
Amount of Deviation/ Variation according to applicable object	Nil
Amount Unspent (₹)	Entire amount has been utilised to meet the future capital requirement of the Bank. There is no amount unspent.

Further, the Board confirms that entire amount has been utilised to meet the future capital requirement of the Bank and there is no deviation or variation between the projected utilisation of funds made by the Bank in its offer document and the actual utilisation of funds.

KEY INITIATIVES WITH RESPECT TO STAKEHOLDER RELATIONSHIP, CUSTOMER RELATIONSHIP, ENVIRONMENT, SUSTAINABILITY, HEALTH AND SAFETY

Detailed information on initiatives with respect to stakeholders relationship, customers relationship, environment, sustainability, health and safety have been elaborated in the Business Responsibility Report of the Bank which forms part of the Annual Report.

ACKNOWLEDGEMENT

We place on record our gratitude to our employees at all levels who have contributed to the growth and sustained success of the Bank through their dedication, hard work, cooperation and support.

We would like to thank all our customers, vendors, bankers, investors, auditors, media and other business associates for their continued support and encouragement during the year.

We also thank the Government of India; the Government of Karnataka and Delhi; the Ministry of Commerce and Industry; the Ministry of Finance, Ministry of Corporate Affairs; the Securities and Exchange Board of India, the Stock Exchanges, the Central Board of Indirect Taxes and Customs; the RBI; the Central Board of Direct Taxes and all other government agencies for their support during the financial year ended March 31, 2020 and look forward to their continued support in future.

For and on behalf of the Board of Directors

Sd/-
Biswamohan Mahapatra
Part-time Chairman and
Independent Director
DIN: 06990345

Sd/-
Nitin Chugh
Managing Director and
CEO
DIN: 01884659

Date: May 19, 2020
Place: Bengaluru

Annexure-1

INFORMATION IN TERMS OF RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Remuneration details of Directors, KMPs, employees

Sr. No.	Particulars	Disclosures	
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the financial year	Managing Director and CEO: *Managing Director 1 - 59.52X **Managing Director 2 - 58.33X	
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	KMP	% increase in remuneration
		Managing Director 1	20.00%
		Managing Director 2	0.00%
		CFO	11.00%
		CS	11.00%
3	The percentage increase in the median remuneration of employees in the financial year	8.61%	
4	The number of permanent employees on the rolls of Bank	17,841	
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	8.62% : 4.92%	
6	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes	

*Managing Director 1- Mr. Samit Kumar Ghosh was the Managing Director and CEO till November 30, 2019

**Managing Director 2 - Mr. Nitin Chugh was designated as President from August 17, 2019 to November 30, 2019 and appointed as the Managing Director and CEO from December 01, 2019

INFORMATION AS PER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

The names of the top ten employees in terms of remuneration drawn as on March 31, 2020:

Employee Name	Designation and nature of Employment	Remuneration in financial year 2019-20 (₹ in Lakhs)	Nature of employment, whether contractual or otherwise	Educational Qualification	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held	Whether relative of any director
Samit Kumar Ghosh	Ex-Managing Director and CEO	340.63**	Retired on 30-Nov-2019	MBA	45	01-Feb-2017	70	Bank Muscat S.A.O.G India	0.21	No
***Nitin Chugh	Managing Director and CEO	86.95	Appointed by RBI	PGDM	27	17-Aug-2019	48	HDFC Bank Ltd.	0	No
***Rajeev Padmanabh Pawar	Head Of Treasury	19.82	Permanent	MBA	29	20-Jan-2020	51	Edelweiss Financial Services Ltd.	0	No
***Kalyanaraman M	Chief Credit Officer	48.66	Permanent	MBA	30	16-Sep-2019	53	Equitas Small Finance Bank Ltd.	0	No
Carol Kripanayana Furtado	Head Of Human Resources	251.31*	Permanent	MBA	22	01-Feb-2017	48	Bank Muscat	Negligible	No
Sanjay Kao	Chief Business Officer	92.84*	Permanent	PGDBM	37	12-Feb-2018	62	Dunia Finance	Negligible	No
Upma Goel	Chief Financial Officer	91.10*	Permanent	C.A	24	01-Feb-2017	50	Larsen and Toubro Holding Ltd.	Negligible	No

Employee Name	Designation and nature of Employment	Remuneration in financial year 2019-20 (₹ in Lakhs)	Nature of employment, whether contractual or otherwise	Educational Qualification	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held	Whether relative of any director
Jaya Janardanan	Chief Operating Officer	75.67*	Permanent	Master's in Financial Management	25	22-Oct-2018	52	Aditya Birla Payments Bank	Negligible	No
Lakshman Velayutham	Chief Marketing Officer	73.51*	Permanent	PGDM	27	15-Feb-2019	48	ICICI Bank Ltd.	Negligible	No
Jolly Zachariah	Head Of Channels	81.69*	Permanent	B.Com	34	01-Feb-2017	58	Citi Group	Negligible	No
Rajat Kumar Singh	Business Head - Micro Banking and Rural Banking	72.25*	Permanent	B.Tech	13	01-Feb-2017	35	Ujjivan Financial Services Ltd.	Negligible	No

*Including perquisite value arising out of subscription of equity shares under ESPS 2019

** Including perquisite value arising out of subscription of equity shares under ESPS 2019 and previous arrears based on RBI approval

***Remuneration has been annualised to arrive at the salaries for top 10 employees. They were employed for part of the financial year ended March 31, 2020

Statement showing the name of every employee of the Bank, who-

- a. if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one Crores and two Lakhs rupees ;

Employee Name	Designation and nature of Employment	Remuneration in financial year 2019-20 (₹ in Lakhs)	Nature of employment, whether contractual or otherwise	Educational Qualification	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held	Whether relative of any director
Carol Kripanayana Furtado	Head Of Human Resources	251.31*	Permanent	MBA	22	01-Feb-2017	48	Bank Muscat	Negligible	No

*Including perquisite value arising out of subscription of equity shares under ESPS 2019

- b. if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight Lakhs and fifty thousand rupees per month;

Employee Name	Designation and nature of Employment	Remuneration in financial year 2019-20 (₹ in Lakhs)	Nature of employment, whether contractual or otherwise	Educational Qualification	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held	Whether relative of any director
Samit Kumar Ghosh	Ex-Managing Director and CEO	340.63*	Retired on 30-Nov-2019	MBA	45	01-Feb-2017	70	Bank Muscat S.A.O.G India	0.21	No
Nitin Chugh	Managing Director and CEO	86.95	Appointed by RBI	PGDM	27	17-Aug-2019	48	HDFC Bank	0	No

*Including perquisite value arising out of subscription of equity shares under ESPS 2019 and previous arrears based on RBI approval

- c. If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Bank.

None

For and on behalf of the Board of Directors

Sd/-

Biswamohan Mahapatra

Part-time Chairman and Independent Director

DIN: 06990345

Sd/-

Nitin Chugh

Managing Director and CEO

DIN: 01884659

Date: May 19, 2020

Place: Bengaluru

Annexure-2

UJJIVAN SMALL FINANCE BANK ANNUAL CSR REPORT (For financial year ended March 31, 2020)

1. A BRIEF OUTLINE OF THE BANK'S CSR POLICY, INCLUDING OVERVIEW OF PROJECTS OR PROGRAMS PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB-LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMS

The Bank strongly believes that Business cannot be successful when the society around it fails. The Bank constantly strives to ensure strong corporate culture which emphasises on integrating CSR values with business objectives. The Corporate Social Responsibility ("CSR") Policy of the Bank sets out the broad framework guiding the Bank's CSR activities. It outlines the governance structure, operating framework, monitoring mechanism and eligible CSR activities that would be undertaken by the Bank. The CSR Committee is the governing body that articulates the scope of CSR activities and ensures compliance with the CSR policy. The Bank's CSR activities are largely focused in the areas of eradicating hunger; poverty; promoting preventive health care and making available safe drinking water; promoting education, including special education, employment enhancing vocational skill training for women, promoting gender equality, programs for empowering women, projects for environmental protection and any other projects/ programs as it deems fit from time to time.

The CSR Policy is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

2. THE COMPOSITION OF THE CSR COMMITTEE

The Bank has constituted CSR Committee in terms of Section 135(1) of the Companies Act, 2013. The present composition of the CSR Committee is as follows:

Sr. No.	Name of director	Designation/Category
1	Ms. Vandana Viswanathan	Chairperson – Independent Director
2	Mr. Nandlal Sarda	Member – Independent Director
3	Mr. Prabal Kumar Sen	Member – Independent Director

The functions of CSR Committee include:

- To formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board;
- To recommend the amount of expenditure to be incurred on the activities;
- To Monitor the CSR Policy of the Bank from time to time; and
- To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

3. AVERAGE NET PROFIT OF THE BANK FOR LAST THREE FINANCIAL YEARS

The average net profit of the Bank for the last three financial years calculated in accordance with the provisions of the Companies Act, 2013 is ₹927,203,065.

4. PRESCRIBED CSR EXPENDITURE (TWO PER CENT OF THE AMOUNT AS IN ITEM 3 ABOVE)

The prescribed CSR expenditure requirement for financial year 2019-20 was ₹18,544,061.

5. DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR

- Total amount spent for the financial year**
Total amount spent towards CSR activities during financial year 2019-20 was ₹12,466,821
- Amount unspent**
Amount unspent was ₹6,077,240

c) Manner in which the amount was spent during the financial year is detailed below.

(1) Sr. No.	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Projects or programs a. Local Area or other b. Specify the state and district where projects or programs was undertaken	(5) Amount outlay (Budget) project or programs wise(Amt in INR)	(6) Amount spent on the projects or programs Sub-Heads: (a) Direct Expenditure on projects or programs (b) Overheads (Amt in INR)	(7) Cumulative expenditure upto the reporting period (Amt in INR)	(8) Amount Spent: Direct or through implementing agency
1	"Project Swachh Neighbourhood"- Cleanliness Drive	Healthcare, sanitisation and Swachh Bharat	Pan-India	3,000,000	a) 1,795,034 b) Nil	1,795,034	Direct: through Bank's branch Network
2	Flood Relief Activities	Disaster Management	Karnataka, Tamil Nadu, Maharashtra, Gujarat, Assam Bihar	4,714,411	a) 4,671,787 b) Nil	4,671,787	Direct: through Bank's Branch Network
3	Community Development Programs	Promoting Education, preventive health care, sanitisation, making available safe drinking water	Pan-India	8,000,000	a) 5,000,000 b) Nil	5,000,000	Amount spent through Parinaam Foundation, our long-term strategic partner, a not-for-profit Company registered under Section 8 of the Companies Act, 2013
4	COVID-19 Relief	Disaster Management	Madurai, Tamil Nadu	-	a) 1,000,000 b) Nil	1,000,000	Amount spent through Indian Association for Blind, Madurai
5	Miscellaneous	Environment Sustainability & others	-	2,829,650	-	-	-
Total				18,544,061	12,466,821	12,466,821	

6. IN CASE THE COMPANY HAS FAILED TO SPEND THE TWO PER CENT OF THE AVERAGE NET PROFIT OF THE LAST THREE FINANCIAL YEARS OR ANY PART THEREOF, THE COMPANY SHALL PROVIDE THE REASONS FOR NOT SPENDING THE AMOUNT:

The total amount spent under CSR programs during financial year 2019-20 was ₹124.67 Lakhs, which was 1.34% of the average net profits of the preceding 3 financial years. The Bank has undertaken its CSR activities both directly and through external implementing agencies. Few proposals received from external NGOs were not considered by the Bank due to lack of quality and non-alignment with the Bank's CSR strategy. The CSR projects related to community development and environment sustainability were planned towards the end of

financial year and to be completed during financial year 2020-21; hence we have carry forwarded unspent amount of ₹60.77 Lakhs. The Bank hereby has its commitment in place and all efforts will be made to cover the shortfall in the CSR spends in the coming year. We have undertaken a series of disaster relief initiatives to support the households affected by COVID-19 pandemic, an amount of ₹45 Lakhs has already been spent for this purpose in April 2020 from the carry forwarded amount of ₹60.77 Lakhs.

Brief notes on the CSR activities being undertaken by the Bank directly and through implementing agencies are as under:

A. Project Swachh Neighbourhood

The Bank has undertaken cleanliness drive through its Swachh Neighbourhood project as a key initiative to support Swachh Bharat initiative. The Project

started off as a cleanliness pilot campaign for surrounding areas near our Koramangala branch in Bengaluru, which was later scaled to 98 locations across 67 districts in 15 states. The Swachh Neighbourhood project saw our employees across the country collaborate with the local communities to not just initiate a cleanliness drive but to build a sustainable model by educating the local members in the community on the importance of maintaining a clean neighbourhood as well.

Locations adjacent to our branches were identified and the streets were cleared of debris, garbage and littering spots, then the walls and pavement painting jobs were done to ensure that the area remains trash free in the future. The streets covered for cleanliness drive were further monitored through branches with the help of local community and municipal bodies for ensuring the area remains free from dumping of garbage.

Across 98 locations where the cleanliness drive was conducted, 26 kilometers of streets were cleaned, 71 tons of waste was removed and 609 trees were planted. The Swachh Neighbourhood projects have also witnessed participation of 6,405 volunteers including Bank employees, students, members from local community and municipal authorities.

B. Flood Relief Activities

Every flood leaves the region helpless, impacting the assets and lives of people. In 2019, excessive rainfall in many parts of the country has caused agony and pain to many people in the regions and jeopardising their livelihood. Bank's leadership team along with employees from its branches stepped into the areas to meet the most affected communities and understand their immediate requirements.

Bank managed to reach 6,000 families in North and Central Karnataka region through distribution of food grain kits to households and providing clothes, bed sheets and groceries to relief centers. Similarly in Mysore district, 144 families were assisted with the groceries and other daily essentials. Around 200 relief centers in Nilgiri area providing temporary shelter to around 1,900 people were facilitated with mats, tarpaulin sheets, blankets and also breakfast for one day was served by the Bank.

In Maharashtra, the floods have devastated livelihood of many families especially in areas of Kolhapur, Sangli and Ichalkaranji. As many of households have become homeless, Bank distributed set of utensils to 3,000 most affected families. Also 775 blankets were distributed as an immediate relief activity. Similarly in Gujarat and Assam, the food packets consisting necessary groceries were distributed to more than 600 families to help them in their hard times.

C. Chote Kadam, a Community Development Initiative

Bank has partnered with Parinaam Foundation, our long-term strategic partner, a not-for-profit Company registered under Section 8 of the Companies Act, 2013 to initiate and develop a community development programme (Chote Kadam) for the marginalised communities. Chote Kadam's vision is to work alongside families, corporates, peers and knowledge partners to help transform neighbourhoods across India. The families in the neighbourhood collectively identify infrastructural projects that will improve the environment they live in as well as their quality of life. These projects range from fixing school buildings, renovation or construction of public toilets, strengthening maternity clinics and primary health centres, solar lighting and making available safe drinking water among others.

D. Livelihood Support during COVID-19 Pandemic

"Indian Association for the Blind" (IAB) provides livelihood support to visually challenged community. IAB partnered with a number of corporates for creating livelihood opportunities for visually disabled community. The outbreak of COVID-19 and subsequent lockdown has affected cash flow of the visually disabled community very badly. Bank has contributed ₹10 Lakhs under its CSR program; the funds will help 200+ visually challenged families in supporting their daily needs such as food, medicine and other essentials.

7. A RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE THAT THE IMPLEMENTATION AND MONITORING OF CSR POLICY, IS IN COMPLIANCE WITH CSR OBJECTIVES AND POLICY OF THE BANK.

The CSR Committee hereby confirms that the implementation and monitoring of CSR activities is in compliance with CSR objectives and the CSR Policy of the Bank.

Sd/-
Nitin Chugh
Managing Director and CEO
DIN:01884659

Sd/-
Vandana Viswanathan
Chairperson-CSR Committee
DIN: 05192578

Date: May 19, 2020
Place: Bengaluru

Annexure-3

Form No. MR-3

Secretarial Audit Report

For the Financial year Ended 31st March, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
UJJIVAN SMALL FINANCE BANK LIMITED

CIN: L65110DL2016PLC302481

Plot No. 2364 /8, Khampur Raya Village, Shadi Kampur,
Main Patel Road, New Delhi – 110008, IN

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UJJIVAN SMALL FINANCE BANK LIMITED** having CIN: L65110DL2016PLC302481 (hereinafter called "**the Bank**"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts, statutory compliances and expressing my opinion thereon.

Based on my verification of the Bank's Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the Bank and also the information provided by the Bank, its Officers, Agents and Authorised Representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Bank has, during the Audit Period covering the Financial Year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the Bank has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the Bank for the Financial Year ended on March 31, 2020 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (e) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; and
 - (g) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(vi) Following laws, Norms and Directions as applicable specifically to Small Finance Banks in the Private Sector (SFB):

1. The Reserve Bank of India Act, 1934;
2. The Banking Regulation Act, 1949 and notifications and circulars issued by the Reserve Bank of India from time to time;
3. The Guidelines for Licensing of Small Finance Banks in the Private Sector;
4. Operating Guidelines for Small Finance Banks;
5. The Payment and Settlement Systems Act, 2007; and
6. Deposit Insurance and Credit Guarantee Corporation Act, 1961;

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

- (i) The Listing Agreements entered into by the Bank with BSE Limited and National Stock Exchange of India Limited; and
- (ii) Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Bank has complied with the applicable provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above and labour laws.

I further report that:

Due to COVID-19 pandemic and lockdown, we were not able to physically verify few documents and registers during our Audit and in such cases we have carried out the audit based on electronic documents/soft copies provided to us.

Based on the information provided by the Bank, its officers and authorised representatives, during the conduct of the audit and also on the review of the Details, Records, Documents and Papers provided, in my opinion, adequate systems and processes and control mechanism exist in the Bank to monitor and to ensure compliance with applicable general laws like Labour Laws, Competition Law and Environmental Law.

The compliance of applicable financial laws, like direct and indirect tax laws, have not been reviewed

in this Audit since the same are subject to review by statutory financial audit and other designated professionals.

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors including Women Director based on the approval from the Reserve Bank of India, wherever applicable.

The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and Rules made there under, Banking Regulation Act 1949, the Guidelines for Licensing of Small Finance Banks in the Private Sector and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Adequate notices were given to all directors to schedule the Board Meetings, Agenda and detailed Notes on Agenda were sent at least seven days in advance and at least one Independent Director was present wherein the Board meetings were held at a shorter notice to transact urgent matters and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions were carried out unanimously and there were no dissenting views.

There were adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

1. The Bank has redeemed Listed Rated Secured, Redeemable Non-Convertible Debentures during the Financial Year.
2. The Bank has entered into related party transactions on arm's length basis with Ujjivan Financial Services Limited (CIN: L65999KA2004PLC035329), Holding Company and Parinaam Foundation (CIN: U93090KA2008NPL045840) in which relative of Director of the Bank was interested and the Bank has obtained necessary approvals from the Board of Directors.

3. The Bank has adopted new set of Articles of Association during the Financial Year.
4. The Bank has obtained approval of the Shareholders by way of Special Resolution for Ujjivan Small Finance Bank – Employee Stock Purchase Scheme, 2019 (“ESPS 2019”) in the Extraordinary General Meeting held on August 03, 2019 and also obtained separate approval of the Shareholders by way of Special Resolution for issuing and allotting equity shares to eligible employees of present and future Subsidiary Company(ies) and/or Holding Company(ies) under the ESPS 2019.
5. The Bank has issued and allotted 1,40,55,097 Equity shares under Ujjivan Small Finance Bank – Employee Stock Purchase Scheme, 2019 (“ESPS 2019”) to eligible employees of the Bank and Ujjivan Financial Services Limited, Holding Company.
6. The Bank has issued and allotted 7,14,28,570 Equity shares by way of Preferential issue on Private placement basis (Pre-IPO Placement).
7. The Bank has made an Initial Public Offer (IPO) and allotted 20,27,02,702 Equity Shares at an offer price of ₹37/- per Equity Share including a premium of ₹27/- per Equity Share and the Bank has given discount of ₹2/- per Equity Share on the issue price offered to eligible shareholders of Ujjivan Financial Services Limited, Holding Company in the reservation portion.
8. Pursuant to its IPO, the Bank has listed 1,728,223,169 Equity Shares of 10/- each on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on December 12, 2019.

Date: 19.05.2020
Place: Bengaluru

Sd/-
K. Jayachandran
Company Secretary
ACS No.: 11309/CP No.: 4031
UDIN: A011309B000253751

Annexure-A

To,
The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
CIN: L65110DL2016PLC302481
Plot No. 2364 /8, Khampur Raya Village, Shadi Kampur,
Main Patel Road, New Delhi – 110008, IN

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

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

Date: 19.05.2020
Place: Bengaluru

Sd/-
K. Jayachandran
Company Secretary
ACS No.: 11309/CP No.: 4031
UDIN: A011309B000253751

Annexure-4

Form MGT-9

Extract of Annual Return as on March 31, 2020

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

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	:	L65110DL2016PLC302481
ii)	Registration Date	:	July 04, 2016
iii)	Name of the Company	:	Ujjivan Small Finance Bank Limited
iv)	Category / Sub-Category of the Company	:	Company limited by Shares/Non Govt. Company/Bank
v)	Address of the Registered Office and Contact Details		Plot No. 2364 / 8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi-110008 Tel: +91 80 40712121 (E) 731 E-mail: corporatesecretarial@ujjivan.com
vi)	Whether Listed Company	:	Yes
vii)	Name, address and Contact Details Of Registrar And Transfer Agent	:	KFin Technologies Private Limited (Formerly known as Karvy Fintech Private Limited) Corporate Registry, Karvy Selenium, Tower- B, Plot No. 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad-500032 Tel.: + 91 040 6716 1500 / 040 33211000 / 040- 6716 1562 Fax : + 91 040 23431551 E-mail: einward.ris@kfintech.com Website: www.kfintech.com Toll Free No.: 18003454001

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Banking and Financial Services	64191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. No.	Name and Address of the Company	CIN	Holding/ Subsidiary / Associate	% of Shares held
1	Ujjivan Financial Services Limited Grape Garden, No. 27, 3rd "A" Cross 18th Main, 6th Block, Koramangala, Bangalore-560095	L65999KA2004PLC035329	Holding Company	83.32

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

I) Category-Wise Share Holding

(i) Category wise Shareholding pattern (Equity Share Capital Break-up as percentage of total equity)

Category (I)	Category of Shareholder (II)	No. of Shares held at the beginning of the year (April 01, 2019)				No. of Shares held at the end of the year (March 31, 2020)				% Change during the year**
		Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
(A)	Promoter and Promoter Group									
(1)	Indian									
(a)	Individuals/ HUF	-	6*	6*	Negligible	6*	-	6*	Negligible	-
(b)	Central Government	-	-	-	-	-	-	-	-	-
(c)	State Government(s)	-	-	-	-	-	-	-	-	-
(d)	Bodies Corporate	-	1,440,036,794	1,440,036,794	100	1,440,036,794	-	1,440,036,794	83.32	(16.68)
(e)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(f)	Any Other	-	-	-	-	-	-	-	-	-
	Sub Total (A) (1)	-	1,440,036,800*	1,440,036,800*	100	1,440,036,800*	-	1,440,036,800*	83.32	(16.68)
(2)	Foreign									
(a)	NRIs – Individuals	-	-	-	-	-	-	-	-	-
(b)	Other Individuals	-	-	-	-	-	-	-	-	-
(c)	Bodies Corporate	-	-	-	-	-	-	-	-	-
(d)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(e)	Any Other	-	-	-	-	-	-	-	-	-
	Sub Total (A) (2)	-	-	-	-	-	-	-	-	-
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	-	1,440,036,800*	1,440,036,800*	100	1,440,036,800*	-	1,440,036,800*	83.32	(16.68)
(B)	Public Shareholding									
(1)	Institutions									
(a)	Mutual Funds	-	-	-	-	13,664,044	-	13,664,044	0.79	0.79
(b)	Banks / Financial Institutions	-	-	-	-	458,639	-	458,639	0.03	0.03
(c)	Central Government	-	-	-	-	-	-	-	-	-
(d)	State Government	-	-	-	-	-	-	-	-	-
(e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f)	Insurance Companies	-	-	-	-	-	-	-	-	-
(g)	FII's / Foreign Portfolio Investors	-	-	-	-	92,376,833	-	92,376,833	5.35	5.35
(h)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(i)	Alternative Investment Funds	-	-	-	-	56,119,283	-	56,119,283	3.25	3.25
(j)	Qualified Institutional Buyer	-	-	-	-	10,876,381	-	10,876,381	0.63	0.63
(k)	Any Other (specify)	-	-	-	-	-	-	-	-	-
	Sub-Total (B)(1)	-	-	-	-	173,495,180	-	173,495,180	10.04	10.04

Category (I)	Category of Shareholder (II)	No. of Shares held at the beginning of the year (April 01, 2019)				No. of Shares held at the end of the year (March 31, 2020)				% Change during the year**
		Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
(2)	Non-institutions									-
(a)	Body Corporate	-	-	-	-	6,789,472	-	6,789,472	0.39	0.39
(b)	Individuals									-
(i)	Individual shareholders holding nominal share capital up to ₹1 Lakh	-	-	-	-	55,167,576	20	55,167,576	3.19	3.19
(ii)	Individual shareholders holding nominal share capital in excess of ₹1 Lakh	-	-	-	-	41,415,881	-	41,415,881	2.40	2.40
(c)	Others	-	-	-	-	-	-	-	-	-
(i)	Trusts	-	-	-	-	1,901,746	-	1,901,746	0.11	0.11
(ii)	Non-Resident Indians	-	-	-	-	4,667,988	-	4,667,988	0.27	0.27
(iii)	Clearing Members	-	-	-	-	4,748,506	-	4,748,506	0.27	0.27
	Sub-Total (B)(2)	-	-	-	-	114,691,169	20	114,691,189	6.64	6.64
	Total Public Shareholding (B)= (B)(1)+(B)(2)	-	-	-	-	288,186,349	20	288,186,369	16.68	16.68
(C)	Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
	Total (A) + (B) + (C)	-	1,440,036,800	1,440,036,800	100	1,728,223,149	20	1,728,223,169	100	-

*1,440,036,794 Equity Shares are held by Ujjivan Financial Services Limited ("UFSL") and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Ittira Davis, Sudha Suresh, Rajat Singh and Premkumar G, as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares

**The change in percentage in shareholding is on account of issuance and allotment of additional equity shares under IPO, Pre-IPO Placement and ESPS 2019

(ii) Shareholding of Promoters

Sr. No.	Shareholder Name	Shareholding at the beginning of the year (April 01, 2019)			Shareholding at the end of the year (March 31, 2020)			% change in shareholding during the year**
		No. of Equity Shares	% of total shares of the Bank	% of shares pledged / encumbered to total shares	No. of Equity Shares	% of total shares of the Bank	% of shares pledged / encumbered to total shares	
1.	Ujjivan Financial Services Limited	1,440,036,800*	100	Nil	1,440,036,800*	83.32	Nil	(16.68)

*1,440,036,794 Equity Shares are held by UFSL and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Ittira Davis, Sudha Suresh, Rajat Singh and Premkumar G., as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares

**The change in percentage in shareholding is on account of issuance and allotment of additional equity shares under IPO, Pre-IPO Placement and ESPS 2019

(iii) Change in Promoters' Shareholding:

Sr. No.	Shareholder Name	Shareholding at the beginning of the year (April 01, 2019)		Cumulative Shareholding during the year (March 31, 2020)		% change in shareholding during the year**
		No. of Shares	% of total shares of the Bank	No. of Shares	% of total shares of the Bank	
1	Ujjivan Financial Services Limited	1,440,036,800*	100	1,440,036,800*	83.32	(16.68)

*1,440,036,794 Equity Shares are held by UFSL and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Ittira Davis, Sudha Suresh, Rajat Singh and Premkumar G., as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares.

**The change in percentage in shareholding is on account of issuance and allotment of additional equity shares under IPO, Pre-IPO Placement and ESPS 2019

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

Sr. No	Category	Type	Name of the Share Holder	Shareholding at the beginning of the Year		Date	Increase/ Decrease in share holding	Cumulative Shareholding during the Year	
				No of Shares	% of total shares of the Bank			No of Shares	% of total shares of the Bank
1	FPC	At the beginning of the Year		0	0.00	30/03/2019		0	0.00
		Purchase	GOVERNMENT OF SINGAPORE			13/12/2019	11,896,773	11,896,773	0.69
		Purchase				20/12/2019	15,463,840	27,360,613	1.58
		Purchase				27/12/2019	874,503	28,235,116	1.63
		Sale				20/03/2020	-585,799	27,649,317	1.60
		Sale				27/03/2020	-561,034	27,088,283	1.57
		Sale				31/03/2020	-102,306	26,985,977	1.56
		At the end of the year				31/03/2020		26,985,977	1.56
2	FPC	At the beginning of the Year		0	0.00	30/03/2019		0	0.00
		Purchase	ABERDEEN			13/12/2019	5,290,800	5,290,800	0.31
		Purchase	STANDARD SICAV			31/01/2020	4,145,927	9,436,727	0.55
		Purchase	I - ASIAN SMALLER			07/02/2020	2,162,594	11,599,321	0.67
		Purchase	COMPANIE			14/02/2020	603,961	12,203,282	0.71
		At the end of the year				31/03/2020		12,203,282	0.71
3	FPC	Opening Balance		0	0.00	30/03/2019		0	0.00
		Purchase	CX PARTNERS			13/12/2019	11,831,940	11,831,940	0.68
		Closing Balance	FUND 2 LIMITED			31/03/2020		11,831,940	0.68
4	FPC	Opening Balance		0	0.00	30/03/2019		0	0.00
		Purchase	ARJUNA FUND PTE. LTD			13/12/2019	968,272	968,272	0.06
		Purchase				20/12/2019	6,650,781	7,619,053	0.44
		Purchase				17/01/2020	1,203,091	8,822,144	0.51
		Purchase				24/01/2020	781,104	9,603,248	0.56
		Purchase				31/01/2020	308,549	9,911,797	0.57
		Purchase				28/02/2020	122,599	10,034,396	0.58
		Purchase				06/03/2020	658,743	10,693,139	0.62
		Purchase				13/03/2020	11,355	10,704,494	0.62
		Purchase				31/03/2020	550,826	11,255,320	0.65
		Closing Balance				31/03/2020		11,255,320	0.65
5	AIF	Opening Balance	AVENDUS	0	0.00	30/03/2019		0	0.00
		Purchase	FUTURE			22-11-2019	9,285,714	9,285,714	0.54
		Closing Balance	LEADERS FUND I			31/03/2020		9,285,714	0.54
6	AIF	Opening Balance		0	0.00	30/03/2019		0	0.00
		Purchase	IIFL SPECIAL			22-11-2019	5,071,713	5,071,713	0.29
		Purchase	OPPORTUNITIES			13/12/2019	4,054,000	9,125,713	0.53
		Closing Balance	FUND - SERIES 4			31/03/2020		9,125,713	0.53
7	AIF	Opening Balance		0	0.00	30/03/2019		0	0.00
		Purchase	IIFL SELECT			22-11-2019	8,329,489	8,329,489	0.48
		Closing Balance	SERIES II			31/03/2020		8,329,489	0.48

Sr. No	Category	Type	Name of the Share Holder	Shareholding at the beginning of the Year		Date	Increase/ Decrease in share holding	Cumulative Shareholding during the Year	
				No of Shares	% of total shares of the Bank			No of Shares	% of total shares of the Bank
8	FPC	Opening Balance		0	0.00	30/03/2019		0	0.00
		Purchase				13/12/2019	3,420,730	3,420,730	0.20
		Purchase				20/12/2019	4,409,068	7,829,798	0.45
		Purchase	MONETARY AUTHORITY OF SINGAPORE			27/12/2019	273,984	8,103,782	0.47
		Sale				20/03/2020	-204,260	7,899,522	0.46
		Sale				27/03/2020	-195,626	7,703,896	0.45
		Sale				31/03/2020	-35,673	7,668,223	0.44
		Closing Balance				31/03/2020		7,668,223	0.44
9	MUT	Opening Balance		0	0.00	30/03/2019		0	0.00
		Purchase	SUNDARAM MUTUAL FUND			13/12/2019	7,376,037	7,376,037	0.43
		Purchase	A/C SUNDARAM SMALL CAP FUND			20/03/2020	136,398	7,512,435	0.43
		Closing Balance				31/03/2020		7,512,435	0.43
10	AIF	Opening Balance		0	0.00	30/03/2019		0	0.00
		Purchase	IIFL BLENDED FUND- SERIES A			22-11-2019	7,368,311	7,368,311	0.43
		Closing Balance				31/03/2020		7,368,311	0.43

(v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year (April 01, 2019)		Cumulative Shareholding during the year (March 31, 2020)	
		No. of Shares	% of total shares of the Bank	No. of Shares	% of total shares of the Bank
Director					
1	Mr. Samit Kumar Ghosh*	1	Negligible	3,547,143	0.21
2	Mr. Sunil Vinayak Patel**	-	-	-	-
3	Mr. Nitin Chugh***	-	-	-	-
4	Ms. Mona Kachhwaha				
5	Mr. Jayanta Kumar Basu	-	-	-	-
6	Mr. Nandlal Sarda	-	-	-	-
7	Mr. Biswamohan Mahapatra	-	-	-	-
8	Mr. Luis Miranda****	-	-	-	-
9	Mr. Prabal Kumar Sen	-	-	-	-
10	Mr. Sachin Bansal\$	-	-	-	-
11	Mr. Mahadev Lakshminarayanan\$\$	-	-	-	-
12	Ms. Chitra K Alai\$\$\$	-	-	-	-
13	Mr. Sanjay Jain\$\$\$\$	-	-	-	-
14	Ms. Vandana Viswanathan	-	-	-	-
Key Managerial Personnel					
1	Mr. Samit Kumar Ghosh*	1	Negligible	3,547,143	0.21%
2	Mr. Nitin Chugh***	-	-	-	-
3	Ms. Upma Goel	-	-	104,355	Negligible
4	Mr. Chanchal Kumar	-	-	14,252	Negligible

*Holds one equity shares for and on behalf of UFSL and retired as the Managing Director and CEO on November 30, 2019

** He resigned as Independent Director w.e.f February 01, 2020.

*** He was appointed as Managing Director and CEO w.e.f December 01, 2019

**** He resigned as Independent Director w.e.f March 22, 2020

\$ He was appointed as Independent Director w.e.f June 01, 2019 and resigned w.e.f January 27, 2020

\$\$ He was appointed as Independent Director w.e.f August 01, 2019

\$\$\$ She was appointed as Nominee Director w.e.f May 09, 2019

\$\$\$\$ He ceased to be a Nominee Director w.e.f May 09, 2019

V. INDEBTEDNESS

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

(₹ in Crores)

Particulars	Secured (TL/NCD) excluding deposits	Unsecured (TL/NCD)	Deposit *	Total Indebtedness
Indebtedness at the beginning of the financial year (April 01, 2019)				
i) Principal Amount	350.59	3,815.50	-	4,166.09
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	8.66	41.07	-	49.73
Total (a = i + ii + iii)	359.25	3,856.57	-	4,215.82
Changes in Indebtedness of principal during the financial year				
Addition	-	870	-	870
Reduction	304.46	1,487.22	-	1,791.68
Net Change (b)	(304.46)	(617.22)	-	(921.68)
Indebtedness at the end of the financial year (March 31, 2020)				
i) Principal Amount (a + b)	46.13	3,198.28	-	3,244.41
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.83	56.22	-	57.05
Total (i + ii + iii)	46.96	3,254.5	-	3,301.46

* Section 73 (1) of the Companies Act, 2013, states that the provisions of the said Act relating to acceptance of deposits by companies do not apply to a Banking Company as defined in the Reserve Bank of India Act, 1934. Accordingly, information relating to the Bank's deposits is not disclosed in the table above. As per the applicable provisions of the Banking Regulation Act, 1949, details of the Bank's deposits have been included under Schedule 3 - Deposits, in the financial statements of the Bank.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole Time Directors and / or Manager:

(₹)

Sr. No.	Particulars of Remuneration	Name of Managing Director		Total Amount
1.	Gross Salary	Mr. Samit Kumar Ghosh*	Mr. Nitin Chugh**	
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961			
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	34,063,200	8,695,330	42,758,530
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961			
2.	Stock Option (Nos.)***	-	3,798,697	3,798,697
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of profit	-	-	-
	- Other, specify			
	Total (A)	34,063,200	8,695,330	42,758,530
	Ceiling as per schedule V of the Companies Act, 2013	Remuneration is within the ceiling prescribed under Section 197 read with Schedule V of the Companies Act, 2013		

*April 01, 2019 till November 30, 2019

**As President of the Bank from August 17, 2019 to November 30, 2019 and as Managing Director and CEO from December 01, 2019

***Sign-on grant was given at an exercise price of ₹35 per stock option basis RBI approval; vesting during financial year 2020 and financial year 2021

B. Remuneration to other directors:

(₹ In Lakhs)

Particulars of Remuneration	Name of Directors								Total Amount
1) Independent Directors	Mr. Sunil Vinayak Patel*	Mr. Luis Miranda**	Mr. Prabal Kumar Sen	Mr. Nandlal Sarda	Mr. Biswamohan Mahapatra	Ms. Vandana Viswanathan***	Mr. Sachin Bansal****	Mr. Mahadev Lakshminaryanan\$	
Fees for attending board and board committee meetings (Sitting Fees)	19.40	10.05	12.60	16.85	14.10	14.50	5.25	7.75	100.50
Commission	-	-	-	-	-	-	-	-	-
Other, please specify	-	-	-	-	-	-	-	-	-
Total (1)	19.40	10.05	12.60	16.85	14.10	14.50	5.25	7.75	100.50
2) Other Non-Executive Directors	SIDBI (Ms. Chitra K Alai) \$\$	Mr. Jayanta Kumar Basu			Ms. Mona Kachhwaha\$\$\$			SIDBI (Mr. Sanjay Jain)\$\$\$\$	
Fees for attending board and board committee meetings	2.00	7.00			6.90			-	15.90
Commission	-	-			-			-	-
Other, please specify	-	-			-			-	-
Total (2)	2.00	7.00			6.90			-	15.90
Total Managerial Remuneration (1+2)									116.40
Overall ceiling as per the Act (sitting fees not to exceed ₹100,000 per meeting)	Bank is paying only sitting fees to Non-Executive Directors which is below the ceiling of ₹100,000/- per meeting as prescribed under the Companies Act, 2013								

* He resigned as Independent Director w.e.f February 01, 2020.

** He resigned as Independent Director w.e.f March 22, 2020

*** She was appointed/re-designated from Non-Executive, Non-Independent Director to Independent Director w.e.f September 22, 2019 and she was paid sitting fee of ₹9,25,000 as Independent Director.

**** He was appointed as Independent Director w.e.f June 01, 2019 and resigned w.e.f January 27, 2020

\$ He was appointed as Independent Director w.e.f August 01, 2019

\$\$ She was appointed as Nominee Director w.e.f May 09, 2019

\$\$\$ She was re-categorised from Independent Director to Non-Executive, Non-Independent Director w.e.f September 22, 2019 and she was paid sitting fee of ₹2,90,000 as an Independent Director

\$\$\$\$ He ceased to be a Nominee Director w.e.f May 09, 2019

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

(₹)

Sr. No.	Particulars of Remuneration			Total Amount
1.	Gross Salary	Ms. Upma Goel (Chief Financial Officer)	Mr. Chanchal Kumar (Company Secretary)	
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961			
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	9,110,335	4,535,739	13,646,074
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961			
2.	Stock Option (Nos.)*	156,986	82,974	239,960
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of profit			
	- Other, specify			
	Total	9,110,335	4,535,739	13,646,074

*Ms. Upma Goel, Chief Financial Officer of the Bank was granted 156,986 stock options under ESOP 2019 during the year at an exercise price of ₹35 per stock option.

*Mr. Chanchal Kumar, Company Secretary and Compliance Officer of the Bank was granted 82,974 stock options under ESOP 2019 during the year at an exercise price of ₹35 per stock option.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

There were no penalties, punishment or compounding of offences during the financial year ended March 31, 2020.

For and on behalf of the Board of Directors

Sd/-

Biswamohan Mahapatra

Part-time Chairman and Independent Director

DIN: 06990345

Date: May 19, 2020

Place: Bengaluru

Sd/-

Nitin Chugh

Managing Director and CEO

DIN: 01884659

Annexure-5

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

[Pursuant to Regulation 34 read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
CIN: L65110DL2016PLC302481
Plot No. 2364 /8, Khampur Raya Village, Shadi Kampur,
Main Patel Road, New Delhi – 110008, IN

I have examined all the relevant records of **"UJJIVAN SMALL FINANCE BANK LIMITED"** ("the Bank") for the purpose of certifying compliance of the conditions of the Corporate Governance as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") for the Financial Year ended March 31, 2020. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance.

This Certificate is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

In my opinion and to the best of my information and according to the explanations and information furnished to me, I certify that the Bank has complied with all the mandatory conditions of Corporate Governance as stipulated in the aforesaid Listing Regulations. As regards Discretionary Requirements specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has complied with items C, D and E.

Date: 19.05.2020
Place: Bengaluru

Sd/-
K. Jayachandran
Company Secretary
ACS No.: 11309/CP. No.: 4031
UDIN: A011309B000253870

Corporate Governance Report

1. BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ujjivan Small Finance Bank Limited ("Bank") recognises its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business, ethics, and accountability to its shareholders, customers, government and other stakeholders. Bank's activities are carried out in accordance with good corporate practices and Bank is constantly striving to make them better and adopt the best practices.

The Bank believes that timely reporting, transparent accounting policies and a strong Independent Board goes a long way in preserving shareholders' trust and maximising long-term corporate value.

In pursuing the mission of "The best institution to provide financial services to the unserved and underserved customers and transform to a bank serving the mass market", the Bank has been balancing its dual objectives of "social" and "financial" goals since its inception. "Responsible financing", "ethical values" and "transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders, customers and investors.

The detailed Report on Corporate Governance for FY 2019-20, as per Regulation 34(3) read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**"), is set out below:

2. THE BOARD OF DIRECTORS ("BOARD")

The Bank is in compliance with the corporate governance provisions and requirements, as contained under the SEBI Listing Regulations, Companies Act, 2013 ("Act"), Banking Regulation Act, 1949 and applicable guidelines issued by the Reserve Bank of India ("RBI") in connection with the following :

- i. The Board
- ii. The Audit Committee
- iii. The Nomination and Remuneration Committee

- iv. The Stakeholders Relationship Committee
- v. The Corporate Social Responsibility Committee
- vi. The Risk Management Committee
- vii. The Customer Service Committee
- viii. The Human Resource & Compensation Committee*
- ix. The IT Strategy Committee
- x. The Review Committee of Wilful Defaulter
- xi. The Fraud Committee (Special Committee of the Board for Monitoring High Value Frauds)
- xii. The Committee of Directors*
- xiii. The Promoter Shareholding Dilution Committee* (Formerly known as Listing Committee)
- xiv. The Business Strategy Committee*
- xv. The Business Continuity Monitoring Committee*

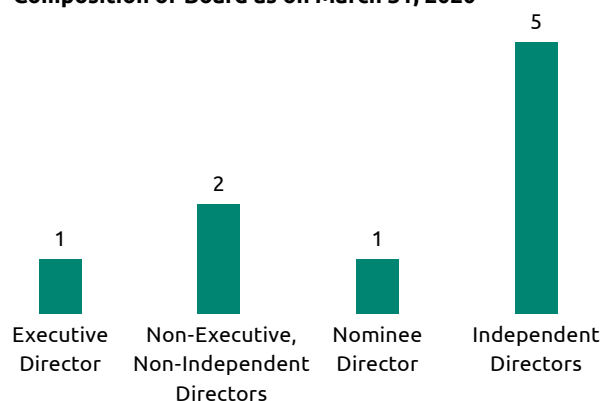
* Non-Statutory Committees constituted for effective supervision

a. Composition of Board

Bank has an appropriate mix of executive, non-executive and independent directors to maintain Board's independence and separate the functioning of governance and management. As on March 31, 2020, the Board comprised of 9 (Nine) directors, including 3 (Three) women directors.

The profile of the directors is available on the website of the Bank at <https://www.ujjivansfb.in/board-of-director>.

Composition of Board as on March 31, 2020



Name of Director	Board and Board Committees Composition as on March 31, 2020															
	Category	Board	AC	NRC	SRC	RMC	CSC	HR&CC	ITSC	WDC	FC	CoD	DC	BSC	CSR	BCMC
Mr. Biswamohan Mahapatra*	ID	C	M	M		C				M	M		C			C
Mr. Nitin Chugh	ED	M			M	M	M	M		C	C	M	M	C		M
Mr. Nandlal Sarda	ID	M	M			M			C						M	
Ms. Vandana Viswanathan	ID	M		C	C		C	C				M			C	M
Mr. Prabal Kumar Sen	ID	M		M			M								M	
Mr. Mahadev Lakshminarayanan	ID	M	C		M							C	M			M
Ms. Mona Kachhwaha	NE-NID	M					M		M					M		M
Mr. Jayanta Kumar Basu	NE-NID	M		M		M			M					M		M
Ms. Chitra K Alai	ND	M														
Total Members		9	3	4	3	4	4	2	3	2	2	3	3	3	3	6
Total Meetings Held		10	8	9	1	4	4	2	4	1	0	0	5	2	4	0

*Appointed as Part-time Chairman of the Bank w.e.f April 28, 2020

C= Chairman/Chairperson

M= Member

AC= Audit Committee

NRC= Nomination and Remuneration Committee

SRC= Stakeholders Relationship Committee

RMC= Risk Management Committee

CSC= Customer Service Committee

HR&CC= Human Resource & Compensation Committee

ITSC= IT Strategy Committee

WDC= Review Committee of Wilful Defaulters

FC= Fraud Committee (Special Committee of the Board for Monitoring High Value Frauds)

CoD= Committee of Directors

DC= Promoter Shareholding Dilution Committee (Formerly known as Listing Committee)

BSC= Business Strategy Committee

CSR= Corporate Social Responsibility Committee

BCMC= Business Continuity Monitoring Committee (constituted on March 29, 2020 hence no meeting was held during the year)

ED= Executive Director

ID= Independent Director

NE-NID= Non-Executive, Non-Independent Director

ND= Nominee Director

- b. The name and category of the directors on the Board, their attendance at the Board Meetings held during the financial year 2019-20 and at the last Annual General Meeting ("AGM") and the number of directorships and committee chairmanships / memberships held by them in other public companies as on March 31, 2020 are given below. Other directorships do not include directorships in private limited companies, foreign companies and companies under Section 8 of the Act. Chairmanships/ memberships of Board Committees shall include Audit Committee and Stakeholders Relationship Committee only.

Name of the Director	Category	No. of Board Meetings during FY 2019-20			Whether attended last AGM	No. of directorships in other Public Companies		No. of Committee positions held in other Public Companies	
		Held during FY 2019-20	Entitled to attend	Attended		Chairman	Member	Chairman	Member
Mr. Biswamohan Mahapatra* DIN: 06990345	Part-time Chairman -Independent Director	10	10	5	No	0	2	0	2
Mr. Sunil Vinayak Patel** DIN: 00050837	Ex-Part-time Chairman -Independent Director	10	9	9	Yes	-	-	-	-
Mr. Nitin Chugh*** DIN: 01884659	Managing Director and CEO-Executive Director	10	3	3	NA	0	0	0	1
Mr. Samit Kumar Ghosh**** DIN: 00185369	Ex-Managing Director and CEO-Executive Director	10	7	7	Yes	-	-	-	-
Ms. Vandana Viswanathan# DIN: 05192578	Independent Director	10	10	9	Yes	0	0	0	0
Mr. Jayanta Kumar Basu DIN: 01268046	Non-Executive, Non Independent Director	10	10	5	No	0	1	0	1
Mr. Nandlal Sarda DIN: 00147782	Independent Director	10	10	10	No	0	2	0	2
Mr. Luis Miranda## DIN: 01055493	Independent Director	10	9	4	No	-	-	-	-

Name of the Director	Category	No. of Board Meetings during FY 2019-20			Whether attended last AGM	No. of directorships in other Public Companies		No. of Committee positions held in other Public Companies	
		Held during FY 2019-20	Entitled to attend	Attended		Chairman	Member	Chairman	Member
Mr. Prabal Kumar Sen DIN: 02594965	Independent Director	10	10	7	No	0	0	0	0
Mr. Sachin Bansal### DIN: 02356346	Independent Director	10	8	5	No	-	-	-	-
Mr. Mahadev Lakshminarayanan #### DIN: 05003710	Independent Director	10	8	7	NA	0	1	1	1
Ms. Mona Kachhwaha\$ DIN: 01856801	Non-Executive, Non Independent Director	10	10	5	No	0	1	0	2
Ms. Chitra K Alai\$\$ DIN: 03138604	Nominee Director	10	10	3	No	0	1	0	0
Mr. Sanjay Jain\$\$\$ DIN: 02559601	Nominee Director	10	0	0	NA	-	-	-	-

* Appointed as Part-time Chairman of the Bank w.e.f April 28, 2020

** Retired from the office of Part-time Chairmanship of the Bank on January 31, 2020 and resigned as Independent Director w.e.f February 01, 2020

*** Appointed as Managing Director and CEO of the Bank w.e.f December 01, 2019

**** Retired from office of Managing Director and CEO of the Bank on November 30, 2019

Appointed/Re-designated as an Independent Director of the Bank w.e.f September 22, 2019 (She was a Non-Executive, Non-Independent Director prior to that)

Resigned as an Independent Director w.e.f March 22, 2020

Appointed as an Independent Director of the Bank w.e.f June 01, 2019 and resigned w.e.f January 27, 2020

Appointed as an Independent Director of the Bank w.e.f August 01, 2019

\$Re-categorised as a Non-Executive, Non-Independent Director of the Bank w.e.f September 22, 2019

\$\$ Appointed as a Nominee Director of the Bank w.e.f May 09, 2019

\$\$\$Ceased to be a Nominee Director of the Bank w.e.f May 09, 2019

- c. Name of the listed entities where the following directors of the Bank are director and their category of directorship as on March 31, 2020:

Name of the director	Name of the listed entity	Category of directorship
Mr. Biswamohan Mahapatra	Edelweiss Financial Services Limited	Independent Director
Mr. Nandlal Sarda	Cybertech Systems and Software Limited	Independent Director
Mr. Jayanta Kumar Basu	Ujjivan Financial Services Limited	Non-Executive, Non-Independent Director
Ms. Mona Kachhwaha	Ujjivan Financial Services Limited	Independent Director
Mr. Mahadev Lakshminarayanan	Aspinwall and Company Limited	Independent Director

- d. During FY 2019-20, 10 (Ten) meetings of the Board were held on following dates:

Date of Board meeting	Total number of directors	Number of directors present
May 28, 2019	10	10
July 30, 2019	11	10
August 14, 2019	12	8
October 21, 2019	12	8
November 05, 2019	12	11
November 08, 2019	12	6
November 22, 2019	12	6
December 05, 2019	12	7
January 22, 2020	12	9
March 23, 2020	9	4

There has not been a time gap of more than 120 (One Hundred and Twenty) days between any two consecutive Board meetings.

- e. None of the directors are related to each other.
- f. None of the director holds any equity shares in the Bank as on March 31, 2020. However, Mr. Nitin Chugh, Managing Director and CEO of the Bank holds 3,798,697 stock options as on March 31, 2020.

- g. Complying with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, Familiarisation Programmes were conducted during FY ended March 31, 2020 to give an overview and introduction to the Independent Directors about the Bank's business and operations. Further, under the Familiarisation Programme for the Independent Directors, newly appointed independent directors are appraised with the organisation structure, operational overview, financial overview, board matters and procedures, key risk issues and its mitigation strategy among others.

The details of such programme is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

- h. In compliance with Section 10A and other applicable provisions of the Banking Regulation Act, 1949 and other laws applicable to the Bank, as on March 31, 2020, the Bank has a well-diversified Board having required skills, expertise and competencies.

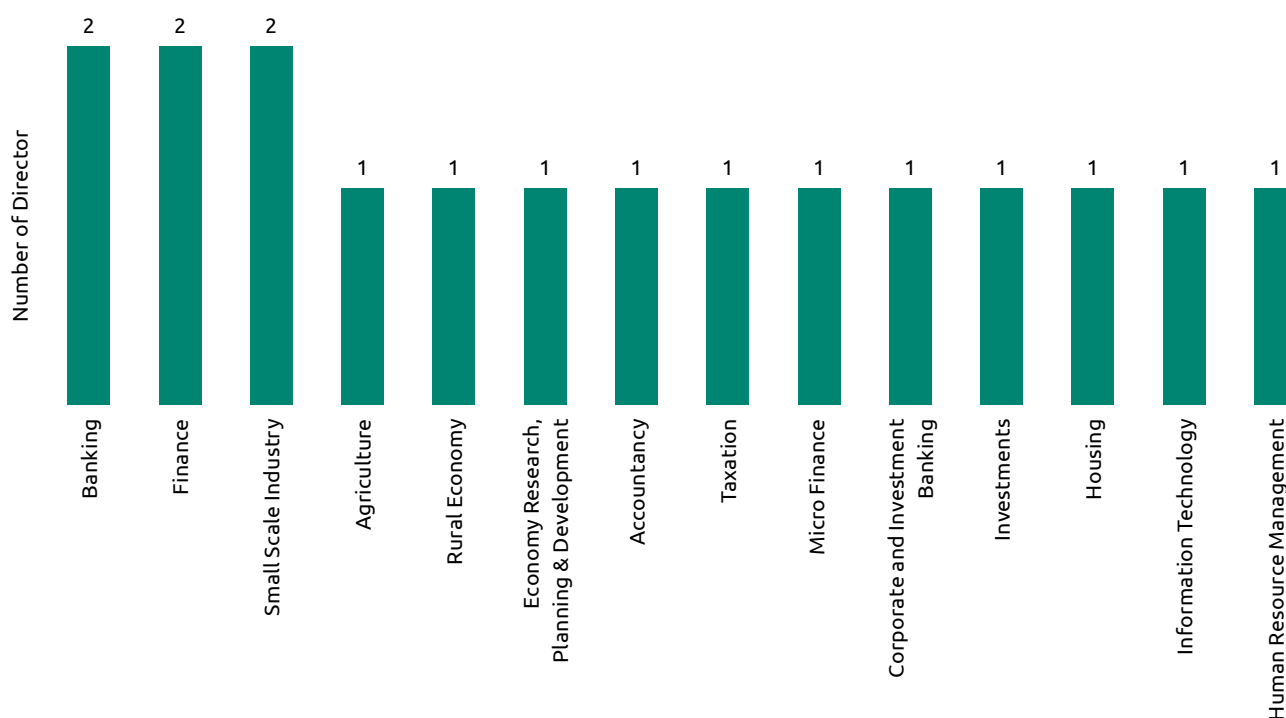
The Board has identified core skills/expertise/competencies in the area of Banking and Finance, Human Resource Management, Corporate and Investment Banking, Accountancy and Taxation,

Information Technology, Micro Finance, Agriculture, Small Scale Industry and Rural Economy which are required in the context of Bank's business and sector to function effectively.

- i. Bank has an enriched Board with the following skills, expertise and competencies:

Sr. No.	Name of the director	Core Skills/Expertise/Competencies
1.	Mr. Biswamohan Mahapatra	Banking and Finance
2.	Mr. Nitin Chugh	Banking
3.	Ms. Vandana Viswanathan	Human Resource Management
4.	Mr. Nandlal Sarda	Information Technology
5.	Mr. Prabal Kumar Sen	Agriculture, Rural Economy, Economic Research, Planning & Development
6.	Mr. Mahadev Lakshminarayanan	Accountancy, Taxation and Finance
7.	Ms. Mona Kachhwaha	Micro Finance, Housing, Small Scale Industry and Investments
8.	Mr. Jayanta Kumar Basu	Corporate and Investment Banking
9.	Ms. Chitra K Alai	Small Scale Industry

Nature of Core Skills/Expertise/Competencies



- j. In the opinion of the Board, all the independent directors of the Bank meet the criteria of independence laid down under the Act and SEBI Listing Regulations and are independent of Bank's Management Team. At the time of appointment and at the beginning of each financial year and whenever any change occurs which may affect their independence, the independent directors submit a self-declaration confirming their independence and compliance with various eligibility criteria, among other disclosures. All such declarations are placed before the Board for their information and noting.
- k. Except as stated below, no independent director of the Bank has resigned before the expiry of his/her tenure during FY 2019-20:

Mr. Sachin Bansal

DIN: 02356346

He had resigned as an Independent Director w.e.f January 27, 2020.

Reason of Resignation: He had confirmed that he had resigned from the Bank's Board in the interest of propriety and corporate governance as an entity owned and controlled by him has made an application to the RBI for a universal banking license and there were no other material reasons.

Mr. Sunil Vinayak Patel

DIN: 00050837

Reason of Resignation: As per the extent RBI Guidelines, he was not eligible to be reappointed as Chairman of the Bank as he had attained 70 (Seventy) years of age. Accordingly, he had tendered his resignation as Independent Director of the Bank w.e.f February 01, 2020 (post completion of his tenor as Part-time Chairman of the Bank on January 31, 2020).

Further, he had confirmed that he had resigned due to personal reasons and commitments and there were no other material reasons.

Mr. Luis Miranda

DIN: 01055493

Reason of Resignation: He was having common directorship between the Bank, which is an Insurance Intermediary and Manipal Cigna Health Insurance Company Limited, an Insurance Company and such common directorship may pose potential conflict of interest in terms of provisions of Section 48A of the Insurance Act, 1938 which per se restricts such common directorship. To uphold the principles of good corporate governance, he had opted to resign as the Independent Director of the Bank with effect from March 22, 2020.

He had confirmed that except the reasons stated above, there were no other material reasons for his resignation.

- l. Every director has duly informed the Bank about the committee positions he/she occupies in other companies.
- m. None of the directors of the Bank are members of more than 10 (Ten) committees (Audit Committee and the Stakeholders Relationship Committee) across all public limited companies in which they are director.
- n. None of the directors of the Bank are director in more than 8 (Eight) listed entities.
- o. None of the directors of the Bank are Chairman of more than 5 (Five) committees across all public limited companies in which they are director.

3. AUDIT COMMITTEE

- a. The Bank has constituted the Audit Committee in line with the provisions of Section 177 of the Act, applicable RBI Guidelines and Regulation 18 of the SEBI Listing Regulations.



Chairman of the Audit Committee

Brief profile: Mahadev Lakshminarayanan is an Independent Director of the Bank. He holds a bachelor's degree in science from Kerala University and is a chartered accountant from the Institute of Chartered Accountants of India. He was previously a partner at Deloitte Haskins & Sells LLP and Fraser & Ross and is currently director on the board of Aspinwall and Company Limited.

Nature of Expertise: Accountancy, Taxation and Finance

- b. The composition of the Audit Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Mahadev Lakshminarayanan*	Chairman- Independent Director	6	5	83
2.	Mr. Sunil Vinayak Patel**	Ex-Chairman- Independent Director	7	7	100
3.	Mr. Luis Miranda***	Ex-Member- Independent Director	7	5	71
4.	Mr. Biswamohan Mahapatra	Member- Independent Director	8	6	75
5.	Mr. Nandlal Sarda	Member- Independent Director	8	8	100

*Joined the Committee as Member on August 01, 2019 and as Chairman of the Committee w.e.f February 01, 2020

**Moved out from the Committee w.e.f February 01, 2020 due to retirement and resignation

*** Moved out from the Committee w.e.f March 22, 2020 due to resignation

The members of the Audit Committee are financially literate and have expertise in finance and have knowledge of accounting and financial management.

- c. During FY 2019-20, 8 (Eight) meetings of the Audit Committee were held on the following dates:

Date of Audit Committee Meeting	Total number of members	Number of members present
May 28, 2019	4	4
July 30, 2019	4	4
August 14, 2019	5	3
October 15, 2019	5	5
October 21, 2019	5	4
November 05, 2019	5	5
January 22, 2020	5	4
March 23, 2020	3	2

- d. The terms of reference of the Audit Committee are in accordance with the Act, applicable RBI Guidelines and SEBI Listing Regulations.

- e. The following are the key terms of reference of the Committee:

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, replacement, reappointment, remuneration and terms of appointment of auditors of the Bank;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report, in terms of the Companies Act, 2013;
 - Changes, if any, in accounting policies and practices and reasons for the same;

- Major accounting entries involving estimates based on the exercise of judgment by management;
- Significant adjustments made in the financial statements arising out of audit findings;
- Compliance with listing and other legal requirements relating to financial statements;
- Disclosure of any related party transactions; and
- Qualifications and modified opinion(s) in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Laying down the criteria for granting omnibus approval in accordance with the Bank's policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
7. Examination of the financial statement and auditors' report thereon;
8. Monitoring the end use of funds raised through public offers and related matters;
9. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the issue document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
10. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
11. Approval or any subsequent modification of transactions of the Bank with related parties provided that the audit committee may make omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as may be prescribed;

12. Scrutiny of inter-corporate loans and investments;
 13. Valuation of undertakings or assets of the Bank, wherever it is necessary;
 14. Evaluation of internal financial controls and risk management systems;
 15. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
 16. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 17. Discussion with internal auditors of any significant findings and follow up there on;
 18. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
 19. Discussion with statutory auditors, internal auditors, secretarial auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 20. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 21. To establish a vigil mechanism for directors and employees to report their genuine concerns or grievances;
 22. To review the functioning of the whistle blower mechanism;
 23. To ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Bank;
 24. Periodic inspection report submitted by the RBI and Certificates/returns/reports to the RBI pertaining to the Audit Committee function;
 25. Annual Tax Audit statement and auditors report thereon;
 26. Quarterly Board oversight updates to be provided by Internal Audit and Compliance;
 27. Approval of appointment of chief financial officer (i.e., the whole-time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
 28. Carrying out any other function as may be required / mandated as per the provisions of the Companies Act, 2013, Listing Agreements and/or any other applicable laws; and
 29. Reviewing the utilization of loan and/or advances from investment by the holding company in the subsidiary exceeding ₹100 Crores or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
- The audit committee shall mandatorily review the following information:
- (1) management discussion and analysis of financial condition and results of operations;
 - (2) statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - (3) management letters / letters of internal control weaknesses issued by the statutory auditors;
 - (4) internal audit reports relating to internal control weaknesses;
 - (5) the appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the audit committee;
 - (6) statement of deviations as and when becomes applicable:
 - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI (LODR) Regulations, 2015.
 - b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of SEBI (LODR) Regulations, 2015.

The role of the Audit Committee also includes the following:

- a) Exposure to sensitive sectors i.e. capital market & real estate;
- b) KYC / AML Guidelines - (i) Review of implementation (ii) Review of compliance of concurrent audit reports with respect to adherence to KYC/AML guidelines at branches;
- c) Review of housekeeping - particularly balancing and reconciliation of long outstanding entries Suspense / Sundries / Drafts payable / paid / Funds in Transit / Clearing / SGL / CSGl accounts;
- d) Review of compliance in respect of the Annual Financial Inspection conducted by RBI (ACB should review this on ongoing basis till the bank furnishes full compliance. ACB should closely monitor persisting deficiencies pointed out in RBI Inspection Reports);
- e) Review of Audit plan and status of achievement thereof;
- f) Review of significant Audit Findings of the following audits along with the compliance thereof - (i) LFAR (ii) Concurrent Audit (iii) Internal Inspection (iv) I.S.Audit of Data Centre (v) Treasury and Derivatives (vi) Management Audit at Controlling Offices / Head Offices (vii) Audit of Service Branches (viii) Currency Chest (ix) FEMA Audit of branches authorized to deal in foreign exchange, etc;
- g) Compliance report on directives issued by ACB / Board / RBI;
- h) Report on compliance of Corporate Governance Requirements under SEBI (LODR) Regulation, 2015 and other guidelines issued by SEBI from time to time;
- i) Report on compliance of regulatory requirement of Regulators in Host Countries in respect of overseas branches;
- j) Review of Frauds (frauds of ₹1 Crore and above to be reviewed as and when reported;
- k) Review of financial results for the quarter;
- l) Review of information on violations by various functionaries in the exercise of discretionary powers;
- m) Information in respect of equity share holdings in borrower companies more than 30% of their paid up capital;
- n) Status of implementation of Ghosh and Jilani Committee reports;
- o) Detailed report on fraudulent transactions relating to Internet Banking through phishing attacks pointing out in particular the deficiencies in the existing systems and steps taken by the IT department to prevent such cases;
- p) Change in accounting policy and practices which may have significant bearing on financial statements. A confirmation that accounting policies are in compliance with accounting standards and RBI guidelines;
- q) Review of IS Audit Policy;
- r) Review of transactions with related parties;
- s) Review of accounting policies / systems of the bank with a view to ensuring greater transparency in the bank's accounts and adequacy of accounting standards;
- t) Review of adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- u) Review of the bank's financial and risk management policies;
- v) Appointment of statutory auditors and review of performance - both for domestic and overseas operations;
- w) Penalties imposed / penal action taken against bank under various laws and statutes and action taken for corrective measures;
- x) Review of report on Revenue leakage detected by Internal / External Auditors and status of recovery thereof - reasons for undercharges and steps taken to prevent revenue leakage; and

y) Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:

1. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
2. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

4. NOMINATION AND REMUNERATION COMMITTEE (NOMINATION COMMITTEE)

- a. The Bank has constituted a Nomination Committee as per the requirements of Section 178 of the Act, Regulation 19 of SEBI Listing Regulations and applicable RBI guidelines.

The Nomination Committee has power of formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending a policy relating to the remuneration and appointment of the directors, key managerial personnel and senior management.



MS. VANDANA VISWANATHAN

Chairperson of the Nomination Committee

Brief profile: Vandana Viswanathan is an Independent Director of the Bank. She holds a bachelor's degree in science from Bangalore University and master's degree in arts in personnel management and industrial relations from the Tata Institute of Social Sciences. She co-founded and is a partner at Cocoon Consulting.

Nature of Expertise: Human Resource Management

- b. The composition of the Nomination Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Ms. Vandana Viswanathan	Chairperson -Independent Director	9	9	100
2.	Mr. Sunil Viyanak Patel*	Ex-Member - Independent Director	8	8	100
3.	Mr. Biswamohan Mahapatra	Member - Independent Director	9	8	89
4.	Mr. Prabal Kumar Sen	Member - Independent Director	9	8	89
5.	Mr. Jayanta Kumar Basu**	Member-Non-Executive, Non-Independent Director	1	1	100

*Moved out from the Committee w.e.f February 01, 2020 due to retirement and resignation

**Joined the Committee w.e.f February 01, 2020

- c. All the members of the Nomination Committee are non-executive directors, and three out of four members of the Nomination Committee are independent directors.

- d. The Chairperson of the Nomination Committee is an Independent Director.

- e. During FY 2019-20, 9 (Nine) meetings of the Nomination Committee were held on the following dates:

Date of Nomination Committee Meeting	Total number of members	Number of members present
May 09, 2019	4	4
May 27, 2019	4	4
July 09, 2019	4	3
July 29, 2019	4	4
August 14, 2019	4	3
October 21, 2019	4	4
November 05, 2019	4	4
January 21, 2020	4	4
March 23, 2020	4	4

f. The following are the key terms of reference of the Committee:

1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees.

The Nomination and Remuneration Committee, while formulating the above policy, will ensure that —

- (i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Bank successfully;
- (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals;

2. Formulating criteria for evaluation of performance of independent directors and the Board of Directors;
3. To ensure 'fit and proper' status of proposed/ existing Directors;
4. Devising a policy on diversity of Board of Directors;
5. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
6. 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 and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance. The Bank shall disclose the remuneration policy and the evaluation criteria in its annual report;
7. Analysing, monitoring and reviewing various human resource and compensation matters;

8. Determining the Bank's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;

9. Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;

10. Determining 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;

11. Recommending to the Board, all remuneration, in whatever form, payable to senior management;

12. Administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme of the Bank, inter-alia, including the following:

- a) Determining the eligibility of employees;
- b) the quantum of option to be granted under the Employees' Stock Option Scheme per Employee and in aggregate;
- c) the exercise price of the option granted;
- d) the conditions under which option may vest in employee and may lapse in case of termination of employment for misconduct;
- e) the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
- f) the specified time period within which the employee shall exercise the vested option in the event of termination or resignation of an Employee;
- g) the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- h) Re-pricing of the options which are not exercised, whether or not they have been vested if stock option rendered unattractive due to fall in the Market Price of the Shares;
- i) Formulating and implementing the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this

- regard following shall be taken into consideration by the Compensation Committee:
- the number and the price of stock option shall be adjusted in a manner such that total value of the Option to the Employee remains the same after the Corporate Action;
 - for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad may be considered;
 - the Vesting Period and the life of the option shall be left unaltered as far as possible to protect the rights of the Employee who is granted such option;
- j) the grant, vest and exercise of option in case of Employees who are on long leave;
- k) allow exercise of unvested options on such terms and conditions as it may deem fit;
- l) the procedure for cashless exercise of options;
- m) Forfeiture/ cancellation of options granted;
- n) Framing of suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, by the ESOP trust, the Bank and its employees, as applicable;
- o) All other issues incidental to the implementation of Employees' Stock Option Scheme; and
- p) construing and interpreting the Plan and any agreements defining the rights and obligations of the Bank and eligible employees under the Plan, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Plan.
13. Administering, monitoring and formulating detailed terms and conditions of the Employee Stock Purchase Scheme of the Bank;
14. Conducting due diligence as to the credentials of any director before his or her appointment/ re-appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI;
15. 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;
16. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
17. To develop a succession plan for the Board and to regularly review the plan;
18. To approve Job descriptions & KRA's of Senior Managers and Business Line Managers on an annual basis;
19. To review Performance of the senior/business line managers by NRC on an annual basis;
20. 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;
21. To recommend to the board, all remuneration, in whatever form, payable to senior management;
22. Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:
- a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
 - b) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
23. Carrying out any other function as is mandated by the Board from time to time and / or enforced/ mandated by any statutory notification, amendment or modification, as may be applicable; and
24. Performing such other functions as may be necessary or appropriate for the performance of its duties.
- g. Bank has a well-defined Nomination and Remuneration Policy which covers inter alia the criteria of evaluation of directors and the Board, the remuneration of directors / KMPs and other senior management of the Bank. The Policy is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.
- h. Pursuant to Resolution passed by the Board on May 28, 2019, the sitting fees payable to the non-executive directors (including independent directors) was increased from ₹40,000 to ₹50,000 for each Board Committee Meetings and from ₹50,000 to ₹75,000 for each Board Meeting.
- i. In compliance with Section 178 of the Act and SEBI Listing Regulations, in the meeting held on March 23, 2020, the Board has carried out, an annual evaluation of its own performance as well as the performance

of its committees and individual directors as per the criteria laid down by the Nomination Committee, which includes the following:

- I. The Board: Composition, structure, meetings, functions, management and professional development, ethics and compliance among others.
- II. The Committees: Mandate & Composition, effectiveness, structure, meetings, independence of the committee, contribution in decision making of the Board, among others.
- III. Individual directors (including Chairperson, Independent Directors and Non-Independent Directors): Leadership, Commitment, Contribution, Experience, Expertise, Independence, Integrity, Attendance, Responsibility, Flow of Information among others.
- IV. Disclosure on Board evaluation pursuant to SEBI circular No. EBI/HO/CFD/CMD/CIR/P/ 2018/79 dated May 10, 2018:

Particulars	Key Observations
Observation of the Board evaluation carried out for FY 2019-20	<p>The directors had requisite competency, qualification, commitment and integrity.</p> <p>The directors have long term vision, industry knowledge and expertise and are wholly committed and provided ethical leadership to the Bank.</p> <p>The directors have the ability to function as a team. Further, the directors were regular in attending meetings and contributed effectively during the discussions.</p> <p>There are no apparent conflict of interest and they expressed their opinion freely.</p> <p>The Listing Committee of the Board in coordination with the Board managed to complete a historic listing of the Bank within the regulatory timelines prescribed by RBI.</p> <p>The Nomination and Remuneration Committee and the Board did an excellent job in planning the succession for the position of the Managing Director and CEO.</p> <p>Mr. Nitin Chugh was identified who took over as the Managing Director and CEO of the Bank as successor to Mr. Samit Kumar Ghosh, the then Managing Director and CEO</p> <p>Based on the performance of independent directors, it was recommended for their continuation as independent directors for FY 2020-21.</p>
Previous year's observations and action taken	<p>Previous year's observations:</p> <p>Explore having an additional IT expert either as a consultant on IT related matters or as Board Member with IT domain expertise.</p> <p>Action taken:</p> <p>The Bank had appointed Mr. Sachin Bansal as a Director of the Bank w.e.f June 01, 2019. He has invaluable expertise and knowledge in Information Technology and other IT domain.</p> <p>The Bank has also appointed Mr. Dheemant Thacker as Head of Digital Banking of the Bank. He has previously worked with Aditya Birla Capital, HDFC Bank and Bandhan Bank.</p>
Proposed actions based on current year observation	No specific actions were suggested during the evaluation process.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

- a. For redressing the grievances of the shareholders among other matters, the Bank has constituted a Stakeholders Relationship Committee as per the requirements of Section 178 of the Act and Regulation 20 of SEBI Listing Regulations.



MS. VANDANA VISWANATHAN

Chairperson of the Stakeholders Relationship Committee

Brief profile: Vandana Viswanathan is an Independent Director of the Bank. She holds a bachelor's degree in science from Bangalore University and master's degree in arts in personnel management and industrial relations from the Tata Institute of Social Sciences. She co-founded and is a partner at Cocoon Consulting.

Nature of Expertise: Human Resource Management

- b. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Ms. Vandana Viswanathan*	Chairperson - Independent Director	1	1	100
2.	Mr. Sunil Vinayak Patel**	Ex-Chairman -Independent Director	1	1	100
3.	Mr. Samit Kumar Ghosh***	Ex-Member – Ex-Managing Director and CEO	0	0	-
4.	Mr. Nitin Chugh****	Member – Managing Director and CEO	1	1	100
5.	Mr. Mahadev Lakshminarayanan*****	Member - Independent Director	0	0	-

*Re-designated from Member to Chairperson of the Committee w.e.f February 01, 2020

**Moved out from the Committee w.e.f February 01, 2020 due to retirement and resignation

***Moved out from the Committee w.e.f. December 01, 2019 due to retirement. No meeting was held during his tenure

****Joined the Committee w.e.f December 01, 2019

*****Joined the Committee w.e.f February 01, 2020

- c. The Chairperson of the Stakeholders Relationship Committee is an Independent Director of the Bank. etc. and assisting with quarterly reporting of such complaints;
- d. The Stakeholders Relationship Committee met once during FY 2019-20 on January 21, 2020. All the members were present in the Meeting. (2) To review of measures taken for effective exercise of voting rights by shareholders;
- e. The following are the key terms of reference of the Committee: (3) To review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent;
- (1) To resolve the grievances of the security holders of the Bank including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings (4) To review the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank;

- (5) Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;
- (6) To redress of shareholders' and investors' complaints/ grievances such as transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- (7) To approve, register, refuse to register transfer or transmission of shares and other securities;
- (8) To sub-divide, consolidate and or replace any share or other securities certificate(s) of the Bank;
- (9) Allotment and listing of shares, approval of transfer or transmission of shares, debentures or any other securities;
- (10) To authorise affixation of common seal of the Bank;
- (11) To issue duplicate share or other security(ies) certificate(s) in lieu of the original share/security(ies) certificate(s) of the Bank after split/ consolidation / rematerialization and in Replacement of those which are defaced, mutilated, torn or old, decrepit, worn out or where the pages on reverse for recording transfers have been utilized;
- (12) To approve the transmission of shares or other securities arising as a result of death of the sole/any joint shareholder;
- (13) To dematerialize or rematerialize the issued shares;
- (14) To authorise to sign and endorse the Share Transfers on behalf of the Bank;
- (15) To Ensure proper and timely attendance and redressal of investor queries and grievances;
- (16) To carry out any other functions contained in the SEBI Listing Regulations, Companies Act, 2013 and/ or equity listing agreements (if applicable), as and when amended from time to time;
- (17) To further delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s); and
- (18) To perform such other functions as and when authorised by the Board.

- f. Complaints of stakeholders were received during FY 2019-20.

Particulars	Number of Complaints
Number of shareholders' complaints received during the year	474
Number of complaints disposed off	474
Number of pending complaints at the end of the year	0

- g. Mr. Chanchal Kumar, Company Secretary, has been appointed as the Compliance Officer of the Bank as per Regulation 6 of SEBI Listing Regulations.

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

- a. The Bank has constituted a CSR Committee in accordance with the provisions of Section 135 of the Act and the rules made thereunder and to oversee the social programs to be undertaken by the Bank and monitor its economic and social impact on society at large.



**MS. VANDANA
VISWANATHAN**

Chairperson of the CSR Committee

Brief profile: Vandana Viswanathan is an Independent Director of the Bank. She holds a bachelor's degree in science from Bangalore University and master's degree in arts in personnel management and industrial relations from the Tata Institute of Social Sciences. She co-founded and is a partner at Cocoon Consulting.

Nature of Expertise: Human Resource Management

- b. The composition of the CSR Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Ms. Vandana Viswanathan*	Chairperson- Independent Director	1	1	100
2.	Mr. Luis Miranda**	Ex-Chairman – Independent Director	3	3	100
3.	Mr. Nandlal Sarda	Member – Independent Director	4	4	100
4.	Mr. Prabal Kumar Sen	Member – Independent Director	4	4	100

*Moved out from the Committee w.e.f June 01, 2019 and re-joined as Chairperson w.e.f March 23, 2020

** Joined as Chairman of the Committee w.e.f June 01, 2019 and moved out w.e.f March 22, 2020 due to resignation

- c. All 3 (Three) members of the CSR Committee are Independent Directors.
- d. During FY 2019-20, 4 (Four) meetings of the CSR Committee were held on the following dates:

Date of CSR Committee Meeting	Total number of members	Number of members present
May 27, 2019	3	3
July 29, 2019	3	3
November 04, 2019	3	3
January 21, 2020	3	3

- e. The following are the key terms of reference of the Committee:
- (1) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board;
 - (2) To recommend the amount of expenditure to be incurred on the activities;
 - (3) To Monitor the Corporate Social Responsibility Policy of the Bank from time to time; and
 - (4) To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

7. RISK MANAGEMENT COMMITTEE

- a. The Bank has constituted a Risk Management Committee in accordance with RBI guidelines and Regulation 21 of SEBI Listing Regulations.



MR. BISWAMOHAN MAHAPATRA

Chairman of the Risk Management Committee

Brief profile: Biswamohan Mahapatra is the Part-time Chairman and an Independent Director of the Bank. He holds a Master of Arts degree from Jawaharlal Nehru University, New Delhi, Master of Science in Management Degree from Arthur D. Little Management Education Institute, Cambridge, United States of America and Master of Business Administration from Delhi University. He retired as an Executive Director of RBI in August, 2014.

Nature of Expertise: Banking and Finance

- b. The composition of the Risk Management Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Biswamohan Mahapatra	Chairman-Independent Director	4	4	100
2.	Mr. Sunil Vinayak Patel*	Ex-Member - Independent Director	4	4	100
3.	Mr. Luis Miranda**	Ex-Member - Independent Director	4	4	100
4.	Mr. Nitin Chugh***	Member – Managing Director and CEO	1	1	100
5.	Mr. Samit Kumar Ghosh****	Ex-Member – Ex-Managing Director and CEO	3	3	100
6.	Mr. Nandlal Sarda	Member - Independent Director	4	4	100
7.	Mr. Jayanta Kumar Basu*****	Member – Non-Executive, Non-Independent Director	3	2	67

*Moved out from the Committee w.e.f February 01, 2020 due to retirement and resignation

**Moved out from the Committee w.e.f March 22, 2020 due to resignation

*** Joined the Committee w.e.f December 01, 2019

****Moved out from the Committee w.e.f. December 01, 2019 due to retirement

*****Joined the Committee w.e.f June 01, 2019

- c. During FY 2019-20, 4 (Four) meetings of the Risk Management Committee were held on the following dates:

Date of Risk Management Committee Meeting	Total number of members	Number of members present
May 27, 2019	5	5
July 29, 2019	6	6
November 04, 2019	6	5
January 21, 2020	6	6

- d. The following are the key terms of reference of the Committee:

1. Ensure that all the current and future material risk exposures of the Bank are assessed, identified, quantified, appropriately mitigated and managed;
2. Establish a framework for the risk management process and to ensure its implementation in the Bank;
3. Ensure that the Bank is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;
4. Review and recommend changes, from time to time, to the Risk Management plan and / or associated frameworks, processes and practices of the Bank;
5. Enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;
6. Perform other activities related to this charter as requested by the Board of Directors or to address issues related to any significant subject within its term of reference;
7. Evaluate overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank;

8. Identify, monitor and measure the risk profile of the Bank;

9. Develop policies and procedures, verify the models that are used for pricing complex products, review the risk models as development takes place in the markets and also identify new risks;

10. Design stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures;

11. Monitor compliance of various risk parameters by operating Departments;

12. Review the outsourcing functions of the Bank;

13. Review of risk management practices, procedures and systems to ensure that same are adequate to limit all potential risks, faced by the bank to prudent levels (Annually). (Risk Management Framework to be reviewed for adequacy);

14. Limit Management Framework to be defined by outlining of the tolerance limits. Any exceptions and breaches to be reported on a quarterly basis; and

15. Overview the functions and performance of the Risk Management Committee of the management.

The Risk Management Committee also oversees the following functions:

(A) Outsourcing Function

The Risk Management Committee is responsible inter alia for: -

1. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;

2. Laying down appropriate approval authorities for outsourcing depending on risks and materiality;
3. Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness; and
4. Deciding on business activities of a material nature to be outsourced, and approving such arrangements.

(B) Management Supervisory Function

Monitoring of the exposures (both credit and investment) by the Bank, review of the adequacy of the risk management process and up gradation thereof, internal control systems and ensuring compliance with the statutory / regulatory framework.

8. CUSTOMER SERVICE COMMITTEE

- a. The Bank has constituted a Customer Service Committee in accordance with RBI Master Circular on Customer Service in Banks. The function of the Customer Service Committee is to monitor the quality of customer service extended by the Bank and to attend to the needs of customers. The Committee furthers the efforts of financial inclusion for the customers of the Bank.
- b. The composition of the Customer Service Committee and the details of the meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings held during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Ms. Vandana Viswanathan*	Chairperson - Independent Director	4	4	100
2.	Mr. Nitin Chugh**	Member-Managing Director and CEO	1	1	100
3.	Mr. Samit Kumar Ghosh***	Ex-Chairman-Ex-Managing Director and CEO	3	3	100
4.	Mr. Prabal Kumar Sen	Member - Independent Director	4	4	100
5.	Ms. Mona Kachhwaha****	Member - Non-Executive, Non-Independent Director	3	2	67

*Re-designated from Member to Chairperson of the Committee w.e.f February 01, 2020

** Joined the Committee w.e.f December 01, 2019

***Moved out from the Committee w.e.f. December 01, 2019 due to retirement

****Joined the Committee w.e.f June 01, 2019

- c. During FY 2019-20, 4 (Four) meetings of the Customer Service Committee were held on the following dates:
- d. The following are the key terms of reference of the Committee:

Date of Customer Service Committee Meeting	Total number of members	Number of members present
May 27, 2019	3	3
July 29, 2019	4	3
November 04, 2019	4	4
January 21, 2020	4	4



MS. VANDANA VISWANATHAN

Chairperson of the Customer Service Committee

Brief profile: Vandana Viswanathan is an Independent Director of the Bank. She holds a bachelor's degree in science from Bangalore University and master's degree in arts in personnel management and industrial relations from the Tata Institute of Social Sciences. She co-founded and is a partner at Cocoon Consulting.

Nature of Expertise: Human Resource Management

1. To review the controls related to managing/protecting the interests of unsophisticated/illiterate customers on an annual basis;
2. To review the performance of the Standing Committee of the Customer Service;

3. To formulate a Comprehensive Deposit Policy, incorporating the issues such as the treatment of death of a depositor for operations of his account;
4. To formulate a product approval process;
5. To take an annual survey of depositor satisfaction and the tri-ennial audit of such services;
6. To monitor the implementation of Awards under the Banking Ombudsman Scheme:
 - i. Place all the awards before the Customer Service Committee to enable them to address issues of systemic deficiencies existing in banks, if any, brought out by the awards;
 - ii. Place all the awards remaining unimplemented for more than three months with the reasons therefor before the Customer Service Committee to enable the Customer Service Committee to report to the Board such delays in implementation without valid reasons and for initiating necessary remedial action; and
 - iii. delay in the implementation of Banking Ombudsman award to be reviewed quarterly in the customer Service Committee; and
7. To examine any other issues having a bearing on the quality of customer service rendered.

9. HUMAN RESOURCE & COMPENSATION COMMITTEE (HR COMMITTEE)

- a. The Bank has constituted a HR Committee to review the HR related functions of the Bank, the Bank's programs for executive development and employee development for senior management positions.



**MS. VANDANA
VISWANATHAN**

Chairperson of the HR Committee

Brief profile: Vandana Viswanathan is an Independent Director of the Bank. She holds a bachelor's degree in science from Bangalore University and master's degree in arts in personnel management and industrial relations from the Tata Institute of Social Sciences. She co-founded and is a partner at Cocoon Consulting.

Nature of Expertise: Human Resource Management

- b. The composition of the HR Committee and the details of the meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings held during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Ms. Vandana Viswanathan	Chairperson- Independent Director	2	2	100
2.	Mr. Nitin Chugh*	Member – Managing Director and CEO	1	1	100
3.	Mr. Samit Kumar Ghosh**	Ex-Member – Ex-Managing Director and CEO	1	1	100
4.	Mr. Luis Miranda***	Ex-Member - Independent Director	1	0	0
5.	Mr. Sunil Vinayak Patel****	Ex-Member - Independent Director	1	1	100

* Joined the Committee w.e.f December 01, 2019

**Moved out from the Committee w.e.f. December 01, 2019 due to retirement

***Joined the Committee w.e.f February 01, 2020 and moved out w.e.f March 22, 2020 due to resignation

****Moved out from the Committee w.e.f February 01, 2020 due to retirement and resignation

- c. During FY 2019-20, 2 (Two) meetings of the HR Committee were held on the following dates:

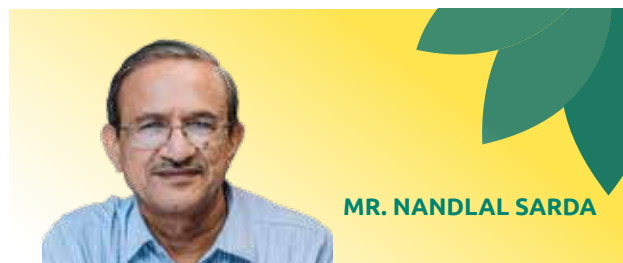
Date of HR Committee Meeting	Total number of members	Number of members present
May 09, 2019	3	3
March 10, 2020	3	2

- d. The following are the key terms of reference of the Committee:

1. Review regularly and approve the Bank's program for executive and employee development;
2. Review and implement the various HR policies and manual of the Bank;
3. Develop, review and approve the principles guiding the Bank's executive compensation philosophies;
4. Assure that the bonus plan is administered in a manner consistent with Bank's compensation principles and strategies including Bank's policies relating to executive management succession and executive organization development; and
5. Any other matter related to employees.

10. IT STRATEGY COMMITTEE

- a. The Bank has constituted an IT Strategy Committee in accordance with RBI guidelines.



MR. NANDLAL SARDAR

Chairman of the IT Strategy Committee

Brief profile: Nandlal Sarda is an Independent Director of the Bank. He holds a master of technology degree in electrical engineering and doctor of philosophy degree from the Indian Institute of Technology, Bombay. He has previously served as a director on the boards of the Union Bank of India, Clearing Corporation of India and Andhra Bank. He was a professor in the department of computer science and engineering at Indian Institute of Technology, Bombay.

Nature of Expertise: Information Technology

- b. The composition of the IT Strategy Committee and the details of the meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Nandlal Sarda	Chairman-Independent Director	4	4	100
2.	Mr. Sunil Vinayak Patel*	Ex-Member - Independent Director	1	1	100
3.	Mr. Jayanta Kumar Basu**	Member - Non-Executive, Non-Independent Director	3	2	67
4.	Ms. Mona Kachhwaha	Member - Non-Executive, Non-Independent Director	4	3	75
5.	Mr. Sachin Bansal***	Ex-Member - Independent Director	3	2	67

* Moved out from the Committee w.e.f June 01, 2019

**Joined the Committee w.e.f June 01, 2019

***Joined the Committee w.e.f June 01, 2019 and moved out w.e.f. January 27, 2020 due to resignation

- c. During FY 2019-20, 4 (Four) meetings of the IT Strategy Committee were held on the following dates:

Date of IT Strategy Committee Meeting	Total number of members	Number of members present
May 27, 2019	3	3
July 29, 2019	4	3
November 04, 2019	4	3
January 21, 2020	4	3

- d. The following are the key terms of reference of the Committee:

1. Approving IT strategy and policy documents;
2. Ensuring that the management has put an effective strategic planning process in place;
3. Ratifying that the business strategy is indeed aligned with IT strategy;

4. Ensuring that the IT organizational structure complements the business model and its direction;
5. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
7. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
8. Ensuring proper balance of IT investments for sustaining bank's growth;
9. Becoming aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks;
10. Assessing Senior Management's performance in implementing IT strategies;
11. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks);
12. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT;
13. Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks; and
14. Reviewing IT performance measurement and contribution of IT to businesses (i.e., delivering the promised value).

11. REVIEW COMMITTEE OF WILFUL DEFAULTERS

- a. The Bank has constituted a Review Committee of Wilful Defaulters in accordance with RBI guidelines to review decisions taken by the Identification Committee (for identification of Wilful defaulters / borrowers).



MR. NITIN CHUGH

Chairman of the Review Committee of Wilful Defaulters

Brief profile: Nitin Chugh is the Managing Director and CEO of the Bank. He holds a bachelor's degree in technology (electrical engineering) from Kurukshetra University and a professional diploma in marketing management from All India Management Association. He has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL, Hewlett Packard Limited and Modi Xerox Limited.

Nature of Expertise: Banking

- b. The composition of the Review Committee of Wilful Defaulter and the details of meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Nitin Chugh*	Chairman-Managing Director and CEO	0	0	-
2.	Mr. Samit Kumar Ghosh**	Ex-Chairman- Ex-Managing Director and CEO	1	1	100
3.	Mr. Biswamohan Mahapatra	Member - Independent Director	1	1	100
4.	Mr. Luis Miranda***	Ex-Member - Independent Director	1	1	100

* Joined the Committee w.e.f December 01, 2019 and no meeting was held during his tenure

** Moved out from the Committee w.e.f December 01, 2019 due to retirement

*** Moved out from the Committee w.e.f March 22, 2020 due to resignation

- c. The Review Committee of Wilful Defaulters met once during FY 2019-20 on July 29, 2019. All the members of the committee were present in the meeting.

12. FRAUD COMMITTEE (SPECIAL COMMITTEE OF BOARD FOR MONITORING HIGH VALUE FRAUDS)

- a. The Bank has constituted a Fraud Committee in accordance with RBI guidelines to monitor and follow up cases of frauds involving amounts in excess of ₹1 (One) Crores and to review a report on the RFA accounts and follow-up of Frauds (SCBF) providing, inter alia, a synopsis of the remedial action taken together with their current status.



MR. NITIN CHUGH

Chairman of the Fraud Committee

Brief profile: Nitin Chugh is the Managing Director and CEO of the Bank. He holds a bachelor's degree in technology (electrical engineering) from Kurukshetra University and a professional diploma in marketing management from All India Management Association. He has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL, Hewlett Packard Limited and Modi Xerox Limited.

Nature of Expertise: Banking

- b. The composition of the Fraud Committee is given below:

Sr. No.	Name of director	Designation/Category
1.	Mr. Nitin Chugh*	Chairman-Managing Director and CEO
2.	Mr. Samit Kumar Ghosh**	Ex-Chairman –Ex-Managing Director and CEO
3.	Mr. Luis Miranda***	Ex-Member - Independent Director
4.	Mr. Biswamohan Mahapatra	Member - Independent Director

* Joined the Committee w.e.f December 01, 2019

**Moved out from the Committee w.e.f December 01, 2019 due to retirement

***Moved out from the Committee w.e.f March 22, 2020 due to resignation

- c. No meeting of the Fraud Committee was held during FY 2019-20 as no fraud was detected in the Bank where the amount involved was more than ₹1 (One) Crores.

13. COMMITTEE OF DIRECTORS

- a. The Bank has in place a Committee of Directors to facilitate faster decision making to borrow monies, Issuing or arranging bank guarantees for Bank's own requirements; and offering security deposit, margin money, etc. for such and other transactions, to open Bank accounts, addition/deletion/change of signatories in Bank accounts, to apply for internet banking facilities and addition/deletion/change in inputter/authorisers, any other bank related matters, to enter into IBPC transactions, to enter into securitisation transactions, to avail refinance facilities from Financial Institutions, to raise monies through certificate of Deposits and to open DAD Accounts, Clearing Accounts and resolutions relating to any other statutory compliances/regulatory matters. The Committee also approves all Financial Institutional Group (FIG) loan proposals in excess of ₹50 Crores.



MR. MAHADEV LAKSHMINARAYANAN

Chairman of the Committee of Directors

Brief profile: Mahadev Lakshminarayanan is an Independent Director of the Bank. He holds a bachelor's degree in science from Kerala University and is a chartered accountant from the Institute of Chartered Accountants of India. He was previously a partner at Deloitte Haskins & Sells LLP and Fraser & Ross and is currently director on the board of Aspinwall and Company Limited.

Nature of Expertise: Accountancy, Taxation and Finance

- b. The composition of Committee of Directors is given below:

Sr. No.	Name of director	Designation/Category
1.	Mr. Mahadev Lakshminarayanan*	Chairman-Independent Director
2.	Mr. Sunil Vinayak Patel**	Ex-Chairman-Independent Director
3.	Mr. Nitin Chugh***	Member –Managing Director and CEO
4.	Mr. Samit Kumar Ghosh****	Ex-Member –Ex-Managing Director and CEO
5.	Ms. Vandana Viswanathan	Member - Independent Director

* Joined the Committee w.e.f February 01, 2020

**Moved out from the Committee w.e.f February 01, 2020 due to retirement and resignation


***Joined the Committee w.e.f December 01, 2019

****Moved out from the Committee w.e.f December 01, 2019 due to retirement

- c. No meeting of the Committee of Directors was held during FY 2019-20.

14. PROMOTER SHAREHOLDING DILUTION COMMITTEE (FORMERLY KNOWN AS LISTING COMMITTEE)

- a. The Name of the Committee was changed post listing of the equity shares of the Bank.



MR. BISWAMOHAN MAHAPATRA

Chairman of the Promoter Shareholding Dilution Committee

Brief profile: Biswamohan Mahapatra is the Part-time Chairman and an Independent Director of the Bank. He holds a Master of Arts degree from Jawaharlal Nehru University, New Delhi, Master of Science in Management Degree from Arthur D. Little Management Education Institute, Cambridge, United States of America and Master of Business Administration from Delhi University. He retired as an Executive Director of RBI in August, 2014.

Nature of Expertise: Banking and Finance

- b. The composition of the Promoter Shareholding Dilution Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Biswamohan Mahapatra	Chairman-Independent Director	5	3	60
2.	Mr. Nitin Chugh*	Member – Managing Director and CEO	1	1	100
3.	Mr. Samit Kumar Ghosh**	Ex-Member – Ex-Managing Director and CEO	4	4	100
4.	Mr. Mahadev Lakshminarayanan***	Member - Independent Director	0	0	-
5.	Mr. Sunil Vinayak Patel****	Ex-Member - Independent Director	5	5	100

* Joined the Committee w.e.f December 01, 2019

** Moved out from the Committee w.e.f December 01, 2019 due to retirement

*** Joined the Committee w.e.f February 01, 2020, no meeting was held post his joining

**** Moved out from the Committee w.e.f February 01, 2020 due to retirement and resignation

- c. During FY 2019-20, 5 (Five) meetings of the Listing Committee (now known as Promoter Shareholding Dilution Committee) were held on following dates:

Date of Listing Committee Meeting	Total number of members	Number of members present
June 15, 2019	3	3
July 30, 2019	3	3
August 14, 2019	3	2
October 21, 2019	3	3
December 05, 2019	3	2

- d. The Promoter shareholding dilution Committee is authorised to approve the following in connection to the dilution of promoters shareholding as required under the RBI guidelines:

1. To take such steps as may be necessary for dilution of promoter's shareholding as prescribed under RBI guidelines;
2. To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the RBI, SEBI, the relevant registrar of companies and any other governmental or statutory authorities as may be required in connection with the Issue and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications / amendments as may be required;
3. To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Issue;
4. To approve code of conduct as may be considered necessary by the Promoter shareholding dilution Committee as required under applicable laws, regulations or guidelines for the Board, officers of the Bank and other employees of the Bank;
5. To approve the implementation of any corporate governance requirements that may be considered necessary by the Board or the Promoter shareholding dilution Committee as may be required under the applicable laws or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and listing agreements to be entered into by the Bank with the relevant stock exchanges, to the extent allowed under law;
6. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Bank with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per

market practices and regulations, including listing on one or more stock exchange(s), with power to authorize one or more officers of the Bank to sign all or any of the aforesaid documents;

7. To authorize and approve notices, advertisements in relation to the Issue in consultation with the relevant intermediaries appointed for the Issue;
8. To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLMs;
9. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and / or modify, as the case maybe, agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of the Bank to execute all or any of the aforesaid documents;
10. To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Bank where necessary;
11. To submit undertaking/certificates or provide clarifications to the SEBI, Registrar of Companies, National Capital Territory of Delhi and Haryana and the relevant stock exchange(s) where the Equity Shares are to be listed;
12. To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the Listing Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Issue and any documents or instruments so executed and delivered or acts and things done or caused to be done by the Listing Committee shall be conclusive evidence of the authority of the Promoter shareholding dilution in so doing;

13. To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the SEBI Listing Regulations or any other Applicable Laws;
14. To approve the list of 'group of companies' of the Bank, identified pursuant to the materiality policy adopted by the Board, for the purposes of disclosure in the DRHP, RHP and Prospectus;
15. To appoint, in consultation with the BRLMs, the registrar and other intermediaries to the Issue, in accordance with the provisions of the SEBI Regulations and other Applicable Laws including legal counsels, banks or agencies concerned and entering into any agreements or other instruments for such purpose, to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc. and to terminate any agreements or arrangements with such intermediaries/ agents; and
16. To delegate any of its powers set out under (1) to (15) hereinabove, as may be deemed necessary and permissible under Applicable Laws to the officials of the Bank.

15. BUSINESS STRATEGY COMMITTEE

- a. The Bank has constituted a Business Strategy Committee to review and provide inputs to the business plans of each line of business with a specific focus on growth, strategy and productivity.



MR. NITIN CHUGH

Chairman of the Business Strategy Committee

Brief profile: Nitin Chugh is the Managing Director and CEO of the Bank. He holds a bachelor's degree in technology (electrical engineering) from Kurukshetra University and a professional diploma in marketing management from All India Management Association. He has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL, Hewlett Packard Limited and Modi Xerox Limited.

Nature of Expertise: Banking

- b. The composition of Business Strategy Committee and the details of meetings attended by its members are given below:

Sr. No.	Name of director	Designation/Category	Number of meetings during FY 2019-20		% of Attendance
			Held during their tenure	Attended	
1.	Mr. Nitin Chugh*	Chairman –Managing Director and CEO	1	1	100
2.	Mr. Samit Kumar Ghosh**	Ex-Chairman –Ex-Managing Director and CEO	1	1	100
3.	Ms. Mona Kachhwaha	Member - Non-Executive, Non-Independent Director	2	2	100
4.	Mr. Jayanta Kumar Basu	Member – Non-Executive, Non-Independent Director	2	2	100
5.	Mr. Sachin Bansal***	Ex-Member- Independent Director	1	1	100
6.	Mr. Luis Miranda****	Ex-Member-Independent Director	2	2	100

* Joined the Committee w.e.f December 01, 2019

** Moved out from the Committee w.e.f December 01, 2019 due to retirement

*** Joined the Committee w.e.f June 01, 2019 and moved out w.e.f January 27, 2020 due to resignation

**** Moved out from the Committee w.e.f March 22, 2020 due to resignation


- c. During FY 2019-20, 2 (Two) meetings of the Business Strategy Committee were held on the following dates:

Date of Business Strategy Committee Meeting	Total number of members	Number of members present
July 24, 2019	5	5
February 03, 2020	4	4

16. BUSINESS CONTINUITY MONITORING COMMITTEE

- a. Considering the frequently changing environment, current economic uncertainty and volatility due to the pandemic and the potential impact that these may have on the business, risks and the regulatory compliance the Bank would be subjected too, the Bank has constituted this Committee on March 29, 2020 to advise, monitor and assess the social, financial, business, credit and risk impact under the current economic scenario.

This Committee will be functional during the current economic scenario and will be in operation till the time situation becomes normal. The Committee is authorised to direct, suggest, guide and advise appropriate measures to the Bank on various matters related to finance, business, risk, compliance, credit and such other regulatory or other matters that may arise as and may be necessary for the Bank.



MR. BISWAMOHAN MAHAPATRA

Chairman of the Business Continuity Monitoring Committee

Brief profile: Biswamohan Mahapatra is the Part-time Chairman and an Independent Director of the Bank. He holds a Master of Arts degree from Jawaharlal Nehru University, New Delhi, Master of Science in Management Degree from Arthur D. Little Management Education Institute, Cambridge, United States of America and Master of Business Administration from Delhi University. He retired as an Executive Director of RBI in August, 2014.

Nature of Expertise: Banking and Finance

b. The composition of Business Continuity Monitoring Committee is given below:

Sr. No.	Name of director	Designation/Category
1.	Mr. Biswamohan Mahapatra	Chairman-Independent Director
2.	Mr. Nitin Chugh	Member –Managing Director and CEO
3.	Mr. Mahadev Lakshminarayanan	Member - Independent Director
4.	Ms. Vandana Viswanathan	Member - Independent Director
5.	Mr. Jayanta Kumar Basu	Member – Non-Executive, Non-Independent Director
6.	Ms. Mona Kachhwaha	Member – Non-Executive, Non-Independent Director

c. No meeting of the Business Continuity Monitoring Committee was held during FY 2019-20.

17. INDEPENDENT DIRECTORS

- a. The independent directors are given a formal letter of appointment containing the terms of appointment, roles, duties and code of conduct, among other items. As required under Regulation 46 of the SEBI Listing Regulations, the terms and conditions of appointment of Independent Directors are available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.
- b. Schedule IV of the Act and Regulation 25(3) of the SEBI Listing Regulations mandate that the independent directors of the Bank shall hold at least one meeting in a year, without the attendance of Non-Independent Directors and members of Management. Accordingly, the independent directors, at their meeting held on March 23, 2020, evaluated the performance of the Chairman, Non-Independent Directors and the Board as a whole. Independent Directors also reviewed the quality, quantity and timeliness of flow of information between the Management and Board.

18. REMUNERATION OF DIRECTORS

- a. Disclosures with respect to the remuneration of Managing Director and CEO of the Bank pursuant to SEBI Listing Regulations.

Particulars	Mr. Samit Kumar Ghosh (Ex-Managing Director and CEO) * Amount (₹)	Mr. Nitin Chugh (Current-Managing Director and CEO) ** Amount (₹)
Salary (gross salary excluding bonus)	33,463,200	8,978,400
Benefits*	10,423	18,825
Bonuses@	600,000	-
Stock Options (Nos.)	-	3,798,697 ***
Pension	-	-
Details of fixed component and performance linked incentives, along with the performance criteria.	-	-
Service Contracts	-	-
Notice Period	-	-
Severance Fees	-	-
Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.	-	***

*April 01, 2019 till November 30, 2019

**As President of the Bank from August 17, 2019 to November 30, 2019 and as Managing Director and CEO from December 01, 2019

***Sign-on grant was given at an exercise price of ₹35 per stock option basis RBI approval; vesting during financial year 2020 and financial year 2021.

Grant date share price was ₹40.76 per share

@ Performance Bonus paid for his performance during FY 2018-19 based on RBI approval

- b. The details of the remuneration paid by way of sitting fees to the non-executive directors including independent directors have been disclosed in the **Annexure-4** of the Directors' Report.

The detailed criteria of making payments to non-executive directors forms part of Nomination and Remuneration Policy of the Bank which is available on website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

19. GENERAL MEETINGS OF MEMBERS

- a. Details of the last three Annual General Meetings are as follows:

Sr. No.	Financial Year	Date and Time	Location	Special Resolution passed
1.	2016-17	July 31, 2017 @ 01.00 P.M.	Registered Office	To approve the revision in the remuneration of the Managing Director and Chief Executive Officer ("MD & CEO") of the Bank for FY 2017-18 subject to the approval of the Reserve Bank of India.
2.	2017-18	June 18, 2018 @ 11.30 A.M.	Registered Office	None
3.	2018-19	July 12, 2019 @ 11.30 A.M.	Registered Office	None

- b. During FY 2019-20, 3 (Three) Extraordinary General Meetings of the members of the Bank were held on following dates:

Date of meeting	Special Resolution passed
April 26, 2019	1. Alteration of capital clause of the Memorandum of Association of the Bank.
August 03, 2019	1. Issue of equity shares by way of Initial Public Offer. 2. To adopt new Articles of Association. 3. To approve Ujjivan Small Finance Bank Employee Stock Purchase Scheme 2019 ("ESPS 2019") and Issue and Allotment of shares to eligible employees of the Bank. 4. To approve allotment of shares to the employees of present and future subsidiary company (ies) and/or holding company (ies), if any, under Ujjivan Small Finance Bank Employee Stock Purchase Scheme 2019 ("ESPS 2019"). 5. To increase investment limits for Foreign Portfolio Investor. 6. To increase investment limits for Non-Resident Indians.
November 08, 2019	1. To Issue and allotment of equity shares by way of preferential issue on private placement basis. 2. To increase investment limits for Non- Resident Indians.

- c. No resolution was passed through postal ballot during FY 2019-20.

20. MEANS OF COMMUNICATION

The Board has been approving the quarterly financial results within 45 days of the end of respective quarter and the audited annual financial results for the quarter and financial year ended March 31 within 60 days from the end of the financial year. The results are promptly forwarded to the stock exchanges and are published in one English and one Hindi (regional language) newspaper normally in Financial Express (All editions) and Jansatta (Delhi/All editions) within 48 hours of the conclusion of the Board meeting. The results as well as other press releases and presentations made to institutional investors or to the analysts are simultaneously displayed on the Bank's website at <https://www.ujjivansfb.in>.

Pursuant to SEBI dispensation for newspaper publication, due to the COVID-19 pandemic, no newspaper publication of audited financial results for the quarter and financial year ended on March 31, 2020 was done.

21. GENERAL SHAREHOLDER INFORMATION

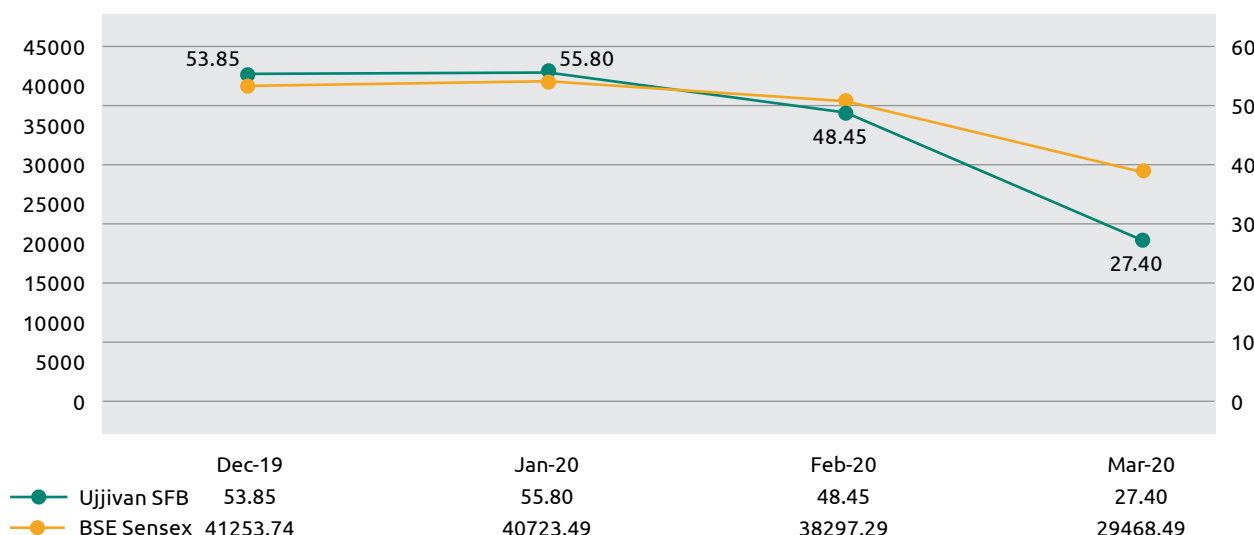
Particulars	Details																				
Annual General Meeting	<p>Date: September 02, 2020 Time: 3:30 P.M. Venue: Registered Office of the Bank at Plot No-2364/8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi-110008 (Meeting shall be conducted through Video Conferencing/Other Audio Visual Means in compliance with applicable provisions of the Companies Act, 2013 and rules made thereunder read with General Circular numbers 14/2020, 17/2020, 20/2020 dated April 08, 2020, April 13, 2020 and May 05, 2020 respectively, issued by the Ministry of Corporate Affairs and Circular number SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by the Securities and Exchange Board of India)</p>																				
Financial Year	April 01 to March 31																				
Dividend Payment Date	<p>Pursuant to the RBI Circular RBI/2019-20/218 DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 banks have been advised not make any further dividend payouts from the profits pertaining to the financial year ended March 31, 2020 until further communication from RBI.</p> <p>Accordingly, the Board of the Bank has not recommended any dividend for its equity shareholders out of the profits for FY 2019-20.</p>																				
The name and address of each Stock Exchanges at which the Bank's securities are listed and a confirmation about payment of annual listing fee to each of such Stock Exchanges	<p>The Equity Shares of the Bank are listed on below mentioned Stock Exchanges:</p> <p>A. National Stock Exchange of India Limited ("NSE") Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051</p> <p>B. BSE Limited ("BSE") Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001</p> <p>The Bank has paid annual listing fee as applicable to the Bank for FY 2019-20.</p>																				
Stock Code	<p>NSE Symbol: UJJIVANSFB BSE Code: 542904</p>																				
Registrar to an Issue and Share Transfer Agents	<p>KFin Technologies Private Limited (Formerly known as Karvy Fintech Private Limited) Corporate Registry, Karvy Selenium, Tower- B, Plot No. 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad-500032</p> <p>Tel.: + 91 040 6716 1500 / 040 33211000 / 040- 6716 1562 Fax: + 91 040 23431551 E-mail: einward.ris@kfintech.com Website: https://www.kfintech.com Toll Free No.: 18003454001</p>																				
Share Transfer System	The Registrar and Transfer Agent of the Bank i.e KFin Technologies Private Limited handles and provides investor related services such as transfer, demat, remat and such other services in coordination with the Bank.																				
Dematerialisation of Shares and liquidity	<p>The equity shares of the Bank are available for trading in the dematerialised form under both the depositories in India - National Securities Depository Limited ("NSDL") and Central Depository Service (India) Limited ("CDSL"). Trading in Bank's equity shares can be done only in the dematerialised form.</p> <p>Position of Equity shares as on March 31, 2020:</p> <table><tr><th>Sr. No</th><th>Description</th><th>Number of Equity Shares</th><th>% To Equity Share Capital</th></tr><tr><td>1</td><td>PHYSICAL</td><td>20</td><td>0.00</td></tr><tr><td>2</td><td>NSDL</td><td>1,682,547,834</td><td>97.36</td></tr><tr><td>3</td><td>CDSL</td><td>45,675,315</td><td>2.64</td></tr><tr><td colspan="2">Total:</td><td>1,728,223,169</td><td>100.00</td></tr></table>	Sr. No	Description	Number of Equity Shares	% To Equity Share Capital	1	PHYSICAL	20	0.00	2	NSDL	1,682,547,834	97.36	3	CDSL	45,675,315	2.64	Total:		1,728,223,169	100.00
Sr. No	Description	Number of Equity Shares	% To Equity Share Capital																		
1	PHYSICAL	20	0.00																		
2	NSDL	1,682,547,834	97.36																		
3	CDSL	45,675,315	2.64																		
Total:		1,728,223,169	100.00																		

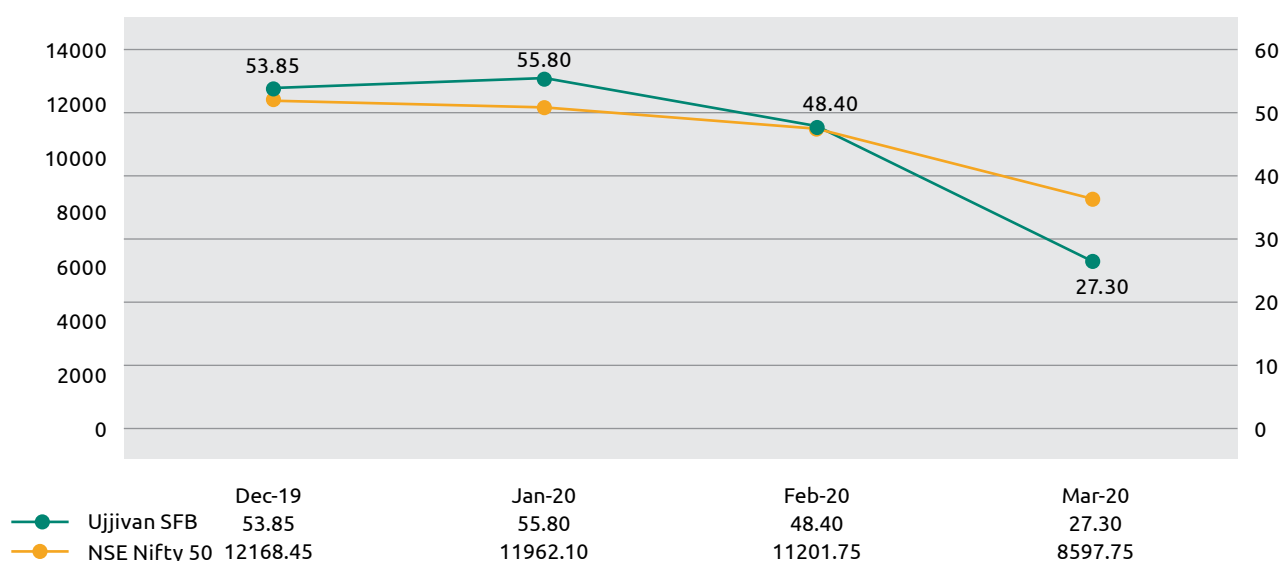
Particulars	Details
	The International Securities Identification Number (ISIN) of the Bank, as allotted by NSDL and CDSL is INE551W01018 .
Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity	<p>The Bank does not have any outstanding Global Depository Receipts or American Depository Receipts or warrants or instrument other than Stock options granted under Ujjivan Small Finance Bank - Employee Stock Option Plan 2019 ("ESOP 2019") and equity shares earmarked for subscription under the Ujjivan Small Finance Bank - Employee Stock Purchase Scheme 2019 ("ESPS 2019") monthly scheme.</p> <p>As on March 31, 2020, 40,799,100 options have been granted by the Bank under ESOP 2019 to eligible employees of the Bank and it's Holding Company, Ujjivan Financial Services Limited.</p> <p>Further 3,247,467 equity shares have been earmarked for subscription under the ESPS 2019 Monthly Scheme. The equity shares would be allotted to them at the end of the 12 months, subject to the fulfilment of terms and conditions of subscription.</p>
Commodity price risk or foreign exchange risk and hedging activities;	NA
Plant locations	The Bank is providing banking and other financial services. Hence It does not have any Plant however the Bank has its banking outlets in 24 (Twenty Four) States and Union Territories of India
Address for correspondence	<p>The Company Secretary and Compliance Officer Ujjivan Small Finance Bank Limited Grape Garden, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bengaluru - 560 095. Email: investorrelations@ujjivan.com Tel. No: +91 80 40712121</p>

The Bank has made timely repayments of the following Non-Convertible Debentures maturing during FY 2019-20.

Sr. No	ISIN	Description of NCD	Maturity date	Amount (₹ in Crores)	Debenture Trustee
1	INE334L07076	Secured and Redeemable	July 30, 2019	40	IDBI Trusteeship Ltd.
2	INE334L07100	Secured and Redeemable	May 28, 2019	60	IDBI Trusteeship Ltd.
Total				100	

Performance in comparison to broad-based indices such as BSE Sensex and NSE Nifty Index





Securities of the Bank were not suspended from trading on stock exchanges during FY 2019-20.

Market price data- high, low during each month in FY 2019-20*

Month	Market Price data					
	BSE			NSE		
	High Price	Low Price	Volume (No. of Shares Traded)	High Price	Low Price	Volume (No. of Share Traded)
December, 2019	62.80	51.15	32,890,635	62.80	51.10	503,222,186
January, 2020	57.20	48.40	6,503,114	57.25	48.35	111,572,110
February, 2020	58.20	47.05	4,086,270	58.20	47.00	43,248,556
March, 2020	50.80	23.00	3,939,151	50.90	23.10	56,007,492

*The Equity Shares of the Bank got listed on Stock Exchanges on December 12, 2019. Accordingly data is not available for the month of April, 2019 till November, 2019

Distribution of Shareholding as on March 31, 2020

Category (Amount)	No. of Cases	% of Cases	Total Shares	Amount	% of Amount
100001& Above	939	0.67	1,671,030,008	16,710,300,080	96.69
50001- 100000	1,086	0.78	7,914,751	79,147,510	0.46
40001- 50000	679	0.49	3,178,918	31,789,180	0.18
30001- 40000	814	0.58	2,900,166	29,001,660	0.17
20001- 30000	1,795	1.28	4,567,744	45,677,440	0.26
10001- 20000	5,548	3.97	8,343,988	83,439,880	0.48
5001- 10000	12,602	9.01	9,538,493	95,384,930	0.55
1-5000	116,349	83.22	20,749,101	207,491,010	1.20
Total	139,812	100.00	1,728,223,169	17,282,231,690	100.00

22. CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION (CEO AND CFO CERTIFICATION)

As required under Regulation 17 read with Part B of Schedule II of SEBI Listing Regulations, the CEO and CFO certification on the Financial Statements, the Cash Flow Statements and the Internal Controls for Financial Reporting has been obtained from Mr. Nitin Chugh, Managing Director and CEO and Ms. Upma Goel, Chief Financial Officer. The said certificate forms part of the Annual Report.

23. SUCCESSION PLANNING

The Bank has formulated a succession planning policy for the national leadership team and Board of the Bank for quick fulfillment of vacancies in key senior positions through evaluation of qualified, motivated people and a process to identify and groom them.

24. BOARD DIVERSITY

The Bank believes that Board diversity plays a very important role in the transparency and in the decision making process in the Boardroom. The Bank has formulated and implemented Board

Diversity Policy to comply with Listing Regulations and to ensure the diversity of thought, experience, knowledge, perspective and gender in the Board. The Bank promotes social diversity and professional diversity in the Boardroom.

The Bank also believes that diversity in the composition of the Board of Directors is essential in view of the expansion of business, greater social responsibility, increasing emphasis on Corporate Governance, need for addressing concerns of diverse stakeholders and the necessity for managing risks in the business effectively. A Board composed of appropriately qualified and skilled people, with a

broad range of experience relevant to the business, is important for effective corporate governance and sustained commercial success of the Bank.

The primary objective of this Policy is to provide a framework and set standards for having a diversified Board with ability to base its decisions after evaluating multiple options as compared to homogeneous Boards and help improve the performance of the organization significantly.

The Board Diversity Policy is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

25. DISCLOSURES WITH RESPECT TO DEMAT SUSPENSE ACCOUNT/ UNCLAIMED SUSPENSE ACCOUNT FOR FY 2019-20

Particulars	Details
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year*	Total Shareholders: 5 (Five)** Aggregate Shares: 2035**
Number of shareholders who approached the Bank for transfer of shares from suspense account during the year	5
Number of shareholders to whom shares were transferred from suspense account during the year	5
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	0
That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	Not Applicable

* The Equity Shares of the Bank got listed on Stock Exchanges on December 12, 2019. Accordingly no Equity Shares was outstanding in the suspense account at the beginning of the year

** As on December 12, 2019

26. OTHER DISCLOSURES

a. Related Party Transactions

The Bank has entered into related party transactions during FY 2019-20. Related party transactions were approved by the Audit Committee and the Board. The Bank has formulated a Policy on 'Materiality of Related Party Transactions' which forms of the Policy on dealing with 'Related Party Transactions' which is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.

The Bank has entered into all related party transaction at arm's length basis. There were no materially significant related party transactions during FY 2019-20 that may have potential conflict with the interest of the Bank at large.

- The Bank does not have a subsidiary company as on date, hence the Bank is not required to formulate a specific policy on dealing with material subsidiaries.
- There were no non-compliances by the Bank, no penalties and strictures were imposed on the Bank by the stock exchange or the SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

- The Bank in compliance with Section 177 of the Act and Regulation 22 of SEBI Listing Regulations has established a Whistle Blower policy/Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the Bank's Code of Conduct or Code of Conduct for Prevention of Insider Trading and Code of Fair Disclosures and Conduct. No person has been denied access to the Audit Committee. The Whistle Blower policy is available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>.
- The Bank, as part of its Initial Public Offer, had undertaken Pre-IPO Placement of 71,428,570 Equity Shares at ₹35 per equity shares.
- The Pre-IPO Placement was authorized by the Board and shareholders in their meeting held on November 08, 2019. Equity Shares were issued by way of preferential issue on private placement basis. Disclosures with respect to preferential issue on private placement basis has been disclosed in the Directors' Report. The amount raised from aforesaid issue have been used for augmenting the Bank's Tier – 1 capital base to meet Bank's future capital requirements in accordance with the purpose defined in the offer document.

- g. List of all credit ratings as on March 31, 2020 obtained by the Bank for all debt instruments and fixed deposit programme of the Bank:

Instrument Name	Amount (₹ in Crores)	Rating
Long Term Borrowing	1,459	CARE A+ (Stable)
Certificate of Deposit	4,000	CRISIL A1+

There were no revisions in credit ratings for debt instruments and fixed deposit programme of the Bank during FY 2019-20.

- h. The Bank has complied all the mandatory requirements and adopted the following non-mandatory requirements:
- Bank has appointed separate person for the position of Chairman and Chief Executive Officer
 - Head of Internal Audit and Internal Auditors of the Bank directly report to the Audit Committee of the Bank
- i. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

Particulars	Number of Complaints
Number of complaints received during FY 2019-20	13
Number of complaints disposed of during FY 2019-20	8
Number of complaints pending as on end of FY 2019-20	5*

*3 cases reported on November 14, 2019 and 2 cases reported on January 29, 2020

- j. The Bank has paid total fees of ₹262.50 Lakhs for all services of Statutory Auditors during FY 2019-20.
- k. The Bank has complied with all the applicable mandatory requirements of the Code of Corporate Governance as specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the SEBI Listing Regulations.
- There were no recommendations of the Board Committees which was turned down by the Board during FY 2019-20.
- l. The Bank has obtained a certificate from Mr. K. Jayachandran (ACS No.: 11309, CP No.: 4031), Practicing Company Secretary that none of the directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as directors of the companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority and same is annexed as **Annexure-1** to this report.

- m. The Bank has obtained Compliance certificate from Mr. K. Jayachandran (ACS No.: 11309, CP No.: 4031), Practicing Company Secretary regarding compliance of conditions of corporate governance and same is annexed as **Annexure-5** to the Directors' Report of the Bank.

- n. A declaration signed by the Chief Executive Officer stating that the members of Board and Senior Management Personnel have affirmed compliance with the code of conduct of the Bank forms part of the CEO and CFO certification.

For and on behalf of the Board of Directors

Sd/-
Biswamohan Mahapatra
Part-time Chairman and
Independent Director
DIN: 06990345

Sd/-
Nitin Chugh
Managing Director and CEO
DIN: 01884659

Date: May 19, 2020
Place: Bengaluru

Annexure-1

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members of
UJJIVAN SMALL FINANCE BANK LIMITED
CIN: L65110DL2016PLC302481
Plot No. 2364 /8, Khampur Raya Village, Shadi Kampur,
Main Patel Road, New Delhi – 110008, IN

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **UJJIVAN SMALL FINANCE BANK LIMITED** having CIN **L65110DL2016PLC302481** and having registered office at **Plot No. 2364 /8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi – 110008** (hereinafter referred to as 'the Bank'), produced before me by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Bank and its officers, I hereby certify that none of the Directors on the Board of the Bank as stated below for the Financial Year ending on **March 31, 2020** have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment in Bank
01.	Mr. Nandlal Laxminarayan Sarda	00147782	27/07/2016
02.	Mr. Jayanta Kumar Basu	01268046	14/11/2018
03.	Ms. Mona Kachhwaha	01856801	22/12/2017
04.	Mr. Nitin Chugh	01884659	01/12/2019
05.	Mr. Prabal Kumar Sen	02594965	16/01/2017
06.	Ms. Chitra Kartik Alai	03138604	09/05/2019
07.	Mr. Mahadev Lakshminarayanan	05003710	01/08/2019
08.	Ms. Vandana Viswanathan	05192578	04/07/2016
09.	Mr. Biswamohan Mahapatra	06990345	16/01/2017

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Place: Bangalore
Dated: 19.05.2020

Sd/-
K. Jayachandran
Company Secretary
ACS No. 11309/CP No. 4031
UDIN: A011309B000253881

CEO and CFO Certification

To,
The Board of Directors
Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd "A" Cross,
18th Main, 6th Block, Koramangala,
Bengaluru-560005

Subject: Compliance Certificate as required under Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We hereby certify that:

- A. We have reviewed financial statements and the cash flow statement for FY 2019-20 and to the best of our knowledge and belief:
 - (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and we have disclosed to the auditors and the audit committee, that there were no deficiencies in the design or operation of such internal controls of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit committee
 - (1) that there were no significant changes in internal control over financial reporting during the year;
 - (2) that there were no significant changes in accounting policies during the year; and
 - (3) that there were no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.
- E. We further declare that all members of Board of Directors and Senior Management Personnel have affirmed compliance with the code of conduct of the Bank.

FOR UJJIVAN SMALL FINANCE BANK LIMITED

Sd/-
Nitin Chugh
Managing Director and CEO
DIN: 01884659

Sd/-
Upma Goel
Chief Financial Officer

Date: May 19, 2020
Place: Bengaluru

Business Responsibility Report

BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ujjivan Small Finance Bank Limited ("Bank") recognises its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business, ethics and accountability towards its shareholders, customers, government and other stakeholders. Bank's activities are carried out in accordance with good corporate practices and the Bank is constantly striving to make them better and adopt the best practices.

Bank believes that timely reporting, transparent accounting policies and disclosures and a strong and

Independent Board goes a long way in preserving shareholders' trust and maximising long-term corporate value.

In pursuing the mission of "The best institution to provide financial services to the unserved and underserved customers and transform to a bank serving the mass market", the Bank has been balancing its dual objectives of "social" and "financial" goals since its inception. "Responsible financing", "ethical values" and "transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders, customers and investors.

SECTION A: GENERAL INFORMATION ABOUT THE BANK

Sr. No.	Particulars	Details
1	Corporate Identity Number (CIN) of the Bank	L65110DL2016PLC302481
2	Name of the Company	Ujjivan Small Finance Bank Limited
3	Registered Address	Plot No. 2364 / 8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi-110008, Delhi
4	Corporate/Head Office Address	Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bengaluru-560095, Karnataka
5	Website	https://www.ujjivansfb.in
6	Email ID	investorrelations@ujjivan.com
7	Financial Year Reported	Financial Year 2019-20
8	Sector(s) that the Bank is engaged in (industrial activity code-wise)	As per India's National Industrial Classification 2008(NIC 2008): Section K – Financial and Insurance Activities Division 64 – Financial service activities, except Insurance and pension funding Code: 64191
9	List three key products/services that the Bank provides (as in balance sheet)	Bank is engaged in providing a wide range of banking and financial services which includes Retail Banking, Wholesale Banking and Treasury Business.
10	Total number of locations where business activity is undertaken by the Company (a) Number of International Locations (b) Number of National Locations	Nil As on 31st March 2020, the Bank had 575 Branches including branches in Unbanked Rural Centres (URC), across 24 states and Union Territories of India. Further there were 423 ATMs and 52 ACRs (Automated Cash Recyclers)
11	Markets served by the Company – Local/State/National/International	National The Bank has a nationwide presence through its network of branches across 24 states and Union Territories

SECTION B: FINANCIAL DETAILS OF THE BANK

Sr. No.	Particulars	Details
1	Paid up Capital (₹)	19,282,231,690
2	Total Turnover (₹)	30,258,136,144
3	Total profit after taxes (₹)	3,499,186,161
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Amount Spent - ₹12,466,821 As a percentage of Profit it is 0.36%
List of activities in which expenditure in 4 above has been incurred:-		
5	a. b. c. d.	1. Education 2. Healthcare and Sanitation 3. Flood Relief 4. Community Development

SECTION C: OTHER DETAILS

Sr. No.	Particulars	Details
1	Does the Bank have any Subsidiary Company/ Companies?	No
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Not Applicable
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	Not Applicable

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a. Details of the Director/Director responsible for implementation of the BR policy/policies

1	DIN Number	01884659
2	Name	Mr. Nitin Chugh
3	Designation	Managing Director and CEO

b. Details of the BR head

1	DIN Number	01884659
2	Name	Mr. Nitin Chugh
3	Designation	Managing Director and CEO

2. Principle-wise (as per National Voluntary Guidelines (NVGs)) Business Responsibility Policy /policies

(a) Details of compliance (Reply in Y/N)-

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have policy/policies for	Y	Y	Y	Y	Y	Y	NA	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
3	Does the policy conform to any national/ international standards? If yes, specify?	Y	Y	Y	Y	Y	Y	NA	Y	Y
		Policies of the Bank are in line with the requirements of RBI guidelines, the Companies Act, 2013, (wherever applicable) and rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as directed by the Board of Directors of the Bank to conform to the best practices in the industry								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/Owner/ CEO/ Appropriate Board Director?	Y	Y	Y	Y	Y	Y	NA	Y	Y
		Policies of the Bank are approved by respective Committee of the Board/ Board.								

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
5	Does the company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	NA	Y	Y
6	Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	Y	NA	Y	Y
	<p>The following policies are available on the Bank's website www.ujjivansfb.in</p> <ul style="list-style-type: none"> • Citizens Charter • Whistle Blower Policy • Grievance Redressal Policy • Customer Rights Policy • Nomination & Remuneration Policy • Corporate Social Responsibility Policy • Policy on Code of Conduct <p>The remaining policies other than those which are available on the Bank's website are internal documents and are only available to the employees through the Bank's intranet.</p>									
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
	<p>Policies that are related to external stake holders are hosted on the Banks' website and other Policies related to internal stake holders are available on the Bank's intranet. Key aspects of the policies are part of the Bank's overall training process to ensure that these are understood by all stakeholders. All employees are required to confirm having read and understood the Bank's Code of Conduct. This exercise is repeated periodically.</p>									
8	Does the company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
10	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	<p>The respective policy owners are responsible for implementation of the policy. Additionally, Compliance team evaluates each policy to ensure compliance with regulatory guidelines and also monitors the implementation and effectiveness of the policies. Risk Based Internal Audit by Bank's Internal Audit team also independently tests the effectiveness of each of these policies.</p>								

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why:

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	The company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	@								
	@While there is no specific policy outlined for this principle, the Bank through associations represent and puts forth it's suggestions with respect to Economy in general and Banking sector in particular to the Regulator and Ministry of Finance. The Bank has made all its suggestions in a responsible manner.									

3. Governance related to BR

- (a) **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year**

Annually

- (b) **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

Business Responsibility Report forms part of Bank's Annual Report. This is the first report being published by the Bank and is hosted at its website at www.ujjivansfb.in.

Principle wise Policies

P1	Compliance Policy, Whistle Blower Policy, KYC & AML Policy, Outsourcing Policy, Fraud Risk Management Policy, Citizen Charter, Customer Rights Policy, Grievance Redressal Policy, Policy on Code of Conduct , Policy on Prevention of Sexual Harassment
P2	Group Loan Credit Policy, Individual Loan Credit Policy, Kisan Pragati Card Credit Policy, Personal Loan Credit Policy, Two Wheeler Loan Credit Policy, Credit Policy
P3	Policy on Code of Conduct, Nomination & Remuneration Policy, Policy on Holiday and Leave, Policy on Prevention of Sexual Harassment
P4	Corporate Social Responsibility Policy, Group Loan Credit Policy, Individual Loan Credit Policy, Kisan Pragati Card Credit Policy, Credit Policy
P5	Policy on Code of Conduct, Policy on Prevention of Sexual Harassment, Customer Service Policy, Citizen Rights
P6	Corporate Social Responsibility Policy
P7	NIL
P8	Corporate Social Responsibility Policy, Outsourcing Policy, Information Security Policy,
P9	Citizen Charter, Customer Service Policy, Customer Rights Policy

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. **Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs /Others?**

The Bank has put in place a Code of Conduct which is applicable to all its employees and its Board of Directors. The Code articulates the ethical principles and acceptable behaviour that the Bank's employees and Board of Directors are expected to demonstrate to uphold the Bank's values. The Code covers aspects related to , but not limited, to Values, Principles based on which these Values have been derived, Governance Structure, Employee behaviour and Roles, Responsibilities and Duties of the Board and Key Managerial Personnel, Maintaining privacy and confidentiality, Avoiding conflict of interest, Guidelines for Operating Staff Bank Account, Disciplinary Procedures and Reporting Requirements.

The Code of Conduct of the Bank also covers the Group/ Suppliers/Contractors/NGOs /etc. in addition to Bank's internal stakeholders.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**

474 complaints were received from investors/ shareholders during the financial year 2019-20 and all the complaints have been resolved.

With respect to employees, the Bank has a mechanism as provided in the Whistle Blower Policy whereby employees can raise their concerns. The status of these complaints including the manner in which they are dealt with, is periodically reported to the Audit Committee.

No customer complaints with respect to human rights, ethics, bribery and corruption were received by the Bank during the financial year 2019-20.

36,560 complaints were received from customers during the financial year 2019-20 out of which 1,056 complaints were pending at the end of the financial year 2019-20.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

The Bank's business operations are conducted keeping in mind the environmental limits and ensuring ongoing efficiency gains. The Bank encourages customers to go digital in their banking activities and offers financial products and services that are end-to-end processed digitally.

Bank's Micro Banking business has an array of products like Group Loans, Individual Loans, Agriculture and Allied Loan products and Family Banking suitable for catering the needs of unserved and underserved segments. Group loan products are offered to economically active, unserved and underserved customers to meet various requirements, including education loans and business loans. Individual Loans are again extended to its existing group loan customers after successful repayment of 20 monthly instalments for their working capital or expansion capital investment requirements for existing businesses. Bank's Agriculture and allied loan products are specifically designed to meet the financing requirements of small and marginal farmers including those engaged in allied activities such as dairying, sericulture and purchase renovations and upgradation of farm equipment. Almost all of these loans are catering to the priority sector, as determined by the Ministry of Finance.

In addition, the Bank has products that help them save for the future of their children and families by offering attractive Recurring Deposit and Fixed Deposit products.

In order to engage the customers digitally, Bank offers mobile applications that are tailored for both smart phones and feature phones, which limits the usage of paper. Bank has witnessed growing usage of transactions related to mobile banking and UPI. Bank has also introduced customers to QR code for receiving payments instead of cash.

Bank's MSE banking business offers loans and overdraft facility to small and medium enterprises engaged in manufacturing and service/trade activities in the form of investment as well as working capital, with flexible security requirements to make credit more accessible to the MSE borrowers.

In conjunction with the Current Account facility, Bank has developed a fully digital Business Net Banking platform to cater to all the transaction needs of the SME customers, with attendant controls at different levels to monitor transactions of varying values. The

system is parameterised to offer flexibility to the business owner in managing their own controls. This platform has capacity to conduct 9,999 transactions daily and is seamlessly done. The entire workflow is digital.

Bank's Affordable Housing Loan business offerings are targeted towards informal and semi-formal income segments to help them purchase apartments or, build their own houses on purchased land or for refurbishment of existing homes.

The Bank's Rural banking business caters to the financial requirements of customers in rural and semi-urban locations, through agriculture and allied loan products and also meet the larger goals of social empowerment and development. Based on several conversations with the customers and market research, Bank has created a Kisan Pragati Card (KCC like product) that is a 3-in-1 offer, meeting the periodic payment and monthly payment needs of the farmer. This product is delivered through a front-end TAB and supported at the back by a loan origination system, which caters to this unique product.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?

The Bank works towards optimising its resource consumption. The material used and procured by the Bank primarily comprises of paper and grid electricity for which the Bank is creating awareness among end users for sustainable consumption. In addition, the Bank has created a robust technology platform to build a new age digital banking ecosystem and it is focused on efficient use of natural resources.

The Bank's products and processes are directed towards technology advancement and digitisation of its banking services in a customer-friendly manner. The result is visible through customer empowerment by providing them banking with ease, reduced paperwork and reduction in waste generation.

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The Bank is adopting state of the art technology to digitise its operations and make products available digitally. It has witnessed strong growth in the adoption of TAB-based account opening, android-based mobile banking, and internet banking, thus minimising paper usage. The focus is to deliver a seamless solution that

will ensure consistent high-level of customer experience across all channels website, internet banking, mobile applications, chat bots and it has reduced the customers' travel time and expenses considerably, thereby reducing the fuel consumption and carbon emissions.

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

The Bank sources using only digital means for 90% of its customer applications. Over 75% of the sourcing is done through straight-through-processing without any human intervention. Digital operations ensures less pressure on consumables which in turn facilitates sustainable sourcing. Cashless disbursement is done for almost all loans, which was earlier done through cash. The Bank also encourages its customers for using digital means for repayment of their loans, which is growing. It has entered into tie-ups with PayTM, Instamojo etc. to create ease of repayment options for its customers.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Bank procures significant items including food and beverages, cleaning items, marketing & promotional items, stationery, consumable materials from local Small and Medium Enterprises (SME) vendors. While procuring the goods or services, the Bank also ensures that quality of services/products is not compromised and best quality products and services should be provided to the customers. The Bank carefully selects its vendors keeping in mind development of the local community. The Bank as part of vendor management process conducts proper checks before appointing any vendors, consultants/service providers and ensures to select quality local vendors.

The Bank majorly contributes to the development of capacity and capability of thousands of smaller businesses by providing them easy access to credit and banking services, quite a few of them being vendors of the Bank. Bank has customised its MSE loan product to suit the credit requirements of the small vendors.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Various products of the Bank are service oriented hence, recycling of products is not applicable to

the Bank. Being a banking company, the key waste products of the Bank primarily entails paper and electronic waste. Bank has embraced responsible e-waste management system. The waste generated by the Bank is managed as per the waste disposal process.

Principle 3- Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees. (As at 31.03.2020)

There were 17,841 employees in the Bank as on 31st March 2020.

2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.

1,517 number of employees were hired on temporary/contractual/casual basis as on 31st March 2020.

3. Please indicate the Number of permanent women employees.

There were 3,338 number of permanent women employees as on March 31, 2020.

4. Please indicate the Number of permanent employees with disabilities

There were 25 permanent employees with disabilities as on March 31, 2020.

5. Do you have an employee association that is recognized by management?

The Bank does not have any employee association.

6. What percentage of your permanent employees is members of this recognized employee association?

Not Applicable.

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

Sr. No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1	Child labour/forced labour/involuntary labour	Nil	Nil
2	Sexual harassment	13	5
3	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

The learning methodology adopted by the Bank consists of a mix of various modes such as classroom

programs, external programs, certification programs and e-learning modules. Bank also provides role based specific learning programs suitable for its employees on business and operational aspects.

(a) Permanent Employees

- 100% of employees were assigned e-learning modules on Safety on the field
- Theatre based Safety Series for Collection Staff has been provided where 85.51% employees were covered
- E-modules on Covid safety - 100 % employees were assigned for this module
- Cash safety program - 100 % of all of newly inducted employees in the micro-banking and collections team are assigned for this module.

(b) Permanent Women Employees

- 100% of women employees were assigned e-learning modules on Safety on the field
- Theatre based Safety Series for Collection Staff-75.5% of women collection officers were covered

(c) Casual/Temporary/Contractual Employees
None

(d) Employees with Disabilities

- 100% of employees were assigned e-learning modules on Safety on the field
- Cash safety- 100 % of all of newly inducted employees in the micro banking and collections team are assigned for this module.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. Has the company mapped its internal and external stakeholders? Yes/No

Yes. The Bank engages with multiple stakeholders through formal and informal channels of communication.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes. The Bank engages with the various, identified vulnerable and marginalised sections of the society through its products and services, as well as community engagement initiatives. The Bank has specific products and services that especially cater to the economically backward sections of society in rural, urban and semi-urban India, such as microfinance, digital payments, agriculture banking, MSE Loans and loans towards affordable housing.

The Bank also has social responsibility initiatives underway for marginalised or weaker sections of society such as women and children communities.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

For easy access to people with disabilities, the Bank has ramp facilities across 68 branches.

The Bank has initiated "Diksha+", a financial literacy programme for women and children from lower income groups of the society. The five weeks programme (2 hours per week) aims at imparting knowledge on the financial planning, importance of savings and debt management, banking and banking products including digital banking channels. During the year 101,453 women 2,647 children have undergone this programme.

As an equal opportunities employer, the Bank is consciously making an effort to hire from the LGBT (Lesbian, Gay, Bisexual, and Transgender) community through various drives and job fairs and provide employment.

Principle 5: Businesses should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/Suppliers/Contractors/NGOs/ Others?

The Bank is committed to uphold the dignity of every employee and its associated stakeholders. Aspects related to Human Rights are governed through the Code of Conduct and Whistle Blower Policy of the Bank. The aspects on human rights cover Group/ Suppliers/Contractors/NGOs/Others in addition to covering the employees of the Bank.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

There were no complaints received by the Bank specific to human rights violation.

Principle 6: Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

Though the aspects outlined under this Principle are not substantially relevant to the Bank given the nature of its business, the Bank has constantly worked towards adopting digital process and digital documentation in most of its operations, these initiatives have helped the Bank and its customers

in significantly reducing usage of paper forms. The Bank through its Swachh Neighbourhood project; a cleanliness drive, has removed 71 tons of waste and planted 609 trees. The cleanliness drive was undertaken at 98 locations across the country.

2. **Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**

No.

3. **Does the company identify and assess potential environmental risks? Y/N**

Though it is not relevant to the Bank given the nature of its business, we have always acknowledged the need for environment protection and practices as an environmentally responsible corporate citizen.

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

The above question is not applicable to the Bank as it is relevant for manufacturing entity.

5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page etc.**

Energy efficiency and conservation is a part of Bank's business planning. The systems and processes are designed in manner to ensure optimum energy usage by continuous monitoring of all forms of energy and augmenting the efficiency of operations.

A number of initiatives was taken by the Bank during the financial year 2019-20 to save electricity consumption. Some of the key initiatives were designing Bank's branches and offices in a manner to ensure maximum utilisation of day light, after office hour all employees who need to work in a branch sit in a common area and all the non-essential lights, ACs, etc. are checked and switched off. AC/ Lights installed at meeting rooms etc. in branches as well as Head office and Regional offices are to be switched off when the rooms are not occupied. ACs are switched off after 6:30 PM, and all ACs are maintained at 24 degree or above in branches. The Bank endeavours to shut down all branches on time. All these initiatives have resulted in considerable electricity savings. Moreover, the Bank procures star rated electrical equipment, auto monitors, auto switch timers and LED lights are installed for cost efficient operations in the Bank.

Bank has also launched Vehicle Finance Business for funding of electric vehicles which are zero polluting and energy efficient vehicles.

6. **Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Being a banking company and nature of operations comprising financial services this information is not substantial. However adequate measures are being put in place to ensure that emissions and waste generated and discharged are within the permissible limits of laws applicable.

7. **Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

Nil

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. **Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

Bank is a member of the following major associations:

- (a) Indian Banks Association (IBA)
- (b) Fixed Income Money Market and Derivatives Association (FIMMDA)
- (c) Association of Small Finance Banks of India (ASFBI)

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

Bank promotes initiatives that aim to create an efficient and transparent financial system.

Principle 8- Businesses should support inclusive growth and equitable development

1. **Does the company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

As a financial institution, the Bank has a diverse range of products and services, as well as other business and non-business initiatives, which contribute to equitable development and inclusive growth in India. The Bank offers microfinance and other banking services. In addition, there are diverse financial literacy and inclusion activities that the Bank undertakes at various parts of the country aimed at bringing more unbanked or under-banked Indians into mainstream banking.

The Bank's mission and objective is to provide full range of financial services to the economically

active poor to enable customers lead a better life and reaching out to unserved and underserved communities.

The Bank follows Sustainability, Accountability, Promotion of human rights and respects interests of all stakeholders, especially those who are disadvantaged, vulnerable and marginalised. Environment protection, inclusive growth and equitable development are its core CSR Principles.

The Bank has identified the following core focus areas for its CSR activity:

- a. Education
- b. Healthcare and Sanitation
- c. Flood Relief
- d. Community Development

For education, Bank through Diksha+ programme endeavours to impart knowledge on the importance of savings, financial management, debt management, banking products and digital banking channels to the women from economically weaker sections of the society.

The Bank has also implemented Chillar Bank Program, an educational awareness program on financial literacy for age group 12 – 17 years. During the year, 101,453 women and 2,647 children were benefited through these financial literacy trainings.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization?

Projects were undertaken both in-house as well as with the support of partner NGOs.

3. Have you done any impact assessment of your initiative?

No.

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

The Bank's direct contribution to the community development projects is ₹55,000,000. The cost includes the expenses made towards Diksha+ and Chillar bank program implementation. This includes salaries, training cost, operational expenses, content creation, design and printing & production cost, consulting cost, monitoring and evaluation cost and technology cost.

The learning is used by the beneficiary in planning their family finances, planning for future and using right banking products to meet their goals and aspirations.

The Bank has spent ₹12,466,821 on CSR activities such as cleanliness drive, flood relief and COVID-19 relief programmes under disaster management projects and community development projects related to health and education.

Principle 9- Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. What percentage of customer complaints/ consumer cases are pending as on the end of financial year.

At the end of the financial year 2019-20 the Bank had 2.89% of the Customer complaints which had remained unresolved.

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. / Remarks(additional information)

As a Bank, the products and services are intangible, thus product label requirement is not applicable to the Bank. Bank promptly communicates all the features, charges, terms and conditions for all its products and services to its customers through:

- a. Detailed disclosure in welcome letter/ receipts to customers
- b. Display on website, at branches via collaterals and through notice boards;
- c. Key applicable conditions are shared with customers at the time of account opening
- d. Any changes are shared via email/SMS/physical communications.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

No.

4. Did your company carry out any consumer survey/ consumer satisfaction Trends?

The Bank conducts regular surveys to measure and analyse the satisfaction levels of customers with respect to its products and services.

Independent Auditors' Report

To the Members of Ujjivan Small Finance Bank Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **Ujjivan Small Finance Bank Limited** ("the Bank"), which comprise the Balance sheet as at March 31, 2020, the Profit and Loss Account, Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required by the Banking Companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2020, its profit and its cash flows for the year ended on that date.

Basis for Opinion

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

the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 34 to the financial statements which describes that the extent to which the COVID-19 Pandemic will impact the Bank's financial statement will depend on future developments, which are incapable of assessment at this point in time.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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 year. 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.

Identification of Non-Performing Assets ('NPA') and Provisioning on Advances

Total Loans and Advances (Net of Provision) as at March 31, 2020	: ₹14,043.64 Crores
Gross NPA as at March 31, 2020	: ₹137.14 Crores
Provision for NPA as at March 31, 2020	: ₹109.65 Crores

Refer Schedule (9) and Schedule 18(4.1) to the financial statement

Key Audit Matter	How our audit addressed the key audit matter
Identification of NPA and measurement of provision on account of NPA is made based on the assessment of various criteria stipulated in the Reserve Bank of India ('RBI') guidelines on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances' ('IRACP'). The Bank is required to prepare a Board approved policy as per the IRACP guidelines for NPA identification and provision.	<p>Tested the design and operating effectiveness of key controls (including application controls) over approval, recording, monitoring and recovery of loans, monitoring overdue / stressed accounts, identification of NPA, provision for NPA and valuation of security and collateral.</p> <p>Testing of Application controls include testing of automated controls, reports and system reconciliations.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p>The IRACP guidelines stipulate the requirement to identify NPA through defined criteria such as past due status, out of order status etc. Provisions in respect of such NPAs and restructured advances are made based on minimum provisioning levels prescribed under the IRACP and Bank's internal credit policy. The provision on NPAs are also based on the valuation of the security available. In case of restructured accounts, provision is made for erosion/ diminution in fair value of restructured loans, in accordance with the RBI guidelines. Further, NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA.</p> <p>The Bank has framed policies in line with the RBI's guidelines vide 'COVID-19 – Regulatory Package' and 'COVID-19 Regulatory Package - Asset Classification and Provisioning' thereby providing moratorium as a relief measure to the borrowers and creating required provisions against these reliefs. Additionally, the Bank makes provisions on exposures that are not classified as NPAs for identified advances that can potentially slip into NPA.</p> <p>We have identified 'Identification of NPA and Provisioning on Advances' as a key audit matter in view of the significant level of estimation involved, as well as the stringent compliances laid down by the RBI in this regard.</p>	<p>Evaluated the governance process and review controls over calculations of provision of non-performing advances, basis of provisioning approved in accordance with the Board approved policy.</p> <p>An inclusive list of substantive procedures performed is mentioned below:</p> <ul style="list-style-type: none"> • For sample borrowers, assessed the appropriateness of asset classification and adequacy of related provisioning by performing procedures such as computation of overdue ageing, assessment of borrower level NPA identification and verification of applicable provision rates as per IRACP norms and Bank's Policy; • Selected samples of performing loans to assess whether they should be classified as NPA; • For selected samples, reviewed the collateral valuation performed by the Bank; • Performed inquiries with the Management of the Bank to ascertain if there were indicators of stress, perceived credit risk or occurrence of an event of default in any particular class of borrowers, product category or loan account that warrants NPA assessment; • Selected samples for standard and overdue accounts to assess compliance with the RBI guidelines vide its circulars 'COVID-19 – Regulatory Package' and 'COVID-19 Regulatory Package - Asset Classification and Provisioning'. • Reviewed the adequacy and accuracy of disclosures against the relevant accounting standards and RBI requirements relating to NPA.

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

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's Report and Annual Report, but does not include the financial statements and our auditor's reports thereon, which we obtained prior to the date of this auditor's Report, and Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those Charged with Governance.

Responsibilities of Management and Those charged with Governance for Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars,

guidelines and directions issued by the Reserve Bank of India from time to time as applicable to Bank. 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 of 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 Act, we are also responsible for expressing our opinion on whether the Bank has internal financial

controls with reference to financial statements 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 for the financial year ended March 31, 2020 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

1. 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 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

2. As required by Section sub-section 3 of Section 30 of the Banking Regulation Act, 1949, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
 - b) The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;
 - c) During the course of our audit we have visited 5 branches to examine the books of account and other records maintained at branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein
3. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - c) The Balance Sheet, the Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;
 - e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended.

The Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under section 197 of the Companies Act, 2013 do not apply; and
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12 and Schedule 18 (26.6) to the financial statements;
 - ii. The Bank has made provision as at March 31, 2020, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts - Refer Schedule 18 (26.6) to the financial statements. The Bank did not have any derivative contracts as at March 31, 2020;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No.117812

UDIN: 20117812AAAAGA5061

Mumbai
May 19, 2020

Annexure A to the Independent Auditor's Report of even date on the Financial Statements of Ujjivan Small Finance Bank Limited

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the Members of Ujjivan Small Finance Bank Limited on the Financial Statements for the year ended March 31, 2020]

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

We have audited the internal financial controls with reference to financial statements of Ujjivan Small Finance Bank Limited ("the Bank") as of March 31, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their

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

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

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

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

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

OPINION

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

operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

For MSKA & Associates

Chartered Accountants

ICAI Firm Registration No. 105047W

Swapnil Kale

Partner

Membership No.117812

UDIN: 20117812AAAAGA5061

Mumbai

May 19, 2020

Balance Sheet

as at March 31, 2020

(₹ in 000's)

Particulars	Schedule	As at 31/03/2020	As at 31/03/2019
CAPITAL AND LIABILITIES			
Capital	1	19,282,232	16,400,368
Employees Stock Options and Purchase Outstanding	18(33)	214,193	-
Reserves and Surplus	2	12,380,829	1,795,926
Deposits	3	107,804,837	73,794,408
Borrowings	4	39,532,659	41,660,900
Other Liabilities and Provisions	5	4,897,579	3,770,545
Total		184,112,329	137,422,147
ASSETS			
Cash and Balances with Reserve Bank of India	6	12,248,675	4,464,641
Balances with Banks and Money at Call and Short Notice	7	1,184,220	6,479,961
Investments	8	23,961,375	15,266,222
Advances	9	140,436,437	105,524,549
Fixed Assets	10	3,004,832	2,844,495
Other Assets	11	3,276,790	2,842,279
Total		184,112,329	137,422,147
Contingent Liabilities	12	207,328	308,533
Bill for collection		-	-
Significant Accounting Policies	17		
Notes forming part of the financial statements	18		

The schedules referred to above form an integral part of the Balance sheet

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

As per our report of even date

For MSKA & Associates

Chartered Accountants

Firm Registration Number: 105047W

Swapnil Kale

Partner

Membership No: 117812

Mumbai

May 19, 2020

For and on behalf of Board of Directors of

Ujjivan Small Finance Bank Limited

Nitin Chugh

DIN: 01884659

Managing Director & CEO

Vandana Viswanathan

DIN: 05192578

Independent Director

Upma Goel

Chief Financial Officer

Bengaluru

May 19, 2020

Mahadev Lakshminarayanan

DIN: 05003710

Independent Director

Nandlal Laxminarayan Sarda

DIN: 00147782

Independent Director

Chanchal Kumar

Company Secretary

Profit and Loss Account

for the year ended March 31, 2020

(₹ in 000's)

Particulars	Schedule	Year ended 31/03/2020	Year ended 31/03/2019
I. INCOME			
Interest Earned	13	27,035,987	18,316,099
Other Income	14	3,222,149	2,059,641
Total		30,258,136	20,375,740
II. EXPENDITURE			
Interest Expended	15	10,700,068	7,251,992
Operating Expenses	16	13,185,755	10,033,539
Provisions and Contingencies (Refer Schedule 18 (17))		2,873,127	1,098,038
Total		26,758,950	18,383,569
III. PROFIT			
Net profit for the year		3,499,186	1,992,171
Profit brought forward		1,183,626	51,733
Total		4,682,812	2,043,904
IV. APPROPRIATIONS			
Transfer to			
a) Statutory Reserves		874,797	498,043
b) Investment Reserve		-	-
c) Interim Preference Dividend paid (includes tax on dividends)		132,611	265,222
d) Investment Fluctuation Reserve		55,289	97,013
e) Balance Carried over to Balance Sheet		3,620,115	1,183,626
Total		4,682,812	2,043,904
V. EARNINGS PER EQUITY SHARE (FACE VALUE OF ₹10 PER SHARE)			
Basic (Rs) (Refer Schedule 18 (25))		2.19	1.20
Diluted (Rs) (Refer Schedule 18 (25))		2.18	1.20
Significant Accounting Policies	17		
Notes forming part of the financial statements	18		

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

The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date

For MSKA & Associates

Chartered Accountants

Firm Registration Number: 105047W

Swapnil Kale

Partner

Membership No: 117812

For and on behalf of Board of Directors of Ujjivan Small Finance Bank Limited

Nitin Chugh

DIN: 01884659

Managing Director & CEO

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DIN: 00147782

Independent Director

Chanchal Kumar

Company Secretary

Mumbai
May 19, 2020

Bengaluru
May 19, 2020

Cash Flow Statement

for the year ended March 31, 2020

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before taxation	4,662,397	2,684,230
Adjustments for :		
Depreciation on Bank's Property	726,290	605,977
Loss on sale of Land, Building & Other assets (net)	1,865	11,429
Expense on employee stock option	214,193	-
Expense on employee stock purchase	79,740	-
Fixed Assets Written off	879	141
Provision for Non-Performing Assets	1,045,081	231,718
Provision for Standard Assets	664,129	174,167
Amortisation of premium on HTM investments	45,566	24,836
Operating Profit/(Loss) before Working Capital changes	7,440,140	3,732,498
Adjustments for :		
(Increase) /Decrease in Advances	(35,956,968)	(32,394,153)
(Increase)/Decrease in Investments	(8,740,719)	(2,966,269)
(Increase)/Decrease in Other Assets	(359,550)	(862,087)
Increase/ (Decrease) in Deposits	34,010,429	36,069,234
Increase/ (Decrease) in Other Liabilities	462,905	1,587,586
Cash generated from/(used in) Operations	(3,143,763)	5,166,809
Direct Taxes paid (net of funds)	(1,115,047)	(389,649)
Net Cash Flow generated from/(used in) Operating Activities (A)	(4,258,810)	4,777,160
B. CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of Fixed Assets	5,906	11,333
Purchase of Fixed Assets including WIP	(895,277)	(1,489,926)
Net Cash Flow used in Investing Activities (B)	(889,371)	(1,478,593)

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares (net of issue expenses)	10,020,451	-
Proceeds from share application money pending allotment	-	-
Increase/(Decrease) in Borrowings (Net)	(2,128,241)	3,132,450
Preference dividend paid during the year	(110,000)	(220,000)
Dividend distribution tax paid during the year	(22,611)	(45,222)
Net Cash Flow generated from Financing Activities (C)	7,759,599	2,867,228
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	2,611,418	6,165,795
Cash and Cash Equivalents at the beginning of the year	10,776,478	4,610,683
Cash and Cash Equivalents at the end of the year	13,387,896	10,776,478

Notes:

- The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements specified under Sec.133 of the Companies act, 2013 read with rule 7 of the Companies (Account) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.
- Cash and cash equivalents comprises of Cash & Balances with RBI (Schedule 6) and Balances with Banks and Money at Call and Short Notice (Schedule 7) with balances having original maturity of less than three months.
- Figures in bracket indicate cash outflow.

As per our report of even date**For MSKA & Associates**

Chartered Accountants

Firm Registration Number: 105047W

Swapnil Kale

Partner

Membership No: 117812

**For and on behalf of Board of Directors of
Ujjivan Small Finance Bank Limited****Nitin Chugh**

DIN: 01884659

Managing Director & CEO

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Independent Director

Nandlal Laxminarayan Sarda

DIN: 00147782

Independent Director

Chanchal Kumar

Company Secretary

Mumbai
May 19, 2020Bengaluru
May 19, 2020

Schedules Forming Part of the Balance Sheet

as at March 31, 2020

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 1 - CAPITAL		
Authorized Capital		
2,300,000,000 Equity Shares of ₹10 each	23,000,000	15,000,000
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of ₹10 each	2,000,000	2,000,000
Issued, Subscribed and Called up Capital		
1,728,223,169 Equity Shares of ₹10 each	17,282,232	14,400,368
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of ₹10 each	2,000,000	2,000,000
	19,282,232	16,400,368
Paid up Capital		
1,728,223,169 Equity Shares of ₹10 each	17,282,232	14,400,368
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of ₹10 each	2,000,000	2,000,000
Total	19,282,232	16,400,368

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 2 - RESERVES AND SURPLUS		
I) Statutory Reserves		
Opening balance	515,287	17,244
Additions during the year	874,797	498,043
Deductions during the year	-	-
Closing balance	1,390,084	515,287
II) Share Premium		
Opening balance	-	-
Additions during the year	7,650,482	-
Deductions during the year	(432,154)	-
Closing balance	7,218,328	-
III) Investment Fluctuation Reserve		
Opening balance	97,013	-
Additions during the year	55,289	97,013
Deductions during the year	-	-
Closing balance	152,302	97,013
IV) Balance of Profit and Loss Account	3,620,115	1,183,626
Total (I + II + III + IV)	12,380,829	1,795,926

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	80,644	24,930
(ii) From Others	2,203,811	780,611
II. Savings Bank Deposits	12,309,920	7,035,374
III. Term Deposits		
(i) From Banks	38,564,683	26,151,491
(ii) From Others	54,645,779	39,802,002
Total (I + II + III)	107,804,837	73,794,408
B. Deposits of branches		
I. In India	107,804,837	73,794,408
II. Outside India	-	-
Total (I + II)	107,804,837	73,794,408

Schedules Forming Part of the Balance Sheet

as at March 31, 2020

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	2,820,000	-
(ii) Other Banks	4,150,000	2,500,000
(iii) Other Institutions and Agencies	32,562,659	38,160,900
(iv) Non-Convertible Redeemable Debenture	-	1,000,000
Total	39,532,659	41,660,900
II. Borrowings Outside India	-	-
Total (I + II)	39,532,659	41,660,900
Secured borrowings included in I and II above	3,281,300	3,105,900

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
(i) Bills payable	481,135	874,043
(ii) Inter-Office Adjustments (net)	-	-
(iii) Interest Accrued	1,452,901	1,022,560
(iv) Standard asset-General Provisions (Refer Schedule 18 (4.3))	1,203,283	539,154
(v) Others (including provisions)	1,760,260	1,334,788
Total	4,897,579	3,770,545

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in Hand (including Cash at ATM)	1,982,018	898,871
II. Balances with Reserve Bank of India		
(i) In Current Account	1,996,657	1,415,770
(ii) In Other Accounts (Including Reverse Repo)	8,270,000	2,150,000
Total (I + II)	12,248,675	4,464,641

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	139,220	112,531
(b) In Other Deposit Accounts*	45,000	168,124
(ii) Money at Call and Short Notice		
(a) With Banks	1,000,000	5,100,000
(b) With Other Institutions	-	1,099,306
Total	1,184,220	6,479,961
II. Outside India		
(i) In Current Accounts	-	-
(ii) In Other Deposits Accounts	-	-
(iii) Money at Call and Short Notice	-	-
Total	-	-
Total (I+II)	1,184,220	6,479,961

*It includes Fixed Deposits of ₹45,000 (Previous year ₹168,124) (in 000's) held under lien.

Schedules Forming Part of the Balance Sheet

as at March 31, 2020

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 8 - INVESTMENTS		
I. Investments in India (Refer Schedule 18 (2))		
(i) Government Securities	23,960,375	15,265,222
(ii) Other approved Securities	-	-
(iii) Shares	1,000	1,000
(iv) Debentures and Bonds	-	-
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Others (Investment in Units)	-	-
Total	23,961,375	15,266,222
II. Investments Outside India		
(i) Government Securities (Including local authorities)	-	-
(ii) Subsidiaries and/or Joint Ventures abroad	-	-
(iii) Other Investments	-	-
Total	-	-
Total (I+II)	23,961,375	15,266,222
III. Gross Value of Investments	23,961,375	15,266,222
Less: Provision for depreciation	-	-
Net value of investments	23,961,375	15,266,222

(₹ in 000's)

Particulars	As at 31/03/2020	As at March 31, 2019
SCHEDULE 9 - ADVANCES		
A		
(i) Bills Purchased and Discounted	-	-
(ii) Cash Credits, Overdrafts and Loans repayable on demand	12,580,396	12,695,531
(iii) Term Loans	127,856,041	92,829,018
Total	140,436,437	105,524,549
B		
(i) Secured by Tangible Assets	30,671,278	14,991,441
(ii) Covered by Bank/Government Guarantees	-	-
(iii) Unsecured (Refer Schedule 18 (4.6))	109,765,159	90,533,108
Total	140,436,437	105,524,549
C I. Advances in India		
(i) Priority Sectors	76,831,091	61,576,390
(ii) Public Sector	-	-
(iii) Banks	-	-
(iv) Others	63,605,346	43,948,159
Total	140,436,437	105,524,549
II. Advances Outside India		
Total	-	-
Total (I+II)	140,436,437	105,524,549

Schedules Forming Part of the Balance Sheet

as at March 31, 2020

(₹ in 000's)

Particulars	As at 31/03/2020	As at March 31, 2019
SCHEDULE 10 - FIXED ASSETS		
I. Premises	-	-
II. Other Fixed Assets (Including Furniture and Fixtures) (Refer Schedule 18 (26.4 & 26.5))		
At cost as at the beginning of the year	4,067,544	2,669,283
Additions during the year	709,370	1,511,041
Deductions during the year	(41,301)	(112,780)
Depreciation to date	(1,936,913)	(1,244,075)
Total	2,798,700	2,823,469
III. Capital Work In Progress (Including Capital Advances)	206,132	21,026
Total (I+II+III)	3,004,832	2,844,495

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 11 - OTHER ASSETS		
(i) Inter Office Adjustment (net)	-	-
(ii) Interest Accrued	1,944,826	1,319,808
(iii) Tax paid in Advance / Tax Deducted at Source (Net of provision for tax).	27,950	56,826
(iv) Stationery and Stamps	-	-
(v) Nonbanking assets acquired in satisfaction of claims	-	-
(vi) Others (including Deferred Tax Assets)	1,304,014	1,465,645
Total	3,276,790	2,842,279

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
SCHEDULE 12 - CONTINGENT LIABILITIES (REFER SCHEDULE 18 (26.6))		
(i) Claims against the Bank not acknowledged as debts	5,533	6,102
(ii) Liability for partly paid Investments	-	-
(iii) Liability on account of Outstanding Forward Exchange Contracts	-	-
(iv) Liability on account of Outstanding Derivative Contracts	-	-
(v) Guarantees given on behalf of Constituents		
(a) In India	47,500	2,500
(b) Outside India	-	-
(vi) Acceptances, Endorsements and Other Obligations	-	-
(vii) Other items for which the Bank is contingently liable - Capital commitments not provided/Others	154,295	299,931
Total	207,328	308,533

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
SCHEDULE 13 - INTEREST EARNED		
(i) Interest /Discount on Advances/bills	25,517,143	17,284,885
(ii) Income on Investments	1,386,983	930,979
(iii) Interest on balances with Reserve Bank of India and other inter-bank funds	77,258	24,359
(iv) Others (Interest income on securitisation)	54,603	75,876
Total	27,035,987	18,316,099

Schedules Forming Part of the Balance Sheet

as at March 31, 2020

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
SCHEDULE 14 - OTHER INCOME		
(i) Commission, Exchange and Brokerage	2,127,069	1,394,566
(ii) Profit on Sale of Investments (net)	55,289	97,013
(iii) Profit on Revaluation of Investments (net)	-	-
(iv) (Loss) on sale of Land, Building and Other Assets (net)	(1,865)	(11,429)
(v) Profit on Exchange/Derivative Transactions (net)	-	-
(vi) Income earned by way of Dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India	-	-
(vii) Miscellaneous Income*	1,041,656	579,491
(*Includes Net PSLC income of ₹453,036 (000's) (Previous year - ₹278,238 (000's))		
Total	3,222,149	2,059,641

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
SCHEDULE 15 - INTEREST EXPENDED		
(i) Interest on Deposits	7,318,917	3,570,815
(ii) Interest on Reserve Bank of India/ Inter-Bank Borrowings	419,760	450,776
(iii) Others (including interest on Subordinated Debts)	2,961,391	3,230,401
Total	10,700,068	7,251,992

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
SCHEDULE 16 - OPERATING EXPENSES		
(i) Payments to and Provision for Employees	7,184,885	5,187,976
(ii) Rent, Taxes and Lighting (including operating lease rentals)	1,425,290	914,556
(iii) Printing and Stationery	254,226	236,674
(iv) Advertisement and Publicity	203,075	343,895
(v) Depreciation on Banks Property	726,290	605,977
(vi) Director's Fees, Allowances and Expenses	14,610	8,914
(vii) Auditors' Fees and Expenses (Refer Schedule 18 (32))	8,670	7,072
(viii) Law Charges	63,436	40,148
(ix) Postages, Telegrams, Telephones etc.	341,631	288,787
(x) Repairs and Maintenance	749,181	713,671
(xi) Insurance	69,815	41,678
(xii) Other Expenditure	2,144,646	1,644,191
Total	13,185,755	10,033,539

Significant Accounting Policies Forming Part of the Financial Statements

for the year ended March 31, 2020

SCHEDULE 17

1 CORPORATE INFORMATION

Ujjivan Small Finance Bank Limited (USFB) is a mass market focused bank in India, catering to financially unserved and underserved segments and committed to building financial inclusion in the country. Ujjivan Small Finance Bank has a diversified portfolio with branches spread across 24 states and union. Apart from the network of branches, ATMs and Automated Cash Recyclers, Bank has phone banking unit that services customers in nine languages, a mobile banking application that is accessible in five languages as well as internet banking facility for individual and corporate customers. The Bank also has portfolio of loans to Financial Institutions.

It started its operations as Ujjivan Financial Services Limited (UFSL), a Non-Banking Financial Company in 2005 with the mission to provide a full range of financial services to the 'economically active poor' who were not adequately served by financial institutions. In 2015, the Reserve Bank of India licenced the Small Finance Banks - a new category of specialised banks to serve the financially unserved and underserved population, especially the micro-enterprises, workers and small and marginal farmers.

On November 11, 2016, UFSL received a banking licence from RBI to carry out Small Finance Bank business in India. The Bank took over the business of UFSL and started its operations on February 01, 2017. Scheduled Bank status has been accorded by Reserve Bank of India vide Notification: DBR. PSBD.No. 467/16.02.006/2017-2018 published in the Gazette of India on August 25, 2017. The Bank has its Registered Office in Delhi, Corporate Office in Bengaluru and Regional Offices in Noida, Kolkata, Bengaluru and Pune. The Bank operates in India and does not have a branch in any foreign country.

2 BASIS OF PREPARATION

The accompanying financial statements have been prepared under the historical cost convention and on accrual basis except where otherwise stated, and in compliance with the Generally Accepted Accounting Principles ("GAAP") in India and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) head with Rule 7 of the Companies (Accounts)

Rules, 2014 and Companies (Accounting Standards) amendment rules, 2016 to the extent applicable and practices prevailing within the banking industry in India. The financial statements are presented in Indian Rupees rounded off to the nearest thousands unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 USE OF Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the period. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from estimates and the differences between the actual results and the estimates are recognized prospectively in which the results are known/material.

3.2 Property, Plant and Equipment (PPE)

Property, Plant and Equipment, Capital work in Progress are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on PPE after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such costs includes the cost of replacing the part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as on the balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciable amount for PPE is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortised over the duration of the lease. 'Point

Significant Accounting Policies Forming Part of the Financial Statements

for the year ended March 31, 2020

of Sale' terminals are fully depreciated in the year of purchase.

The useful life being followed by the Bank as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Estimated Useful Life as specified under Schedule II of the Companies Act, 2013 (years)
Computer	3
Furniture and Fittings	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

PPE purchased/sold during the year are depreciated on a pro-rata basis.

PPE costing less than ₹5,000 each are fully depreciated in the year of purchase.

The salvage value considered for computing depreciation is as per Schedule II of Companies Act, 2013 (i.e 5% of Cost) except for Software and Lease hold assets.

An item of PPE is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition is recognised in the Profit and Loss Account.

Gains or losses arising from disposal or retirement of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within "Other Income" as Profit/(Loss) on sale of PPE, as the case maybe, in the Profit and Loss Account in the year of disposal or retirement.

PPE held for sale is valued at lower of their carrying amount and net realizable value, any write-down is recognized in the Profit and Loss Account.

3.3 Intangible Assets

Intangible Assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortised on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortization period and the amortisation method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

3.4 Impairment of Assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

Significant Accounting Policies Forming Part of the Financial Statements

for the year ended March 31, 2020

3.5 Investments

Classification and Valuation of the Bank's Investments are carried out in accordance with RBI guidelines on Investment Classification and Valuation which are as follows:

Categorisation of Investments:

The Bank classifies its Investment at the time of purchase into one of the following three categories:

- (i) Held to Maturity (HTM) – Securities acquired with the intention to hold till maturity.
- (ii) Held for Trading (HFT) – Securities acquired with the intention to trade.
- (iii) Available for Sale (AFS) – Securities which do not fall within the above two categories. Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

Classification of Investments:

For the purpose of disclosure in the Balance Sheet, Investments in India are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures and (vi) Other Investments. Investments outside India are classified under three groups viz., (i) Government Securities (Including local authorities), (ii) Subsidiaries and/or Joint Ventures abroad and (iii) Other Investments

Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of Classification:

Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in the above categories are classified under AFS category

Acquisition cost:

- (i) Broken period interest on debt instruments is treated as a receivable at the time of acquisition and post acquisition broken period interest treated as a revenue item
- (ii) Brokerage, commission, etc. pertaining to Investments, paid at the time of acquisition is charged to the Profit and Loss Account.

- (iii) Cost of Investments is computed based on the weighted average cost method.

Transfer between categories:

Transfer between categories is done at the lower of the acquisition cost/book value/market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation of Investments:

- (i) Held to Maturity – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on Investments (Item ii of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each Investment individually.
- (ii) Held for Trading – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.
- (iii) Available for Sale – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.
- (iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).
- (v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.
- (vi) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.
- (vii) Provision for non-performing Investments is made in conformity with RBI guidelines.

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- (viii) Profit in respect of Investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.
- (ix) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.
- (x) Unquoted equity shares are valued at their break-up value. If latest Balance sheet is not available then unquoted equity share is valued at ₹1 per share.
- (xi) Units of the scheme of Mutual Funds are valued at the lower of cost and Net asset value (NAV) provided by the respective schemes of Mutual Funds.
- (xii) In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

Disposal of Investments:

Profit / Loss on sale of Investments under AFS and HFT categories are recognised in the Profit and Loss Account. Profit in respect of Investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines.

3.6 Advances

Advances are classified as Performing Advances (Standard) and Non- Performing Advances (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further NPAs are classified into sub-standard, doubtful and loss assets. Advances are stated net of specific loan loss provision and Inter Bank Participating Certificates (IBPC) with risk sharing issued.

The bank transfers Advances through Inter-Bank Participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from Advances; and participations transferred in to the Bank are classified under Advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the bank is participating in, the aggregate amount of participation is shown as due from banks under Advances."

Provisioning:

Specific provisions for Non- Performing Advances and floating provisions are made in conformity with the RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

A general provision on standard assets is made in accordance with RBI guidelines or as per provisioning policy of the bank whichever is higher. Provision made against standard assets is included in 'Other Liabilities and Provisions'. Provisions made in excess of the Bank's policy for specific loan loss provisions for Non- Performing Assets and regulatory general provisions are categorised as Floating Provision. Creation of Floating Provision is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, Floating Provisions are utilised up to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts. Floating Provisions have been included under 'Other Liabilities'.

Advances exclude derecognised securitised Advances.

Amounts recovered during the period against bad debts written off in earlier periods are credited

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to the Profit and Loss Account and included in Other Income.

Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss Account to the extent such provisions were charged to the Profit and Loss Account.

For restructured/rescheduled assets, provision is made in accordance with guidelines issued by RBI which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

Recording and Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created is netted against gross amount of Advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account. Provision made against standard assets in accordance with the RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

Securitisation transactions and direct assignments:

The Bank transfers its loan receivables through Direct Assignment and IBPC route as well as transfer to Special Purpose Vehicle (SPV).

The Securitisation transactions are without recourse to the Bank. The transferred loans and such securitised receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains/losses are recognised only if the Bank surrenders the rights to the benefits specified in the loan contracts. Profit / premium arising at the time of securitisation / assignment of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognised in the statement of profit and loss net of any losses when redeemed in cash. Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.

Priority Sector Lending Certificates (PSLCs):

The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income'.

3.7 Revenue Recognition

Interest income on Loans, Advances and Investments (including deposits with Banks and other institutions) are recognized in the Profit and Loss Account on accrual basis, except in the case of Non- Performing Assets and minimum retention requirement (MRR) portion of Securitized loans. Interest Income on Non- Performing Assets is recognised upon realisation as per the prudential norms of the RBI.

Revenues from loan documentation charges are recognized upfront when it become due, except in cases where the Bank is uncertain of its ultimate collection.

Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a constant Yield to Maturity method.

Profit / premium arising at the time of securitisation of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the Profit and Loss Account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Recoveries from bad debts written off are recognised in the Profit & Loss account and included under Other Income.

Fees received on sale of Priority lending certificates is recognised upfront in the Profit and Loss Account.

3.8 Employee Benefits

Provident Fund: Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no

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further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

Gratuity: Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Bank or retirement, whichever is earlier. The benefits vest after five years of continuous service.

The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

Compensated Absences: Provision for compensated absences is made on the basis of actuarial valuation as on the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

Short term Employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the period when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits:

The Bank accrues the liability for compensated absences based on the actuarial valuation as on the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as on the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the period in which they arise.

Employee Stock Option Plan (ESOPs)

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the fair value method. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Schedule 18 (33). The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Profit & Loss Account.

Employee Stock Purchase Scheme (ESPS)

ESPS is a contractual promise that permits an employee to acquire an employer's stock at a future date under the terms and conditions established on the grant date. The fair value of the entire purchase discount represents employee compensation. The compensation expense will be the difference between the value of the stock on the date of shareholder approval and the purchase/Exercise price for that offering.

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for the year ended March 31, 2020

3.9 Leases

Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

Lease rentals under operating lease are charged to the Profit and Loss Account on straight line basis over the lease term in accordance with AS-19, Leases.

3.10 Segment Reporting

In accordance with guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007 and Accounting Standard 17 (AS-17) on "Segment Reporting", the Banks' business has been segregated into Treasury, Retail Banking and Corporate/ Wholesale Segments.

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses and provisions. Segment results are net of segment revenues and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth, proposed dividend and dividend tax thereon.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

3.11 Earnings Per Share

Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as on the end of the period except when its results are anti-dilutive.

3.12 Taxes on Income

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the

impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Minimum Alternate Tax (MAT) Credit is recognised as an asset only when and to the extent there is convincing evidence that the Bank will pay normal income tax during specified period. The year in which the MAT credit becomes eligible, it is to be recognized as an asset. In accordance with the recommendation contained in the guidance note issued by the Institute of Chartered Accountants of India (the "ICAI"), said asset is created by way of credit/reversal of provisions to Profit and Loss Account and included as MAT Credit Entitlements in other assets. The bank reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that bank will pay normal Income Tax during the specified period.

3.13 Provisions and Contingencies

A provision is recognised when there is an present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Significant Accounting Policies Forming Part of the Financial Statements

for the year ended March 31, 2020

A disclosure of contingent liability is made when there is:

- i) a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- ii) a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

denominated in a foreign currency are translated using the exchange rate at the date when such value is determined.

Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expense in the year in which they arise.

3.14 Cash and Cash Equivalents

Cash and Cash Equivalents includes cash in hand (including balance in ATM), balances with RBI, balances with other Banks and money at call and short notice. Cash and Cash Equivalents for the purpose of Cash Flow Statement comprises of Cash at Bank and in hand and short term Investments with an original maturity of less than three months.

3.15 Proposed Dividend

Proposed dividend / declared after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is declared.

3.16 Transactions Involving Foreign Exchange

All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transfer.

Foreign currency monetary items are reported using the exchange rate prevailing at the Balance Sheet date.

Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction. Non-monetary items which are measured at Fair Value or other similar value

Notes to Financial Statements

for the year ended March 31, 2020

SCHEDULE 18

1 CAPITAL

1.1 Capital Infusion

During the year ended March 31, 2020, the Bank successfully raised capital of ₹745.94 Crores through Initial Public Offer by issuing 20,27,02,702 equity shares of ₹10/-each and ₹250 Crores through private placement by issuing 7,14,28,570 equity shares of ₹10 each at premium ranging from ₹25 to ₹27. The equity shares of the Bank got listed on December 12, 2019 on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Bank has also allotted 1,40,55,097 equity shares to eligible employees (including employees of Ujjivan Financial Services Limited "holding company") under Employee Stock Purchase Scheme (ESPS) 2019 at a price of ₹35 per equity share including premium of ₹25.

No capital infusion has happened during the previous year ended March 31, 2019.

The Authorised Capital of the Bank has been increased from ₹17,000,000,000 (Rupees One Thousand Seven Hundred Crores) divided into 1,500,000,000 (One Hundred Fifty Crores) equity shares of ₹10 (Rupees Ten) each and 200,000,000 (Twenty Crores) 11% Perpetual Non - Cumulative Preference Shares of ₹10 (Rupees Ten) each to 25,000,000,000 (Rupees Two Thousand Five Hundred Crores) divided into 2,300,000,000 (Two

Hundred Thirty Crores) equity shares of ₹10 (Rupees Ten) each and 200,000,000 (Twenty Crores) 11% Perpetual Non- Cumulative Preference Shares of ₹10 (Rupees Ten) each vide shareholder's resolution dated April 26, 2019.

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

1.2 Capital Adequacy Ratio

The Bank computes its Capital Adequacy Ratio as per New Capital Adequacy Framework- BASEL-II and Operating Guidelines for Small Finance Banks (issued by RBI on October 06, 2016)

Under New Capital Adequacy Framework and Operating Guidelines for Small Finance Bank issued on October 06, 2016, the Bank has to maintain a Minimum Total Capital of 15% of the Credit risk weighted assets (Credit RWA) on an on-going basis. Out of the Minimum Total Capital, at least 7.5% shall be from Minimum Tier I Capital of which common equity Tier I capital shall be 6% and 1.50% from additional Tier I capital and remaining Tier II Capital shall be 7.5%. Further as per RBI's directions given in the circular DBR.NBD.No. 4502/16.13.218/2017-18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for capital ratios.

The capital adequacy ratio of the Bank is set out below:

Particulars	(₹ in 000's)	
	As at 31/03/2020	As at 31/03/2019
Common Equity Tier I Capital Ratio (as a percentage of Credit RWA)	26.16%	16.17%
Tier I Capital Ratio (as a percentage of Credit RWA)	28.01%	18.39%
Tier II Capital Ratio (as a percentage of Credit RWA)	0.80%	0.55%
Total Capital to Risk weighted asset Ratio (CRAR) (as a percentage of Credit RWA)	28.82%	18.95%
Total Credit to Risk weighted assets	107,745,729	89,896,780
Amount of equity capital raised	2,881,864	-
Amount of Additional Tier -I Capital Raised; of which	-	-
Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
Amount of Tier II Capital raised; of which	-	-
Debt Capital Instrument	-	-

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for the year ended March 31, 2020

2 INVESTMENTS

2.1 Details of Investments

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Value of Investments		
(i) Gross Value of Investments		
(a) In India	23,961,375	15,266,222
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	23,961,375	15,266,222
(b) Outside India	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / (write-back) of excess provisions during the year	-	-
(iv) Closing balance	-	-

2.2 Category wise details of Investments (Net of provision for depreciation):

(₹ in 000's)

Particulars	As at 31/03/2020		
	HTM	AFS	HFT
i) Government securities	16,201,916	7,758,459	-
ii) Other approved securities	-	-	-
iii) Shares	-	1,000	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint Ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	-	-
Total	16,201,916	7,759,459	-

(₹ in 000's)

Particulars	As at 31/03/2019		
	HTM	AFS	HFT
i) Government securities	9,585,418	5,679,804	-
ii) Other approved securities	-	-	-
iii) Shares	1,000	-	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint Ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	-	-
Total	9,586,418	5,679,804	-

Notes to Financial Statements

for the year ended March 31, 2020

2.3 Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31, 2020:

(₹ in 000's)

Particulars	Minimum outstanding during the Year	Maximum outstanding during the Year	Daily average outstanding during the Year	Outstanding as at 31/03/2020
Securities sold under repo				
i) Government Securities	10,000	3,300,000	358,989	2,820,000
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	10,000	11,900,000	1,316,366	8,270,000
ii) Corporate debt securities	-	-	-	-

Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31, 2019:

(₹ in 000's)

Particulars	Minimum outstanding during the Year	Maximum outstanding during the Year	Daily average outstanding during the Year	Outstanding as at 31/03/2019
Securities sold under repo				
i) Government Securities	-	470,000	10,027	-
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	-	2,420,000	81,178	2,150,000
ii) Corporate debt securities	-	-	-	-

2.4 Non-SLR Investment Portfolio

Issuer Composition of Non-SLR Investments as at March 31, 2020 are as follows:

(₹ in 000's)

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted securities'
1	2	3	4	5	6
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial Institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private Corporates	1,000	-	-	-	1,000
v) Subsidiaries/Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1,000	-	-	-	1,000

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

Notes to Financial Statements

for the year ended March 31, 2020

Issuer Composition of Non-SLR Investments as at March 31, 2019 are as follows:

(₹ in 000's)

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
1	2	3	4	5	6
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial Institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private Corporates	1,000	-	-	-	1,000
v) Subsidiaries/Joint Ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1,000	-	-	-	1,000

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

2.5 Non-Performing Non-SLR Investments

The Bank does not have any Non-Performing Non-SLR Investments as at March 31, 2020 and March 31, 2019.

2.6 Sale and transfer of securities to/ from HTM Category

During the current year and previous year, the value of sales and transfers of securities to / from HTM category excluding one time transfer of securities to / from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the accounting year has not exceeded 5 percent of the book value of investments held in HTM category at the beginning of the year. In line with RBI guidelines, specific disclosure on book value/market value and provisions if any, relating to such transfer is not required to be made.

3 DERIVATIVES/ EXCHANGE TRADED INTEREST DERIVATIVES/ RISK EXPOSURE IN DERIVATIVES

The Bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. The Bank does not have any Forward Rate Agreement or Interest rate swaps.

4 ASSET QUALITY

4.1 Non-Performing Assets:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
(i) Net NPAs to Net advances (%)	0.20%	0.26%
(ii) Movement of Gross NPAs		
(a) Opening balance	978,523	2,759,204
(b) Additions (Fresh NPAs) during the year #	1,451,898	835,392
Subtotal (A)	2,430,421	3,594,596
(c) Reductions during the year #		
(i) Upgradations	187,557	28,436
(ii) Recoveries (excluding recoveries made from upgraded accounts)	230,731	809,087
(iii) Technical/ Prudential Write-offs	-	-
(iv) Write-offs other than those under (iii) above	640,723	1,778,550
Subtotal (B)	1,059,011	2,616,073

Notes to Financial Statements

for the year ended March 31, 2020

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
(d) Closing balance (A-B)	1,371,410	978,523
(iii) Movement of Net NPAs		
(a) Opening balance	275,482	509,337
(b) Additions during the year #	332,483	382,702
(c) Reductions during the year #	333,072	616,557
(d) Closing balance	274,893	275,482
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	703,041	2,249,866
(b) Provisions made during the year	1,097,340	525,124
(c) Write-back of excess provisions	703,864	2,071,949
(d) Closing balance	1,096,517	703,041

additions and deletions does not include cases which have become NPA during the month and subsequently moved out of NPA in the same month.

4.2 Technical or Prudential Write Offs:

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the product level systems, but have been written-off (fully or partially) at the financial ledger level. The financial accounting systems of the Bank are integrated and centralised at the Head Office and no books are maintained at the Branches

Movement in the stock of technically or prudentially written-off accounts given below:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Opening balance of technical / prudential write-offs accounts	1,824	48,206
Add: Technical/Prudential write offs during the Year	-	-
Less: Recoveries made from previously technically / prudentially written-off accounts during the Year	(479)	(11,772)
Less: Actual write off during the Year	(1,345)	(34,610)
Closing balance of technical / prudential write-offs accounts	-	1,824

4.3 Provisions on Standard Assets:

Bank has followed the prudential norms on income recognition, asset classification and provisions. The excess provisions over and above the same is as per the Board approved policy.

The provision on standard assets is included in 'Other Liabilities and Provisions – (iv) Standard asset-General Provisions' in Schedule 5, and is not netted off from Advances.

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Provisions towards Standard Assets	1,203,283	539,154

4.4 Floating provisions:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Opening Balance as at beginning of the Year	-	-
Provisions made during the Year	-	-
Draw-down made during the Year	-	-
Closing Balance as at end of the Year	-	-

Notes to Financial Statements

for the year ended March 31, 2020

4.5 Provision coverage ratio:

Particulars	As at 31/03/2020	As at 31/03/2019
Provision Coverage Ratio (including technical write-offs)	79.96%	71.90%

4.6 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The Unsecured Advances as at March 31, 2020 of ₹1,09,765,159 ('000) (March 31, 2019 of ₹90,533,108 ('000)) disclosed in Schedule 9B (iii) are without any collateral or security.

4.7 Divergence in Asset Classification and Provisioning for NPAs

As per the RBI notification-RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 an additional disclosure by way of notes to accounts regarding Divergence in the Asset Classification and Provisioning needs to be provided. For the financial year 2017-18, there are no Divergences in the Asset Classification and Provisioning identified. No further inspection of the Bank was conducted by RBI post March 31, 2018.

4.8 a) Details of Financial Assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction

During the current and previous year, the Bank has not sold any Financial assets to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction

b) Details of book value of investment in security receipts (SR)

During the current and previous year, the Bank has not made investment in Security Receipts.

4.9 Details of NPA Purchase/Sold

During the current and previous year, there has been no purchase/ sale of non-performing financial assets from/to other banks.

4.10 Intra-Group Exposure

During the current and previous year, the Bank does not have any Intra Group Exposure.

4.11 Disclosures Resolution of Stressed Assets

No accounts have been restructured under prudential framework on resolution of stressed assets as per the circular no. RBI/2018-19/203 DBR.No.BP.BC. 45/21.04.048/2018-19 dated June 07, 2019.

5 BUSINESS RATIOS:

Particulars	As at 31/03/2020	As at 31/03/2019
Interest income as a percentage to working funds ¹	17.09%	17.28%
Non-interest income as a percentage to working funds ¹	2.04%	1.94%
Operating profit as a percentage to working funds ^{1,4}	4.03%	2.93%
Return on assets ²	2.21%	1.88%
Business (deposits plus gross advances) per employee (in 000's) ³	12,564	11,344
Profit per employee (in 000's)	214.72	153.00

Notes:

- 1) Working funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the Year.
- 2) Returns on assets are computed with reference to average working funds.

Notes to Financial Statements

for the year ended March 31, 2020

- 3) Business is defined as total of average of gross advances and deposits (net of inter-bank deposits and Certificate of Deposits).
- 4) Operating profit is net profit for the Year before provisions and contingencies and profit / (loss) on sale of building and other assets (net).

6 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES & NPAs

6.1 Concentration of Deposits

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Total Deposits to twenty largest Depositors	31,305,177	30,872,335
Percentage of Deposits of twenty largest Depositors to Total Deposits of the Bank	29.04%	41.84%

6.2 Concentration of Advances*

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Total Advances to twenty largest Borrowers	4,527,059	2,513,001
Percentage of Advances to twenty largest Borrowers to Total Advances of the Bank	3.20%	2.37%

*Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

6.3 Concentration of Exposures*

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Total Exposure to twenty largest Borrowers/Customers	5,401,345	8,679,309
Percentage of Exposures to twenty largest Borrowers/Customers to Total Exposure of the Bank on borrowers/customers	3.77%	7.61%

*Exposures are computed based on Credit and Investment Exposure as prescribed in the Master Circular on Exposure Norms DBR.No.Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

6.4 Concentration of NPAs

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Total Exposure to top four NPA accounts	16,976	10,009

Notes to Financial Statements

for the year ended March 31, 2020

7 SECTOR-WISE ADVANCES AND NPA:

As at March 31, 2020

(₹ in 000's)

Sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
Priority sector:			
Agriculture and allied activities*	17,599,661	138,027	0.78%
Advances to industries eligible as priority sector lending	4,836,424	47,927	0.99%
Services	18,707,527	77,880	0.42%
Personal loans	36,551,733	334,623	0.92%
-of which Housing Loans	18,110,690	140,730	0.78%
Sub-Total (A)	77,695,345	598,457	0.77%
Non-Priority sector:			
Agriculture and Allied activities	20,050,967	157,251	0.78%
Services	5,489,854	-	0.00%
-of which NBFC Loans	5,489,854	-	0.00%
Personal loans	38,296,787	615,702	1.61%
-of which Housing Loans	5,755,993	43,721	0.76%
Sub-Total (B)	63,837,608	772,953	1.21%
Total (A) + (B)	141,532,953	1,371,410	0.97%

* Our Bank has purchased PSLC worth ₹200 Crores in Agriculture category, which is not disclosed in the above breakup

As at March 31, 2019

(₹ in 000's)

Sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
Priority sector:			
Agriculture and allied activities	14,118,815	67,707	0.48%
Advances to industries eligible as priority sector lending	2,148,032	6,095	0.28%
Services	5,851,469	42,929	0.73%
Personal loans	39,710,486	300,836	0.76%
-of which Housing Loans	12,876,856	64,628	0.50%
Sub-Total (A)	61,828,802	417,567	0.68%
Non-Priority sector:			
Agriculture and allied activities	15,529,381	59,256	0.38%
Industry	2,383,201	28,694	1.20%
Services	9,645,025	342,073	3.55%
-of which NBFC Loans	2,249,702	-	0.00%
Personal loans	16,841,181	130,933	0.78%
-of which Housing Loans	3,973,135	81,582	2.05%
Sub-Total (B)	44,398,788	560,956	1.26%
Total (A) + (B)	106,227,590	978,523	0.92%

Notes to Financial Statements

for the year ended March 31, 2020

8 PRIORITY SECTOR LENDING CERTIFICATES (PSLC)

(₹ in 000's)

Particulars	Year ended 31/03/2020		Year ended 31/03/2019	
	PSLC Sold	PSLC Purchased	PSLC Sold	PSLC Purchased
1) PSLC Agriculture	-	2,000,000	-	-
2) PSLC Small Farmers / Marginal Farmers	20,050,000	-	15,440,000	-
3) PSLC Micro Enterprises	6,595,000	-	2,500,000	-
4) PSLC General	16,000,000	-	6,000,000	-
Total	42,645,000	2,000,000	23,940,000	-

9 INTER- BANK PARTICIPATION WITH RISK SHARING

The aggregate amount of participation issued by the bank and reduced from advances as per regulatory guidelines as at March 31, 2020 is Nil and as at March 31, 2019 is ₹3,350,000 (000's).

10 ASSET LIABILITY MANAGEMENT (ALM)

Maturity Pattern of certain items of Assets and Liabilities

Specified Assets and Liabilities as at March 31, 2020:

(₹ in 000's)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	11,701	-	227,258	-
2 days to 7 days	163,523	149,979	2,116,455	1,368,559
8 days to 14 days	150,580	599,451	1,414,473	971,400
15 days to 30 days	350,143	3,086,366	2,582,090	1,400,000
31 days to 2 months	785,880	1,390,821	3,701,141	221,400
Over 2 months upto 3 months	8,925,154	431,660	9,949,005	2,288,000
Over 3 months upto 6 months	25,830,416	819,893	17,044,920	3,860,500
Over 6 months upto 12 months	43,230,838	4,062,135	31,008,263	13,449,633
Over 1 year upto 3 years	41,756,051	1,142,221	39,549,846	13,498,167
Over 3 years upto 5 years	4,690,236	3,053,084	186,836	2,475,000
Over 5 years	14,541,914	9,225,767	24,549	-
Total	140,436,437	23,961,375	107,804,837	39,532,659

Note:

- 1) The bucketing structure has been revised based on RBI guideline dated March 23, 2016.
- 2) The Bank is following 30 day month convention for calculation of bucket sizes for ALM.
- 3) There are no Foreign Currency Assets or Liabilities with the Bank as at March 31, 2020.
- 4) RBI vide its circular dated March 27, 2020 on 'COVID-19 Regulatory Package' permitted the Bank to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020. The Bank in line with the said circular has offered moratorium on the respective maturity buckets presented above. The Bank estimates that considerable portion of the cash flows impacted by the moratorium will be received within 1-3 years from the balance sheet date and the same has been factored in the above disclosure.

Notes to Financial Statements

for the year ended March 31, 2020

Specified Assets and Liabilities as at March 31, 2019

(₹ in 000's)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	237	-	75,722	-
2 days to 7 days	1,032,963	708,860	893,485	-
8 days to 14 days	2,110,548	976,490	897,905	916,700
15 days to 30 days	3,272,713	1,108,248	3,275,312	-
31 days to 2 months	6,782,923	1,364,932	4,292,269	766,700
Over 2 months upto 3 months	7,042,477	1,037,238	11,374,743	916,700
Over 3 months upto 6 months	16,436,271	150,138	8,381,891	5,475,100
Over 6 months upto 12 months	31,725,304	1,317,458	20,361,064	8,762,067
Over 1 year upto 3 years	27,433,143	2,443,567	24,090,480	18,558,633
Over 3 years upto 5 years	2,416,593	301,042	98,448	5,765,000
Over 5 years	7,271,377	5,858,249	53,089	500,000
Total	105,524,549	15,266,222	73,794,408	41,660,900

Note:

- 1) The bucketing structure has been revised based on RBI guideline dated March 23, 2016.
- 2) The Bank is following 30 day month convention for calculation of bucket sizes for ALM.
- 3) There are no Foreign Currency Assets or Liabilities with the Bank as at March 31, 2019

11 EXPOSURE

11.1 Exposure to Real Estate Sector:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
A) Direct Exposure		
i) Residential Mortgages	24,729,812	12,864,797
(of which housing loans eligible for Inclusion in priority sector Advances)	18,109,559	6,152,195
ii) Commercial Real Estate	-	-
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:	-	-
- Residential	-	-
- Commercial Real Estate	-	-
Total (A)	24,729,812	12,864,797
B) Indirect Exposure	-	-
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
Total (B)	-	-
Total Real Estate Exposure (A+B)	24,729,812	12,864,797

Notes to Financial Statements

for the year ended March 31, 2020

11.2 Exposure to Capital Market:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	1,000	1,000
Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the Advances;	-	-
Secured and Unsecured Advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
Bridge loans to companies against expected equity flows / issues;	-	-
Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
Financing to stockbrokers for margin trading;	-	-
All exposures to Venture Capital Funds (both registered and unregistered);	-	-
Total Exposure to Capital Market	1,000	1,000

Note: During the Year, Bank has not converted any debt to equity as a part of strategic debt restructuring which is exempt from Capital Market Exposure limit.

11.3 Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the Bank:

During the current and previous year there are no instances of Single Borrower Limit/Group Borrower Limit exceeding the sanctioned limit or outstanding whichever is higher.

12 DISCLOSURE OF PENALTIES IMPOSED BY RBI

During the current and previous year, RBI has not imposed any penalty on the Bank.

13 OVERSEAS ASSETS, NPAs AND REVENUE

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable.

Notes to Financial Statements

for the year ended March 31, 2020

14 DISCLOSURE OF CUSTOMER/BORROWER COMPLAINTS

14.1 Customer complaints other than ATM transaction disputes

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
No. of complaints pending at the beginning of the year	247	118
No. of complaints received during the year	23,721	19,704
No. of complaints redressed during the year	23,301	19,575
No. of complaints pending at the end of the year	667	247

14.2 Customer complaints relating to ATM transaction disputes*

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
No. of complaints pending at the beginning of the year	208	27
No. of complaints received during the year	12,839	8,034
No. of complaints redressed during the year	12,658	7,853
No. of complaints pending at the end of the year	389	208

* This includes ATM transaction disputes relating to Banks' customers on the Banks' ATMs and Banks' customers on other Banks' ATMs.

15 AWARDS PASSED BY THE BANKING OMBUDSMAN:

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
No. of unimplemented Awards at the beginning of the Year	NIL	NIL
No. of Awards passed by the Banking Ombudsman during the Year	NIL	NIL
No. of Awards implemented during the Year	NIL	NIL
No. of unimplemented Awards at the end of the Year	NIL	NIL

16 MOVEMENT IN PROVISION FOR FRAUDS INCLUDED UNDER OTHER LIABILITIES:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Opening provision	3,825	10,814
Provision during the Year	17,731	23,376
Utilisation / Write back of provision during the Year	15,127	30,365
Closing provision	6,429	3,825

17 PROVISIONS AND CONTINGENCIES

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
Provision for NPA (including bad debts written off)	1,045,081	231,718
Provision for Standard Assets	664,129	174,167
Provision for Income tax (Net of deferred tax liability/(asset) of ₹19,288 (000's) (₹3,42,941 (000's) previous year.) refer schedule 18 (26.1)	1,163,211	692,059
Provisions for Depreciation on Investments	-	-
Provision for claims against the Bank not acknowledged as debts	707	94
Total	2,873,127	1,098,038

Notes to Financial Statements

for the year ended March 31, 2020

18 BANCASSURANCE BUSINESS

Commission income from insurance business for the financial year ended March 31, 2020 includes fees of ₹2,03,336 (000's) (previous year: ₹1,39,431 (000's)) in respect of insurance business.

19. LIQUIDITY COVERAGE RATIO (LCR)

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio given in "Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and the LCR Disclosure Standards" and "Operating Guidelines for Small Finance Banks".

LCR is the ratio of unencumbered High Quality Liquid Assets (HQLA) to Net Cash Outflows over the next 30 calendar days. LCR measures the Bank's ability to manage and survive under combined idiosyncratic and market-wide liquidity stress condition that would result in accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements, unscheduled draw down of unused credit lines, etc. These stress conditions are captured as a part of the Net Cash Outflows. HQLA of the Bank consist of cash, unencumbered excess SLR, a portion of statutory SLR as allowed under the guidelines and cash balance with RBI in excess of statutory cash reserve requirements.

LCR aims to ensure that the Bank has an adequate stock of unencumbered HQLA to meet its liquidity needs for a 30 calendar day liquidity stress scenario. As mentioned in the "Operating Guidelines for Small Finance Banks", the Bank has to maintain the prescribed level of LCR as follows:

Particulars	31-12-2017	01-01-2018	01-01-2019	01-01-2020	01-01-2021
Minimum LCR	60%	70%	80%	90%	100%

Notes to Financial Statements

For the year ended March 31, 2020

Quantitative disclosure around LCR

Particulars	Quarter ended 31/03/2020		Quarter ended 31/12/2019		Quarter ended 30/09/2019		Quarter ended 30/06/2019	
	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (HQLA)		23,290,385		20,769,184		16,642,947		13,971,143
Cash Outflows								
2. Retail deposits and deposits from small business customers, of which:	42,897,798	3,310,807	46,983,817	4,129,577	41,348,967	3,637,906	34,414,170	3,009,079
(i) Stable deposits	19,579,454	978,973	11,376,089	568,804	9,939,815	496,991	8,646,763	432,338
(ii) Less stable deposits	23,318,344	2,331,834	35,607,729	3,560,773	31,409,152	3,140,915	25,767,407	2,576,741
3. Unsecured wholesale funding, of which:	20,999,991	10,796,480	7,694,039	7,694,039	6,135,298	6,135,298	5,234,395	5,234,395
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	11,296,325	1,092,814	-	-	-	-	-	-
(iii) Unsecured debt	9,703,666	9,703,666	7,694,039	7,694,039	6,135,298	6,135,298	5,234,395	5,234,395
4. Secured wholesale funding	844,787	135,668	779,889	49,134	628,018	586,506	397,043	377,222
5. Additional requirements, of which	594,140	29,707	520,647	26,032	1,522,370	533,987	1,061,725	414,264
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	594,140	29,707	520,647	26,032	1,522,370	533,987	1,061,725	414,264
6. Other contractual funding obligations	32,317	32,317	39,355	39,355	41,570	41,570	380,231	380,231
7. Other contingent funding obligations	701,125	280,450	982,847	393,139	-	-	80,102	2,403
8. Total Cash Outflows	66,070,157	14,585,429	57,000,593	12,331,275	49,676,223	10,935,267	41,567,667	9,417,594
Cash Inflows								
9. Secured lending (e.g. reverse repos)	2,409,347	-	2,014,182	-	719,907	-	98,600	-
10. Inflows from fully performing exposures	10,060,315	5,413,026	10,039,036	5,457,023	-	-	-	-
11. Other cash inflows	500,000	-	-	-	11,595,548	7,197,940	16,022,902	11,928,651
12. Total Cash Inflows	12,969,663	5,413,026	12,053,218	5,457,023	12,315,455	7,197,940	16,121,502	11,928,651
13. Total Hqla	23,290,385	23,290,385	20,769,184	20,769,184	16,642,947	16,642,947	13,971,143	13,971,143
14. Total Net Cash Outflows	9,172,403	9,172,403	6,874,252	6,874,252	3,737,326	3,737,326	(2,511,057)	(2,511,057)
15. Liquidity Coverage Ratio (%)		253.92%		302.13%		445.32%		593.41%

*Average weighted and unweighted amounts are calculated taking simple daily average for all quarters.

Notes to Financial Statements

For the year ended March 31, 2020

Quantitative disclosure around LCR

The table sets out Quantitative Information for all four quarters of the financial year ended March 31, 2019 as follows:

Particulars	Quarter ended 31/03/2019		Quarter ended 31/12/2018		Quarter ended 30/9/2018		Quarter ended 30/6/2018	
	Unweighted Value (average)*	Total Weighted Value (average)*	Unweighted Value (average)*	Total Weighted Value (average)*	Unweighted Value (average)*	Total Weighted Value (average)*	Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets								
1. Total High Quality Liquid Assets (HQLA)		11,507,515		8,988,088		8,864,904		8,394,793
Cash Outflows								
2. Retail deposits and deposits from small business customers, of which:*	27,836,977	2,414,390	17,584,120	1,494,314	10,189,448	838,297	5,504,347	446,913
(i) Stable deposits	7,386,155	369,308	5,281,965	264,098	3,612,958	180,648	2,070,428	103,521
(ii) Less stable deposits	20,450,822	2,045,082	12,302,155	1,230,216	6,576,490	657,649	3,433,919	343,392
3. Unsecured wholesale funding, of which:	10,113,733	10,113,733	6,427,487	6,427,487	8,032,495	8,032,495	8,166,641	8,166,641
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	3,287,770	3,287,770	1,602,967	1,602,967	1,114,057	1,114,057	1,314,642	1,314,642
(iii) Unsecured debt	6,825,963	6,825,963	4,824,520	4,824,520	6,918,438	6,918,438	6,851,999	6,851,999
4. Secured wholesale funding	549,895	549,895	937,102	937,102	1,725,427	1,725,427	1,109,696	1,109,696
5. Additional requirements, of which	643,244	244,237	1,157,529	446,299	266,609	72,567	165,870	8,293
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	643,244	244,237	1,157,529	446,299	266,609	72,567	165,870	8,293
6. Other contractual funding obligations	925,575	925,575	953,000	953,000	983,386	983,386	800,522	800,522
7. Other contingent funding obligations	227,895	6,837	-	-	-	-	-	-
8. Total Cash Outflows	40,297,319	14,254,667	27,059,238	10,258,202	21,197,365	11,652,172	15,747,076	10,532,065
Cash Inflows								
9. Secured lending (e.g. reverse repos)	49,758	-	35,042	-	63,054	-	80,031	-
10. Inflows from fully performing exposures	11,695,249	8,090,213	8,830,595	5,698,556	8,666,088	5,417,520	9,086,472	6,048,143
11. Total Cash Inflows	11,745,007	8,090,213	8,865,637	5,698,556	8,729,142	5,417,520	9,166,503	6,048,143
12. Total Hqla		11,507,515		8,988,088		8,864,904		8,394,793
13. Total Net Cash Outflows		6,164,454		4,559,646		6,234,652		4,483,922
14. Liquidity Coverage Ratio (%)		186.68%		197.12%		142.19%		187.22%

* Average weighted and unweighted amounts are calculated taking simple daily average for all quarters for the year ended March 31, 2019 except for quarter ended June 30, 2017 where in simple average for the month-ends in the quarter are taken.

Notes to Financial Statements

For the year ended March 31, 2020

20. DISCLOSURE ON RESTRUCTURING Disclosure on accounts subjected to Restructuring for the year ended March 31, 2020

Sr No.	Type of Restructuring Asset Classification	Under CDR Mechanism					Under SME debt restructuring mechanism					(₹ in 000's)
		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total	
1	Restructured Accounts as on April 1, 2019 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on 31/03/2020 (closing figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-

Notes to Financial Statements

For the year ended March 31, 2020

(₹ in 000's)

Sr No.	Type of Restructuring Asset Classification	Others					Total				
		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
1	Restructured Accounts as on 1/04/2019 of the FY (opening figures)	15,619	979	91	1	16,690	15,619	979	91	1	16,690
	Amount Outstanding	235,846	14,732	3,790	260	254,628	235,846	14,732	3,790	260	254,628
	Provision thereon	11,792	4,653	3,385	260	20,090	11,792	4,653	3,385	260	20,090
2	Fresh restructuring during the year	34,676	2	-	-	34,678	34,676	2	-	-	34,678
	Amount Outstanding	771,628	1,196	-	-	772,824	771,628	1,196	-	-	772,824
	Provision thereon	3,858	300	-	-	4,158	3,858	300	-	-	4,158
3	Up gradation to restructured standard category during the year	5	(5)	-	-	-	5	(5)	-	-	-
	Amount Outstanding	84	(136)	-	-	(52)	84	(136)	-	-	(52)
	Provision thereon	18	(41)	-	-	(23)	18	(41)	-	-	(23)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	(2,223)	2,191	32	-	-	(2,223)	2,191	32	-	-
	Amount Outstanding	(48,606)	38,246	1,634	-	(8,726)	(48,606)	38,246	1,634	-	(8,726)
	Provision thereon	(309)	31,195	1,379	-	32,265	(309)	31,195	1,379	-	32,265
6	Increase/Decrease in existing restructured accounts during the year	(354,317)	(44)	(274)	-	(354,635)	(354,317)	(44)	(274)	-	(354,635)
	Amount Outstanding	12,046	(11)	(104)	-	11,930	12,046	(11)	(104)	-	11,930
	Provision thereon	(24,407)	(941)	(74)	(1)	(25,423)	(24,407)	(941)	(74)	(1)	(25,423)
7	Write-offs/fully repaid of restructured accounts during the year	(291,469)	(12,124)	(1,432)	(260)	(305,285)	(291,469)	(12,124)	(1,432)	(260)	(305,285)
	Amount Outstanding	(7,288)	(3,849)	(1,432)	(260)	(12,829)	(7,288)	(3,849)	(1,432)	(260)	(12,829)
	Provision thereon	23,670	2,226	49	-	25,945	23,670	2,226	49	-	25,945
8	Restructured Accounts as on 31/03/2020 (closing figures)	313,166	41,870	3,718	-	358,755	313,166	41,870	3,718	-	358,755
	Amount Outstanding	20,117	32,247	3,229	-	55,592	20,117	32,247	3,229	-	55,592
	Provision thereon	-	-	-	-	-	-	-	-	-	-

Notes to Financial Statements

For the year ended March 31, 2020

As on March 31, 2019

Sr No.	Type of Restructuring Asset Classification Details	(₹ in 000's)									
		Under CDR Mechanism			Under SME debt restructuring mechanism						
		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
1	Restructured Accounts as on 1/04/2018 of the FY (opening figures)	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the year	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on 31/03/2019 (closing figures)	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-

Notes to Financial Statements

For the year ended March 31, 2020

As on March 31, 2019

(₹ in 000's)

Sr No.	Type of Restructuring Asset Classification	Others					Total						
		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total		
Details													
1	Restructured Accounts as on 1/04/2018 of the FY (opening figures)	No. of Borrowers	-	232	-	1	233	-	232	-	1	233	
		Amount Outstanding	-	6,742	-	39	6,781	-	6,742	-	39	6,781	
		Provision thereon	-	2,626	-	39	2,665	-	2,626	-	39	2,665	
2	Fresh restructuring during the year	No. of Borrowers	22,103	1,724	3	1	23,831	22,103	1,724	3	1	23,831	
		Amount Outstanding	407,534	28,830	148	260	436,772	407,534	28,830	148	260	436,772	
		Provision thereon	20,377	8,630	119	260	29,386	20,377	8,630	119	260	29,386	
3	Up gradation to restructured standard category during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of Borrowers	(117)	29	88	-	-	(117)	29	88	-	-	
		Amount Outstanding	(1,632)	(2,762)	3,642	-	(752)	(1,632)	(2,762)	3,642	-	(752)	
		Provision thereon	(82)	(560)	3,266	-	2,624	(82)	(560)	3,266	-	2,624	
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	
		Amount Outstanding	(128,453)	(8,104)	-	-	(136,557)	(128,453)	(8,104)	-	-	(136,557)	
		Provision thereon	(6,423)	(2,468)	-	-	(8,891)	(6,423)	(2,468)	-	-	(8,891)	
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	(6,367)	(1,006)	-	(1)	(7,374)	(6,367)	(1,006)	-	(1)	(7,374)	
		Amount Outstanding	(41,603)	(9,974)	-	(39)	(51,616)	(41,603)	(9,974)	-	(39)	(51,616)	
		Provision thereon	(2,080)	(3,575)	-	(39)	(5,694)	(2,080)	(3,575)	-	(39)	(5,694)	
8	Restructured Accounts as on 31/03/2019 (closing figures)	No. of Borrowers	15,619	979	91	1	16,690	15,619	979	91	1	16,690	
		Amount Outstanding	235,846	14,732	3,790	260	254,628	235,846	14,732	3,790	260	254,628	
		Provision thereon	11,792	4,653	3,385	260	20,090	11,792	4,653	3,385	260	20,090	

Notes to Financial Statements

for the year ended March 31, 2020

21 EMPLOYEE BENEFITS (AS-15) REVISED

21.1 Gratuity:

Gratuity is a defined benefits plan. The Bank has obtained qualifying insurance policies from Insurance Company. The following table summarises the components of net expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet on the basis of actuarial Valuation. Actuarial losses/gains are recognised in the Profit and Loss Account in the year in which they arise.

Details of defined benefit plan of gratuity are given below:

(₹ in 000's)		
Changes in the present value of the obligation	As at 31/03/2020	As at 31/03/2019
Opening balance of Present Value of Obligation	310,438	227,763
Interest Cost	19,393	16,571
Current Service Cost	109,778	66,627
Benefits Paid	(23,242)	(14,810)
Actuarial loss / (gain) on Obligation	28,184	14,287
Acquisitions/Divestures/Transfers	-	-
Closing balance of Present Value of Obligation	444,552	310,438
Reconciliation of opening and closing balance of the fair value of the Plan Assets		
Opening balance of Fair value of Plan Assets	232,305	171,565
Adjustment to Opening Balance	35	3,127
Expected Return on Plan assets	16,858	14,459
Contributions	78,134	56,221
Other charges (FMC, Mortality charges, etc)	-	-
Benefits Paid	(23,242)	(14,810)
Actuarial Gain/(loss) Return on Plan Assets	(9,306)	1,743
Closing balance of Fair Value of Plan Assets	294,783	232,305
Actual Return on Plan Assets	7,586	19,329

(₹ in 000's)		
Profit and Loss-Expenses	Year ended 31/03/2020	Year ended 31/03/2019
Current Service Cost	109,778	66,627
Interest Cost	19,393	16,571
Expected Return on Plan assets	(16,858)	(14,459)
Net Actuarial loss/(gain) recognized in the year	37,456	9,417
Expenses recognized in the Profit and Loss Account	149,769	78,156

Particulars	As at 31/03/2020	As at 31/03/2019
Funded status	100% Insurance managed funds	100% Insurance managed funds
Actuarial Assumptions		
Discount Rate	6.40%	7.52%
Expected Rate of Return on Plan Assets	6.40%	7.52%
Expected Rate of Salary Increase	9.00%	9.00%
Employee Attrition Rate	20.84%	20.26%

Notes to Financial Statements

for the year ended March 31, 2020

Experience Adjustments

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019	As at 31/03/2018
Plan Assets	294,783	232,305	171,565
Defined benefit obligation	444,552	310,438	227,763
Surplus/ (Deficit)	(149,769)	(78,133)	(56,198)
Actuarial (Gain)/ Losses due to Experience on Defined Benefit Obligation	(8,038)	3,788	13,670

The expected rate of return on assets is determined based on the assessment made at the beginning of the year on the return expected on its existing portfolio, along with the estimated increment to the plan assets and expected yield on the respective assets in the portfolio during the year.

Category of Plan Assets	As at 31/03/2020	As at 31/03/2019
Assets Under Insurance Schemes	100%	100%

- The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.
- During the current and previous year the Bank does not have unamortised gratuity and pension liability.
- Discount rate is based on the prevailing market yields of Indian Government Bonds as on the Balance Sheet date for the estimated term of the obligation.

21.2 Compensated Absences

The Actuarial liability of compensated absences of accumulated privileged leaves of the employees is given below:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Privileged Leave Actuarial Liability	316,818	259,978
Assumptions		
Discount Rate	6.40%	7.52%
Salary Escalation Rate	9.00%	9.00%

21.3 Defined Contribution Plans

(₹ in 000's)

Amount recognised in the Statement of Profit and Loss	As at 31/03/2020	As at 31/03/2019
(i) Provident fund Contributed to the Authorities	159,772	119,886
(ii) Pension fund Contributed to the Authorities	225,868	134,140

Notes to Financial Statements

for the year ended March 31, 2020

22 SEGMENT REPORTING

In accordance with the guidelines issued by RBI & AS-17, the Bank has adopted Segment Reporting as under:

A) Treasury :

The Treasury Segment primarily consists of net interest earnings from the Bank's Investment portfolio, money market borrowing and lending, gains or losses on Investment operations and income from sale of PSLC.

B) Retail Banking:

The Retail Banking Segment serves retail customers through a branch network and other delivery channels. Retail Banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment. This segment raises deposits from customers and provides loans and other services to customers. Revenues of the retail banking segment are derived from interest earned on retail loans, processing fees earned and other related incomes. Expenses of this segment primarily comprise interest expense on deposits & Borrowings, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

C) Corporate/ Whole Sale Banking:

The Wholesale Banking Segment provides loans to Corporates and Financial Institutions. Revenues of the wholesale banking segment consist of interest earned on loans made to customers. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

(₹ in 000's)

Sr. No	Business Segments	Part A: Business segments			
		Treasury	Retail Banking	Corporate/ Wholesale Banking	Total
	Particulars	31/03/2020	31/03/2020	31/03/2020	31/03/2020
1	Revenue	1,978,149	27,726,765	553,222	30,258,136
2	Unallocated Revenue	-	-	-	-
3	(less) Inter Segment Revenue	-	-	-	-
4	Total Income (1+2-3)	1,978,149	27,726,765	553,222	30,258,136
5	Segment Result	424,083	4,884,498	15,323	5,323,904
6	Unallocated Expenses	-	-	-	661,507
7	Operating Profit	-	-	-	4,662,396
8	Tax Expenses (including deferred tax)	-	-	-	1,163,211
9	Extraordinary Profit/ Loss	-	-	-	-
10	Net Profit (5-6-8-9)	-	-	-	3,499,186
	Other Information:				
11	Segment Assets	35,548,903	142,643,440	5,491,565	183,683,908
12	Unallocated Assets	-	-	-	428,421
13	Total Assets	-	-	-	184,112,329
14	Segment Liabilities	35,548,903	112,777,064	3,909,107	152,235,074
15	Unallocated Liabilities	-	-	-	-
16	Total Liabilities	-	-	-	184,112,329

Tax paid in advance / tax deducted at source (net of provisions), Deferred Tax Assets and others which cannot be allocated to any segments, have been classified as unallocated assets.

Notes to Financial Statements

for the year ended March 31, 2020

Part B: Geographic Segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

(₹ in 000's)

Sr. No	Business Segments	Part A: Business segments			
		Treasury	Retail Banking	Corporate/ Wholesale Banking	Total
	Particulars	31/03/2019	31/03/2019	31/03/2019	31/03/2019
1	Revenue	1,311,306	19,000,589	63,845	20,375,740
2	Unallocated Revenue	-	-	-	-
3	(less) Inter Segment Revenue	-	-	-	-
4	Total Income (1+2-3)	1,311,306	19,000,589	63,845	20,375,740
5	Segment Result	261,241	3,008,065	1,211	3,270,517
6	Unallocated Expenses	-	-	-	586,287
7	Operating Profit	-	-	-	2,684,231
8	Tax Expenses (including deferred tax)	-	-	-	692,059
9	Extraordinary Profit/ Loss	-	-	-	-
10	Net Profit (5-6-8-9)	-	-	-	1,992,172
	Other Information:				
11	Segment Assets	25,235,393	109,459,617	2,250,552	136,945,562
12	Unallocated Assets	-	-	-	476,585
13	Total Assets	-	-	-	137,422,147
14	Segment Liabilities	25,235,393	91,739,908	2,250,552	119,225,853
15	Unallocated Liabilities	-	-	-	-
16	Total Liabilities	-	-	-	137,422,147

Tax paid in advance / tax deducted at source (net of provisions), Deferred Tax Assets and others which cannot be allocated to any segments, have been classified as unallocated assets.

Part B: Geographic Segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

23 RELATED PARTY DISCLOSURES (AS-18)

As per AS 18 Related Party Disclosures notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rule 2014 and Companies (Accounting Standards) Amendment Rules 2016, the Banks' related parties during the year April 01, 2019 to March 31, 2020 are disclosed below:

Holding company :

Ujjivan Financial Services limited (UFSL)

Key Management Personnel (KMP) :

Mr. Nitin Chugh (Managing Director and CEO) (From December 01, 2019)

Mr. Samit Ghosh (Managing Director and CEO) (Retired on November 30, 2019)

Ms. Upma Goel (Chief Financial Officer)

Mr. Chanchal Kumar (Company Secretary)

Enterprise in which relatives of KMP are members :

Parinaam Foundation (Upto November 30, 2019)

Enterprise in which KMP are members :

Ujjivan Welfare and Relief Trust

USFB Employee's Gratuity Trust

UFSL Employee's Gratuity Trust

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

Notes to Financial Statements

for the year ended March 31, 2020

Transactions with Related Parties for the year ended March 31, 2020

(₹ in 000's)

Items/Related Party	Holding Company	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are members	Enterprise in which KMP are members	Total
Deposit*	(1,314,581)	(383,670)	(84,079)	(7,427)	(1,789,758)
	1,314,581	148,242	84,079	7,427	1,554,329
Reimbursement of expenses - Amount Paid	443	-	-	-	443
Reimbursement of expenses - Amount Received	5,034	-	57	-	5,091
Inter Company Transfer- Amount Received	-	-	-	-	-
Inter Company Transfer- Amount paid	-	-	-	2,486	2,486
Interim Dividend - Paid	110,000	-	-	-	110,000
Bank Contribution to Parinaam Foundation & Ujjivan Welfare and Relief Trust**	-	-	5,000	5,273	10,273
Interest on Deposits	102,813	5,730	7,213	253	116,009
Payment of Remuneration ***	-	56,405	-	-	56,405
Rendering of services	-	-	5,072	-	5,072

*Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

** Employee Contribution to USFB Relief Fund through Payroll recovery of ₹2,486 (000's) & Quantum of Donation by Bank is restricted to 1% of PY Net Profit as per RBI Regulation - ₹5,273 (000's)

***The above Remuneration excludes Bonus and Gratuity.

Note: An amount of ₹21,391 (000's) received by UFSL and an amount of ₹435 (000's) is paid by USFB towards employees perquisite tax

Transactions with Related Parties for the year ended March 31, 2019

(₹ in 000's)

Items/Related Party	Holding Company	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are members	Enterprise in which KMP are members	Total
Deposit*	(1,215,440)	(34,224)	(80,066)	(4,245)	(1,333,975)
	1,215,440	30,842	80,066	4,245	1,330,593
Reimbursement of expenses - Amount Paid	943	-	-	-	943
Reimbursement of expenses - Amount Received	938	-	748	-	1,686
Inter Company Transfer- Amount Received**	838	-	-	-	838
Inter Company Transfer- Amount paid***	1,092	-	-	3,418	4,510
Bank Contribution to Ujjivan Welfare and Relief Trust***	-	-	-	686	686
Interim Preference Dividend	220,000	-	-	-	220,000
Interest on Deposits	48,033	2,742	3,083	132	53,990
Payment of Remuneration ****	-	20,313	-	-	20,313
Rendering of services	-	-	2,989	-	2,989

* Figures in bracket indicates maximum balance of outstanding deposits including interest accrued but not due during the year based on comparison of the total outstanding deposit balances at each quarter-end.

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

** Excludes amount of ₹14,715 (000's) received by UFSL towards employees perquisite tax.

*** Employee Contribution to USFB Relief Fund through Payroll recovery of ₹3,418 (000's) & Quantum of Donation by Bank is restricted to 1% of PY Net Profit as per RBI Regulation - ₹686 (000's)

****The above Remuneration excludes Bonus 2017-18 of MD & CEO and Gratuity.

Notes to Financial Statements

for the year ended March 31, 2020

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Enterprise in which KMP are members		
Ujjivan Welfare and Relief Trust	(7,427)	(4,245)
	7,535	4,245
Outstanding Balance with enterprise in which relative of Key Management Personnel are Members		
Parinaam Foundation	(84,079)	(80,066)
	85,626	80,066
Holding Company		
	(1,314,581)	(1,215,440)
Ujjivan Financial Services limited	1,314,568	1,215,440

Figures in bracket indicates maximum balance of outstanding deposits including interest accrued but not due during the year based on comparison of the total outstanding deposit balances at each quarter-end.

24 OPERATING LEASES (AS-19)

The future minimum lease payments under non-cancellable operating leases are as follows:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
i) Not later than one year	719,148	515,659
ii) Later than one year but not later than five years	2,250,725	1,145,723
iii) Later than five years	2,366,272	144,363

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
The total of minimum lease payments recognized in the Profit and Loss Account for the year	685,028	532,425

There are no provisions relating to Contingent rent.

25 EARNINGS PER SHARE

The Bank reports basic and diluted earnings per Equity share in accordance with Accounting Standard-20 Earnings Per Share.

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
Profit available to equity shareholders (in 000's) - (A)	3,366,575	1,726,950
Weighted average shares outstanding – Basic (Nos. in 000's) - (B)	1,535,395	1,440,037
Weighted average shares outstanding – Diluted (Nos. in 000's) - (C)	1,542,085	1,440,037
Nominal Value of Equity Shares (₹)	10	10
Earnings per share – Basic (₹) - (A/B)	2.19	1.20
Earnings per share – Diluted (₹) - (A/C)	2.18	1.20

Notes to Financial Statements

for the year ended March 31, 2020

26 MISCELLANEOUS

26.1 Provisions for taxation during the year:

(₹ in 000's)		
Particulars	Year ended 31/03/2020	Year ended 31/03/2019
Income Tax	1,143,922	349,118
Deferred tax Liability/ (Asset) - (Refer Schedule 18(27))	19,288	342,941
Total	1,163,211	692,059

26.2 Disclosure relating to Depositor Education and Awareness Fund (DEAF):

The details of amount transferred to Depositor Education and Awareness Fund during the current and previous year.

(₹ in 000's)		
Particulars	Year ended 31/03/2020	Year ended 31/03/2019
Opening balance of amounts transferred to DEAF	424	-
Add: Amounts transferred to DEAF during the year	1,613	424*
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	2,037	424

* Amount transferred to DEAF during the year 2018-19 pertains to Additional Security Deposits transferred to the Bank from the Holding Company, Ujjivan Financial Services Limited (UFSL), as part of the Business Transfer Agreement. As per RBI circular DBR. No. DEA Fund Cell. BC. 67/3-01.002/2014-15 dated February 02, 2015, the details of unclaimed Additional Security Deposits has been displayed in our website with respect to amount transferred to DEAF. There has been no delays in transferring the amount to DEAF.

26.3 Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the financial year ended March 31, 2020 and March 31, 2019.

26.4 Fixed Assets

(₹ in 000's)		
Particulars	As at 31/03/2020	As at 31/03/2019
Fixed Assets excluding Computer Software		-
Opening balance (cost)	2,915,563	1,681,717
Additions during the year	471,904	1,346,626
Deduction during the year	(41,301)	(112,780)
Depreciation to date	(1,321,681)	(844,593)
Balance at the end of the year	2,024,485	2,070,970

Notes to Financial Statements

for the year ended March 31, 2020

26.5 Computer Software

The movement in fixed assets capitalized as computer software is given below:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
Opening balance (cost)	1,151,981	987,566
Additions during the year	237,466	164,415
Deduction during the year	-	-
Depreciation to date	(615,232)	(399,482)
Balance at the end of the year	774,215	752,499

26.6 Description of Contingent Liabilities:

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
i) Claims against the Bank not acknowledged as debt		
- Taxation (Service Tax)	4,226	4,226
- Other Legal cases	1,307	1,876
ii) Guarantees given on behalf of Constituents	47,500	2,500
iii) Other items for which the Bank is contingently liable		
- Capital commitments not provided	154,295	231,807
- Others - Cash Collateral - Securitization	-	68,124
Total	207,328	308,533

Contingent liability	Brief description
Claims against the Bank not acknowledged as debts - taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of Income Tax Act, 1961.
Claims against the Bank not acknowledged as debts - Other legal cases	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfil its financial or performance obligations.
Other items for which the Bank is contingently liable	These include: a) Credit enhancements in respect of securitised-outstanding loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement

Notes to Financial Statements

for the year ended March 31, 2020

26.7 Disclosure of Letters of Comfort (LoC) issued by the Bank:

The Bank has not issued any Letter of Comfort during the current and previous year.

26.8 Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the bank during the current and previous year.

26.9 Other Expenditure:

Other expenditure includes Local Conveyance and NFS Expenses amounting to ₹3,04,859 (000's) and ₹3,09,690 (000') for the financial year ended March 31, 2020 exceeding 1% of the total income of the Bank. In Previous year, other expenditure include Local Conveyance amounting to ₹2,51,310 (000's) exceeding 1% of the total income of the Bank.

26.10 The Bank has a process whereby periodically all long term contract are assessed for material foreseeable losses. At the year end, the Bank has reviewed and ensured that no provision is required under any law / accounting standards on such long term contracts as on March 31, 2020 and March 31, 2019.

26.11 Credit default Swaps

The Bank has not entered into any credit default swap transactions during the current and previous year."

26.12 Credit card and debit card reward points

The Bank does not have credit card products hence reward points are not applicable and the bank is not providing any reward points on debit cards during the current and previous year.

26.13 Off balance sheet SPVs sponsored

There are no Off-Balance sheet SPVs sponsored by the bank as at March 31, 2020 and as at March 31, 2019.

26.14 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2020 and as at March 31, 2019 is Nil.

26.15 Country wise risk exposure

Bank does not have any country wise Risk Exposure as at March 31, 2020 and as at March 31, 2019.

26.16 Unhedged foreign currency exposure

Bank does not have any unhedged foreign country exposure as at March 31, 2020 and as at March 31, 2019.

27 DEFERRED TAX

In accordance with Accounting Standard -22 "Accounting for Taxes on Income", the company has recognized deferred tax (asset)/Liability as detailed below:

As at March 31, 2020

Particulars	(₹ in 000's)		
	Deferred Tax (Asset) / Liability as at 01/04/2019	Current year (credit) / charge	Deferred Tax (Asset) / Liability as at 31/03/2020
Difference between book and tax depreciation	161,493	(60,168)	101,325
Provision for Employee benefits	(52,507)	(54,013)	(106,520)
Provision for doubtful assets/standard assets	(402,992)	164,605	(238,387)
Others	(125,753)	(31,136)	(156,889)
Net Deferred Tax (Asset) / Liability	(419,759)	19,289	(400,471)

Notes to Financial Statements

for the year ended March 31, 2020

As at March 31, 2019

(₹ in 000's)

Particulars	Deferred Tax (Asset) / Liability as at 01/04/2018	Current year (credit) / charge	Deferred Tax (Asset) / Liability as at 31/03/2019
Difference between book and tax depreciation	144,383	17,110	161,493
Provision for Employee benefits	(26,701)	(25,806)	(52,507)
Provision for doubtful assets/standard assets	(882,656)	479,664	(402,992)
Others	2,274	(128,027)	(125,753)
Net Deferred Tax (Asset) / Liability	(762,700)	342,941	(419,759)

28 DISCLOSURES ON REMUNERATION:

28.1 Qualitative Disclosures

(A) Information relating to the composition and mandate of the Remuneration Committee.

Bank has constituted a Nomination and Remuneration Committee (NRC). The NRC comprises of four members consisting of 3 Independent Directors and one Non- Executive, Non Independent Director. Mandate of the Nomination and Remuneration Committee is to oversee the framing, review and implementation of the Banks's Compensation policy & Nomination & Remuneration Policy for Whole Time Director/Chief Executive Officers/Risk Takers and control function staff for ensuring effective alignment between remuneration and risks. The Committee also ensures that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks. The Nomination and Remuneration Committee reviews Compensation policy and Nomination & Remuneration Policy of the Bank with a view to attract, retain and motivate employees.

(B) Information relating to the design and structure of remuneration processes and the key features and objectives of Compensation Policy and Nomination & Remuneration Policy

The Compensation Policy and Nomination & Remuneration Policy has been laid out keeping the following perspectives into considerations:

- Our Compensation principles should support us in achieving our 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 should support us to attract and retain talent and skills required to further the organizations purpose and ideology.

- The pay structure and amounts confirms and shall always conform to applicable Income Tax and other similar statutes.
- All practices of Ujjivan SFB shall comply with applicable labour laws.
- The pay structure should be standardized for a level of employees.
- 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.
- 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.

Notes to Financial Statements

for the year ended March 31, 2020

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

- (a) Structurally, the Control functions such as Credit, Risk and Vigilance are independent of the business functions and each other, thereby ensuring independent oversight from various aspects on the business functions.
- (b) The Bank is in the process of comprehensively measuring and reviewing material risks to which Bank is exposed to under ICAAP. The Bank also complies with Basel II requirements.

(D) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

- (a) 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.
- (b) Ujjivan shall, from time to time benchmark its compensation against identified market participants to define its pay structure and pay levels.
- (c) The merit increments will be finalized and approved by the NHRC year on year, basis organization's budgets and accomplishments as well as market reality.
- (d) Ujjivan 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.
- (e) Employees rated "Below Expectations" shall not be provided any increments, unless statutorily required.

(E) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

The performance bonus payout shall be Annual. Discretion is typically applied related to staggered payout in case 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 Ujjivan.

Ujjivan believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the Bank are distributed amongst employees basis their criticality and performance.

Typically, all Stock option schemes at Ujjivan 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 5 years.

Malus/ Clawback: In the event of negative contributions of the individual towards the achievements of the Banks 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.

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

Variable Compensation at Ujjivan has the following distinct forms:

1. Statutory Bonus
2. Performance Pay:
 - a. Performance Bonus
 - b. Monthly Variable Pay

3. Rewards & Recognition

The policy has been laid out keeping the following perspectives into considerations:

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.

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.

Statutory Bonus: Statutory Bonus in India is paid as per Payment of Bonus Act, 1965.

Notes to Financial Statements

for the year ended March 31, 2020

Performance Bonus: All employees who are not a part of any Monthly Variable Pay but part of the year end performance review will be covered under the Performance Bonus Plan of Ujjivan Small Finance Bank. However, the actual payout of performance bonus shall be paid only to employees who have met our performance criteria.

Monthly Variable Pay : Employees in the Sales function, directly responsible for revenue generation shall be covered under the Monthly Variable Pay if meeting the criteria of the respective scheme. Typically some of the entry level roles and upto two levels of supervision thereof shall be covered.

Rewards & Recognition: Ujjivan shall design schemes and practices from time to time to celebrate

employees / departmental / organisational 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 , seven and ten yrs. of completion of service with Ujjivan), 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

28.2 Quantitative Disclosures

The quantitative disclosures cover the Bank's Whole Time Director and Key Risk Takers. Key Risk Takers are individuals who can materially set, commit or control significant amounts of the Bank's resources, and / or exert significant influence over its risk profile. The Bank's Key Risk Takers include MD & CEO, Chief Business Officer (CBO), Head- Treasury, Chief Risk Officer (CRO), Chief Financial Officer (CFO) and Company Secretary (CS).

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
Number of meetings held by Nomination & Remuneration Committee (NRC) and remuneration paid to its members	9 meetings of Nomination & Remuneration Committee (NRC) were held during 01/04/2019 to 31/03/2020. Further, 2 meetings of Human Resource and Compensation Committee (HRC) was held during 01/04/2019 to 31/03/2020. The members of the NRC were paid total sitting fees of ₹1,620 (000's) for Nine meetings while members of HRC were paid total sitting fees of ₹130 (000's) for 2 meetings.	5 meetings of Nomination & Remuneration Committee (NRC) were held during 01/04/2018 to 31/03/2019. Further, 3 meetings of Human Resource and Compensation Committee (HRC) was held during 01/04/2018 to 31/03/2019. The members of the NRC were paid total sitting fees of ₹760 (000's) for five meetings while members of HRC were paid total sitting fees of ₹240 (000's) for 3 meetings.
Number of employees having received a variable remuneration award.	8 employees (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)	5 employees (MD& CEO/ CFO/CRO/Head Treasury/ CS)
Number and total amount of 'sign on' awards.	* ₹3,799 (000's)	Nil
Details of guaranteed bonus if any paid as sign on bonus.	Nil	Nil
Details of severance pay in addition to the accrued benefits.	Nil	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms.	*** Cash : ₹5,268 (000's) *** ESPS shares : 28,84,837 **** ESOP grants : 4,38,190 (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)"	₹1500 (000's) - (MD&CEO/CFO/CRO/Head Treasury/ CS)

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for the year ended March 31, 2020

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
Total amount of deferred remuneration paid.	₹1,816 (000's) (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)	₹721 (000's) -(MD&CEO/CFO/CRO/Head Treasury/ CS)
Breakdown of amount of remuneration awards for the financial Period to show fixed and variable, deferred and non-deferred	Fixed gross : ₹81,520 (000's) Variable deferred : ₹1,817 (000's) (Current MD&CEO/ Ex-MD&CEO/ CFO /CRO /CBO / Current Head of Treasury / Ex-Head of Treasury / CS)	" Fixed Gross - ₹39,063 (000's) (MD&CEO/ CBO/Head of Treasury/ CFO/CRO/ CS) Variable/deferred - ₹721 (000's) -(MD&CEO/CFO/CRO/Head Treasury/ CS)
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments.	Nil	Nil
Total amount of reductions during the FY due to ex – post explicit adjustments	Nil	Nil
Total amount of reductions during the FY due to ex – post implicit adjustments	Nil	Nil

Note:

Note: *ESOPs basis RBI approval as sign-on grant; vesting due over 2 years - 2020 and 2021.

** For Current-MD&CEO and Ex-MD&CEO, Target Variable Pay provisioned and notional amount has been provisioned. The actual amount will be decided post closure of Annual Performance reviews. It will be planned based on NRC guidance and paid basis RBI approval. For all 8 employees, amount is provisioned for variable pay for 50% of total target variable pay due for payment in FY 2020-21. Actual payment will be subject to Bank and Individual performance.

*** Including 26,90,000 shares allotted to Ex-MD&CEO.

**** Excluding ESOPs of Current MD&CEO since it was granted as sign-on grant. ESOPs are granted not exercised.

29 DISCLOSURE ON REMUNERATION TO NON-EXECUTIVE DIRECTORS:

The Non-Executive Directors are paid Sitting Fees for attending meetings of the Board and its Committees. Till May 31, 2019, the sitting fees was paid at the rate of ₹50 (000's) per Board meeting and at the rate of ₹40 (000's) per Board Committee Meetings. In the Board meeting held on May 28, 2019, the sitting fees was revised at the rate of ₹75 (000's) per Board meeting and at the rate of ₹50 (000's) per Board Committee Meetings. Amount paid as sitting fees to the Non-Executive Directors as follows.

Name of Directors	(₹ in 000's)	
	Year ended 31/03/2020	Year ended 31/03/2019
Mr. Sunil Vinayak Patel*	1,940	1,460
Ms. Vandana Viswanathan	1,450	1,020
Mr. Nandlal Sarada	1,685	940
Mr. Biswamohan Mahapatra	1,410	850
Mr. Luis Miranda	1,005	770
Mr. Prabal Kumar Sen	1,260	740
Mr. Anadi Charan Sahu (SIDBI)**	-	50
Mr. Sanjay Jain (SIDBI)***	-	150
Ms. Mona Kachhwaha	690	490
Mr. Jayanta Kumar Basu****	700	100

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for the year ended March 31, 2020

(₹ in 000's)

Name of Directors	Year ended 31/03/2020	Year ended 31/03/2019
Ms. Chitra K Alai (SIDBI)***	200	-
Mr. Sachin Bansal*****	525	-
Mr. Mahadev Lakshminarayanan*****	775	-
Total	11,640	6,570

* Mr. Sunil Vinayak Patel has resigned as Director w.e.f February 1, 2020.

** Mr. Anadi Charan Sahu has resigned as Director on May 06, 2018 and Mr. Sanjay Jain was appointed in his place w.e.f May 07, 2018.

**** Mr. Jayanta Kumar Basu was appointed w.e.f November 14, 2018.

*** Mr. Sanjay Jain ceased to be a Director w.e.f May 09, 2019 and Ms. Chitra K Alai was appointed in his Place w.e.f May 09, 2019.

***** Mr. Sachin Bansal was appointed w.e.f June 01, 2019 and resigned as Director w.e.f. January 27, 2020.

***** Mr. Mahadev Lakshminarayan was appointed w.e.f August 01, 2019.

- 30** The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. An amount of ₹1,145 (000's) was outstanding for payment for more than 45 days to MSME creditors as of March 31, 2020 and Nil as of March 31, 2019.

31 CORPORATE SOCIAL RESPONSIBILITY

As per Sec 135 (1) of the Companies Act "Every company having net worth of rupees five hundred Crores or more, or turnover of rupees one thousand Crores or more or a net profit of rupees five Crores or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director". Pursuant to this, Bank has duly constituted a Corporate Social Responsibility Committee.

Further, the section stipulates that the company should spend, in every financial year, at least two per cent of the average net profits made during the three immediately preceding financial years and in pursuance of its Corporate Social Responsibility Policy. Bank has a mandatory CSR obligation from FY 2019-20. Bank's CSR Strategy was approved by the CSR Committee & by the Board of Directors in the meeting held on May 27, 2019 & May 28, 2019.

Gross amount required to be spent by the Bank during the financial year ended March 31, 2020 is ₹18,544 (000's) (PY - Nil)

(₹ in 000's)

Particulars	Year ended 31/03/2020		
	Amount Spent	Amount unpaid/ provision	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purpose other than (i) above	12,467	-	12,467

(₹ in 000's)

Particulars	Year ended 31/03/2019		
	Amount Spent	Amount unpaid/ provision	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purpose other than (i) above	-	-	-

Notes to Financial Statements

for the year ended March 31, 2020

32 PAYMENTS TO AUDITORS' (SCHEDULE -16 AUDITORS' FEES AND EXPENSES)

(₹ in 000's)

Particulars	Year ended 31/03/2020	Year ended 31/03/2019
Audit Fees	3,706	4,022
Tax Audit Fees	109	109
Other Services	4,469	2,780
Out-of Pocket Expenses	386	161
Total	8,670	7,072

33 SHARE-BASED PAYMENTS

33 (A) Employee share option plan (ESOP)

33 (A) (1) Details of the employee share option plan of the Bank

The Bank has share option scheme for employees (which includes the employees of the Holding Company), being ESOP 2019.

ESOP 2019

The ESOP 2019 is the scheme under which the Bank has issued options to the employees (which includes the employees of the Holding Company). The Bank has approved its ESOP Plan, 2019 in the Shareholders meeting held on March 29, 2019. On August 08, 2019, the Nomination & Remuneration Committee of the Bank has granted 37,000,403 ESOPs at ₹35 per shares to eligible employees of the Bank (which includes the employees of the Holding Company). Further, pursuant to the resolution passed by Nomination & Remuneration Committee on December 4, 2019, 3,798,697 additional options were granted under ESOP 2019 scheme. As on March 31, 2020, the Bank ESOP 2019 pool comprises of 40,799,100 options (including the original pool of 37,000,403 options plus 3,798,697 options added on December 4, 2019).

The Bank has granted 40,799,100 options under the ESOP 2019 to eligible employees (which includes the employees of the Holding Company) during the year ended March 31, 2020. As on March 31, 2020, out of the 40,799,100 options granted, Nil options has been exercised and 2,723,243 options are lapsed. Further, 38,075,857 options are yet to be vested.

The vesting period for the options granted under ESOP 2019 is as under:

Year	Options Granted	Year 1	Year 2	Year 3	Year 4	Year 5
ESOP 2019 - Original	37,000,403	20%	20%	20%	20%	20%
ESOP 2019 - Additional	3,798,697	52%	48%			
Total	40,799,100					

The following share-based payment arrangements were in existence during the current year:

Options Series	Number	Grant Date	Date of Vesting	Expiry Date	Exercise Price	Fair value at Grant Date
ESOP 2019 - Original	37,000,403	08-08-2019	07-08-2020	07-08-2025	35	17
		08-08-2019	07-08-2021	07-08-2026	35	19
		08-08-2019	07-08-2022	07-08-2027	35	21
		08-08-2019	07-08-2023	07-08-2028	35	23
		08-08-2019	07-08-2024	07-08-2029	35	24
ESOP 2019 - Additional	3,798,697	04-12-2019	12-12-2020	12-12-2025	35	17
		04-12-2019	12-12-2021	12-12-2026	35	19

Notes to Financial Statements

for the year ended March 31, 2020

33(A)(2) Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is ₹20.69 (No options were granted in FY 2018-19). Options were priced using Black and Scholes Model. Vested ESOPs can be exercised within five years from their corresponding dates of vesting. ESOPs vested can be exercised between date of vesting and on or before option expiry date. The term of the option is assumed to be the sum of a) duration till vesting; and b) the midpoint of the remaining exercise period from date of vesting, in absence of historical exercise pattern. Volatility of comparable Banks have been considered for the purposes of valuation.

Inputs into the model

Particulars	ESOP 2019				
	Vesting 1	Vesting 2	Vesting 3	Vesting 4	Vesting 5
Grant date share price	40.76	40.76	40.76	40.76	40.76
Exercise price	35	35	35	35	35
Expected volatility	40.08%	40.08%	40.08%	40.08%	40.08%
Option life	3.5	4.5	5.5	6.5	7.5
Risk-free interest rate	5.75%	5.90%	6.03%	6.13%	6.22%

33(A)(3) Movements in share options issued

During the year ended March 31, 2020

Particulars (Nos.)	Options granted and outstanding as at beginning of year	Granted during the year	Exercised during the year	Forfeited/ Expired during the year	Option exercisable at the year end
ESOP 2019 - Original	37,000,403.00	-	-	2,723,243.00	34,277,160.00
ESOP 2019 - Additional	3,798,697.00	-	-	-	3,798,697.00
Total	40,799,100.00	-	-	2,723,243.00	38,075,857.00
Weighted average exercise price	35.00	-	-	35.00	35.00

33(A)(4) Share options exercised during the year

The ESOPs granted under the ESOP Plan 2019 has not been vested yet, therefore not exercised.

33(A)(5) Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of ₹35 and a weighted average remaining contractual life of 7.24 Years.

33(A)(6) Expense arising from share based payment transaction recognized in Statement of profit or loss as employee benefit expense are as follows:

Particulars	(₹ in 000's)	
	Year ended 31/03/2020	Year ended 31/03/2019
Employee benefit expense	211,464	-

33(A)(7) ESOP arrangement with the Holding company (Ujjivan Financial Services Limited)

As per guidance note issued by ICAI on Share-based Payment, stock options have to be fair valued on the grant date and expense has to be recognised over the vesting period. The Bank has accordingly determined the cost of the employee share-based payments considering the fair value principles, recognised the share based payment expense for all the unvested options as on date for the period starting from the grant date. The Bank has granted 40,799,100 options under the ESOP 2019 to eligible employees (which includes the employees of the Holding Company) during the year ended March 31, 2020. Out of total options granted, 473,240 options has been granted to Holding Company employees for which Bank has decided to cross charge the stock compensation expense through related party transaction. Accordingly, ₹2,729 (000's) has been booked as recoverable from Holding Company as on March 31, 2020.

Notes to Financial Statements

for the year ended March 31, 2020

33(B) Employee Stock Purchase Scheme 2019 (ESPS):

Pursuant to the resolutions passed by the Board on July 30, 2019 and approved by Shareholders on August 3, 2019, Bank has adopted the ESPS. The ESPS has been framed in compliance with the provisions of the SEBI Regulations. The objective of the ESPS is inter-alia to reward the employees of the Bank for their association and performance as well as to motivate them to contribute to the growth and profitability of the Bank. Pursuant to the ESPS, the Board is authorized to issue up to 72,001,840 fully paid up Equity Shares of face value of ₹10 each with pari passu voting rights, to the eligible employees of the Bank and of the Holding Company, in accordance with the terms and conditions as may be decided. The Nomination and Remuneration Committee has been entrusted with the responsibility of administering the ESPS and the said Committee of the Bank has pursuant to its resolution dated August 8, 2019 authorised the opening of the subscription of the ESPS for the eligible employees of the Bank and of the Holding Company at ₹35 per share and applicable perquisite tax. The ESPS Scheme was approved by the Shareholders in the Extra-Ordinary General Meeting held on August 03, 2019. Under the ESPS 2019 scheme the employees of the Bank and of Ujjivan Financial Services Limited (UFSL) subscribed to 1,40,55,097 number of equity shares at a price of ₹35 per equity share. Further, under ESPS 2019 scheme, employees of the Bank and UFSL have the option to subscribe for equity shares under a monthly scheme where they open a recurring deposit and pay the complete subscription amount at the end of 12 months.

33(B)(1) The Scheme is issued in three phases timelines of which are detailed below:

Phase	Subscription Start Date	Subscription End Date
I	09/08/2019	09/09/2019
II	10/09/2019	26/09/2019
III	07/10/2019	16/10/2019

33(B)(2) Expense arising from share based payment transaction recognized in Statement of profit or loss as employee benefit expense are as follows:

(₹ in 000's)		
Particulars	Year ended 31/03/2020	Year ended 31/03/2019
Expense on ESPS	79,741	-

34 The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and companies, including the Bank, have introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended by 46 days till May 31, 2020 across the country to contain the spread of the virus. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are incapable of assessment at this point in time, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank would be granting a moratorium of three months on the payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

Notes to Financial Statements

for the year ended March 31, 2020

The quantitative disclosures as required by the above referred RBI circular dated April 17, 2020 are given below:

(₹ in 000's)

Particulars	Amount
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular Term Loan Instalments: ₹12,89,500 (000's) Cash Credit / Overdraft : ₹7,488 (000's)	1,296,988.17
Respective amount where asset classification benefits is extended Term Loan Instalments: ₹359,585 (000's) Cash Credit / Overdraft : ₹Nil	359,584.50
Provisions made during the quarter ended March 31, 2020 in terms of para 5 of the circular*	489,733.81
Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 of the circular	-
Residual provisions as of March 31, 2020 in terms of paragraph 6 of the circular	-

*The provision held by the Bank are in excess of the RBI prescribed norms.

35 SECURITIZATION TRANSACTION

The details of Securitization deals outstanding as at March 31, 2020 and as at March 31, 2019 as below.

(₹ in 000's)

Particulars	As at 31/03/2020	As at 31/03/2019
No. of SPVs sponsored by the Bank for securitization transactions	-	1
Total amount of securitized assets as per books of the SPVs sponsored by the Bank (Includes MRR portion of ₹2,08,381 (000's))	-	908,318
Total amount of exposures retained by the Bank to comply with MRR as on the date of balance sheet	-	-
a) Off balance sheet exposures	-	-
First loss	-	-
Others	-	-
b) On-balance sheet exposures	-	-
First loss	-	276,505
Others	-	-
Amount of exposures to securitization transactions other than MRR	-	-
a) Off balance sheet exposures	-	-
i) Exposure to own securitizations	-	-
First loss	-	-
Loss	-	-
ii) Exposure to third party securitizations	-	-
First loss	-	-
Others	-	-
b) On balance sheet exposures	-	-
i) Exposure to own securitizations	-	-
First loss	-	-
Others	-	-
ii) Exposure to third party securitizations	-	-
First loss	-	-
Others	-	-

Notes to Financial Statements

for the year ended March 31, 2020

36 DIVIDEND:

The Reserve Bank of India, vide its circular dated April 17, 2020 has directed that Banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that Banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 19, 2020, has not proposed any dividend for the year ended March 31, 2020.

The Bank with the approval of Directors through resolution passed on July 30, 2019 declared an Interim Preference Dividend of 5.5% i.e. ₹0.55 per preference Share of ₹10 each (within the maximum permissible coupon rate of 11%) amounting to ₹110,000 (000's) (excluding Dividend Distribution Tax) on 200,000,000 11% Perpetual Non-Cumulative Preference Shareholders. For Previous year ended March 31, 2019, the Board of Directors declared the First Interim Preference Dividend on December 06, 2018 and Second Interim Preference Dividend on March 18, 2019 as mentioned below.

(₹ in 000's)		
Particulars	Year ended 31/03/2020	Year ended 31/03/2019
First Interim Preference Dividend of ₹0.55 (Previous year- ₹0.55) per preference share (exclusive of dividend distribution tax of ₹22,611)	110,000	110,000
Second Interim Preference Dividend of ₹Nil (Previous year- ₹0.55) per preference share (exclusive of dividend distribution tax of ₹22,611)	-	110,000

37 COMPARATIVE FIGURES

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year presentation.

As per our report of even date

For MSKA & Associates

Chartered Accountants

Firm Registration Number: 105047W

Swapnil Kale

Partner

Membership No: 117812

Mumbai

May 19, 2020

For and on behalf of Board of Directors of Ujjivan Small Finance Bank Limited

Nitin Chugh

DIN: 01884659

Managing Director & CEO

Vandana Viswanathan

DIN: 05192578

Independent Director

Upma Goel

Chief Financial Officer

Bengaluru

May 19, 2020

Mahadev Lakshminarayanan

DIN: 05003710

Independent Director

Nandlal Laxminarayan Sarda

DIN: 00147782

Independent Director

Chanchal Kumar

Company Secretary



UJJIVAN SMALL FINANCE BANK LIMITED

CIN: L65110DL2016PLC302481

Registered Office: Plot No. 2364/8, Khampur Raya Village, Shadi Kampur, Main Patel Road,
New Delhi – 110 008, Delhi, India

Corporate/Head Office: Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala,
Bengaluru – 560 095, Karnataka, India

Email: corporatesecretarial@ujjivan.com **Ph. No.:** 080 – 40712121

Website: <https://www.ujjivansfb.in>

NOTICE FOR CONVENING FOURTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 4th Annual General Meeting ("AGM or Meeting") of the Members of Ujjivan Small Finance Bank Limited ("Bank") will be held on Wednesday, September 02, 2020 at 03:30 P.M. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following business:

ORDINARY BUSINESS:

ITEM NO. 1

TO RECEIVE, CONSIDER AND ADOPT THE AUDITED FINANCIAL STATEMENTS OF THE BANK FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020 AND THE REPORTS OF THE BOARD OF DIRECTORS AND AUDITORS THEREON

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

"RESOLVED THAT the Audited Financial Statements of the Bank for the financial year ended March 31, 2020 and the Reports of the Board of Directors and the Auditors thereon as circulated, be and are hereby received, considered and adopted."

ITEM NO. 2

TO REAPPOINT MR. JAYANTA KUMAR BASU (DIN: 01268046), WHO RETIRES BY ROTATION AS A DIRECTOR AND, BEING ELIGIBLE, SEEKS REAPPOINTMENT

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

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 and rules made thereunder, Mr. Jayanta Kumar Basu (DIN: 01268046), who retires by rotation at this Meeting, be and is hereby reappointed as

Director (Non-Executive, Non-Independent) of the Bank who shall be liable to retire by rotation."

ITEM NO. 3

TO CONFIRM AND TAKE NOTE OF THE INTERIM DIVIDEND DECLARED AND PAID @ 5.50% ON 20,00,00,000 11% PERPETUAL NON-CUMULATIVE PREFERENCE SHARES

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

"RESOLVED THAT the Members of the Bank hereby confirm and take note of the interim dividend declared @ 5.5% by the Board of Directors and paid on 20,00,00,000, 11% Perpetual Non-Cumulative Preference Shares of ₹10/- each as follows:

Date of declaration	% age of dividend	Amount of dividend excluding DDT* (₹ In Crores)
July 30, 2019	5.50	11.00

*DDT- Dividend Distribution Tax

SPECIAL BUSINESS:

ITEM NO. 4

TO RATIFY UJJIVAN SMALL FINANCE BANK - EMPLOYEE STOCK OPTION PLAN 2019 ("ESOP 2019")

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

"RESOLVED THAT pursuant to the provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations"), read with applicable circulars/

notifications or guidelines issued by the Securities and Exchange Board of India from time to time, applicable provisions, if any, of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable provisions, if any, of the Banking Regulation Act, 1949 and applicable circulars/notifications/directions/guidelines issued by Reserve Bank of India from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force) and enabling provisions of Memorandum of Association and Articles of Association of the Bank, and any other applicable rules, regulations, ordinances, guidelines, clarifications, circulars, directions, orders and notifications, the "ESOP 2019" of the Bank formulated and implemented prior to the Initial Public Offering of the Bank, which was approved and adopted by the Members in the Extra-ordinary General Meeting of the Bank held on March 29, 2019, be and is hereby ratified pursuant to Regulation 12 of the SEBI SBEB Regulations."

"RESOLVED FURTHER THAT the Board of Directors ("Board") of the Bank and/or the Nomination and Remuneration Committee ("Committee") or such other Board Committee as may be decided by the Board is authorised to exercise such powers, including the powers, conferred by this resolution, to create, offer, issue and grant at any time, to the eligible employees of the Bank and of Ujjivan Financial Services Limited ("UFSL"), existing & future directors (including whole-time directors and non-executive directors but excluding independent directors) of the Bank and UFSL, as may be decided solely by the Board and/or Nomination and Remuneration Committee or such other Board Committee as may be decided by the Board, under the ESOP 2019, up to a maximum of 14,40,00,000 (Fourteen Crores and Forty Lakhs) stock options, each option convertible into one fully paid-up equity share of ₹10 each of the Bank, on payment of the requisite exercise price to the Bank, on such terms and conditions as may be fixed or determined by the Board and/or the Nomination and Remuneration Committee or such other Board Committee as may be decided by the Board in accordance with the ESOP 2019."

"RESOLVED FURTHER THAT the equity shares issued/allotted upon exercise of stock options from time to time in accordance with the ESOP 2019, shall rank pari-passu in all respects with the existing equity shares of the Bank."

"RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, change in capital structure, merger and sale of division / undertaking, and others, if any additional equity shares are to be issued by the Bank to the shareholders, the ceiling as foresaid of stock options and equity shares shall be deemed to increase in proportion of such additional equity shares issued to facilitate making a fair and reasonable adjustment as determined by the Board/ Nomination and Remuneration Committee or such other Board Committee as may be decided by the Board as per provisions of SEBI SBEB Regulations."

"RESOLVED FURTHER THAT in case the equity shares of the Bank are either sub-divided or consolidated, then the number of equity shares to be allotted and exercise price payable by the grantees under the ESOP 2019 shall automatically stand reduced or augmented, respectively, in the same proportion as the present face value of ₹10 per equity share shall bear to the revised face value of the equity shares of the Bank after such sub-division or consolidation, without affecting any other rights or obligations of the said grantees."

"RESOLVED FURTHER THAT for the purpose of giving effect to any grant, offer, issue, allotment or listing of the shares under ESOP 2019, on behalf of the Bank, the Board and/or the Nomination and Remuneration Committee or such other Board Committee as may be decided by the Board be and is hereby authorised to make any modifications, changes, variations, alterations or revisions in the ESOP 2019 from time to time or to suspend, withdraw or revise the ESOP 2019, from time to time, as may be specified by any statutory authority or otherwise and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose in conformity with the Companies Act, 2013 and rules made thereunder, the Memorandum and Articles of Association of the Bank, SEBI SBEB Regulations, as amended from time to time and any other applicable laws and with power on behalf of the Bank, to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board and/or the Board Committee to secure any further consent or approval of the Members of the Bank."

ITEM NO. 5

TO RATIFY UJJIVAN SMALL FINANCE BANK - EMPLOYEE STOCK PURCHASE SCHEME 2019 ("ESPS 2019")

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

"RESOLVED THAT pursuant to the provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, Regulation 12 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") read with applicable circulars/notifications or guidelines issued by the Securities and Exchange Board of India from time to time, applicable provisions, if any, of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable provisions, if any, of the Banking Regulation Act, 1949 and applicable circulars/notifications/directions/guidelines issued by Reserve Bank of India from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force) and enabling provisions of Memorandum of Association and Articles of Association of the Bank, and any other applicable rules, regulations, ordinances,

guidelines, clarifications, circulars, directions, orders and notifications, the "ESPS 2019" of the Bank formulated and implemented prior to the Initial Public Offering of the Bank, which was approved and adopted by the Members in the Extra-ordinary General Meeting of the Bank held on August 03, 2019, be and is hereby ratified pursuant to Regulation 12 of the SEBI SBEB Regulations."

"RESOLVED FURTHER THAT the Board of Directors ("Board") of the Bank and/or the Nomination and Remuneration Committee ("Committee") or such other Board Committee as may be decided by the Board is authorised to exercise such powers, including the powers, conferred by this resolution, to create, offer, issue and allot at any time, to the eligible employees of the Bank and of Ujjivan Financial Services Limited ("UFSL"), existing & future directors (including whole-time directors and non-executive directors but excluding independent directors) of the Bank and UFSL, as may be decided solely by the Board and/or Nomination and Remuneration Committee or such other Board Committee as may be decided by the Board, under the ESPS 2019, up to a maximum of 7,20,01,840 (Seven Crores and Twenty Lakhs One Thousand Eight Hundred and Forty only) fully paid-up equity share of ₹10 each of the Bank, on payment of the requisite price to the Bank, on such terms and conditions as may be fixed or determined by the Board and/or the Nomination and Remuneration Committee or such other Board Committee as may be decided by the Board in accordance with the ESPS 2019."

"RESOLVED FURTHER THAT the equity shares, if any, issued/allotted from time to time in accordance with the ESPS 2019, shall rank pari-passu in all respects with the existing equity shares of the Bank."

"RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, change in capital structure, merger and sale of division / undertaking, and others, if any additional equity shares are to be issued by the Bank to the shareholders, the ceiling as foresaid equity shares shall be deemed to increase in proportion of such additional equity shares issued to facilitate making a fair and reasonable adjustment as determined by the Board, and/or Nomination and Remuneration Committee or such other Board Committee as may be decided by the Board as per provisions of SEBI SBEB Regulations."

"RESOLVED FURTHER THAT in case the equity shares of the Bank are either sub-divided or consolidated, then the number of equity shares to be allotted and price payable by the allottees under the ESPS 2019 shall automatically stand reduced or augmented, respectively, in the same proportion as the present face value of ₹10 per equity share shall bear to the revised face value of the equity shares of the Bank after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees."

"RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue, allotment or listing of the shares under ESPS 2019, on behalf of the Bank, the Board and/or the Nomination and Remuneration Committee or such other Board Committee as may be decided by the Board be and is hereby authorised to make any modifications, changes, variations, alterations or revisions in the ESPS 2019 from time to time or to suspend, withdraw or revise the ESPS 2019, from time to time, as may be specified by any statutory authority or otherwise and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose in conformity with the Companies Act, 2013 and rules made thereunder, the Memorandum and Articles of Association of the Bank, the SEBI SBEB Regulations, as amended from time to time and any other applicable laws and with power on behalf of the Bank, to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board and/or the Board Committee to secure any further consent or approval of the Members of the Bank."

ITEM NO. 6

TO APPOINT MR. UMANG BEDI (DIN: 02432920) AS AN INDEPENDENT DIRECTOR OF THE BANK

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

"RESOLVED THAT pursuant to the provisions of Section 149, 150, 152, 160, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014, applicable provisions, if any, of the Banking Regulation Act, 1949 and relevant circular(s) issued by Reserve Bank of India, applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Bank and further to the recommendation of the Nomination and Remuneration Committee and the Board of the Directors ("Board"), Mr. Umang Bedi (DIN: 02432920), who was appointed as an Additional Director (Independent) pursuant to the provisions of Section 161 of the Companies Act, 2013 in the meeting of Board held on March 23, 2020 to hold office with effect from April 01, 2020 up to the date of this AGM and in respect of whom the Bank has received a notice in writing under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Bank for a term of 5 (Five) consecutive years commencing April 01, 2020 up to March 31, 2025 and he shall not be liable to retire by rotation."

"RESOLVED FURTHER THAT Mr. Umang Bedi be paid such sitting fee, and reimbursed expenses for attending Board and Board committee meetings as per Article of

Association of the Bank, as may be approved by the Board from time to time in accordance with the applicable laws.”

ITEM NO. 7

TO SHIFT/CHANGE OF PLACE/LOCATION OF THE REGISTERED OFFICE OF THE BANK FROM NEW DELHI, THE NATIONAL CAPITAL TERRITORY OF DELHI TO BENGALURU IN THE STATE OF KARNATAKA AND CONSEQUENT ALTERATION OF MEMORANDUM OF ASSOCIATION OF THE BANK

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

“RESOLVED THAT pursuant to the provisions of Section 12, 13 and all other applicable provisions, if any, of the Companies Act, 2013 read with Rule 30 of the Companies (Incorporation) Rules, 2014, Section 49C of the Banking Regulation Act, 1949 and relevant circular(s) issued by Reserve Bank of India (including any statutory modification(s), or re-enactment(s) thereof for the time being in force), pursuant to the No-objection of Reserve Bank of India, approval of the Board of Directors (“Board”) of the Bank and subject to the approval of the Central Government (power delegated to Regional Director) and/or approval/No-objection from any other such authority(ies) as may be prescribed from time to time and subject to such other approvals, permissions and sanctions, as may be required under the provisions of the Companies Act, 2013 and rules made thereunder or under any other law for the time being in force, consent of the Members of the Bank be and is hereby accorded for shifting/change of place/location of the Registered Office of the Bank from **“Plot No. 2364/8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi-110008, Delhi, India”** to its Corporate/ Head office situated at **“Grape Garden, No. 27, 3rd “A” Cross, 18th Main, 6th Block, Koramangala, Bengaluru-560095, Karnataka, India.”**

“RESOLVED FURTHER THAT consequent to aforesaid change, Clause II of the Memorandum of Association of the Bank be substituted with the following clause:

II. The Registered Office of the Company will be situated in the State of Karnataka and within the jurisdiction of the Registrar of Companies, Bangalore, Karnataka.

“RESOLVED FURTHER THAT the Board of the Bank including any duly constituted Board Committee or any officer/executive/representative and/or any other person so authorised by the Board or any duly constituted Board Committee, be and is hereby authorised on behalf of the Bank to make any modifications, changes, variations, alterations or revisions stipulated by any authority, while according approval, consent as may be considered necessary and to appoint counsels/consultant and advisors, file applications/petitions, issue notices, advertisements, obtain orders for aforesaid shifting/

change of place/location of the Registered Office of the Bank from the authorities concerned and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Members of the Bank.”

By Order of the Board of Directors

For UJJIVAN SMALL FINANCE BANK LIMITED

Sd/-

Chanchal Kumar

Company Secretary and Compliance Officer

Place: Bengaluru

Date: July 31, 2020

NOTES:

1. Pursuant to the General Circular numbers 14/2020, 17/2020, 20/2020 dated April 08, 2020, April 13, 2020 and May 05, 2020 respectively, issued by the Ministry of Corporate Affairs and Circular SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by the Securities and Exchange Board of India (hereinafter collectively referred to as “the Circulars”), companies are allowed to hold AGM through VC/OAVM, without the physical presence of members at a common venue. Hence, in compliance with the applicable provisions of the Companies Act, 2013 and rules made thereunder read with the Circulars, the AGM of the Bank is being held through VC/OAVM. The deemed venue for the AGM shall be the Registered Office of the Bank.
2. The Reserve Bank of India (“RBI”), vide its circular dated April 17, 2020, has decided that the banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further communication from RBI, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of the Bank has not proposed any final dividend on the equity shares for the financial year ended March 31, 2020.
3. As per Section 105 of the Companies Act, 2013, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on a poll in the Meeting instead of himself/herself. Since the AGM is being held through VC/OAVM, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

4. Participation of Members through VC/OAVM will be reckoned for the purpose of quorum for the AGM as per Section 103 of the Companies Act, 2013.
5. Institutional / Corporate Shareholders (i.e. other than individuals / HUF / NRI etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorisation etc., authorising its representative along with attested specimen signature of such representative, to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/ Authorisation shall be sent to the Scrutiniser by email through its registered email address to cs.skannan@gmail.com/kannans@kannancs.in with a copy marked to evoting@kfintech.com and corporatesecretarial@ujjivan.com.
6. The Statutory Auditors' Certificate under Regulation 13 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and all other documents referred to in the Notice shall be made available for electronic inspection without any fee to the Members from the date of circulation of this Notice up to the date of AGM, i.e. Wednesday, September 02, 2020. Members who wish to inspect such documents are requested to send an email to corporatesecretarial@ujjivan.com mentioning their name, folio no./client ID and DP ID, and the documents they wish to inspect, with a self-attested copy of their PAN card attached to the email. The Notice and Annual Report of the Bank shall be available on the website of the Bank at <https://www.ujjivansfb.in>.
7. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote, provided the votes are not already casted by remote e-voting.
8. In compliance with the Circulars, the Annual Report for the financial year 2019-20, the Notice of this Meeting and instructions for e-voting and attending the AGM through VC/OAVM are being sent only through electronic mode to those Members whose email addresses are registered with the depository participant(s). Members may also note that the Notice of this Meeting and the Annual Report for the financial year 2019-20 will also be available on the Bank's website at <https://www.ujjivansfb.in>, website of the Stock Exchanges, i.e. BSE Limited and National Stock Exchange of India Limited at <https://www.bseindia.com> and <https://www.nseindia.com> respectively and on the website of e-voting agency KFin Technologies Private Limited ("KFin Tech") at <https://evoting.karvy.com>.
9. Members who have not registered their email address and in consequence the Annual Report, Notice of this Meeting and instruction for e-voting and attending the AGM through VC/OAVM could not be serviced may temporarily get their email address and mobile

number registered with the Bank's Registrar and Share Transfer Agent ("RTA"), KFin Technologies Private Limited ("KFin Tech"), by clicking the link: https://ris.kfintech.com/email_registration/ for sending the same. Members are requested to follow the process as guided to capture the email address and mobile number for sending the soft copy of aforesaid documents and instructions along with the User ID and Password. In case of any queries, Members may write to einward.ris@kfintech.com.

10. We urge Members to support our commitment to environmental protection by choosing to receive the Bank's communication through email. Members holding shares in demat mode, who have not registered their email addresses are requested to register their email addresses with their respective depository participants, and members holding shares in physical mode are requested to update their email addresses with the Bank's RTA, KFin Tech.

Members may follow the process detailed below for registration of their email ID:

Type of Holders	Registering Email Address
Physical	Send a request to the RTA of the Bank, KFin Tech at einward.ris@kfintech.com providing Folio No., Name of member, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of Aadhaar card) for registering email address.
Demat	Please contact your Depository Participant ("DP") and register your email address and bank account details in your demat account, as per the process advised by your DP.

11. Pursuant to Regulation 40 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, any request for effecting transfer of securities shall not be processed unless the securities are held in electronic form with a depository except in case of transmission or transposition of securities.
12. Securities and Exchange Board of India has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit their PAN to their Depository Participant(s).
13. For any queries relating to financial statements you can write to the Bank at investorrelations@ujjivan.com at least seven days before the date of the Meeting i.e; by Wednesday, August 26, 2020.
14. Members can avail of the nomination facility in respect of shares held by them in physical form by filing Form SH-13, as prescribed under Section 72 of the Companies Act, 2013 and Rule 19(1) of the

Companies (Share Capital and Debentures) Rules, 2014, with the RTA of the Bank and Members holding shares in electronic form may contact their Depository Participant for availing this facility.

15. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, for agenda Item No. 4, 5, 6 and 7 of this Notice is annexed herewith and forms part of this Notice.

Further, Pursuant to Regulation 36 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2 on General Meetings, specified by the Institute of Company Secretaries of India and approved by the Ministry of Corporate Affairs under Section 118(10) of the Companies Act, 2013, an Explanatory Statement for agenda Item No. 2 and item 6 of this Notice is annexed herewith and forms part of this Notice.

16. The resolutions as set out in this Notice are being conducted through e-voting, the said resolutions will not be decided by a show of hands at the AGM.
17. Since the AGM will be held through VC/OAVM, the route map is not attached to this Notice.

PROCEDURE FOR REMOTE E-VOTING AND E-VOTING DURING THE AGM:

1. Pursuant to the provisions of Section 108 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as amended, and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank is providing to its Members facility to exercise their right to vote on resolutions proposed to be passed at the AGM by electronic means ("e-voting"). Members may cast their votes remotely, using an electronic voting system on the dates mentioned herein below ("remote e-voting"). The Bank has engaged the services of KFin Tech as the agency to provide e-voting facility. The manner of voting remotely by members holding shares in dematerialised mode, physical mode and for members who have not registered their email addresses is provided in the instructions given below.

The remote e-voting facility will be available during the following voting period:

Commencement of remote e-voting: 9:00 a.m. on Saturday, August 29, 2020 and End of remote e-voting: 5:00 p.m. on Tuesday, September 01, 2020. The remote e-voting will not be allowed beyond the aforesaid date and time and the remote e-voting module shall be forthwith disabled by KFin Tech upon expiry of the aforesaid period.

Voting rights of a member / beneficial owner (in case of electronic shareholding) except the promoter of the Bank i.e. Ujjivan Financial Services Limited shall be in proportion to their share in the paid-up equity share capital as on the cut-off date, i.e., Wednesday, August 26, 2020.

2. The Board of Directors of the Bank has appointed Mr. S Kannan (FCS: 6261; CoP: 13016) of M/s. S Kannan and Associates, Company Secretaries, Firm No. S2017KR473100, as Scrutiniser to scrutinise the remote e-voting and e-voting process during the AGM in a fair and transparent manner and he has communicated his eligibility and willingness to be appointed as Scrutiniser and given the consent for the same and will be available for the said purpose.
3. The result of remote e-voting and e-voting shall be declared within 48 (Forty Eight) hours from conclusion of the AGM and subject to receipt of requisite number of votes, the Resolutions proposed in the Notice shall be deemed to be passed on the date of this AGM, that is, Wednesday, September 02, 2020.
4. The Results of voting declared along with Scrutiniser's Report will be published on the website of the Bank at <https://www.ujjivansfb.in> and on Service Provider's website at <https://evoting.karvy.com> within 48 (Forty Eight) hours from the conclusion of the AGM and the same shall also be simultaneously communicated to the BSE Limited and the National Stock Exchange of India Limited.

Information and instructions relating to remote e-voting and e-voting are as under:

- A. The members who have cast their vote(s) by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote(s) again at the Meeting. Once the vote on a resolution is casted by a Member, whether partially or otherwise, the Member shall not be allowed to change it subsequently or cast the vote again.
- B. A member can opt for only single mode of voting per E-Voting Event Number ("EVEN"), i.e., through remote e-voting or e-voting during the Meeting. If a member casts vote(s) by both modes, then voting done through remote e-voting shall prevail and vote(s) casted during the Meeting shall be treated as "INVALID".
- C. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e., Wednesday, August 26, 2020 only shall be entitled to avail the facility of remote e-voting or for e-voting during the AGM. A person who is not a member as on the cut-off date, should treat the Notice for information purpose only.

D. Any person who becomes a member of the Bank after dispatch of the Notice of the Meeting and holding shares as on the cut-off date may obtain the User ID and Password from KFin Tech in the manner as mentioned below:

- i. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
- ii. Member may call on KFin Tech's toll-free numbers 1800-425- 8998 / 1800-345-4001 (from 9:00 a.m. to 6:00 p.m.)
- iii. Member may send an e-mail request to evoting@karvy.com.
- iv. If the member is already registered on KFin Tech's e-voting platform, then he can use his existing password for logging in.

E. The Bank has opted to provide the same electronic voting system during the Meeting, as used during remote e-voting, and the said facility shall be operational till all the resolutions proposed in the Notice are considered and voted upon at the Meeting and may be used for voting only by the members holding shares as on the cut-off date who are attending the Meeting and who have not already casted their vote(s) through remote e-voting.

F. In case a member receives an e-mail from the Bank / KFin Tech [for members whose e-mail addresses are registered with the Depository Participant(s)]:

- (a) Launch internet browser by typing the URL: <https://evoting.karvy.com>
- (b) Enter the login credentials (User ID and password given in the e-mail). The E-Voting Event Number+Folio No. or DP ID Client ID will be your User ID. However, if you are already registered with KFinTech for e-voting, you can use the existing password for logging in. If required, please visit <https://evoting.karvy.com> or contact toll-free numbers 1800- 425-8998 / 1800-345-4001 (from 9:00 a.m. to 6:00 p.m.) for your password.
- (c) After entering these details appropriately, click on "LOGIN".
- (d) You will be navigated to Password Change Menu wherein you are required to mandatorily change your password upon logging in for the first time. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric

(0-9) and a special character (@,#,\$,etc.). The system will prompt you to change your password and update your contact details like mobile number, e-mail address, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

(e) You need to login again with the new credentials.

On successful login, the system will prompt you to select the E-Voting Event Number (EVEN) for Ujjivan Small Finance Bank Limited. SHAREHOLDERS TO SELECT THE RESPECTIVE EVENS AND VOTE DEPENDING UPON THEIR SHAREHOLDING.

(f) On the voting page, enter the number of shares as on the cut-off date under either "FOR" or "AGAINST" or alternatively, you may partially enter any number under "FOR" / "AGAINST", but the total number under "FOR" / "AGAINST" taken together should not exceed your total shareholding as on the cut-off date. You may also choose to "ABSTAIN" and vote will not be counted under either head.

(g) Members holding shares under multiple folios / demat accounts shall choose the voting process separately for each of the folios / demat accounts.

(h) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as "ABSTAINED".

(i) You may then cast your vote by selecting an appropriate option and click on "SUBMIT".

(j) A confirmation box will be displayed. Click "OK" to confirm, else "CANCEL" to modify.

(k) Once you confirm, you will not be allowed to modify your vote.

(l) Corporate / Institutional Members (i.e., other than Individuals, HUFs, NRIs, etc.) are also required to send legible scanned certified true copy (in PDF Format) of the Board Resolution / Power of Attorney / Authority Letter, etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutiniser at e-mail id: cs.skannan@gmail.com/kannans@kannancs.in with a copy marked to evoting@kfintech.com and corporatesecretarial@ujjivan.com. It is also requested to upload the same in the e-voting

module in their login. The naming format of the aforesaid legible scanned document shall be "Corporate Name EVEN NO."

Once the vote on a resolution has been casted by a member, whether partially or otherwise, the member shall not be allowed to change it subsequently or cast the vote again.

In case of any query pertaining to e-voting, members may refer to the "Help" and "FAQs" sections / E-voting user manual available through a dropdown menu in the "Downloads" section of KFin Tech's website for e-voting: <https://evoting.karvy.com> or contact KFin Tech as per the details given below.

Members are requested to note the following contact details for addressing e-voting grievances: Mr. Mohd Mohsin Uddin, Senior Manager, KFin Technologies Private Limited, Karvy Selenium, Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad 500 032, mohsin.mohd@kfintech.com, Phone: +91 040 6716 1562 toll-free number 1800-425-8998 / 1800-345-4001.

INSTRUCTIONS FOR PARTICIPATION THROUGH VC

- A. The Bank is providing VC/OAVM facility to its Members for participating at the AGM. Members will be able to view the live webcast at <https://emeetings.kfintech.com> by using their e-voting login credentials.
- B. Members are requested to follow the procedure given below:
 - i. Launch internet browser (chrome/firefox/safari) by typing the URL: <https://emeetings.kfintech.com>.
 - ii. Enter the login credentials (i.e., User ID and password for e-voting).
 - iii. After logging in, click on "Video Conference" option.
 - iv. Then click on camera icon appearing against AGM event of Ujjivan Small Finance Bank Limited, to attend the Meeting.
- C. Members who do not have User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the procedure given in the E-voting instructions.
- D. Members who would like to express their views or ask questions during the AGM may register themselves by logging on to <https://emeetings.kfintech.com>

kfintech.com and clicking on the 'Speaker Registration' option available on the screen after log in. The Speaker Registration will be open from Friday, August 28, 2020 to Sunday, August 30, 2020. Only those members who are registered will be allowed to express their views or ask questions. The Bank reserves the right to restrict the number of questions and number of speakers, depending upon availability of time as appropriate for smooth conduct of the AGM.

- E. Members will be allowed to attend the AGM through VC/OAVM on first come, first served basis.
- F. Facility to join the meeting shall be opened thirty minutes before the scheduled time of the AGM and shall be kept open throughout the proceedings of the AGM.
- G. Members who need assistance before or during the AGM, can contact KFinTech on <https://emeetings.kfintech.com> or call on toll free numbers 1800-425-8998 / 1800-345-4001. Kindly quote your name, DP ID-Client ID / Folio no. and E-voting Event Number in all your communications.

EXPLANATORY STATEMENT PURSUANT TO SECRETARIAL STANDARD-2 ISSUED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA ('ICSI') AND REGULATION 36 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

ITEM NO. 2

TO REAPPOINT MR. JAYANTA KUMAR BASU (DIN: 01268046), WHO RETIRES BY ROTATION AS DIRECTOR AND, BEING ELIGIBLE, SEEKS REAPPOINTMENT

Background

Mr. Jayanta Kumar Basu is a Director (Non-Executive, Non-Independent) of the Bank and pursuant to the provisions of the Section 152 of the Companies Act, 2013, he is liable to retire by rotation at this Meeting and, being eligible, offers himself for reappointment as Director (Non-Executive, Non-Independent) of the Bank and he shall be liable to retire by rotation.

Eligibility and Disclosures

Mr. Jayanta Kumar Basu is not disqualified from being appointed/reappointed as Director in terms of Section 164 of Companies Act, 2013. Further, he is not debarred from holding the office as a Director by virtue of any SEBI order or any other such authority.

Detailed Profile

Pursuant to Secretarial Standard-2 specified by the ICSI and Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a brief profile of Mr. Jayanta Kumar Basu and other information pertaining to his reappointment are given below:

Name of the Director	Jayanta Kumar Basu
DIN	01268046
Date of Birth and Age	November 09, 1965; 54 Years
Date of First Appointment on the Board	November 14, 2018
Brief Resume, Qualification, Experience and Nature of Expertise in specific functional areas	<p>Jayanta Kumar Basu is a Director (Non-Executive, Non-Independent) of the Bank. He holds a bachelor's degree in arts (economics) from Delhi University and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad.</p> <p>He is currently a Managing Partner at CX Advisors LLP. He was previously a senior vice president at Citibank.</p> <p>He has expertise in Corporate and Investment Banking.</p>
No. of Board Meetings attended during the financial year ended March 31, 2020 as a Director	5
Directorships held in Listed Companies	Ujjivan Financial Services Limited
Listed entities (other than the Bank) in which he holds Committee Membership/Chairmanship	Member of Audit Committee of Ujjivan Financial Services Limited.
Remuneration last drawn during the financial year ended March 31, 2020	Sitting fees of ₹700,000 for attending the Board and Board Committee Meetings held during the financial year 2019-20.
Remuneration sought to be paid	Sitting fees as approved by the Board of Directors the Bank within the limits prescribed under section 197(5) of the Companies Act, 2013
Shareholding in the Bank	Nil
Relationship with other Directors and Key Managerial Personnel of the Bank	Nil

Recommendation and Interest of Directors/KMPs

Except Mr. Jayanta Kumar Basu, none of the Directors or Key Managerial Personnel of the Bank or their relatives are concerned or interested in the proposed resolution.

The Board of Directors of the Bank recommends the passing of the Resolution at Item No. 2 as an Ordinary Resolution.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 READ WITH REGULATION 6 (2) OF SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014

ITEM NO. 4 AND 5

TO RATIFY UJJIVAN SMALL FINANCE BANK - EMPLOYEE STOCK OPTION PLAN 2019' ("ESOP 2019") AND UJJIVAN SMALL FINANCE BANK - EMPLOYEE STOCK PURCHASE SCHEME 2019' ("ESPS 2019")

In terms of Regulation 12(1) of the SEBI (Share Based Employee Benefits) Regulations, 2014, ("SEBI SBEB Regulations") as amended, no company shall make any fresh grant which involves allotment or transfer of shares to its employees under any schemes formulated prior to

its Initial Public Offering ("IPO") and prior to the listing of its equity shares ("Pre-IPO Scheme") unless:

- Such Pre-IPO Scheme is in conformity with the aforesaid Regulations; and
- Such Pre-IPO Scheme is ratified by its shareholders subsequent to the IPO.

Further, as per proviso to Regulation 12(1) of the aforesaid Regulations, the ratification under clause (ii) may be done any time prior to grant of new options or allotment of shares under such Pre-IPO Scheme.

ESOP 2019:

The Members of the Bank had approved the ESOP 2019 in the Extra-ordinary General Meeting held on March 29, 2019. The aggregate number of stock options that can be granted under the ESOP 2019 is 144,000,000 (Fourteen Crores and Forty Lakhs). Each stock option granted under the ESOP 2019 is convertible into one equity share of the Bank.

Prior to listing of the Bank, the Bank has granted 40,799,100 options under ESOP 2019.

ESPS 2019:

The Members of the Bank had approved the ESPS 2019 in the Extra-ordinary General Meeting held on August 03, 2019. As per the ESPS 2019, upto 72,001,840 (Seven Crores Twenty Lakh One Thousand Eight Hundred Forty) equity Shares of face value of ₹10 (Rupees ten) can be issued and allotted.

Prior to listing of the Bank, Bank has allotted 14,055,097 equity shares under ESPS 2019.

It is confirmed that the ESOP 2019 and ESPS 2019 is in conformity with SEBI SBEB Regulations and the Bank has not granted any fresh stock option under its ESOP 2019 or allotted any equity shares under its ESPS 2019 post listing of its equity shares on the stock exchanges.

The Nomination and Remuneration Committee and the Board of Directors of the Bank have approved the ratification and recommended to the Members of the Bank for ratification of the ESOP 2019 and ESPS 2019 pursuant to Regulation 12 of SEBI SBEB Regulations.

- a. The details of ESOP 2019 and ESPS 2019 Schemes as per the SEBI Circular no. CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 is as follows:

S.No	Particulars	ESOP 2019	ESPS 2019
a)	Brief description of the scheme(s)	The objectives of ESOP 2019 are, among others, to attract and retain critical senior talents with Employee Stock Options as a compensation tool. Through ESOP 2019, the Bank intends to offer an opportunity of sharing the value created with those Employees as defined under ESOP 2019 who have contributed or are expected to contribute to the growth and development of the Bank	The objective of the ESPS 2019 is to reward the Employees as defined under ESPS 2019 of the Bank for their association and performance as well as to motivate them to contribute to the growth and profitability of the Bank. The Bank also intends to use this Scheme to retain key talent in the organization. The Bank views ESPS shares as instruments that would enable the Employees to share the value they create for the Bank and align individual objectives of Employees with objectives of the Bank in the years to come
b)	The total number of options, shares or benefits, as the case may be, to be granted	The shareholders had approved a pool of upto 144,000,000 stock options. Out of that: 40,799,100 Options were granted, 3,388,135 Options have lapsed, and 106,589,035 Options are available for future grants	The Shareholders had approved a pool of upto 72,001,840 equity shares to be offered under the ESPS 2019. 14,055,097 Shares were allotted prior to listing of the Bank. 2,477,106 equity shares have been earmarked for subscription under the ESPS monthly scheme subject to fulfilment of the terms and conditions of subscription and 55,469,637 Equity shares are available for future offer
c)	Identification of classes of employees entitled to participate and be beneficiaries in the scheme(s)	(i) a permanent employee of the Bank who has been working in or out of India; or (ii) a Director of the Bank, whether a whole time director or not but excluding an independent director; or (iii) an employee defined in Sub-clauses (i) and (ii) hereof of the Subsidiary, if any, or of a Holding Company of the Bank, but does not includes: (a) an employee, who is a Promoter or belongs to the Promoter Group; or (b) a Director who either himself or through his/her relative or through any body corporate, directly or indirectly, holds more than 10% (ten percent) of the outstanding equity shares of Bank.	(i) a permanent employee of the Bank who has been working in or out of India; or (ii) a Director of the Bank, whether a whole time director or not but excluding an independent director; or (iii) an employee defined in Sub-clauses (i) and (ii) hereof of the Subsidiary, if any, or of a Holding Company of the Bank, but does not includes: (a) an employee, who is a Promoter or belongs to the Promoter Group; or (b) a Director who either himself or through his/her relative or through any body corporate, directly or indirectly, holds more than 10% (ten percent) of the outstanding equity shares of Bank.
d)	Requirements of vesting and period of vesting	Stock options granted under ESOP 2019 shall vest within the minimum period of 1 (One) year and maximum period of 6 (Six) years from the date of Grant of such Options	Not Applicable

S.No	Particulars	ESOP 2019	ESPS 2019
e)	Maximum period (subject to Regulation 18(1) and 24(1) of the SEBI SBEB Regulations, as the case may be) within which the options / benefit shall be vested	The vesting of the grant can extend to Six years from the date of grant of options	Not Applicable
f)	Exercise price, purchase price or pricing formula	The Exercise Price shall be determined by the Nomination and Remuneration Committee subject to it not being lower than face value or higher than fair market value as on date of Grant of Options	The Offer Price per Share shall be such amount as determined by the Nomination and Remuneration Committee at the time of offer, subject to it not being more than the Fair Market Value and less than the face value of a Share of the Bank at the time of the Offer
g)	Exercise period and process of exercise	The Exercise Period in respect of Vested Options shall be 5 (Five) years from the date of Vesting of such Options. The Options shall be deemed to have been exercised when an Option Grantee makes an application in writing to the Bank or by any other means as decided by the Nomination and Remuneration Committee, for the issuance of Shares against the Options vested to him, subject to payment of Exercise Price and compliance of other requisite conditions of Exercise	The Employees to whom Employee Stock Purchase Offers are issued under the Scheme may make an application to the Bank in the prescribed format, along with the required declarations in the prescribed format, and upon payment of the Offer Price in respect of all or a part of the quantity of Shares offered
h)	The appraisal process for determining the eligibility of employees for the scheme(s)	The specific Employees to whom the Options would be granted and their Eligibility Criteria would be determined by the Nomination and Remuneration Committee	The specific Employees to whom the Shares would be allotted and their Eligibility Criteria would be determined by the Nomination and Remuneration Committee
i)	Maximum number of options, shares, as the case may be, to be issued per employee and in aggregate	<p>The Nomination and Remuneration Committee shall determine the quantum of Options to be granted for allotment under the ESOP 2019 per Employee and in aggregate, subject to the ceiling of 144,000,000 Employee Stock Options exercisable into equity shares of the Bank not exceeding 144,000,000 having face value of ₹10/- each fully paid-up.</p> <p>Prior approval of shareholders by way of special resolution in the general meeting shall be obtained in case the Grant of Options to any identified Employee during any one financial year is equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions), of the Bank at the time of grant of Option</p>	<p>The Nomination and Remuneration Committee shall determine the quantum of Shares to be offered for allotment under the Scheme per Employee and in aggregate; not exceeding 72,001,840 Shares.</p> <p>If the number of Shares that may be offered to any specific employee during any one financial year equals to or exceeds 1% or more of the issued capital (excluding warrants & conversion) of the Bank at the time of issue of Shares, then the Bank shall take prior approval from the shareholders of the Bank.</p>
j)	Maximum quantum of benefits to be provided per employee under a scheme(s)	The maximum quantum of benefits that will be provided to every eligible Employee under the Plan will be the difference between the market value of Company's Share on the Stock Exchanges as on the date of exercise of Options and the Exercise Price paid by the Employee.	The maximum number of Shares under ESPS 2019 that may be allotted to any Employee shall not exceed 72,001,840 in number per eligible Employee, subject to appropriate approval from the shareholders of the Bank. Other than equity shares to the employees under the Scheme, no other benefit is proposed to be provided to the Employees.
k)	Whether the scheme(s) is to be implemented and administered directly by the company or through a trust	The ESOP 2019 is directly implemented by the Bank	The Scheme is directly implemented by the Bank

S.No	Particulars	ESOP 2019	ESPS 2019
l)	Whether the scheme(s) involves new issue of shares by the company or secondary acquisition by the trust or both	New issue of shares	New issue of shares
m)	The amount of loan to be provided for implementation of the scheme(s) by the company to the trust, its tenure, utilization, repayment terms, etc.	Not Applicable	Not Applicable
n)	Maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the scheme(s)	Not Applicable	Not Applicable
o)	A statement to the effect that the company shall conform to the accounting policies specified in Regulation 15 of the SEBI SBEB Regulations	It is hereby confirmed that the Bank shall conform to the accounting policies specified in Regulation 15 of SEBI (SBEB) Regulations, 2014	It is hereby confirmed that the Bank shall conform to the accounting policies specified in Regulation 15 of SEBI (SBEB) Regulations, 2014
p)	The method which the company shall use to value its options	Fair Value method	Fair Value method
q)	Lock in period	The Shares issued upon Exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such Exercise	The Shares allotted pursuant to the ESPS 2019 shall not be transferable in any manner for a minimum period of 1 (one) year from the date of allotment thereof, or any other such greater period as may be decided by the Nomination and Remuneration Committee, from time to time, upto a maximum of 3 (three) years
r)	Statement with regard to Disclosure in Director's Report	In case the Bank opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Directors' report and the impact of this difference on profits and on earnings per share ("EPS") of the Bank shall also be disclosed in the Directors' report.	In case the Bank opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Directors' report and the impact of this difference on profits and on earnings per share ("EPS") of the Bank shall also be disclosed in the Directors' report.

The Board recommends the passing of the Resolution at Item No.4 as a Special Resolution.

The Managing Director & CEO, Chief Financial Officer and Company Secretary (Key Managerial Personnel) of the Bank are interested in this resolution to the extent of stock options granted to them under ESOP 2019. None of the other directors and their relatives are concerned or interested in the proposed resolution.

The Board recommends the passing of the Resolution at Item No.5 as a Special Resolution.

The Chief Financial Officer and Company Secretary of the Bank are interested in this resolution to the extent of shares allotted to them under ESPS 2019. None of the Directors except Managing Director and CEO of the Bank or their relatives or concern is interested in the proposed resolution.

ITEM NO. 6

TO APPOINT MR. UMANG BEDI (DIN: 02432920) AS AN INDEPENDENT DIRECTOR OF THE BANK

Background

The Board of Directors had appointed Mr. Umang Bedi, at their meeting held on March 23, 2020, as an Additional Director (Independent) of the Bank w.e.f April 01, 2020 to hold office up to the date of this AGM of the Bank.

Rationale for Appointment

Mr. Umang Bedi is an iconic leader who has co-founded Dailyhunt India's largest local language content & news discovery platform across 14 Indian languages. He has phenomenal technological acumen and foresight. His guidance and direction will be very valuable in achieving Bank's mission of creating a state-of-the-art mass market bank.

Considering his expertise in technology and business in addition to entrepreneurial skills, it would be in the interest of the Bank to have him on the Bank's Board.

Detailed Profile

Pursuant to Secretarial Standard-2 issued by the ICSI and Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a brief profile of Mr. Umang Bedi and other information pertaining to his appointment are given below:

Name of the Director	Umang Bedi
DIN	02432920
Date of Birth and Age	September 09, 1977, 42 Years
Date of First Appointment on the Board	April 01, 2020
Brief Resume, Qualification, Experience and Nature of Expertise in specific functional areas	<p>Umang Bedi holds a bachelor's degree in engineering from University of Pune, Maharashtra and has completed general management program from Harvard Business School, Boston, Massachusetts. He is a Co-Founder of Dailyhunt, India's largest local language content & news discovery platform across 14 Indian languages. He was previously the Managing Director - India and South Asia with Facebook India Online Services Private Limited, ADOBE Systems India Private Limited and Intuit Inc.</p> <p>20+ Years' Experience in Deep technology across the following domains:</p> <ul style="list-style-type: none">- 7 years: Engineer and Architect at Sun Microsystems & Symantec addressing large scale systems in the BFSI and Telco verticals.- 12 years: As the MD & CEO for India and South Asia for the largest Technology MNCs across Facebook, Adobe and Intuit focused on scaling these businesses across millions of customers & small businesses and millions of dollars in revenue.2 Years: As an Entrepreneur at Dailyhunt, India's largest tech startup which is a news and content discovery platform in 14 Indian languages serving customers across Tier 2 / 3 / 4 and rural India.
No. of Board Meetings attended during the financial year ended March 31, 2020 as a Director	None
Directorships held in Listed Companies	None
Listed entities (other than the Bank) in which he holds Committee Membership/Chairmanship	None
Remuneration last drawn during the financial year ended March 31, 2020	None
Remuneration sought to be paid	Sitting fees as approved by the Board of Directors of the Bank within the limits prescribed under section 197(5) of the Companies Act, 2013.
Shareholding in the Bank	Nil
Relationship with other Directors and Key Managerial Personnel of the Bank	None

Eligibility and Disclosures

He meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors), 2014 and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and he is eligible for appointment as an Independent Director of the Bank.

He is not disqualified from being appointed as an Independent Director in terms of Section 164 of the Companies Act, 2013 and other applicable laws. Further, he is not debarred from holding the office of director by virtue of any SEBI order or of any other such authority.

The Bank has received all the necessary disclosures in terms of the Companies Act, 2013 and rules made thereunder, RBI guidelines, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Code of Conducts of the Bank and also his consent to act as Director.

Recommendation and Interest of Directors/KMPs

The Nomination and Remuneration Committee and the Board of Directors had reviewed the profile of Mr. Umang Bedi and found him 'fit and proper' in terms of RBI's Circular on 'Fit and proper' criteria for directors of banks and recommend to the Members for his appointment as an Independent Director of the Bank.

The Board of Directors recommends the passing of the Resolution at Item No.6 as an Ordinary Resolution.

Except Mr. Umang Bedi, none of the Directors or Key Managerial Personnel of the Bank or their relatives or concern is interested in the proposed resolution.

ITEM NO. 7

TO SHIFT/CHANGE OF PLACE/LOCATION OF THE REGISTERED OFFICE OF THE BANK FROM NEW DELHI, THE NATIONAL CAPITAL TERRITORY OF DELHI TO BENGALURU IN THE STATE OF KARNATAKA AND CONSEQUENT ALTERATION OF MEMORANDUM OF ASSOCIATION OF THE BANK

Bank was incorporated on July 04, 2016 at New Delhi under the jurisdiction of Registrar of Companies, NCT of Delhi and Haryana. Since incorporation, the Bank's Registered Office is situated in New Delhi, NCT of Delhi and is located at **Plot No. 2364/8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi-110 008, Delhi, India.**

However, the Corporate/Head Office is situated in Bengaluru, Karnataka and is located at **Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru-560 095, Karnataka, India.**

Having Registered Office and Head Office/Corporate Office in different States invites various operational and administrative difficulties in the working of the Bank. Further, restricted travel due to the Covid-19 pandemic is also increasing the operational difficulties as the entire leadership team of the Bank is operating from Bengaluru.

To exercise better administrative and economic control and enable the Bank to rationalise and streamline its operations as well as the management of affairs, the Board of Directors of the Bank in its meeting held on July 31, 2020 has accorded their approval for shifting/change of place/location of the Registered Office of the Bank from:

New Delhi (Plot No. 2364/8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi-110 008, Delhi, India); to

Bengaluru, Karnataka (Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru-560 095, Karnataka, India)

The shifting/change of place/location of the Registered Office of the Bank will also lead to a consequent alteration of clause II Memorandum of Association as below.

II. The Registered Office of the Company will be situated in the State of Karnataka and within the jurisdiction of the Registrar of Companies, Bangalore, Karnataka.

Bank has received No-objection from Reserve Bank of India for the shifting/change of place/location of the Registered Office of the Bank and the consequent change in clause II of Memorandum of Association.

Pursuant to the provisions of Section 12, 13 and all other applicable provisions, if any, of the Companies Act, 2013 read with applicable Rules and Regulations made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), shifting/change of place/location of the Registered Office from one State to another and consequent alteration of Clause II of the Memorandum of Association of the Bank requires the approval of the members of the Bank by means of a Special Resolution and approval of the Central Government (power delegated to Regional Director).

The proposed shifting/change of place/location of the Registered Office from New Delhi to Bengaluru would neither impact Bank's operations nor shall cause any hardship to Bank's customers, creditors, employees and other stakeholders, as the entire management of Bank's activity is carried out at the Corporate/Head Office in Bengaluru.

The Board recommends the resolution under Item No. 7 for approval of the members as a Special Resolution.

None of the Promoter, Directors, Key Managerial Personnel and their relatives are concerned or interested, financial or otherwise, in the Resolution at Item No. 7 of the Notice.

By Order of the Board of Directors

For UJJIVAN SMALL FINANCE BANK LIMITED

Sd/-
Chanchal Kumar
Company Secretary and Compliance Officer

Place: Bengaluru
Date: July 31, 2020

Notes

[illegible]

Notes

[illegible]



Ujjivan Small Finance Bank Limited

Registered Office

Plot No. 2364/ 8,
Khampur Raya Village,
Shadi Kampur, Main Patel Road,
New Delhi 110 008,
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