

VICTORY AGAINST ALL ODDS

ANNUAL REPORT 2017-2018



ANNUAL REPORT

2017 - 2018 /



Nothing epitomizes grit and determination quite like the lotus.

And at Ujjivan, we constantly strive to embody the spirit of this beautiful, yet courageous flower.

Be it in the way we function or how we help our customers.

The last financial year was a challenging one, especially for those of us in the financial sector.

But the instinct of the lotus inspired us to rise above our circumstances and blossom in the unpredictable financial landscape that prevailed.

And like the lotus we intend to brave all odds to emerge victorious time after time.





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MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

Financial Year 2017-18 has been the first full year of operations of our wholly owned subsidiary - Ujjivan Small Finance Bank (SFB). Transformational journey to a Small Finance Bank threw up multifaceted challenges. The Bank had to convert the existing NBFC outlets, numbering over 450 into full-fledged bank branches under a phased programme and deploy modernized IT infrastructure. Traditional brick and mortar branches apart, access to alternative banking channels like ATMs, phone and mobile technology aided services had to be provided to customers. New employees had to be inducted and were to be intensively trained to build competencies in banking operations. Full-fledged Treasury and Risk and Compliance units had to be set up. MSE and Housing verticals had to be strengthened to provide the much needed business thrust. Deposit business had to be built from scratch and funding cost had to be reduced. The Bank leadership team and the rank and file rose up to the manifold challenges admirably and had rolled out 187 branches, with plan to take the number to 475 by the end of the year. Deposit build up happened quickly, with a base of over Rs 3000 crore, albeit wholesale, and funding cost dropped by 140 bps – from 10.4% to 9%. Micro and Small Enterprises business and Housing saw a growth momentum at 7.2% of the overall portfolio by year end as against 2.4% in the previous year.

The adverse impact of demonetisation however lingered through most part of the last financial year. We witnessed considerable damage to the credit discipline and repayment behaviour of borrowers. The defaults were pronounced in certain geographies. Defying our expectations, a significant portion of the impaired assets turned hard core NPAs. We maintained a conservative stance and took a hit of Rs.177 crore by way of loan write off during FY 2017-18 and contained total credit costs at Rs 311 crore, constituting 4% of the portfolio. The Bank strengthened its recovery organization by setting up specialised collection team for recovery from hard core NPAs and concurrently revisited its growth strategies in the affected markets. It is gratifying that the rank and file, particularly of the microfinance business, through strong grit and determination put the business back on track; monthly repayment has since improved from 89.5% to 97.3%. The bank was able to close the year in black. The net non-performing assets stood at 0.7% as of March 2018.

Mr Samit Ghosh, Managing Director of the Bank, has lucidly articulated in his letter to you the challenges faced during the financial year and how they were met. He has also detailed the strategic initiatives taken and proposed to put the bank back on a sustainable growth phase.

Moving forward, the bank plans to leverage fully on the branch network and the robust technology infrastructure it has set up and build the growth momentum in all its businesses segments. Selective build-up of Microfinance business in chosen geographies, while maintaining steady growth overall, non-linear growth in MSE and Housing vertical, foray into rural banking, introduction of new loan products, opening up new business lines such as personal lending, two wheeler financing and institutional lending, ramp up of deposit mobilisation with focus on retail, are some of the key strategic priorities planned.

Ujjivan Financial Services Limited, the HOLCO, at the consolidated level posted a total income of Rs.1582 crores- an increase of 13.2% over the previous year and a net profit after tax of Rs 7.3 crore. The Board has recommended a dividend of 5%, subject to the approval of shareholders.

Post formation and business transfer to Ujjivan Small Finance Bank, your company had applied to the Reserve Bank of India for registering the Company "Ujjivan Financial Services Limited" (HOLCO) as an NBFC-Core Investment Company. The RBI vide its letter dated October 10, 2017 has approved the conversion of the Company into a *Systemically Important Core Investment – Non-Deposit taking – Non-Banking Financial Company* i.e. from NBFC-ND-SI-MFI to NBFC-ND-SI-CIC - and has issued a new Certificate of Registration dated October 10, 2017. In compliance with the RBI direction, the Company has surrendered the NBFC-ND-SI- MFI Certificate. As a holding Company, we exercise oversight on the overall functioning of the SFB and provide it funding support when needed, subject to the regulatory framework.

Before closing, I regret to mention that Ms. Sudha Suresh, the Managing Director & CEO of the Company has resigned for personal reasons, to take effect from 30th June 2018. She has been associated with the company for nearly a decade and her contribution to the company was significant, particularly in successful listing of the Company on the stock exchanges and transitioning the company to a Bank. The Board accepted her resignation with regret and placed on record its appreciation of her valuable contribution.

The Board has proposed to appoint Mr Ittira Davis as the Managing Director and CEO effective July 1 2018 subject to RBI approval. Mr. Ittira Davis is currently the Chief Operating Officer of the Bank. He is a career banker with over 36 years of corporate and investment banking experience. He has previously worked with Citi Bank in India and the Arab Bank Group in the Middle East and Europe. I seek earnestly your support to him.

We thank you for your excellent understanding and support and look forward to the same in greater measure in the years ahead.

With Best Wishes,



K.R. Ramamoorthy



LETTER FROM MANAGING DIRECTOR

We are happy to share the highlights of FY 2017-18 - A year proving our strong resilience and successful navigation through one of the most challenging years for Ujjivan.

This was our first full year of banking operations and we started the fiscal year 2017-18 working parallelly on many key challenges and new initiatives. Highlights of these are as follows:

The foremost challenge was combating the significant impact that demonetisation had left on our business growth and portfolio quality in the previous year. We assessed the situation across various states and adopted a three pronged approach – managing branch by branch business based on PAR, GNPA and business feedback across affected branches, getting business back on track in branches not affected or very marginally impacted, and building a collection team to exclusively follow up on PAR >90 days. The microfinance team spent significant time and efforts in collections and facilitating business to be back on track and growth across most branches.

The second aspect was implementation of branch conversions to full-fledged banking outlets in a phased manner. Across the challenges of selection and setting up of the right infrastructure, technology with core banking systems, setting up banking operations with new team members and marketing our brand, great teamwork across functions has facilitated in successful roll out of 187 full service banking outlets spread across 20 states including 47 banking outlets as URCs. We are expanding our product portfolio to suit the banking needs of retail customers, supported by unique marketing initiatives. The extensive advertising campaign of the bank across mass media will increase awareness and enhance brand visibility among potential customers, thereby expanding the outreach nationally.

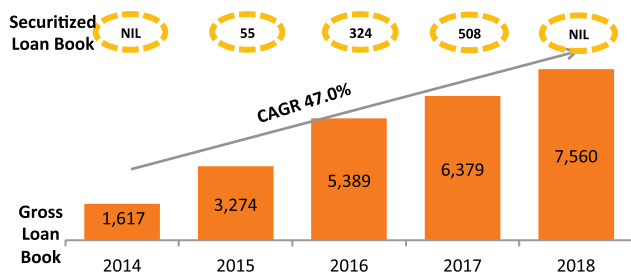
The third aspect is establishing a strong foundation of cutting edge technology and leveraging for maximising productivity and outreach. During the year we have implemented channels like new banking outlets, handheld devices for paperless and doorstep banking, ATM's with biometric facility, phone banking, mobile and internet banking with strong support from our Technology team. We undertook host of IT initiatives in FY 17 for setting up a full range of IT infrastructure and software including Finnacle, Oracle Financials, I exceed, Mobile Banking App, CRM, SAS & AML for Risk & Compliance which were operative this year with seamless integration across multiple channels and systems. At the same time, we ensured Cyber Security controls as a critical focus and the Bank was awarded the best Small Bank in IT Risk and Cyber Security by the Indian Banks' Association (IBA) in February 2018.

Finally the key enabler for all this has been our "Employees First" motto with continued focus in building great teams with domain knowledge and expertise and continuous trainings for building competencies required for banking operations. The year saw our staff strength move to 11000+ with more than 3500 recruited across functions and verticals including branch banking, sales, operations, treasury, risk, legal, credit & collections. General banking, functional specific trainings have been conducted across banking outlets and form the core of enhancing skill sets and motivating our teams to put in their best. **Ranked 10th in Asia's Best Large Workplaces and ranked 13th in 'India's Best Companies to Work For'**. Ujjivan Small Finance Bank, also received the recognition for **'Being the Best in the Industry - Small Finance Bank'**.

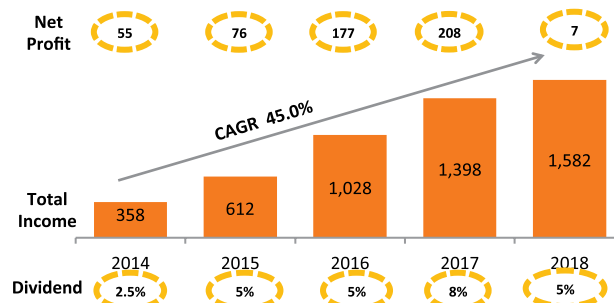
As we walked the transition path, our business growth was maintained parallelly. We closed this financial year with a gross loan book of Rs 7,560 crores marking 18.5 % growth over the previous year. We focussed on

FINANCIAL HIGHLIGHTS

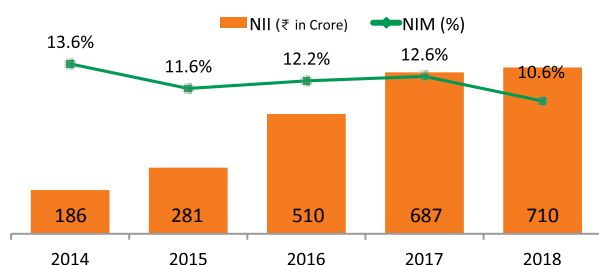
Gross Loan Book & Securitized Loan Book (₹ in Crore)



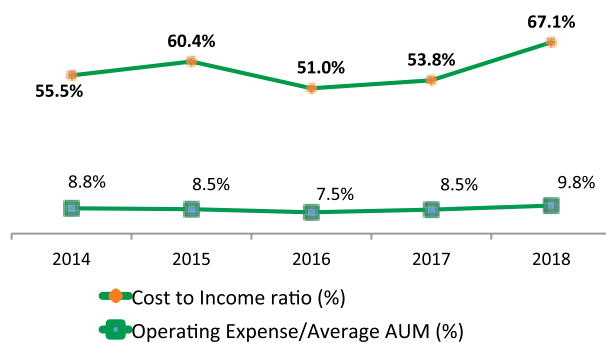
Total Income & Net Profit (₹ in Crore)



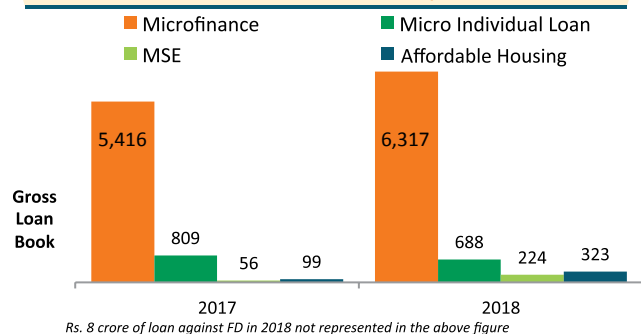
NII (₹ in Crore) & NIM



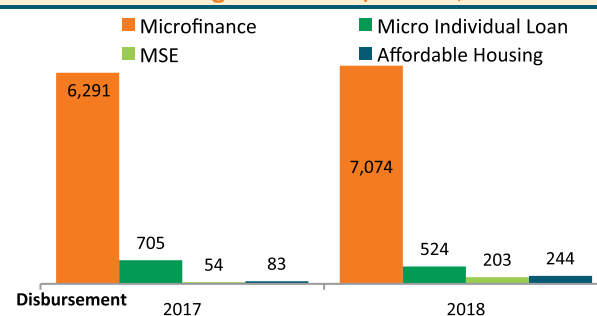
Operating Efficiency



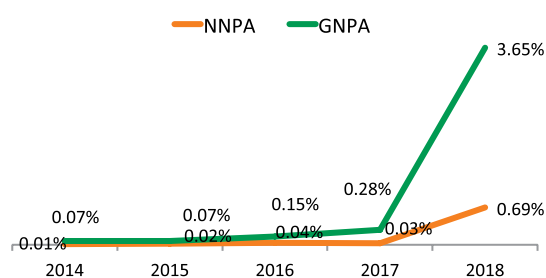
Gross Loan Book – Product Wise (₹ in Crore)



Disbursement – Segment Wise (₹ in Crore)

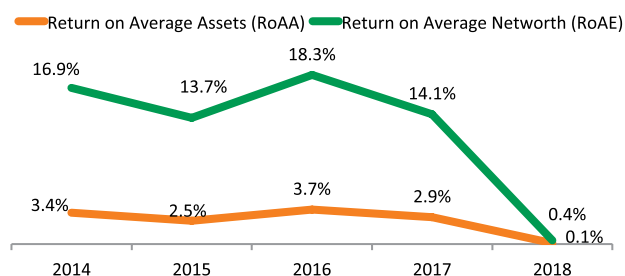


GNPA & NNPA *

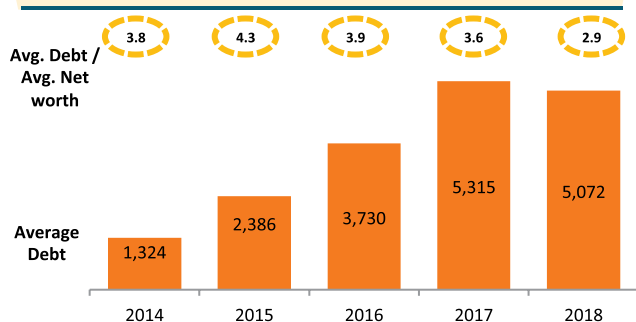


*GNPA for 2017 without RBI dispensation is 3.69%

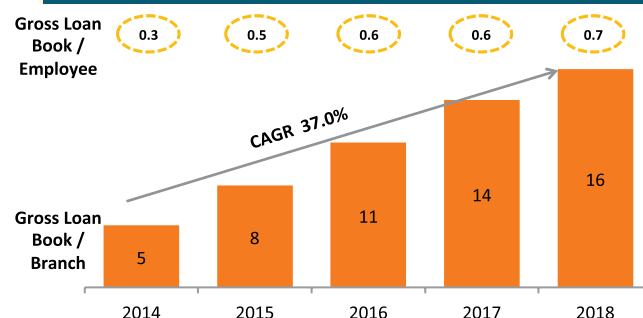
RoAA & RoAE



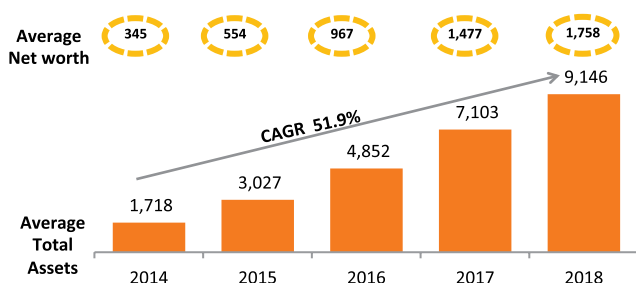
Average Debt (₹ in Crore)



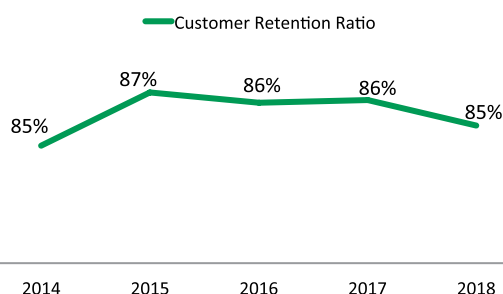
Gross Loan per Branch & Gross Loan per Employee (₹ in Crore)



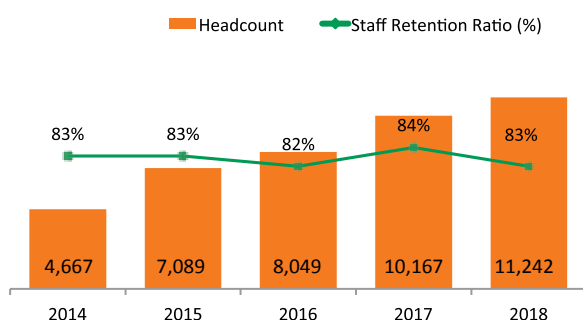
Average Total Assets and Net worth (₹ in Crore)



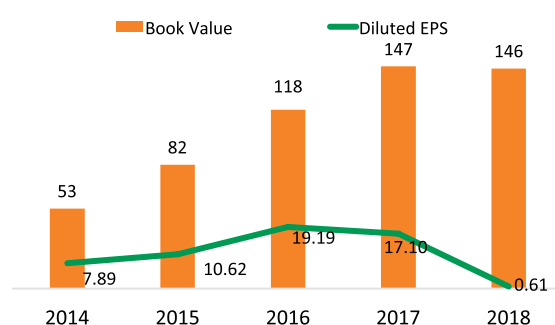
Customer Retention Ratio



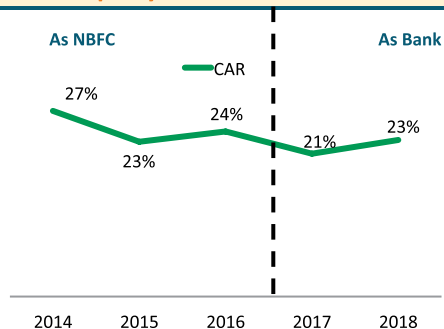
Head Count & Staff Retention Ratio



Book Value per share and Diluted EPS (in ₹)



Capital Adequacy Ratio *



- * CAR computation for FY 2017 aligned to computation as per RBI directive dated 8 November
- * 2017 providing exemption of capital charge on market and operational risk weighted assets

BOARD OF DIRECTORS



K.R. Ramamoorthy

K.R. Ramamoorthy is the Non-executive Chairman and Independent Director of our Company. He holds a bachelor's degree in arts from Delhi University and bachelor's degree in law from Madras University. He is also a fellow member of the Institute of Company Secretaries of India. He is the former Chairman and Managing director, Corporation Bank and former Chairman & Chief Executive Officer, ING Vysya Bank. He has served as an advisor to CRISIL and as consultant to The World Bank. He serves as an independent director on the boards of Subros Limited, Nilkamal Limited and Amrit Corp. Limited.



Abhijit Sen

Abhijit Sen is a Non-Executive, Independent Director of our Company. He retired from Citibank N.A. India after serving for over 18 years, last position being Managing Director - Chief Financial Officer. He was also a director of Citicorp Services India Limited and other locally incorporated Citi entities. He currently serves on several boards including IDFC Bank, Trent Limited and Indiafirst Life Insurance Company Limited. In the past, he has served on the board of NSDL e-governance Infrastructure Limited. He holds a bachelors honors degree in engineering from Indian Institute of Technology, Kharagpur and a post-graduate diploma in business management from Indian Institute of Management, Calcutta.



Vandana Viswanathan

Vandana Viswanathan is a Non-Executive, Independent Director of our Company. She is the co-founder of Cocoon Consulting, a management and human relationship consulting firm. She holds a master's degree in Personnel Management and Industrial Relations from the Tata Institute of Social Sciences and a bachelor's degree in science from Bangalore University. She is also a Non-Executive Director in Ujjivan Small Finance Bank Limited.



Sudha Suresh

Sudha Suresh is the Managing Director and Chief Executive Officer of our Company. She is a Chartered Accountant with a rich corporate career spanning over two decades. She received the 'CFO 100 - Recognition of Excellence' award in 2013. She is also a qualified Cost Accountant and Company Secretary. During her association with Ujjivan, she has been responsible for areas of Strategic Business Planning and Budgetary Controls, Equity Capital and Debt Syndication, Treasury Management, Accounts and Taxation as well as management of Board and regulatory compliances. She successfully spearheaded Ujjivan's IPO to list the company's shares on BSE and NSE and played a momentous role in the restructuring of the Company and formation of the Small Finance Bank.



Jayanta Basu

Jayanta Basu is a Non-Executive Director of our Company. He holds a post graduate diploma in management from the Indian Institute of Management, Ahmedabad and a bachelor's degree in economics from University of Delhi. He has over 20 years of experience in the fields of investments. He is currently the Managing Partner at CX Advisors LLP. He has previously worked with Citibank India. He serves as a director in many other companies including Security and Intelligence Services (India) Limited, Matrix Cellular (International) Services Limited and CX Advisors Private Limited.



Amit Gupta

Amit Gupta is a Non-Executive Director of our Company. He is one of the founding partners and chief operating officer of NewQuest Capital Advisors (HK) Limited. He oversees India and south east Asia business for NewQuest Capital Advisors (HK) Limited. He represents NewQuest Capital Advisors (HK) Limited on board of Halonix Technologies Private Limited. He holds an undergraduate degree in electrical engineering from Kurukshetra University and a post graduate diploma in management from Indian Institute of Management, Bangalore, where he was placed in Director's Merit List for his performance.

MANAGEMENT TEAM



Sudha Suresh
Managing Director & Chief Executive Officer

Sudha Suresh is a Chartered Accountant with a rich corporate career spanning over two decades. She received the 'CFO 100 - Recognition of Excellence' award in 2013. She is also a qualified Cost Accountant and Company Secretary. During her association with Ujjivan, she has been responsible for areas of Strategic Business Planning and Budgetary Controls, Equity Capital and Debt Syndication, Treasury Management, Accounts and Taxation as well as management of Board and regulatory compliances. She successfully spearheaded Ujjivan's IPO to list the company's shares on BSE and NSE and played a key role in the restructuring of the company and formation of the Small Finance Bank.



Sanjeev Barnwal
Company Secretary and Compliance Officer

Sanjeev Barnwal is a qualified Company Secretary from the Institute of Company Secretaries of India and holds a Bachelor's degree in Law and a Diploma in Business Management. He also received NSE's Certification in Financial Markets (NCFM) for Compliance Officer (Corporate) Module. He has a corporate experience of over 14 years and prior to joining Ujjivan, he worked with SMC Capitals Limited as Associate Vice President and Company Secretary. He played a significant role in the IPO and listing of the Company and subsequently in the restructuring, incorporation and formation of the Small Finance Bank. He has also worked with companies like CMC Limited and SBEC Sugar Limited previously.



Deepak Khetan
Chief Financial Officer

Deepak Khetan has about 11 years of work experience across investment banking, equity research and investor relations. He has rich experience of working across diverse sectors including transportation, infrastructure, pharmaceutical and metals. Prior to joining the Company, Deepak was leading Investor Relations function at Welspun Corp Limited. He has also worked at JPMorgan, ICICI Securities and Axis Capital. Deepak has done MBA (Finance) from IMT Ghaziabad and MS (Finance) from ICFAI University, Hyderabad.



Members of the Board felicitating Ms. Sudha Suresh for her valuable contribution to the company

CSR PROGRAMS FY 2017-18

The Corporate Social Responsibility (CSR) programs were started by the Company in the year 2010 much before it was made mandatory under the Companies Act, 2013.

During the year, the Company has partnered with Parinaam Foundation and Piramal Foundation to undertake various community development programs, free healthcare and clean drinking water facility for and on behalf of the Company across various districts and states. Also there are ongoing Academic Adoption programs under the Educational Programs conducted by Parinaam foundation. Detailed Highlights of these are shared as under:

(A) PARINAAM FOUNDATION

INTRODUCTION:

On March 31, 2018, Parinaam completed 10 years of its operations. When Elaine Ghosh first conceived the idea of Parinaam, it was to provide social services for the customers of Ujjivan Financial Services, many of whom were in need of health care and educational facilities.

PROJECT CATEGORIES:

Project Categories	North	East	West	South	Total
Education	16	10	11	5	42
Community Infrastructure Development	3	6	5	13	27
Social Awareness Campaigns	2	0	0	0	2
Parks- Green Areas & Community Spaces	2	1	1	2	6
Health Centre/ Hospital Renovation	3	0	1	2	6
Garbage Management	0	0	1	0	1
Total	26	17	19	22	84

KEY HIGHLIGHTS

PROJECT BRANDING

The brand name for Community Connect Programme 'Ujjivan Chote Kadam' was created to give a unique identity to the project. The brand name signifies the small steps that we are taking through our projects to create a long lasting impact on the communities we are working with.



VOLUNTEER PROGRAM

Chote Kadam volunteers have been guiding and assisting in implementing different projects across the country. This year, the volunteers are also engaging the community members to raise awareness about the project and build ownership of the project

Since then, Parinaam and Ujjivan has come together as strategic partners with a fundamental belief that financial support alone cannot help the poor and that poverty manifests itself in various forms.

CHOTE KADAM – COMING TOGETHER FOR GOOD

Ujjivan has always adopted a unique Corporate Social Responsibility (CSR) approach that focuses on the needs of the community. Since 2010, the Community Development Program of Ujjivan has reached out to more than 12 lakh beneficiaries through 1934 community based interventions across the country

This year, Parinaam has the privilege of working with Ujjivan on their Community Development Programme – **Chote Kadam – Coming Together for Good.** Through this initiative, Parinaam is undertaking 84 projects in the areas of community infrastructure development, healthcare, environment conservation and education across 17 states in India. Ujjivan and Parinaam staff has come together with the community for the upliftment of the unserved and underserved.

EDUCATIVE MESSAGES

Parinaam and Ujjivan has worked towards creating beautiful and meaningful messages for the different project themes. These educative messages have been put up at all project locations and through these messages, we hope that the community members would identify and build ownership with the projects. Some of these messages include importance of education, keeping your environment green, conserving water, importance of vaccination for children etc.



UNIQUE PARTNERSHIPS

Parinaam is partnering with the finest minds, Bhumiputra Architecture, a renowned architecture firm based out of Bangalore. Bhumiputra has agreed to participate in the program pro bono through their connection with Parinaam. The firm has been instrumental in the success of multiple projects across the country. Their innovative designs have been appreciated by the communities at large. The team at Bhumiputra have created designs that include local material to create distinct and aesthetic structures that can be used more efficiently.



PARINAAM'S EDUCATION PROGRAMMES

Despite lacking the means to consistently eat full meals, consume clean drinking water or use a toilet, India's poor prioritize their children's education. They perceive education as both the means and the ends to building a better life. Access to good quality education however, comes at a price, and many a time, this is the reason that students from economically backward families discontinue their education and start working. This is a dangerous cycle as without education, these children have no chance of a good career or income and the cycle of poverty continues with families continuing to remain economically backward.

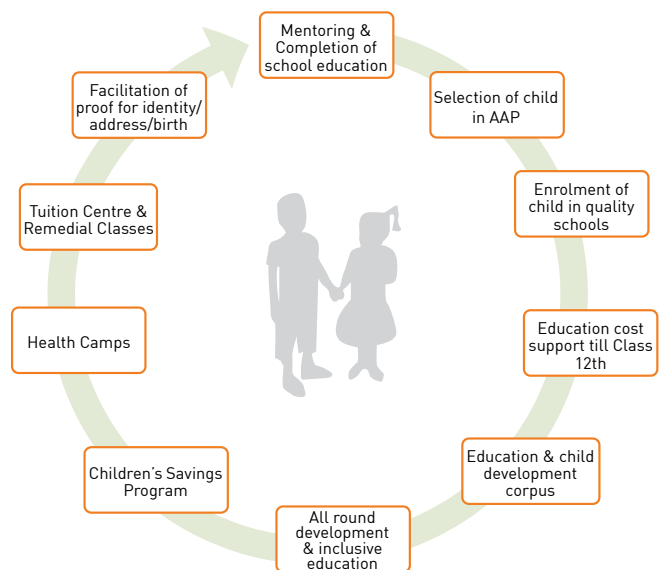


Parinaam attempts to address this issue with a two-pronged approach:

ACADEMIC ADOPTION PROGRAMME

Parinaam's Academic Adoption Program was established in 2011 to address the unmet education needs of the children who live in the city's slums. The programme provides long term mentoring and financial support to under-privileged children until they eventually finish school. The target segment are children from poor, disadvantaged backgrounds who might, at best, have completed a few years of education in the local medium before dropping out of the education system completely. The Programme works by nurturing children throughout their education thus reducing drop-outs. The children are sent to mainstream schools, which makes sure that they are ready for any career they may find themselves suitable after they complete school. Presently, Parinaam educates 499 children, from 14 slum communities, in 51 schools and colleges spread across Bangalore. Some of the schools that we have partnered with include Indus International Community School, Chrystel House, The Whitefield Public School, Narayana e-techno school, Chaithanya Techno School, Kendriya Vidyalaya etc.

THE KEY ACTIVITIES UNDERTAKEN AS PART OF THIS PROGRAM ARE AS FOLLOWS:



ACHIEVEMENTS OF ACADEMIC ADOPTION PROGRAMME IN 2017-2018:

- The average attendance rate of the children is 93% from the year
- 124 children are being supported with Transport arrangements for going to school
- 75% of the Academic Adoption Program parents have undergone financial literacy training
- 95% of the children now have Aadhaar Card
- 203 children have undergone a Multi-discipline Annual Health Check.
- 88 children whose families did not have access to electricity were provided with solar lamps through our Diwali celebration
- School kits including a school bag, lunch box, water bottle, pencil box, dictionary, crayons, umbrella etc. were distributed to all 499 children

UJJIVAN SUPPORT

Twenty four of the children from the Academic Adoption Programme are sponsored by Ujjivan through their complete educational journey.

Ujjivan also helps in funding the transport for the children to go to school. This is very important as sometimes, the lack of ability to afford transport can make a child discontinue school.

HIGHER EDUCATION SCHOLARSHIP PROGRAMME

While the Academic Adoption Programme helps the children finish school, it is only the first milestone. For good career prospects and to break the cycle of poverty, higher education becomes inevitable. However, quality higher education in India is very expensive which leads to many children to drop out after school. The ones who do pursue higher education often take high interest loans from friends, extended families or money lenders to pay the fees and get caught in the cycle of debt.



Parinaam's Higher Education Scholarship Programme (HESP) attempts provide the deserving poor access to quality higher education, and to allow the economically backward to manage their debt and save regularly for the education of their children. HESP is an annual scholarship Programme to deserving and eligible students pursuing higher education in families thus helping the broad their academic horizons by making them able to continue their education and thus increasing their professional prospects. The families are also benefitted as they are able to lower their financial burden, receive the guidance necessary to manage and expand their savings. More than 800 children have been supported through this programme.

ACHIEVEMENTS OF HIGHER EDUCATION SCHOLARSHIP PROGRAMME IN 2017-2018:

- One-time scholarships provided to 219 applicants across 14 states in India
- 24 scholarships awarded to children of Swasti Health Catalyst beneficiaries
- 6 older children from Academic Adoption Program moved to Higher Education Scholarship Program for life-skill development
- Partnership with Quest Alliance for life-skill development training

Through this programme, we not only provide students with academic scholarships but we also help their families through other need-based interventions. Last year, we provided a solar lamp to an applicant's family who did not have electricity at home. We also helped another applicant's mother, who was suffering from vision problems. We took her to a well-established eye hospital in Salem and got her a pair of spectacles as recommended.

UJJIVAN SUPPORT

Through the year, Parinaam disbursed 219 scholarships to applicants pursuing various academic courses from 14 states in India. A majority of the students who received scholarships were pursuing their bachelor's degree in engineering, followed by medicine and commerce related courses. Most children are first generational learners; their parents have little or no formal education and are mainly engaged in labour work in the unorganized sector. Typically, the average household income of these families ranges from Rs.8,000 – Rs. 15,000. Of the 219 scholarships, 141 scholarships were supported by Ujjivan through its education initiatives.

(B) PIRAMAL FOUNDATION

Piramal Foundation is a philanthropic arm of Piramal Group. The foundation undertakes projects under the four broad areas – healthcare, education, livelihood creation and youth empowerment. These projects are rolled out in partnership with various communities, corporate citizens, NGO's and government bodies.

The Company after deliberate discussion engaged in a partnership with Piramal Foundation to execute the following two CSR projects for and on behalf of the Company:

1. PIRAMAL SWASTHYA

In this project Piramal Foundation provides medical awareness and medical facility especially in rural areas and their focus is on providing primary healthcare facilities to rural people. They provide mobile health services based on fixed day where Medical Vans with doctors & teams visit villages/ areas at regular intervals, conduct diagnostic and lab testing and test reports & give treatment in real time.



The approach to design the proposal is to provide primary healthcare service at door step of beneficiaries through Mobile Medical Unit (MMU) at select Villages / Towns in identified locations. The MMU will be staffed with a medical team consisting of a Doctor & paramedic staff and equipped with basic diagnostics, medication and android tablets. Each of the targeted villages / towns would be served once in a fortnight each service session would last for 6 hours covering the entire population of village. The objective of the Program is to create a technology enabled health service that provides comprehensive health services for the identification, screening, diagnosis, referrals, monitoring and treatment of select communicable & non-communicable diseases and minor illnesses, thus managing the morbidity & mortality.

Aligned to Ujjivan strategy for reaching out for health services in areas of stress, Ujjivan has identified various places across two states of Maharashtra (Mumbai, Nashik and Pune) and Karnataka (Bangalore) for the proposed mobile medical unit (MMU) to be operated by Piramal Swasthya Management and Research Institute.

The Company has executed an MOU with Piramal Swasthya to operate 5 MMUs across the above cities and had committed an amount of Rs. 5.66 Crores plus taxes for three years. As on March 31, 2018, the Company has granted Rs. 18.81 lacs for this project.



2. PIRAMAL SARVAJAL

Piramal Sarvajal is a social initiative of the Piramal Foundation – was established in 2008. Sarvajal has established real-time online monitoring of the drinking water infrastructure which enables viability of distributed remote operations, quality control and streamlined maintenance services. Sarvajal leases its water purification technology/equipment (kind of Water ATM) to a local entrepreneur who becomes the franchise owner. They pay fee that represents a proportion of the cost of the filtration unit, they also provide training, marketing material, sustained services & maintenance for each franchisee. Owners takes up responsibility for distribution ATM cards to customers also they give rechargeable facilities to customers, they provide clean water to the underserved consumer at an affordable price of 1 Rs./litre, they are working on 3 points approach affordability, accessibility & purity.

The Company has executed an MOU with Piramal Sarvajal to install and operate 16 PD Units (as clusters) in the city of Rewari, Rohtak, Alwar, Jodhpur and Pali; this will serve approximately 5,85,000 litres of clean drinking water per annum. The total beneficiaries (household) would be around 1,46,000 per annum with an average consumption of 4 litres per household.

During the year, the Company has executed an MOU with Piramal Sarvajal and has committed Rs. 1.45 Crores for a period of two years and has granted Rs. 30 lacs to Piramal Sarvajal this year for undertaking the project and that the feasibility study for identifying the potential areas for installing the PD units is in advanced stage.



(a) Other CSR Work

(i) Disaster relief Program in states of Assam, Bihar and West Bengal

The Company undertaken relief work in certain areas/ districts of Assam, Bihar and West Bengal so as to provide some basic support in terms of provisions and sanitization with the active support of group staff and community members. The CSR Committee and the Board has granted upto Rs. 1 Crore for carrying out the relief work; however Rs. 15.51 lacs were actually spent as the adverse effect was subsidized.

(i) NGO Funding

The Company granted Rs. 7.75 lacs to Kolkata based NGO- Voice of World. Voice of World is a Kolkata based NGO helping the Blind and Deaf Schools, Schools for Handicapped etc. This organization is working mainly with orphan kids who are visually challenged (visually or physically challenged left by their parents usually) They have school, healthcare and other facilities for such kids. The Company funded the NGO to purchase one Maruti Omni Ambulance and one 20 KVA Silent DG Set for our Saltighat Centre.

Since the Company spent considerable time in identifying the right CSR partners, the budgeted CSR expenditure has been partially expended. The Company is committed and all efforts will be made to cover the shortfall in the CSR spends of the last financial years in the coming years.



STATUTORY REPORTS AND FINANCIALS



MANAGEMENT DISCUSSION AND ANALYSIS FY 2017-18:

Please read this Management Discussion & Analysis in conjunction with Management Discussion & Analysis of Ujjivan Small Finance Bank provided on page 210 of this annual report.

FY 2017-18 has been a fruitful year for Ujjivan, proving its resilience despite all challenges to overcome the huge impact of demonetization and at the same time systematically undertake the transformation to a Small Finance Bank. Despite the unforeseen huge credit cost & the incremental operating cost of transformation, the year ended on a profitable note.

Key highlights of consolidated financials are presented as below:

Consolidated Financials

Particulars (Rs. In crores)	FY 2017-18	FY 2016-17	YOY (%)
Total Income	1,581.7	1,397.6	13.2%
Credit Cost	310.8	75.1	313.8%
Finance Cost	604.9	542.7	11.5%
Operating Expense	656.8	471.7	39.3%
PAT	7.3	207.7	-96.5%
Operating Expense Ratio	9.8%	8.5%	1.3%
Cost to Income Ratio	67.1%	53.8%	13.3%
NII	709.5	687.4	3.2%
Net Interest Margin (%)	10.6%	12.6%	-2.0%
Total Assets	9,813.9	8,478.6	15.7%
Total Debt	3,852.8	6,291.4	-38.8%
Net worth	1,761.3	1,755.3	0.3%

KEY HIGHLIGHTS OF THE BANK'S BUSINESS AND FUNCTIONS:

Business growth: Disbursement for the fiscal year 2017-18 was at Rs. 8,052 crores with an increase of 12.9% over the previous year. So, the Gross Loan Book now stands at Rs. 7,560 crore; a growth of 18.5% over March'17. Despite being selective in new customer acquisition post demonetization, we have added 7.6 lakh new borrowers in this fiscal year. Thus, closing at 37.1 lakh borrowers as on 31st Mar 2018 vs. 35.7 lakh borrowers as of 31st Mar'17.

Segment-wise performance: Microfinance vertical's disbursement grew by 8.6% to Rs. 7,598 crores despite our efforts on curtailing credit cost and collections. Our focus, during the year, was on service quality, reducing TAT, cashless disbursements etc. Our Affordable Housing vertical disbursed Rs. 244 crores this year as against Rs. 83 crores last year. Micro and Small Enterprises vertical too showed robust growth and disbursed Rs. 203 crores in FY 2017-18 as against Rs. 54 crores in FY 2016-17. During the year we have focused on stabilising the processes and creating the platform for a sustainable growth. During FY 2018-19, these verticals would further enhance their respective platforms and capitalise on the investments already made. We expect these to deliver high sustainable growth over the next few years. Thus, increasing our overall exposure to secured products.

Deposits and reduction in cost of funds: We have built a strong deposit base this year of Rs. 3,772 crores as on 31st March 2018. Of this, retail deposits stood at Rs. 427 crores. Institutional deposits in the form of CD's were raised from September 2017 at competitive rates enabling us in replacing the higher cost legacy borrowings. During the year we repaid majority of legacy borrowing and reduced cost of funds from 10.4% to 9%. For the coming years, our focus would be on creating a strong retail deposit base including CASA and we have accordingly restructured our operations to focus on retail liabilities. Branch banking team would target open market liability customers and a separate team would focus on specialized customer segments like TASC, government and corporate.

Credit quality: With our continuous focus on the credit quality control and collections from overdue hard buckets, we have been able to reduce the PAR from 10% as on 31st March 2017 to 4% by 31st March 2018. We have taken prudent write-offs of Rs. 177 crores and made adequate provisions leading to an abnormal credit cost of Rs. 311 crore for the year. Efforts for collections from write offs continue by the collections team. For all new loans disbursed from Jan 2017 onwards, the collection efficiency continues to be at an impressive 99.6% which reiterates the inherent strength of the microfinance business.

Technology: Significant investments in technology has positioned us well in terms of a strong IT infrastructure. We are striving towards paperless-banking using our hand-held device Evolute. All our ATMs offer biometric additionally, apart from usual PIN, for customer convenience. Our core banking system - Finacle, CRM for unified platform, and SAS for risk management have been integrated with our legacy systems of BR.Net for microfinance, Sys-Arc for MSE & Housing and Oracle Financials. We extensively use the state-of-the-art payment systems provided by NPCI and Aadhar based identification of customers. We shall continue to leverage on this in the coming years for enabling cost effectiveness and higher productivity.

Risk & Compliance: On the strong foundation of Risk & Compliances policies and framework, enhancement with core competencies were built in newer areas like cyber security, cyber governance, transaction monitoring, anti-money laundering and regulatory reporting. Key initiatives also included comprehensive checklist for branch banking process and connect programs, score cards for monitoring operational risks at granular level and migration to ERGC module in SAS, comprehensive review of all operational and financial controls under IFC, mid office treasury function with proactive approach to ALM. The Compliance team rigorously monitors adherence to each of the licensing conditions and the operating guidelines for Small Finance Banks with certification, and implemented a framework for Risk based supervision.

Network expansion: Ujjivan SFB (USFB) rolled out 187 banking outlets including 47 in Unbanked Rural Centres (URCs). USFB branches are equipped with mix of technology and people to give our customers best-in-class banking experience. We offer both asset and liability products under one umbrella from our branch given the banking needs of the customer base of unserved and underserved that we are focussing on. We have all our asset verticals including microfinance, Housing and MSE and other the liabilities team together which has a huge synergetic effect in terms of team of tremendous cross sell opportunities as well as strong team connect. We believe this will have a significant impact in the coming years on business growth as well as networking with a larger potential customer base.

Channels: Apart from "brick and mortar" structures, USFB is investing heavily in creating multiple channels which are being promoted as touch-points with our customers. USFB has created a robust platform of internet banking, mobile banking, phone banking, SMS/ missed call banking, ATMs etc. and is encouraging customers to benefit more and more by way of extensive usage of alternate channels.

AWARDS

Ujjivan ranked 10th in the Best Large Workplaces in Asia. Ujjivan is also ranked as 13th Great Place to Work in India during 2017. Ujjivan has been awarded as the "Best Non-Banking Financial Institution" for 2015-16 at Financial Express India's Best Banks Awards. In addition the Bank was awarded the best Small Bank in IT Risk and Cyber Security by the Indian Banks' Association (IBA) in February 2018.

RISK MANAGEMENT FRAMEWORK OF THE COMPANY

The Company being a Core Investment Company has its investment primarily in its wholly owned subsidiary which being a small finance bank has a Risk Management Committee in place. The Committee consists of well experienced Directors from diverse background who bring in the best risk practices to the organization and the Committee of the bank reviews its risk management framework and verifies adherence to various risk parameters and compliances.

As a Core Investment Company with a key investment in the bank which is our 100% subsidiary, The Company's Board has an oversight function of SFB. We have entered into a Memorandum of Understanding (MoU) which includes sharing of information related to business and performance of SFB, with the Company and to its Board, to facilitate effective oversight and compliance with statutory and regulatory requirements under SEBI Listing Regulations.

Thus a set of information including monthly and quarterly business and regulatory reports and returns, Board and committee meeting related minutes and other information is systematically shared by the bank and reviewed by the Board of the Company.

By virtue of the MoU, the Company also stands to provide capital support by way of raising external equity or Tier-I/ Tier-II bonds depending on business growth and requirements of the bank. The company can extend financial support to SFB by way of loan or arrangement such as letters of support/ non-divestiture for smooth functioning of the latter at market related terms, and subject to statutory and regulatory guidelines as applicable.

TREASURY

The Company being a NBFC-CIC does not has any operations apart from its investment in USFB and a treasury of around Rs. 112 crores. As part of the treasury investments, we invest our surplus funds in liquid investments like FDs and mutual funds in accordance with our Investment policy and monitor them on a regular basis. Our standalone cash expenses are borne out of our income from these investments.

CSR ACTIVITIES:

Ujjivan has continuously conducted self-sustained CSR programs along with staff, customers and the communities over the years. In fact commencing from the FY 2010-11 Ujjivan has focused on these welfare activities much before the formal inclusion of CSR as mandated by the Companies Act 2013 and The Companies (Corporate Social Responsibility Policy) Rules, 2014. The Company is currently operating with a CSR policy framework and strategy to focus on (a) Projects in the areas of Health, Sanitation, Water and Infrastructure facilities (b) large number of small projects based on the feedback of communities called as Community Connect Programs and (c) other programs for which a small portion of the CSR fund can be retained for grants to any approved schemes for CSR.

The Company has been partnering with Parinaam Foundation for financial literacy and other programs launched in the past and during this year, the Company has launched the Community Connect Programs called "Chote Kadam" in partnership with Parinaam foundation.

The Company has also partnered with Piramal Foundation during the year for programs related to health and water under the Swasthya Program and Sarvajal Program.

A detailed report of our CSR Activities can be accessed under the Section 'Corporate Social Responsibility' on page no 14 of this Annual Report.

BOARD'S REPORT

To the Members,

Overview

The Company was originally incorporated as Ujjivan Financial Services Private Limited on December 28, 2004 at Bengaluru, Karnataka, India as a private limited company under the Companies Act, 1956. Pursuant to a certificate issued by the Reserve Bank of India ("RBI") on October 31, 2005, the Company was permitted to commence operations as a non-banking financial company ("NBFC") under section 45 IA of the Reserve Bank of India Act, 1934. Since financial year 2008-09, the Company has been classified as a systemically important non-deposit accepting NBFC. Pursuant to the RBI introduction of a new category of NBFC-Micro Finance Institution vide its circular BI/2013-14/49 DNBS.(PD)CC.No. 347 /03.10.38/2013-14 dated July 01, 2013, the Company was granted NBFC-Microfinance Institution ("NBFC-MFI") status by the RBI on September 5, 2013. Subsequently, the Company was converted into a public limited company pursuant to a special resolution passed by its Shareholders at the extraordinary general meeting ("EGM") held on November 3, 2015 and the name of the Company was changed to Ujjivan Financial Services Limited. A fresh certificate of incorporation consequent upon conversion to a public limited company was issued by the Registrar of Companies, Bangalore, Karnataka ("ROC") on November 26, 2015. Subsequently, a fresh certificate of NBFC-MFI registration consequent upon the change of name of the Company was issued by the RBI on March 4, 2016.

The Company has converted from an NBFC-MFI to NBFC-Non Deposit taking Systematically Important Core Investment Company (NBFC-ND-SI-CIC) and received a fresh certificate of registration dated October 10, 2017 from the RBI; the conversion was done pursuant to the conditions prescribed by the RBI in their license letter dated November 11, 2016 for setting up a Small Finance Bank.

Ujjivan Small Finance Bank Limited' (the wholly owned subsidiary of the Company) which commenced its small finance bank operations in February 2017 has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Official Gazette Notification on August 25, 2017. This has granted the 'Scheduled Bank' status to 'Ujjivan Small Finance Bank Limited' from the date of the notification.

1. Financial Results

The Directors' submit the Annual Report of Ujjivan Financial Services Limited (the "Company" or "Ujjivan") alongwith the audited financial statements for the financial year (FY) ended March 31, 2018.

(Rs. in Crores)

Particulars	Standalone		Consolidated	
	FY 2017-18	FY 2016-17*	FY 2017-18	FY 2016-17
Operating Income	0.00	1,145.53	1,443.36	1,349.37
Other Income	7.74	42.00	138.34	48.25
Total Income	7.74	1,187.53	1,581.70	1,397.62
Less: Operational Expenses				
Personnel Expenses	1.52	220.87	366.45	271.62
Administrative Expenses	3.21	134.85	246.32	173.80
Finance Charges	0.01	432.76	604.90	542.72
Depreciation	0.01	7.53	41.38	12.63
Provision For Doubtful Debts	0.00	70.68	310.81	75.12
Total Operational Expenses	4.75	866.68	1,569.86	1,075.89
Profit/(Loss) Before Tax	2.99	320.85	11.83	321.74
Less: Income tax	2.56	135.54	33.88	136.96
Less Deferred tax	0.004	(22.33)	(29.33)	(22.90)
Profit/(Loss) After Tax	0.42	207.64	7.28	207.67

* includes the numbers for both discontinued as well as continued operations.

2. Dividend

In accordance with the Dividend Distribution Policy adopted by the Board in its meeting held on April 27, 2017 and in continuation to the dividend payment track record of the Company, the directors are pleased to recommend for approval of the members a dividend of Rs. 0.50 per equity share for the FY 2017-18.

The Board has recommended the aforesaid dividend out of the accumulated profits earned by it in the previous financial years and transferred to free reserves and it is in accordance with the Companies (Declaration and Payment of Dividend) Rules, 2014.

The aforesaid dividend, if approved by the shareholders would involve a cash outflow of ~ Rs. 7.2 Crores (including dividend distribution tax).

3. Transfer to reserves

The Company transferred Rs. 8.38 lacs to Statutory Reserves. Transfer of 20% of the Profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

4. Credit Rating

The Company has zero debt; hence no rating has been obtained from any rating agencies during the year.

5. Capital Requirements

Adjusted Net Worth of a CIC-ND-SI shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year as per RBI CIC Master Directions.

The Company as of March 31, 2018 is in compliance with the capital requirements and all other mandatory ratios as required under RBI CIC Master Directions.

6. Corporate Governance and Management Discussion and Analysis Report

In accordance with SEBI LODR Regulations, Management Discussion and Analysis Report and Corporate Governance Report together with the Certificate thereon from the Independent Practicing Company Secretary is provided separately and forms part of this Directors' Report.

7. Extract of Annual Return

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format (MGT-9) is appended as "*Annexure 1*" to the Board's Report.

8. Business Responsibility Reporting

The Board of the Company in its meeting held on May 10, 2018 has approved the Business Responsibility Report ("BRR") of the Company as stipulated under Regulation 34 (as amended) of SEBI Listing Regulations which mandates that top 500 listed companies based on market capitalization as on March 31 should include its BRR in its Annual Report. The Company is ranked 391 in the list as on March 31, 2018.

As a green initiative, a copy of the BRR has been hosted on the website of the Company at www.ujjivan.com and can be accessed from the link below http://ujjivan.com/html/ujjivan_policies.php

9. No. of Meetings of the Board during the FY 2017-18

During the Financial Year 2017-18, our Board has met 5 (five) times and the meetings of our Board of Directors were held on April 27, 2017, August 03, 2017, November 02, 2017, February 05, 2018 and March 28, 2018. For further details, please refer to the Corporate Governance Report, which forms part of this report.

10. Appointment / Reappointments

The Board accepted the resignation of Ms. Sudha Suresh from her position of Managing Director and Chief Executive Officer effective from June 30, 2018. Based on the recommendation of the Nomination and Remuneration Committee, the Board has appointed Mr. Ittira Davis (DIN: 06442816) as the Managing Director and Chief Executive Officer on the Board of the Company with effect from July 01, 2018 subject to the approval of the Reserve Bank of India and the Members of the Company. Please refer item no. 4 of the 14th AGM Notice for further details. Our application is pending with the Reserve Bank of India. The Board hereby recommends his appointment.

As per the provisions of the Companies Act, 2013, Mr. Jayanta Basu (DIN: 01268046) retires by rotation at the ensuing 14th AGM and being eligible, seeks his appointment. The Board recommends his appointment. Please refer the item no. 3 of the 14th AGM Notice for further details.

11. Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors of the Company confirms and state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) 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 company at the end of the financial year and of the profit and loss of the company for that period;
- (iii) 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 company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit of internal financial controls and the reviews performed by management and the risk management and audit committee of the board, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2017-18.

12. Declaration by Independent Directors

The Company has received necessary declarations of independence from each of its Independent Directors under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independent director envisaged in section 149 (6) of the Companies Act, 2013.

All Independent Directors have submitted the declaration of Independence, as required pursuant to Section 149(7) of the Act, stating that they meet the criteria of Independence as provided in section 149(6) of the Companies Act, 2013 and are not disqualified from continuing as Independent Directors.

13. Nomination and Remuneration Policy

The Company pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a nomination and remuneration policy which is disclosed on our website at the below link - http://ujjivan.com/html/ujjivan_policies.php

14. Statutory Auditors

M/s Price Waterhouse Chartered Accountants LLP (FRN: 012754N/N500016), were appointed at the 13th Annual General Meeting as the Statutory Auditors of the Company for five years till the conclusion of the 18th Annual General Meeting of the Company. They have confirmed their eligibility for the FY 2018-19 under Section 141 of the Companies Act, 2013 and the Rules framed thereunder. The Companies Amendment Act, 2017 has omitted the requirement of ratification of the appointment of statutory auditors at every annual general meeting; the relevant amendment made effective on May 07, 2018. Hence the ratification of appointment of Statutory Auditors at the ensuing 14th AGM is not required.

15. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –

(i) Statutory Auditor's Report

There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor's report

(ii) By the Company Secretary in practice in his secretarial audit report;

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 Company to conduct secretarial audit of the Company for the Financial Year 2017-18 as required under Section 204 of the Companies Act, 2013 and the Rules made thereunder. The secretarial audit report for FY 2017-18 is appended as "Annexure 2" to the Board's Report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark made by the Secretarial Auditor.

16. Particulars of loans, guarantees or investments under Section 186

The Company has not given any loans and guarantees to any-body corporate and has not made any investment under Section 186.

17. Transaction with related parties

Pursuant to Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Act in Form AOC-2.

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2018, which were not at arm's length basis.

Your Directors draw attention of the members to Note 19.3 to the Financial Statements which sets out other related party disclosures.

All Related Party Transactions as required under Accounting Standards AS-18 are reported in Note 19.3 - Notes to Accounts of the Standalone financial statements of the Company.

18. The state of the Company's affairs

The Company is registered with RBI as a NBFC-ND-SI-CIC and received a certificate of registration on October 10, 2017. The Company is in compliance with the conditions of the Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 as amended. Prior to its conversion to a Core Investment Company, the Company was one of the largest microfinance institutions in the country. The conversion was done based on the stipulation of the Reserve Bank of India.

19. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;

None

20. The conservation of energy, technology absorption, foreign exchange earnings and outgo, in the manner as prescribed in Rule 8(3) of the Companies (Accounts) Rules, 2014

Conservation of energy and technology absorption

Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption are not applicable.

The Foreign Exchange earnings and outgo

There was no Foreign Exchange inflow and outflow during the year.

21. Development and implementation of risk management policy

The Company is a non-operating holding Company and its main objects are to carry on the business of making investments in group company(ies) in the form of securities and providing guarantees etc. and to carry on financial activities, whether in India or outside, in the nature of investment in bank deposits, money market instruments (including money market mutual funds and liquid mutual funds), government securities, and to carry on such other activities as may be permitted and prescribed by the relevant statutory authorities for core investment companies from time to time.

As a Core Investment Company with a key investment in the bank which is our 100% subsidiary, The Company's Board has an oversight function of USFB. We have entered into a Memorandum of Understanding (MoU) which includes sharing of information related to business and performance of SFB, with the Company and to its Board, to facilitate effective oversight and compliance with statutory and regulatory requirements under SEBI Listing Regulations. Thus a set of information including monthly and quarterly business and regulatory reports and returns, Board and committee meeting related minutes and other information is systematically shared by the bank and reviewed by the Board of the Company.

USFB has a Risk Management Committee in place which consists of well experienced Directors from diverse background who bring in the best risk practices to the organization and that the Committee of the bank reviews its risk management framework and verifies adherence to various risk parameters and compliances.

The Company is satisfied that its wholly owned subsidiary has a well-defined risk management strategy based on clear understanding of various risks, disciplined risk assessment and continuous monitoring.

The risk management Committee of the subsidiary approves and makes recommendations to its Board regarding all its risk-related responsibilities, including the review of major risk management and regulatory compliances.

The Audit Committee and the Board of the Company periodically reviews the risk management practices adopted by the Company and its subsidiary and evaluates its effectiveness.

The Company has in place an effective risk management policy which highlights the functions, implementation and the role of the committee and the board.

22. Corporate Social Responsibility

The Corporate Social Responsibility (CSR) programs were started by the Company in the year 2010 much before it was made mandatory under the Companies Act, 2013.

During the year, the Company has partnered with Parinaam Foundation and Piramal Foundation to undertake various community development programs, free healthcare and clean drinking water facility for and on behalf of the Company. Please refer the separate section on Corporate Social Responsibility in the annual report for a detailed write up on the CSR activities of the Company during the year.

A brief outline of the company's CSR policy is disclosed on our website at the below link- http://ujjivan.com/html/ujjivan_policies.php

The initiatives undertaken by the Company on CSR activities are out in "Annexure 3" of the Board's Report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of the Board's Report.

23. Board Evaluation

The board of directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Companies Act, 2013 and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations") and SEBI guidance note on Board Evaluation.

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Nomination Committee of the Board at its meeting held on March 28, 2018. Evaluation formats and criteria of evaluation duly incorporated the criteria and other parameters as suggested by SEBI vide their guidance note on evaluation through their circular dated January 05, 2017.

The Board was evaluated comprehensively on the following broad categories:

- Structure of the Board - Competency, Experience and Qualifications of directors, Diversity in Board under various parameters, Appointment Process
- Meetings of the Board - Regularity of meetings and adequacy, discussions and recording of dissent, if any.
- Recording of minutes, dissemination of information
- Functions of the Board - Role and responsibilities of the Board
- Strategy and performance evaluation
- Evaluation of Risks
- Grievance redressal for Investors
- Management of Conflict of interest
- Stakeholder value and responsibility
- Corporate culture and values
- Facilitation of independent directors
- Evaluation of performance of the management and feedback
- Independence of the management from the Board
- Access of the management to the Board and Board access to the management
- Secretarial support and fund availability for conducting its meeting effectively
- Succession planning
- Professional development
- Board Candor, Collegiality, Transparency and Board Education
- Ethics & Compliance

The performance of the board was evaluated by the board after seeking inputs from all the directors on each of the above parameters of evaluation and the performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the above parameters of evaluation.

Performance Evaluation of the Directors

The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the chairman was also evaluated on the key aspects of his role.

Evaluation of the Board Committees

The Board evaluated the performance of each of the Board Committees on the following broad categories:

- Mandate and composition
- Effectiveness of the Committee
- Structure of the Committee, its functioning and attendance
- Discussion, quality of agenda and action taken report
- Independence of the Committee from the Board
- Contribution of the Committees to the decisions taken by the Board
- Functioning of the committee in accordance with the terms of reference

The Board opined that the Board Committees' composition, structure, processes and working procedures are well laid down and that the Board Committees members have adequate expertise drawn from diverse functions, industries and business and bring specific competencies relevant to the Company's business and operations.

Independent Directors' Evaluation of Non-Independent Directors

In a separate meeting of independent directors held on March 28, 2018, performance of non-independent directors, performance of the board as a whole and performance of the chairman was evaluated, taking into account the views of executive directors and non-executive directors. The Independent Directors also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board.

Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

24. Details as required under Rule 8 of the Companies (Accounts) Rules, 2014

(i) The financial summary or highlights:

(Rs. in Crores)

Particulars	Standalone		Consolidated	
	FY 2017-18	FY 2016-17*	FY 2017-18	FY 2016-17
Operating Income	0.00	1,145.53	1,443.36	1,349.37
Other Income	7.74	42.00	138.34	48.25
Total Income	7.74	1,187.53	1,581.70	1,397.62
Less: Operational Expenses				
Personnel Expenses	1.52	220.87	366.45	271.62
Administrative Expenses	3.21	134.85	246.32	173.80
Finance Charges	0.01	432.76	604.90	542.72
Depreciation	0.01	7.53	41.38	12.63
Provision For Doubtful Debts	0.00	70.68	310.81	75.12
Total Operational Expenses	4.75	866.68	1,569.86	1,075.89
Profit/(Loss) Before Tax	2.99	320.85	11.83	321.74
Less: Income tax	2.56	135.54	33.88	136.96
Less Deferred tax	0.004	(22.33)	(29.33)	(22.90)
Profit/(Loss) After Tax	0.42	207.64	7.28	207.67

* includes the numbers for both discontinued as well as continued operations.

➤ **Strategic Highlights:**

- Receipt of fresh certificate of registration on October 10, 2017 from the RBI for operating as a NBFC-Core Investment Company.
- The wholly owned subsidiary 'Ujjivan Small Finance Bank' was included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Official Gazette Notification on August 25, 2017. This has granted the 'Scheduled Bank' status to 'Ujjivan Small Finance Bank Limited' from the date of the notification

➤ **Key Performance Highlights of the Wholly owned subsidiary 'Ujjivan Small Finance Bank Limited'**

- Successfully emerged from shadows of demonetization and stabilized its business
- Stabilized portfolio quality and contained credit cost
- Mobilized institutional deposits to retire high cost legacy borrowings and reduced cost of funds
- Established systems and processes for seamless transition to banking with multi-channel network :
 - 187 Banking Outlets (including 47 URC); 25% URC compliance in Year 1
 - 146 Biometric ATM's
 - 7011 handheld devices for account opening
 - 64 Seat Phone Banking unit and well received internet banking and mobile banking application
- Expanded non MF Business- MSE and Housing
- Improved backend efficiencies and productivity
- Progressive improvement in business, profitability across quarters
- Closed the year with a net profit of Rs.7 Crores despite all challenges

USFB - Business and Operational Highlights

- PAT for the Bank for the financial year ending March 31, 2018 stands at Rs 6.87 crores
- Collection efficiency of new loans has improved to 99%
- Overall PAR down to 4% which was at 10.2% in March 2017
- Bank managed to repay 63% of the legacy borrowings
- Cost of funds of the Bank went down from 10.4% to 9%
- The Deposit business stood at Rs.3772.48 Crores spanning 883453 accounts at the end of March 2018
- CASA stood at Rs. 138.64 Crores, of which 10659 staff savings/salary accounts constituted Rs.28.06 Crores
- Time Deposits stood at Rs.1457.53 Crores of which institutional deposits stood at Rs.1178.85 Crores, while Recurring deposits stood at Rs.10.06 Crores
- Certificate of Deposits stood at Rs.2166.25 Crores
- Operating Expense at 41.18% of total expense.
- The Bank has a Long Term Credit Rating of A+ and a short term rating of A1+

Profitability: Pre-tax profits - Rs. 8.85 Crores and post- tax profits - Rs. 6.87 Crores for the period ended March 31, 2018.

Key Ratios: (Comparative ratios are annualized)

Particulars	March 31, 2018	March 31, 2017
Interest income as a percentage to working funds	17.13%	15.13%
Non-interest income as a percentage to working funds	1.32%	0.95%
Operating profit as a percentage to working funds	3.74%	0.38%
Business (deposits plus gross advances) per employee (Rs.)	79,36,620	59,14,099
Profit per employee	6411	34

- **Financial Performance:** Consolidated PAT of Rs. 7.28 Crores in FY 2017-18 as against Rs.207.67 Crores in the FY 2016-17; this reduced profit was on account of credit costs of Rs. 310.8 Crores in the FY 2017-18.

➤ **Profitability:**

(Rs. in Crores)

Particulars (FY 2017-18)	Standalone	Consolidated
Pre-Tax Profits (PBT)	2.99	11.83
Profit after Tax (PAT)	0.42	7.28

(iii) **highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period**

'Ujjivan Small Finance Bank Limited' ("USFB") is a wholly owned material subsidiary of the Company. USFB was incorporated on July 04, 2016 and commenced its operations as a small finance bank w.e.f. February 01, 2017.

The highlights of the financial performance of USFB are as under:

(Rs. in Crores)

Particulars	Standalone	
	FY 2017-18	FY 2016-17
Operating Income	1,466.65	212.71
Other Income	112.70	13.39
Total Income	1,579.35	226.10
Less: Operational Expenses		
Personnel Expenses	364.93	50.74
Administrative Expenses	244.10	55.57
Finance Charges	609.33	109.36
Depreciation	41.37	5.10
Provision For Doubtful Debts	310.77	4.44
Total Operational Expenses	1,570.50	225.21
Profit/(Loss) Before Tax	8.85	0.89
Less: Income tax	31.32	1.42
Less Deferred tax	(29.34)	(0.57)
Profit/(Loss) After Tax	6.87	0.04

USFB - Financial Highlights

- PAT for the Bank for the financial year ending March 31, 2018 stands at Rs 6.87 crores
- Collection efficiency of new loans has improved to 99%
- Overall PAR down to 4% which was at 10.2% in March 2017
- NNPA down to 0.7% from 3.1% in March 2017
- Bank managed to repay 63% of the legacy borrowings
- Cost of funds of the Bank went down from 10.6% to 9%
- The Deposit business stood at Rs.3772.48 Crores spanning 883453 accounts at the end of March 2018
- CASA stood at Rs. 138.64 Crores, of which 10659 staff savings/salary accounts constituted Rs.28.06 Crores
- Time Deposits stood at Rs.1457.53 Crores of which institutional deposits stood at Rs.1178.85 Crores, while Recurring deposits stood at Rs.10.06 Crores
- Certificate of Deposits stood at Rs.2166.25 Crores
- Operating expense ratio at 41.18%
- The Bank has a Long Term Credit Rating of A+ and a short term rating of A1+

Please also refer to the full standalone financials of the USFB which is separately included in this annual report.

(iii) The change in the nature of business, if any;

The Company has converted from an NBFC-MFI to NBFC-Non Deposit taking Systematically Important Core Investment Company (NBFC-ND-SI-CIC) and received a fresh certificate of registration dated October 10, 2017 from the RBI; the conversion was done pursuant to the conditions prescribed by the RBI in their license letter dated November 11, 2016 for setting up a Small Finance Bank.

Ujjivan Small Finance Bank Limited' (the wholly owned subsidiary of the Company) which commenced its small finance bank operations in February 2017 has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Official Gazette Notification on August 25, 2017. This has granted the 'Scheduled Bank' status to 'Ujjivan Small Finance Bank Limited' from the date of the notification.

(iv) The details of directors or key managerial personnel who were appointed or have resigned during the year;

Sr. No.	Name	Designation	DIN	Date of Appointment/Change/Cessation	Reason
1	Mr. Venkatesh Natarajan	Non-Executive Director	02453219	February 05, 2018	Resignation
2	Mr. Hiren Shah	CFO (KMP)	N.A.	October 09, 2017	Resignation
3	Mr. Deepak Khetan	CFO (KMP)	N.A.	March 29, 2018	Appointment

(v) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;

None

(vi) Deposits from public

During the year, the Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

However, the subsidiary of the Company 'Ujjivan Small Finance Bank Limited' which is a Small Finance Bank has outstanding deposits of Rs. 3,772 Crores as on March 31, 2018.

(vii) The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;

None

(viii) The details in respect of adequacy of internal financial controls (IFC) with reference to the Financial Statements

In respect of internal financial control, the Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the timely prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Further, the management regularly reviews the control for any possible changes and takes appropriate actions.

25. Other disclosures

(i) Details of equity shares with differential rights

The Company has not issued any equity shares with differential rights during the year

(ii) Details of sweat equity shares issued

The Company has not issued any sweat equity shares during the year

(iii) Details of employee stock option scheme

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010, MD-ESOP 2010 and ESOP 2015.

ESOP 2006

The Company pursuant to resolutions passed by the Board and Shareholders on March 29, 2006 and May 12, 2006, respectively, adopted the ESOP 2006. The ESOP 2006 was for a total of 64,000 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2006, each option on exercise would be

eligible for one Equity Share on payment of exercise price. As on March 31, 2018, out of the 64,000 options granted, 28,629 options has been exercised and 35,371 options were lapsed.

ESOP 2007

Pursuant to resolutions passed by the Board and Shareholders on June 9, 2007 and July 21, 2007, respectively, the Company instituted the ESOP 2007. The ESOP 2007 was for a total of 189,440 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2007, each option on exercise would be eligible for one Equity Share on payment of exercise price. As on March 31, 2018, out of the 189,400 options granted, 138,660 options has been exercised, 44,500 options lapsed and 6,280 valid options are left to be exercised.

ESOP 2008

Pursuant to resolutions passed by the Board and Shareholders on July 23, 2008 and August 18, 2008, respectively the Company approved the ESOP 2008. The ESOP 2008 was for a total of 396,680 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2008, each option on exercise would be eligible for one Equity Share on payment of exercise price. As on March 31, 2018, out of the 396,680 options granted, 2,34,170 options has been exercised, 1,54,130 options lapsed and 8,380 valid options are left to be exercised.

ESOP 2010 and MD-ESOP 2010

Pursuant to resolution passed by the Board and Shareholder resolutions dated May 17, 2010 and July 12, 2010, respectively, the Company approved the ESOP 2010 and MD ESOP 2010 and granted 3,384,300 options under ESOP 2010 and 871,060 options under MD-ESOP 2010. Further, pursuant to the Shareholders resolution dated July 12, 2010 the exercise period under the ESOP 2006, ESOP 2007 and ESOP 2008 was aligned with the exercise period time frame mentioned in ESOP 2010.

Pursuant to sub-division of the face value of the equity shares from face value of Rs. 100 each to Rs. 10 each on October 12, 2010 and in accordance with ESOP 2010, maximum number of shares available for being granted under ESOP 2010 stood modified and the cumulative face value prior to sub-division remained unchanged.

Pursuant to resolution passed by the Board on August 12, 2011, additional grants were approved under the MD-ESOP 2010 amounting to 378,112. Accordingly, the total options granted under MD-ESOP 2010 were increased to 1,249,172 options.

In accordance with the ESOP 2010 and MD-ESOP 2010, each option on exercise would be eligible for one Equity Share on payment of exercise price.

Thereafter, pursuant to resolution passed by the Board and Shareholders on August 8, 2012 and September 12, 2012, respectively, the Company approved creation of a pool of 1,243,233 options under the ESOP 2010 for the Financial Year 2011-12.

As on March 31, 2018, out of the 3,384,300 options granted under ESOP-2010, 14,91,181 options has been exercised, 15,63,769 options lapsed and 3,29,350 valid options are left to be exercised.

As on March 31, 2018, out of the 1,249,172 options granted under MD-ESOP 2010, 809,172 options were exercised during the year and no option is left to be exercised.

ESOP 2015

The Company, pursuant to resolutions passed by the Board and the Shareholders, dated September 29, 2015 and November 3, 2015, respectively has adopted ESOP 2015. The total employee stock option pool available under ESOP 2015 is 5,561,188 options.

In accordance with the ESOP 2015, each option on exercise would be eligible for one Equity Share on payment of the exercise price.

In compliance with Regulation 12 of Securities and Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), the Company got its ESOP Scheme 2015 ratified by its shareholders subsequent to the IPO in their AGM held on August 10, 2016. Subsequent to the ratification, the Company granted 1,696,850 options to its employees under the ESOP 2015 on September 14, 2016.

As on March 31, 2018, the Company has granted 3,166,650 options under the ESOP 2015 (including 1,696,850 options granted to eligible employees during the FY 2016-17 on September 14, 2016). No options were granted during the FY 2017-18.

Further, as on March 31, 2018 out of the 3,166,650 granted options under ESOP 2015, 2,97,796 vested options has been exercised, 4,55,388 options has lapsed, 10,27,237 options are vested and 13,86,229 options are yet to be vested.

The vesting period for the options granted under ESOP 2015 is for a period of three years as under:

Year	Options Granted	Year 1	Year 2	Year 3
ESOP 2015 (Tranche 1)	1,469,800	34%	33%	33%
ESOP 2015 (Tranche 2)	1,696,850	33%	33%	34%
Total	3,166,650			

The ESOP 2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), the Companies Act, 2013, and is implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

Revisions in the ESOP Schemes during the Year

None

ESOP Schemes Compliance Status

ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010 and MD-ESOP 2010 were adopted prior to the commencement of the Companies Act, 2013.

The ESOP 2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations) and the Companies Act, 2013. The company has received a certificate from the Statutory Auditors of the Company certifying that ESOP 2015 Scheme of the Company is being implemented in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and is in accordance with the resolutions passed by the Members of the Company at a general meeting.

The ESOP Schemes are implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, such expense for the year ended March 31, 2018 amounts to Rs 8,02,35,588/- and the basic and diluted EPS would have been revised to Rs (0.63).

Administration of ESOP Schemes

The Governance, Nomination and Remuneration Committee of the Board administer the Employee Stock Option Schemes, formulated by the Company from time to time.

Mandatory ESOP Disclosures

Disclosures as required under Section 62 of the Companies Act, 2013 (to be read with Rule 12 of the Companies (Share Capital and Debenture) Rules, 2014, and SEBI ESOP Regulations:

Sr.	Particulars	March 31, 2018
1.	Number of options granted and outstanding at the beginning of the year (A)	44,73,626
2.	Number of options granted during the year (B)	Nil
3.	Number of options vested during the year	9,21,914
4.	Number of options exercised during the year	14,84,709
5.	Number of shares arising as a result of exercise of options (C)	14,84,709
6.	Money realized during the year by exercise of options (in Rs.)	9,52,31,052
7.	Number of options Forfeited/Expired during the year (D)	2,29,931
8.	The exercise price of the options (in Rs.)	10, 12.5, 28, 40, 47 & 146.35
9.	Number of options granted and in force at the end of year = (A)+(B)-(C)-(D)	27,58,986
10.	Weighted average of remaining contractual life (years) at the year end	1.74
11.	Variation of terms of the options	None

No option was granted to any of the Key Managerial Personnel or to any other employee of the Company or its subsidiary during the year.

The Board has approved the cancellation of options which are lapsed and valid under existing ESOP Schemes 2006, 2007, 2008, 2010 and 2015 and for adding back the cancelled options to the ESOP 2015 Pool. Please refer to item no. 5 of the AGM notice wherein the approval of the shareholders is being sought. Further, the Board has also sought for approval from the shareholders for the grant of stock options to the employees (present and future) of the wholly owned subsidiary 'Ujjivan Small Finance Bank Limited' under ESOP Scheme 2015. Please refer item no. 6 of the AGM Notice for further details.

26. Vigil Mechanism

The Company in compliance with Section 177 of the Companies Act, 2013 has a duly constituted Audit Committee of the Board. The composition of the Audit Committee is as under:

Sr. No.	Directors	Designation
1.	Mr. K.R. Ramamoorthy	Chairman (Independent Director)
2.	Mr. Abhijit Sen	Independent Director
3.	Mr. Jayanta Basu	Non-Independent, Non-Executive

Please refer to the Section on Corporate Governance for further details on the Board Committees.

Further in compliance to Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations, the Company 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 company's Code of Conduct or Ethics Policy. The Company has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to the whistle and ethics officer of the Company.

Name and Address of the Whistle and Ethics Officer

Mr. Sanjeev Barnwal – Company Secretary and Compliance Officer (w.e.f. April 27, 2017)

Ujjivan Financial Services Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Bangalore – 560095, Karnataka
Email- sanjeev.barnwal@ujjivanfin.com

Protected Disclosure against the Whistle and Ethics Officer should be addressed to the MD & CEO of the Company and the Protected Disclosure against the MD & CEO of the Company should be addressed to the Chairman of the Audit Committee.

Name and Address of MD & CEO of the Company:

Ms. Sudha Suresh

Ujjivan Financial Services Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block,
Bangalore - 560095
Karnataka
Email: sudha.suresh@ujjivanfin.com

Name and Address of the Chairman (Audit Committee):

Mr. K. R. Ramamoorthy

D - 302, Mantri Gardens,
Jayanagar, 1st Block,
Bangalore - 560011,
Karnataka
Email: ram@bankconsult.co.in

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice

The whistle blower policy of the Company is disclosed on our website at the below link-
http://ujjivan.com/html/ujjivan_policies.php

27. Remuneration details of Directors, KMPs, employees

Sr.	Particulars	Disclosures	
1.	The ratio of the remuneration of each Whole time director to the median remuneration of the employees of the company for the financial year	MD & CEO: 2.95x	
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
		Ms. Sudha Suresh	Nil (Since she got appointed as the MD & CEO effective February 01, 2017 at an increased remuneration of 25%; hence during the year no increment was given)
		Mr. Sanjeev Barnwal - CS	15%
		Mr. Hiren Shah – CFO (resigned October 09, 2017)	15%
		Mr. Deepak Khetan – CFO (appointed as the CFO w.e.f. March 29, 2018)	Nil
3.	The percentage increase in the median remuneration of employees in the financial year;	14% increase in the median remuneration of employees in the FY 2017-18.	
4.	The number of permanent employees on the rolls of company as on March 31, 2018	5	
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	The average increase in the salaries of employees was 10% and the average increase in the managerial remuneration during the last financial year was also 10%	
6.	Affirmation that the remuneration is as per the remuneration policy of the company	Yes	

A statement showing the name of every employee of the company, who-

- if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;
 - None
- 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 lakh and fifty thousand rupees per month;
 - None
- 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 company.
 - None

Information as per Rule 5(2) of Chapter XIII, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The names of the top ten employees in terms of remuneration drawn:

The Company as on March 31, 2018 had only the following 5 (five) employees:

Sr.	Particulars	Sudha Suresh	Sanjeev Barnwal	Deepak Khetan (Mar 14-Mar 31, 2018)	Shashidhara S. (Nov 1 – Mar 31, 2018)	Sushant Vanmali (Aug 7 – Mar 31, 2018)
i.	Designation	MD & CEO	Company Secretary and Compliance Officer	Chief Financial Officer	Assistant Company Secretary	Assistant Manager – Investor Relations
ii.	Remuneration received	89,44,398*	39,48,222*	2,21,110	3,73,195	4,95,451
iii.	nature of employment, whether contractual or otherwise;	Permanent	Permanent	Permanent	Permanent	Permanent
iv.	qualifications and experience of the employee	CA, CS & CWA 21+ years' experience	CS, LLB, Diploma in Business Management 14+ years' experience	PGDBM (Finance) 11 years' experience	CS	PGDM (Finance) 2 years' experience
v.	date of commencement of employment	November 03, 2008	August 12, 2014	March 14, 2018	November 01, 2017	August 07, 2017
vi.	the age of such employee	53	36	34	33	25
vii.	the last employment held by such employee before joining the company	Skyline Construction & Housing Private Limited	SMC Capitals Limited	Welspun Corp Limited	GMR Ose Hungund Hospet Highways Private Limited	Janalakshmi Financial Services Limited
viii.	the percentage of equity shares held by the employee in the company	0.02%	Nil	Nil	Nil	Nil
ix.	whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager	No	No	No	No	No

* including perquisite by way of exercise of vested equity options

Compliance of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has only 5 employees as on March 31, 2018 and the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is not applicable. However, the Company has a prevention of sexual harassment policy in place. The Directors further state that during the year under review, there was no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Green Initiatives

Electronic copies of the Annual Report for the FY 2017-18 and the Notice of the 14th AGM are being sent to all the members whose email addresses are registered with the Company / Depository Participants. For members who have not registered their email address, physical copies are sent in the permitted mode.

ACKNOWLEDGEMENT

Your Directors wishes to gratefully acknowledge the assistance and guidance received from the RBI, ROC, Investors, Banks, Auditors, Lawyers, Accountants, Vendors, Partner NGOs, Institutions and Foundations and Government Authorities and all our well-wishers. The Board also wishes to place on record their warm appreciation for the creative and dedicated efforts of staff at all levels.

For and on behalf of the Board of Directors

K.R. Ramamoorthy
Chairperson
DIN: 00058467
Date: May 10, 2018
Place: Bangalore

Sudha Suresh
Managing Director & Chief Executive Officer
DIN: 06480567

Extract of Annual Return in Form MGT-9 as on the Financial Year ended on March 31, 2018

[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 : L65999KA2004PLC035329
- ii) Registration Date : December 28, 2004
- iii) Name of the Company : Ujjivan Financial Services Limited
- iv) Category / Sub-Category of the Company : NBFC-Core Investment Company
- v) Address of the Registered Office and Contact Details : Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka
- vi) Whether Listed Company : Yes
- vii) Name, address and Contact Details Of Registrar And Transfer Agent, if any: : Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot No 31&32
Gachibowli, Financial District,
Nanakramguda, Serilingampally
Hyderabad – 500 008
P : +91 040 67161604
e-mail: mohsin.mohd@karvy.com
Website: www.karvycomputershare.com

Principal Business Activities of the Company

Non-Banking Finance Company – Core Investment Company

All the Business Activities Contributing 10% or More of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Investment Company	64200	100%

III. Particulars of Holding, Subsidiary and Associate Companies -

Sr. No.	Name and Address of the Company	CIN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	Ujjivan Small Finance Bank Limited Registered Address: Plot No. 2364/8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi, India, 110008	U65110D12016PLC302481	Wholly owned subsidiary	100%	2(87)(ii)

The Company does not have any other holding, subsidiary or any associate company

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 code	category of shareholder	no. of shares held at the beginning of the year 31/03/2017				no. of shares held at the end of the year 31/03/2018				% change during the year
		demat	physical	total	% of total shares	demat	physical	total	% of total shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	Promoter and Promoter Group									
(1)	INDIAN									
(a)	Individual /HUF	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Central Government/State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(1) :	0	0	0	0.00	0	0	0	0.00	0.00
(2)	FOREIGN									
(a)	Individuals (NRIs/Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Institutions	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(2) :	0	0	0	0.00	0	0	0	0.00	0.00
	Total A=A(1)+A(2)	0	0	0	0.00	0	0	0	0.00	0.00
(B)	Public Shareholding									
(1)	INSTITUTIONS									
(a)	Mutual Funds /UTI	59,34,557	-	59,34,557	5	1,13,78,010	-	1,13,78,010	9.41	4.44
(b)	Financial Institutions /Banks	1,71,681	-	1,71,681	0	2,23,292	-	2,23,292	0.18	0.04
(c)	Central Government / State Government(s)	6,15,735	-	6,15,735	1	41,88,085	-	41,88,085	3.47	2.95
(d)	Venture Capital Funds	-	-	-	-	-	-	-	0.00	0.00
(e)	Insurance Companies	1,09,65,705	-	1,09,65,705	9	71,41,474	-	71,41,474	5.91	-3.28
(f)	Foreign Institutional Investors	5,09,07,976	37,77,617	5,46,85,593	46	4,47,02,252	-	4,47,02,252	36.99	-8.82
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	0.00	0.00
(h)	Qualified Foreign Investor	-	-	-	-	-	-	-	0.00	0.00
(i)	Others	-	-	-	-	-	-	-	0.00	0.00
	Sub-Total B(1) :	6,85,95,654	37,77,617	7,23,73,271	61	6,76,33,113	-	6,76,33,113	55.96	-4.67
(2)	NON-INSTITUTIONS									
(a)	Bodies Corporate	1,59,37,387	-	1,59,37,387	13	1,48,67,426	-	1,48,67,426	12.30	-1.05
(b)	Individuals									
	(i) Individuals holding nominal share capital upto Rs.1 lakh	1,51,91,402	40,703	1,52,32,105	13	2,02,15,195	25,385	2,02,40,580	16.75	3.99
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	1,21,62,618	6,97,000	1,28,59,618	11	1,47,21,484	3,10,000	1,50,31,484	12.44	1.66
(c)	Others									
	CLEARING MEMBERS	5,43,530	-	5,43,530	0	3,85,775	-	3,85,775	0.32	-0.14
	FOREIGN BODIES	-	-	-	-	5,83,339	-	5,83,339	0.48	0.48
	NON RESIDENT INDIANS	16,62,083	3,00,100	19,62,183	2	16,73,990	-	16,73,990	1.39	-0.26
	NRI NON-REPATRIATION	81,356	-	81,356	0	2,76,313	-	2,76,313	0.23	0.16
	TRUSTS	3,87,622	-	3,87,622	0	1,69,761	-	1,69,761	0.14	-0.18

(d)	Qualified Foreign Investor	-	-	-	-	-	-	-	0.00	0.00
	Sub-Total B(2) :	4,59,65,998	10,37,803	4,70,03,801	39	5,28,93,283	3,35,385	5,32,28,668	44.04	4.67
	Total B=B(1)+B(2) :	11,45,61,652	48,15,420	11,93,77,072	100	12,05,26,396	3,35,385	12,08,61,781	100.00	0.00
	Total (A+B) :	11,45,61,652	48,15,420	11,93,77,072	100	12,05,26,396	3,35,385	12,08,61,781	100.00	0.00
(C)	Shares held by custodians, against which									
	Depository Receipts have been issued									
(1)	Promoter and Promoter Group									
(2)	Public	-	-	-	-	-	-	-	0.00	0.00
	GRAND TOTAL (A+B+C) :	11,45,61,652	48,15,420	11,93,77,072	100	12,05,26,396	3,35,385	12,08,61,781	100.00	

(ii) **Shareholding of Promoters**

The Company does not have any identifiable promoter and is a professionally managed Company.

(iii) **Change in Promoters' Shareholding**

Not Applicable

Shareholding pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) as on March 31, 2018

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
(1)	Alena Private Limited				
	At the beginning of the year	10,790,943	9.04%	10,790,943	9.04%
	No increase / decrease in no. of shares held during the year; however pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			10,790,943	8.93%
(2)	International Finance Corporation (IFC)				
	At the beginning of the year	7,141,684	5.98%	7,141,684	5.98%
	No increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			7,141,684	5.91%
(3)	NewQuest Asia Investments II Limited				
	At the beginning of the year	7,028,022	5.89%	7,028,022	5.89%
	No increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			7,028,022	5.81%
(4)	Ardisia Limited				
	At the beginning of the year	Nil	-	Nil	-
Nov 10, 2017	Bought a net 59,70,000 shares of the Company during the FY 2017-18			59,70,000	4.95%

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No further increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			59,70,000	4.94%
(5)	Sequoia Capital India Investments III				
	At the beginning of the year	4,201,276	3.52%	4,201,276	3.52%
	No further increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			4,201,276	3.48%
(6)	Sundaram Mutual Fund a/c Sundaram Select Midcap				
	At the beginning of the year	30,34,650	2.54%	30,34,650	2.54%
	Bought a net 27,72,915 shares during the year at multiple dates			58,07,565	4.81%
	No further increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			58,07,565	4.81%
(7)	Bajaj Holdings and Investment Ltd				
	At the beginning of the year	5,124,702	4.29%	5,124,702	4.29%
	Sold 19,99,295 shares during the year at multiple dates			31,25,407	2.61%
	No further increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			31,25,407	2.59%
(8)	CX Partners Fund 1 Limited				
	At the beginning of the year	2,604,342	2.18%	2,604,342	2.18%
	No increase / decrease in no. of shares held during the year; however allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			2,604,342	2.15%
(9)	Mousseganesh Limited				
	At the beginning of the year	Nil	-	Nil	-
Nov 10, 2017	Bought a net 25,00,000 shares of the Company during the FY 2017-18			25,00,000	2.07%
	No further increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a slight reduction in the % shareholding				
	At the end of the year			25,00,000	2.07%
(10)	Elevar Equity Mauritius				
	At the beginning of the year	2,860,058	2.40%	2,860,058	2.40%
	Sold 8,46,690 shares during the year between Nov 10 2017 - Nov 15, 2017			20,13,368	1.67%
	No further increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a slight reduction in the % shareholding				
	At the end of the year			20,13,368	1.67%

(v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Increase / Decrease	Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company		No. of Shares	% of total shares of the Company
1.	Mr. K.R. Ramamoorthy*	1,000	Negligible	No change	1,000	Negligible
2.	Ms. Sudha Suresh	28,400	0.02%	Increase of 5,191 shares on account of exercise of vested options	33,591	0.03%

* Jointly held with Ms. Vasantha Ramamoorthy

(vi) Indebtedness

The company has no debt at any point of time during the year.

(Rs. in crores)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (01-04-2017)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (I + ii + iii)	-	-	-	-
Changes in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (31-03-2018)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (I + ii + iii)	-	-	-	-

(vii) Remuneration of Directors and Key Managerial Personnel**A. Remuneration to Managing Director, Whole Time Directors and / or Manager:**

Sl. No.	Particulars of Remuneration	Name of Managing Director	Total Amount (in Rs.)
1.	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	Ms. Sudha Suresh	79,68,750
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961		(Refer Stock Option in this table below)
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961		-
2.	Stock Option		9,75,648
3.	Sweat Equity		-
4.	Commission - As % of profit - Other, specify		- -
	Total (A)		89,44,398
	Ceiling as per the Companies Act, 2013	Remuneration within the ceiling prescribed under Section 198 read with Schedule V of the Companies Act, 2013	

B. Remuneration to other directors:

(in Rs.)

Particulars of Remuneration	Name of Directors			Total Amount
1) Independent Directors	Mr. K.R. Ramamoorthy	Mr. Abhijit Sen	Ms. Vandana Viswanathan	
• Fees for attending board and board committee meetings	6,63,275	6,20,175	2,50,700	15,34,150
• Commission	-	-	-	-
• Other, please specify	-	-	-	-
Total (A)	6,63,275	6,20,175	2,50,700	15,34,150
2) Other Non-Executive Directors	Mr. Venkatesh Natarajan*	Mr. Jayanta Basu	Mr. Amit Gupta	Total Amount
• Fees for attending board and board committee meetings	4,34,875	207,100	1,52,600	7,94,575
• Commission	-	-	-	-
• Other, please specify	-	-	-	-
Total (B)	4,34,875	207,100	1,52,600	7,94,575
Total Managerial Remuneration (A) + (B)				23,28,725
Overall ceiling as per the Act [sitting fees not to exceed Rs. 1,00,000 per meeting]	The Company is paying only sitting fees to Non-Executive Directors which is below the ceiling of Rs. 1,00,000/- per meeting as prescribed under the Companies Act, 2013.			

* ceased to be a director of the Company w.e.f. February 05, 2018 (close of business hours)

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

(in Rs.)

Sl. No.	Particulars of Remuneration	Mr. Sanjeev Barnwal Company Secretary	Mr. Hiren Shah CFO (April 01, 2017 – October 09, 2017)	Mr. Deepak Khetan* (March 29, 2018 – March 31, 2018)	Total Amount
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	36,87,633	21,17,976	2,21,110	60,26,719
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961	-	-	-	-
2.	Stock Option	2,60,589	-	-	2,60,589
3.	Sweat Equity	-	-	-	-
4.	Commission - As % of profit - Other, specify	- -	- -	- -	- -
	Total (A)	39,48,222	21,17,976	2,21,110	62,87,308

* Joined the Company on March 14, 2018 and was designated as the CFO and the KMP w.e.f. March 29, 2018. The salary is provided from the date of his joining.

VII. Penalties / Punishment / Compounding of Offences:

There were no penalties, punishment or compounding of offences during the year ended March 31, 2018

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,

**The Members,
UJJIVAN FINANCIAL SERVICES LIMITED
CIN: L65999KA2004PLC035329
Grape Garden, No.27, 3rd 'A' Cross 18th Main,
6th Block, Koramangala,
Bangalore – 560 095**

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UJJIVAN FINANCIAL SERVICES LIMITED having CIN: L65999KA2004PLC035329** (hereinafter called "the Company"). 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 Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2018 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the Rules made there under and the relevant provisions of The Companies Act, 1956;
- (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 and External Commercial Borrowings;
- (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 (Prohibition of Insider Trading) Regulations, 2015;
 - (b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (d) The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (e) 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
 - (f) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (vi) Following laws, Norms and Directions, as amended and as applicable specifically to Core Investment Company(CIC):
 - (a) Reserve Bank of India Act, 1934;
 - (b) The Core Investment Companies (Reserve Bank) Directions, 2016;

- (c) Core Investment Companies – Overseas Investments (Reserve Bank) Directions, 2016;
- (d) Master Circular– Regulatory Framework for Core Investment Companies (CICs); and
- (e) Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016 and Modifications thereof.

I have also examined compliance with the applicable clauses of the following:

- (i) The Listing Agreement entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange Limited; and
- (ii) Secretarial Standard- 1 (Secretarial Standard on Meetings of the Board of Directors) and Secretarial Standard – 2 (Secretarial Standard on General Meetings) issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the applicable provisions of the Act, Rules, Regulations, Guidelines, etc., mentioned above and labour laws.

I further report that:

Based on the information provided by the Company, its officers and authorized 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 Company 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 have been subject to review by statutory financial audit and other designated professionals.

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent 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 unanimously and there were no dissenting views.

There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

1. The Company has issued and allotted 14,84,709 Equity shares during the financial year under its various ESOP schemes pursuant to the exercise of the vested options by the employees.
2. The Reserve Bank of India has granted Certificate of Registration to the Company on 10th October, 2017 as per Section 45 IA of the Reserve Bank of India Act, 1934 for conversion of the Company from Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFI) to Non-Banking Financial Company - Non Deposit taking Systematically Important Core Investment Company (NBFC-ND-SI-CIC) and the Company has surrendered its erstwhile NBFC-MFI Certificate to the Reserve Bank of India..
3. The Company has entered into non-material related party transactions on arm's length basis with UJJIVAN SMALL FINANCE BANK LIMITED (CIN: U65110DL2016PLC302481), Wholly Owned Subsidiary and the Company has obtained necessary approvals from the Audit Committee and the Board.

Date: May 10, 2018

Place: Bangalore

K. Jayachandran

ACS No.: 11309

CP No.: 4031

Annexure A

To,

**The Members,
UJJIVAN FINANCIAL SERVICES LIMITED
CIN: L65999KA2004PLC035329
Grape Garden, No.27, 3rd 'A' Cross 18th Main,
6th Block, Koramangala,
Bangalore – 560 095**

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Date: May 10, 2018

Place: Bangalore

K. Jayachandran

ACS No.: 11309

CP No.: 4031

Annual Report on CSR Activities

1. A brief outline of the Company’s CSR Policy, including overview of the projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

CSR KEY INITIATIVES: FY 2017-18

During the year, Ujjivan has undertaken its CSR responsibilities through external NGOs with a focus on the community development programs, medical campaigns, clean water drinking initiatives, flood relief funding and others.

2. The Composition of the CSR Committee

The Company has a CSR committee of Directors comprising of Ms. Vandana Viswanathan (Chairman of the Committee), Ms. Sudha Suresh and Mr. Abhijit Sen. For further details, please refer to the Corporate Governance Section.

3. Average Net Profit of the Company for the last three financial years for the purpose of computation of CSR:

(Rs. in Lacs)

Financial Year	2014-15	2015-16	2016-17
Profit before Tax	11,451.33	27,198.86	32,085.00
Average Profit before Tax	23,578.40		

4. Prescribed CSR Expenditure (2% of the amount as in item 3 above: Rs. 471.57 Lacs; further there was a carried forward of Rs. 45.25 lacs which the Company was unable to spend towards its CSR obligation in the FY 2016-17.

5. Details of CSR spent during the financial year

- Total amount to be spent for the financial year: Rs. 471.57 (excluding Rs 45.25 lacs carried forward from the last FY)
- Amount Spent: Rs. 151.64 lacs
- Amount unspent if any: Rs. 365.18 lacs (including the carried forward of 45.25 lacs for the last FY)
- Manner in which the amount has been spent during the financial year: Please refer to the table at the end of this section.

6. In case the Company has failed to spend the two percent, 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 in its Board report.

The Company has been spending on the CSR programs even before it was made mandatory under the Companies Act, 2013. The Company didn’t have the manpower and the network to carry out the CSR programs on its own and hence the Company engaged Parinaam Foundation and Piramal Foundation to execute the CSR programs for and on behalf of the Company.

Brief notes on the work being undertaken by the external NGOs for and on behalf of the Company are as under:

(a) Parinaam Foundation

Parinaam in collaboration with Ujjivan has undertaken to execute a Community Connect Programme that brings together stakeholders, the community and the society at large to build a better life for the unserved and underserved.

The strategic focus of the project is to address critical community needs in the areas of healthcare, sanitation, public infrastructure & general community welfare activities across India.

Project Objectives:

The project seeks to align with the organization’s mission to serve the unserved and underserved by:

- Creating a connect and understanding between Ujjivan and the community
- Engaging the employees of the Ujjivan group through a volunteer program to serve the communities that they work in
- Engaging the volunteers from the community through a volunteer program
- Executing projects within the identified communities that are impactful and sustainable

Project Approach:

Parinaam, in collaboration with Ujjivan has agreed to plan, execute and monitor over 100 Community Connect Projects across regions. Each region would be undertaking smaller projects based on the community needs as well as large projects (combination of branches) that will affect the larger population.

CSR Commitment

The Company based on the approvals of its CSR Committee and the Board has committed an amount of Rs. 2 Crores to Parinaam Foundation to undertake the aforesaid Community Development Programs across various places in the Country for and on behalf of the Company. During the year, the Company has granted Rs. 80 Lacs to Parinaam from the agreed commitment of Rs. 2 Crores.

(b) Piramal Foundation

Piramal Foundation is a philanthropic arm of Piramal Group. The foundation undertakes projects under the four broad areas – healthcare, education, livelihood creation and youth empowerment. These projects are rolled out in partnership with various communities, corporate citizens, NGO's and government bodies.

The Company after deliberate discussion engaged in a partnership with Piramal Foundation to execute the following two CSR projects for and on behalf of the Company:

1. Piramal Swasthya

In this project Piramal Foundation provides medical awareness and medical facility especially in rural areas and their focus is on providing primary healthcare facilities to rural people. They provide mobile health services based on fixed day where Medical Vans with doctors & teams visit villages/areas at regular intervals, conduct diagnostic and lab testing and test reports & give treatment in real time.

The approach to design the proposal is to provide primary healthcare service at door step of beneficiaries through Mobile Medical Unit (MMU) at select Villages / Towns in identified locations. The MMU will be staffed with a medical team consisting of a Doctor & paramedic staff and equipped with basic diagnostics, medication and android tablets. Each of the targeted villages / towns would be served once in a fortnight each service session would last for 6 hours covering the entire population of village. The objective of the Program is to create a technology enabled health service that provides comprehensive health services for the identification, screening, diagnosis, referrals, monitoring and treatment of select communicable & non-communicable diseases and minor illnesses, thus managing the morbidity & mortality.

Aligned to Ujjivan strategy for reaching out for health services in areas of stress, Ujjivan has identified various places across two states of Maharashtra (Mumbai, Nashik and Pune) and Karnataka (Bangalore) for the proposed mobile medical unit (MMU) to be operated by Piramal Swasthya Management and Research Institute.

The Company has executed an MOU with Piramal Swasthya to operate 5 MMUs across the above cities and had committed an amount of Rs. 5.66 Crores plus taxes for three years. As on March 31, 2018, the Company has granted Rs. 18.81 lacs for this project.

2. Piramal Sarvajal

Piramal Sarvajal is a social initiative of the Piramal Foundation – was established in 2008. Sarvajal has established real-time online monitoring of the drinking water infrastructure which enables viability of distributed remote operations, quality control and streamlined maintenance services. Sarvajal leases its water purification technology/equipment (kind of Water ATM) to a local entrepreneur who becomes the franchise owner. They pay fee that represents a proportion of the cost of the filtration unit, they also provide training, marketing material, sustained services & maintenance for each franchisee. Owners takes up responsibility for distribution ATM cards to customers also they give rechargeable facilities to customers, they provide clean water to the underserved consumer at an affordable price of 1 Rs. /litre, they are working on 3 points approach affordability, accessibility & purity.

The Company has executed an MOU with Piramal Sarvajal to install and operate 16 PD Units (as clusters) in the city of Rewari, Rohtak, Alwar, Jodhpur and Pali; this will serve approximately 5,85,000 litres of clean drinking water per annum. The total beneficiaries (household) would be around 1,46,000 per annum with an average consumption of 4 litres per household.

During the year, the Company has executed an MOU with Piramal Sarvajal and has committed Rs. 1.45 Crores for a period of two years and has granted Rs. 30 lacs to Piramal Sarvajal this year for undertaking the project and that the feasibility study for identifying the potential areas for installing the PD units is in advanced stage.

(c) **Other CSR Work**

(i) Disaster relief Program in states of Assam, Bihar and West Bengal

The Company undertaken relief work in certain areas/ districts of Assam, Bihar and West Bengal so as to provide some basic support in terms of provisions and sanitization with the active support of group staff and community members. The CSR Committee and the Board has granted upto Rs. 1 Crore for carrying out the relief work; however Rs. 15.51 lacs were actually spent as the adverse effect was subsidized.

(ii) NGO Funding

The Company granted Rs. 7.75 lacs to Kolkata based NGO- Voice of World. Voice of World is a Kolkata based NGO helping the Blind and Deaf Schools, Schools for Handicapped etc. This organization is working mainly with orphan kids who are visually challenged (visually or physically challenged left by their parents usually) They have school, healthcare and other facilities for such kids. The Company funded the NGO to purchase one Maruti Omni Ambulance and one 20 KVA Silent DG Set for our Saltighat Centre.

Since the Company spent considerable time in identifying the right CSR partners, it was unable to spend the budgeted CSR expenditure. The Company hereby has its commitment in place and all efforts will be made to cover the shortfall in the CSR spends of the last financial years in the coming years.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR policy is in compliance with CSR objectives of and policy of the Company.

We hereby declare that implementation of the CSR policy are in compliance with CSR objective and policy of the Company.

Ms. Vandana Viswanathan

Chairman, Corporate Social Responsibility Committee

DIN: 05192578

During the FY 2017-18, several projects were carried out by external NGOs like Parinaam Foundation, Piramal Foundation and others for and on behalf of the Company as under:

CSR Projects or Activity Identified	Sector in which the project is covered	Geographical areas where project was implemented	Amount Outlay (budget) project or programmes wise	Amount spent on the projects or programmes		Mode of implementation (direct or through implementing agencies)
			(Rs. in lacs)	(1) Direct Expenditure	(2) Overhead	
				(Rs. in lacs)		
Community Development Programs	Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;	All India Coverage	200	80		Indirect (through Parinaam Foundation)
Drinking water facility	-do-					
Facilities for Schools	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;					
Bus stand construction /renovation / Public facilities	Rural development projects. Street lighting and providing barricades and traffic signal facilities to improve public safety					

CSR Projects or Activity Identified	Sector in which the project is covered	Geographical areas where project was implemented	Amount Outlay (budget) project or programmes wise (Rs. in lacs)	Amount spent on the projects or programmes (1) Direct Expenditure (2) Overhead (Rs. in lacs)	Mode of implementation (direct or through implementing agencies)
Healthcare	Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;	Pune, Nashik, Mumbai, Bangalore	32.83	18.81	Indirect (through Piramal Foundation – Piramal Swasthya)
Drinking water facility	-do-	Various places in Haryana and Rajasthan	97.67	30.00	Indirect (through Piramal Foundation – Piramal Sarvajal)
Disaster Relief	-do-	Assam, West Bengal and Bihar	100.00	15.07	Direct
Social Welfare of orphans/ disabled etc.	-do-	West – Kolkata	7.75	7.75	Direct
Total			438.25	151.63	

The Company is committed to spend the shortfall of the CSR spends of the last two years in the coming years.

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

The Company recognizes 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, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

Ujjivan 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 all its stakeholders have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the shareholders.

2. Board of Director's

The Company is in compliance with the corporate governance provisions, as contained under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**") and the Companies Act, 2013, in connection with the following:

- a. the Board of Directors (the "**Board**");
 - b. the independent directors on the Board;
 - c. the Audit Committee;
 - d. the Stakeholders Relationship Committee;
 - e. the Governance, Nomination and Remuneration Committee; and
 - f. the Corporate Social Responsibility Committee.
- i. As on March 31, 2018, the Board of Directors of the Company consists of 6 (six) director out of which 1 is an executive director (Managing Director & CEO), 2 Non Executive, Non-Independent Directors and 3 are Independent Directors. Out of the total 6 directors, 3 are Independent Directors as per the requirement of the SEBI LODR Regulations and the Companies Act, 2013. The Board of Directors of the Company has two woman director, Ms. Sudha Suresh and Ms. Vandana Viswanathan;
 - ii. During the Financial Year 2017-18, our Board has met 5 (five) times and the meetings of our Board of Directors were held on April 27, 2017, August 03, 2017, November 02, 2017, February 05, 2018 and March 28, 2018. There has not been a time gap of more than 120 days between any two meetings of the Board;
 - iii. No Director is related to each other;
 - iv. Not less than one-half of the board of directors of the Company comprise of non-executive directors;
 - v. Every director has duly informed the Company about the committee positions he/she occupies in other Companies;
 - vi. None of the directors of the Company, is a member of more than ten committees, across all public limited companies in which he/she is a director; and
 - vii. None of the directors of the Company is a chairman of more than five committees across all public limited companies in which he/she is a director.
 - viii. During the year, a separate meeting of independent directors was held on March 28, 2018. The Independent Directors *inter alia*, reviewed the performance of non-independent directors, Chairman and the Board as a whole.
 - ix. The terms and conditions of appointment of Independent Directors are disclosed on the website of the Company.
 - x. The details of the familiarisation programme of the Independent Directors are available on the website of the Company (http://ujjivan.com/html/ujjivan_policies.php)
 - xi. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on March 31, 2018 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013. Chairmanships/ Memberships of Board Committees shall include Audit Committee and Stakeholders Committee only.

Name of the Director	Category	Number of Board Meetings during the Year 2017-18		Whether attended last AGM held on August 04, 2017	Number of Directorships in other Public Companies		No of Committee positions held in other Public Companies	
		Held during their tenure	Attended		Chairman	Member	Chairman	Member
Mr. K.R. Ramamoorthy DIN: 00058467	Non-Executive Chairman and Independent Director	5	5	Yes	-	3	2	1
Mr. Abhijit Sen DIN: 00002593	Non-Executive Independent Director	5	5	Yes	-	4	4	1
Ms. Vandana Viswanathan DIN: 05192578	Non-Executive Independent Director	5	3	No	-	1	-	1
Mr. Jayanta Basu DIN: 01268046	Non-Executive Director	5	3	No	-	2	-	2
Mr. Amit Gupta DIN: 02282600	Non-Executive Director	5	2	No	-	-	-	-
Ms. Sudha Suresh DIN: 06480567	Managing Director and Chief Executive Officer	5	5	Yes	-	-	-	-
Mr. Venkatesh Natarajan * DIN: 02453219	Non-Executive Director	4	4	No	Not Applicable			

*Mr. Venkatesh Natarajan resigned w.e.f. February 05, 2018 (close of business hours)

xii. Details of equity shares of the Company held by the Directors as on March 31, 2018 are given below:

Name	Category	No. of Equity Shares
Mr. K.R. Ramamoorthy*	Independent, Non-Executive	1,000
Ms. Sudha Suresh	Managing Director & CEO	33,591

*jointly held with Ms. Vasantha Ramamoorthy

2. Committees of the Board

A. Audit Committee

i. The Audit Committee of the Company is constituted in line with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI LODR Regulations.

ii. The composition of the Audit Committee and the details of meetings attended by its members are given below:

S r . No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held during their tenure	Attended
1.	Mr. K.R. Ramamoorthy	Chairman (Independent Director)	5	5
2.	Mr. Abhijit Sen	Independent Director	5	5
3.	Mr. Jayanta Basu*	Non-Independent, Non-Executive	1	1
3.	Mr. Venkatesh Natarajan**	Non-Independent, Non-Executive	4	4

* Mr. Jayanta Basu inducted as a members w.e.f. February 05, 2018

** Mr. Venkatesh Natarajan resigned w.e.f. February 05, 2018 (close of business hours) and hence ceased to be a member of the Audit Committee w.e.f. February 05, 2018

Of the above, all the members of Audit Committee are financially literate, as defined in the SEBI LODR Regulations; all the members have accounting or related financial management expertise.

- iii. The Audit Committee has met 5 (five) times during the year and the gap between two meetings did not exceed one hundred and twenty days. The Audit Committee meetings were held on April 27, 2017, August 03, 2017, November 02, 2017, February 05, 2018 and March 28, 2018.
- iv. The terms of powers, role and terms of reference of the Audit Committee are in accordance with the Companies Act, 2013 and the SEBI LODR Regulations.

The scopes of the Audit Committee are:

- (1) oversight of the listed entity'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, remuneration and terms of appointment of auditors of the listed entity;
- (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:
 - a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - b) changes, if any, in accounting policies and practices and reasons for the same;
 - c) major accounting entries involving estimates based on the exercise of judgment by management;
 - d) significant adjustments made in the financial statements arising out of audit findings;
 - e) compliance with listing and other legal requirements relating to financial statements;
 - f) disclosure of any related party transactions;
 - g) 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) 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 utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- (7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- (8) approval or any subsequent modification of transactions of the listed entity with related parties;
- (9) scrutiny of inter-corporate loans and investments;
- (10) valuation of undertakings or assets of the listed entity, wherever it is necessary;
- (11) evaluation of internal financial controls and risk management systems;
- (12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- (13) 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;
- (14) discussion with internal auditors of any significant findings and follow up there on;
- (15) 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;
- (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (17) 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;
- (18) to review the functioning of the whistle blower mechanism;
- (19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;

[20] The Audit Committee must 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 Company.

[21] Carrying out any other function as is mentioned in the terms of reference of the audit committee.

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; and
- (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- (6) statement of deviations:
 - (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.

B. Governance, Nomination and Remuneration Committee (Nomination Committee)

- i. For the remuneration of Directors, key managerial personnel and other employees, the Company has constituted a Governance, Nomination and Remuneration Committee as per the requirements of Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI LODR Regulations. The Nomination Committee has powers of formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending a policy relating to the remuneration for the directors, key managerial personnel and other employees as per the requirements of Regulation 20 of the SEBI LODR Regulations.
- ii. The composition of the Governance, Nomination and Remuneration Committee and the details of meetings attended by its members are given below:

S r . No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held during their tenure	Attended
1.	Mr. Abhijit Sen	Chairman (Independent Director)	3	3
2.	Mr. K.R. Ramamoorthy	Independent Director	3	3
3.	Mr. Amit Gupta	Non-Independent, Non-Executive	3	1

- iii. All of the members of the Nomination Committee are non-executive directors, and at least half of the members of the Governance, Nomination and Remuneration Committee are independent directors
- iv. The chairman of the Governance, Nomination and Remuneration Committee is an independent director.
- v. The Nomination Committee has met 3 (three) times during the year on August 03, 2017, November 02, 2017 and March 28, 2018.
- vi. The scope of the Governance, Nomination and Remuneration Committee are:
 - (a) To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
 - (b) To ensure 'fit and proper' status of proposed/ existing Directors
 - (c) 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.
 - (d) 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.
 - (e) To recommend to the Board the appointment and removal of Senior Management
 - (f) To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.

- (g) To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
- (h) 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 Company subject to the provision of the law and their service contract;
- (i) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
- (j) To devise a policy on Board diversity;
- (k) To develop a succession plan for the Board and to regularly review the plan;
- (l) To also act as the ESOP committee for the purposes of SEBI (Share Based Employee Benefits) Regulations 2014 and administer and manage the ESOP Schemes

C. Stakeholders Relationship Committee

- i. For redressing the grievances of the stakeholders, the Company has formed Stakeholders Relationship Committee as per the requirements of Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI LODR Regulations.
- ii. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

S r . No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held during their tenure	Attended
1.	Mr. K.R. Ramamoorthy	Chairman (Independent Director)	1	1
2.	Ms. Vandana Viswanathan	Independent Director	1	0
3.	Ms. Sudha Suresh	MD & CEO	1	1

- iii. The chairman of the Stakeholders Relationship Committee is a non-executive director of the Company.
- iv. The Stakeholders Relationship Committee has physically met once during the year on April 13, 2017. The committee has passed 11 circular resolutions during the year primarily for the allotment of shares pursuant to the exercise of vested options.
- v. The scope of the Stakeholders Relationship Committee are:
 - a. To approve/refuse/reject registration of transfer/transmission of Shares in a timely manner;
 - b. To authorise the issue, printing, signing of Share Certificates and Common Seal thereon post authorization from the Board of Directors of the Company, issue of Duplicate Share Certificates and Share Certificates 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 ;
 - c. To authorise to sign and endorse the Share Transfers on behalf of the Company;
 - d. Allotment of shares to the employees or ex-employees on exercise of stock options granted and vested under the various Employees Stock Option Schemes
 - e. To monitor redressal of stakeholder's complaints/grievances including relating to non-receipt of allotment / refund, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
 - f. To oversee the performance of the Register and Transfer Agents and to recommend measures for overall improvement in the quality of investor services.
 - g. To perform all functions relating to the interests of security holders (shareholders and debenture holders) of the Company and as assigned by the Board, as may be required by the provisions of the Companies Act, 2013 and Rules made thereunder, Listing Agreements with the Stock Exchanges and guidelines issued by the SEBI or any other regulatory authority.

D. Corporate Social Responsibility Committee (CSR Committee)

- i. The Company has constituted a Corporate Social Responsibility Committee as per the requirements of Section 135 of the Companies Act, 2013.

- ii. The Corporate Social Responsibility Committee has been constituted to formulate and recommend to the Board of Directors, a corporate social responsibility policy which shall indicate the activities to be undertaken by the company, recommend the amount of expenditure to be incurred on such activities and monitor the corporate social responsibility policy of the company from time to time. The Corporate Social Responsibility Committee consists of the following Directors.
- iii. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

S r . No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held	Attended
1.	Ms. Vandana Viswanathan	Independent Director	2	2
2.	Ms. Sudha Suresh	MD & CEO	2	2
3.	Mr. Abhijit Sen*	Independent Director	-	-
3.	Mr. Venkatesh Natarajan**	Non-Independent, Non-executive	2	1

*Mr. Abhijit Sen was inducted as a member w.e.f. February 05, 2018

** Mr. Venkatesh Natarajan ceased to be a member of the Board and the CSR Committee w.e.f. February 05, 2018

- iv. The CSR Committee met 2 (two) times during the year on September 05, 2017 and February 05, 2018
- v. The scope of the Corporate Social Responsibility Committee are:
 - a) To formulate and recommend to the board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board;
 - b) To recommend the amount of expenditure to be incurred on the activities;
 - c) To Monitor the Corporate Social Responsibility Policy of the company from time to time; and
 - d) To do such other acts, deeds and things as may be directed by the board and required to comply with the applicable laws.
- vi. One of the members of the Corporate Social Responsibility Committee is an independent director;
- vii. The Company has formulated a corporate social responsibility policy indicating the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013.

The following Board Committees never met during the year and were dissolved during the year:

- a. Risk Management Committee
- b. ALCO Committee
- c. Investment Committee

Independent Director's Meeting

In compliance with Schedule IV to the Companies Act, 2013 and regulation 25(3) of the SEBI Listing Regulations, 2015, the independent directors held their separate meeting on March 28, 2018 without the attendance of non-independent directors and members of Management, inter alia, to discuss the following:

- a. review the performance of non-independent directors and the Board as a whole;
- b. review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors;
- c. assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties;

3. Remuneration of Directors

The Board of Directors of the Company are comprised of various professionals from diverse backgrounds in the field of finance, banking, HR, management etc. which brings to the table different dimensions for its effective functioning. Considering the time and efforts made by the Non-Executive Directors, it is necessary that appropriate sitting fees are paid to the Non-Executive Directors for attending the meetings of the Board and its Committees.

The Company is paying only the sitting fees to all the Non-Executive Directors within the ceiling of Rs. 1,00,000 per meeting as prescribed under the Companies Act, 2013. The Non-Executive Directors are paid Rs. 50,000 for attending every Board Meeting and Rs. 40,000 for attending every Committee Meeting. In addition, the Non-Executive Directors are being paid travelling expenses including airfare, hotel stay and car on rental basis for attending the meetings of the Board and such other expenses as are incurred by the Non-Executive Directors and allowed to be reimbursed as per the provisions of the Companies Act, 2013.

Please refer to the Board's Report for disclosures with respect to remuneration of MD & CEO.

4. General Body Meetings of Shareholders

- i. Location and time where last three Annual General Meetings (AGMs) held and the Special resolutions passed in the AGMs

For the FY	Venue	Day & Date	Time	Special Resolution Passed
2016-17	Annex II, No. 23-26, Grape Garden, No. 17 th Main, 6 th Block, Koramangala, Bangalore-560 095	Friday, August 04, 2017	03:30 PM IST	1. To approve the appointment of Ms. Sudha Suresh (DIN: 06480567) as the Managing Director and Chief Executive Officer of the Company for a period of 3 years w.e.f. February 01, 2017 2. To approve the revision in the limit of foreign shareholding in the Company from 49% to 47% and submission thereof to RBI
2015-16	Annex II, No. 23-26, Grape Garden, No. 17 th Main, 6 th Block, Koramangala, Bangalore-560 095	Wednesday August 10, 2016	02:30 PM IST	Ratification of Employee Stock Option Scheme 2015.
2014-15	Grape Garden, No. 27, 3rd A Cross, 18th Main, Koramangala 6th Block, Bengaluru 560 095	Wednesday August 26, 2015	4:00 PM IST	No Special business

Postal Ballot

- i. During the FY 2017-18, no postal ballot approvals were sought from the shareholders.

5. Means of Communication

The Company has an operational website www.ujjivan.com wherein *inter alia* its half yearly and annual financials together with all material disclosures as may be required under various laws are placed.

6. Managing Director and Chief Financial Officer Certification

As required under Regulation 17 read with Part B of Schedule II of the Listing Regulations, the MD and CFO certification on the Financial Statements, the Cash Flow Statements and the internal financial reporting for the FY 2017-18 has been obtained from Ms. Sudha Suresh, Managing Director and Chief Executive Officer and Mr. Deepak Khetan, Chief Financial Officer. The said certificate is a part of this Annual Report.

7. Code of Conduct as prescribed under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

In accordance with the requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, the Company has instituted a comprehensive code of conduct to regulate, monitor and report trading by its employees and other connected persons.

8. Ujjivan Code of Conduct

The Company has adopted its Code of Conduct which is applicable for all its Directors (including independent directors) and employees. The key objectives of the Code of Conduct are to establish professional business standards and ensure adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships, to provide full, fair and accurate disclosures in the periodic reports required to be filed by the Company with its stakeholders and to ensure compliance with applicable laws, rules and regulations.

Ujjivan Code of Conduct is available on the website of the Company www.ujjivan.com. Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a confirmation from the Managing Director & CEO regarding compliance with the Code by all the Directors and senior management forms part of the Annual Report.

9. Material Subsidiaries

In accordance with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated a Policy for determining Material Subsidiaries and the same can be accessed from the website of the Company from the link given below: http://www.ujjivan.com/html/ujjivan_policies.php

10. Familiarization Programme for independent Directors

The Independent Directors of the Company are familiarized with their roles, rights and responsibilities in the Company as well as with the nature of industry and business model of the Company through induction programmes at the time of their appointment as Directors. The details of the familiarization programmes have been hosted on the website of the Company and can be accessed from the link below:

http://www.ujjivan.com/html/ujjivan_policies.php

11. General Shareholder Information

Sr.	Particulars		Details
a)	Annual General Meeting for FY 2017-18 (Date, time and venue)	:	June 27, 2018 02:30 P.M. Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India
b)	Financial Year	:	April 01 till March 31
c)	Dividend Payment date	:	The dividend of 5% i.e. Rs. 0.50 per equity share as recommended by the Board and if declared by the shareholders, shall be paid / credited within 30 days after the AGM
d)	Book Closure Date	:	Book Closures Dates: June 21, 2018 to June 27, 2018 (Both Days Inclusive)
e)	Listing on Stock Exchanges and Stock Code	:	The Company's equity shares are listed at both NSE and BSE Stock Code / Symbol: NSE: UJJIVAN BSE: 539874
f)	Payment of Listing fees	:	The Company has paid all listing fees as applicable
g)	Registrar and Transfer Agent and Address for correspondence	:	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad 500 032 Telangana, India P : +91 040 6716 1562 www.karvycomputershare.com
h)	Share Transfer System	:	The investor's services like share transfer, demat or remat of shares and other services are handled by the RTA of the Company. As on March 31, 2018, 99.72% of the equity share capital of the Company, are in dematerialized form and its transfer are done directly through the depositories. Transfer of physical shares is completed within 10-15 working days from the date of receipt of complete documentation.

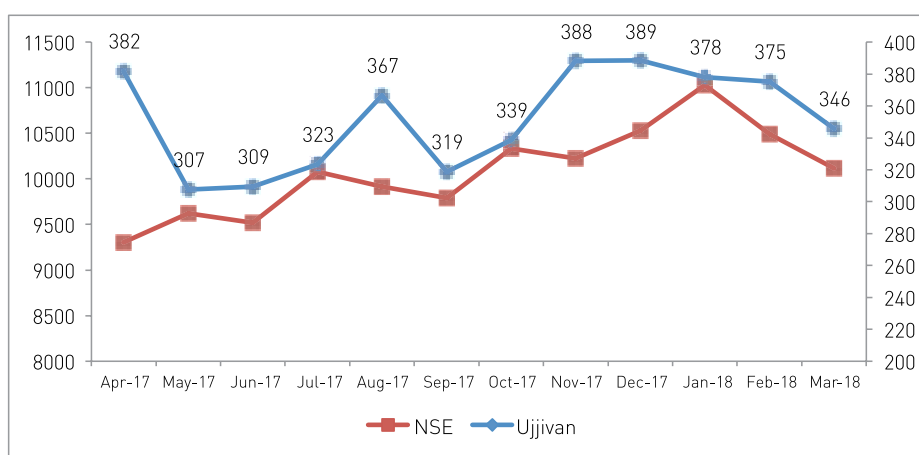
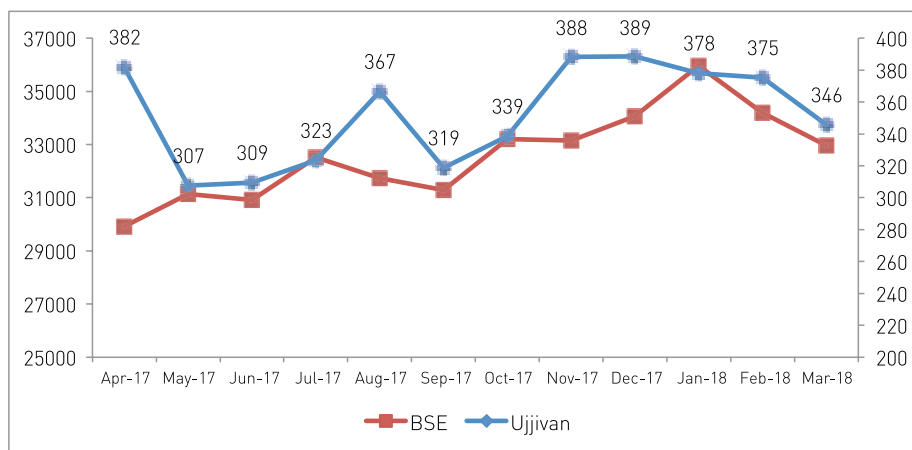
Sr.	Particulars		Details																														
i)	Dematerialization of shares and liquidity	:	<p>The Company's Equity Shares are in compulsory demat segment and are available for trading under dematerialized form with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).</p> <table><tr><th colspan="5">Control Report as on 31/03/2018</th></tr><tr><th>Sr.</th><th>Description</th><th>No of Holders</th><th>Shares</th><th>% To Equity</th></tr><tr><td>1</td><td>Physical</td><td>46</td><td>3,35,385</td><td>0.28</td></tr><tr><td>2</td><td>NSDL</td><td>45,685</td><td>8,47,88,007</td><td>70.15</td></tr><tr><td>3</td><td>CDSL</td><td>31,102</td><td>3,57,38,389</td><td>29.57</td></tr><tr><td></td><td>Total</td><td>76,833</td><td>12,08,61,781</td><td>100.00</td></tr></table> <p>As on March 31, 2018, 12,05,26,396 equity shares of the Company, forming 99.72% of the equity share capital of the Company, were in dematerialized form and 3,35,385 equity shares were in physical form.</p> <p>The ISIN of the Company is INE334L01012 with NSDL and CDSL) and the equity shares of the Company are frequently traded on both BSE and NSE.</p>	Control Report as on 31/03/2018					Sr.	Description	No of Holders	Shares	% To Equity	1	Physical	46	3,35,385	0.28	2	NSDL	45,685	8,47,88,007	70.15	3	CDSL	31,102	3,57,38,389	29.57		Total	76,833	12,08,61,781	100.00
Control Report as on 31/03/2018																																	
Sr.	Description	No of Holders	Shares	% To Equity																													
1	Physical	46	3,35,385	0.28																													
2	NSDL	45,685	8,47,88,007	70.15																													
3	CDSL	31,102	3,57,38,389	29.57																													
	Total	76,833	12,08,61,781	100.00																													
j)	Outstanding GDRs/ADSs/Warrants or any Convertible instruments, conversion date and likely impact on equity.	:	The Company does not have any outstanding GDRs/ADRs/Warrants or any convertible instruments other than outstanding ESOPs granted to employees.																														
k)	Plant Locations	:	As the Company is engaged in the business of NBFC, there is no plant location.																														
l)	Address of the Compliance Officer	:	Sanjeev Barnwal, Company Secretary and Compliance Officer; Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bengaluru 560 095, Karnataka, India Tel: +91 80 4071 2121; Fax: +91 80 4146 8700 E-mail: compliance@ujjivanfin.com																														

(B) market price data- high, low during each month in last financial year;

Month	BSE			NSE		
	High Price	Low Price	Volume (No. of Shares Traded)	High Price	Low Price	Volume (No. of Shares Traded)
Apr-17	426.70	379.00	42,84,212	427.00	379.00	2,84,00,218
May-17	380.90	290.35	47,72,182	380.00	290.00	3,39,74,906
Jun-17	334.00	291.20	50,44,531	334.00	291.00	3,70,83,971
Jul-17	354.00	309.00	64,30,604	353.75	308.45	4,33,43,492
Aug-17	374.00	285.00	66,94,303	374.00	285.00	6,50,30,035
Sep-17	381.50	314.25	45,86,712	381.30	313.30	3,89,78,987
Oct-17	353.00	316.80	25,76,443	352.90	316.10	2,40,82,413
Nov-17	417.40	339.00	75,74,880	417.40	338.70	7,18,29,479
Dec-17	396.70	347.70	26,21,438	396.65	347.20	2,20,65,206
Jan-18	423.00	372.40	43,72,808	422.60	372.10	3,07,62,094
Feb-18	390.50	315.00	22,73,423	390.95	318.30	2,01,54,661
Mar-18	379.35	331.75	12,64,329	379.50	331.05	1,77,51,728

Performance in comparison to broad-based indices such as BSE Sensex, Nifty

Comparative chart of Ujjivan Financial Services Limited Scrip with BSE Sensex and Nifty 50



Distribution of Shareholding as on March 31, 2018

DISTRIBUTION SCHEDULE AS ON 31/03/2018						
Sr.	Category (Amount)	No. of Cases	% of Cases	Total Shares	Amount	% of Amount
1	1-5000	67,582	87.96	65,16,101	6,51,61,010	5.39
2	5001- 10000	4,131	5.38	31,61,172	3,16,11,720	2.62
3	10001- 20000	2,394	3.12	36,01,562	3,60,15,620	2.98
4	20001- 30000	835	1.09	20,95,792	2,09,57,920	1.73
5	30001- 40000	426	0.55	15,01,132	1,50,11,320	1.24
6	40001- 50000	317	0.41	14,59,923	1,45,99,230	1.21
7	50001- 100000	515	0.67	36,92,923	3,69,29,230	3.06
8	100001& Above	633	0.82	9,88,33,176	98,83,31,760	81.77
Total		76,833	100.00	12,08,61,781	1,20,86,17,810	100.00

12. Investor Education and Protection Fund - Unclaimed Dividend

Pursuant to section 125 of the Companies Act, 2013, all unpaid and unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government after the completion of seven years. The unclaimed dividend declared by the Company for the FY 2015-16 and FY 2016-17 are Rs. 41,475 and Rs. 1,63,868 respectively as on March 31, 2018 and the same will be transferred by the Company to IEPF on the completion of seven years, if remained unclaimed. The details of the unclaimed dividend can be accessed from the website of the Company from the link below:

http://www.ujjivan.com/html/Unclaimed_Dividend.php

13. Equity Shares in the demat suspense account / unclaimed suspense account

As on March 31, 2018 there are no shares in the demat suspense account / unclaimed suspense account.

14. Other Disclosures

i. Related Party Transactions

All the contracts or arrangements or transactions entered by the Company during the year ended March 31, 2018, were at arm's length basis and with the requisite approvals from the Audit Committee and the Board. The Company has a policy on materiality and on dealing with related party transactions which has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

i. Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;

- Nil

ii. The Company in compliance with Section 177 of the Companies Act, 2013 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 company's Code of Conduct or Ethics Policy. No person has been denied access to the Audit Committee. The Whistle Blower policy has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

iii. The Company has adopted Policy for Determination of Materiality of Events / Information for Disclosures, Policy on Preservation of Document and Archival Policy. The policies has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

iv. The Company has adopted the below discretionary requirements as specified in Part E of Schedule II of SEBI Listing Regulations:

- a. Separate posts of chairperson and chief executive officer
- b. Reporting of internal auditor directly to the audit committee

v. The Company is in compliance with the corporate governance requirements specified in regulation 17 to 27 of SEBI Listing Regulations and has an operational website www.ujjivan.com wherein the information as required under Regulation 46 of the SEBI Listing Regulations has been disseminated.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors and Independent Directors. The code is available on the Company's Website www.ujjivan.com.

I confirm that the Company has in respect of the year ended March 31, 2018, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Chief Financial Officer and the Company Secretary as on March 31, 2018.

Date: May 10, 2018

Place: Bangalore

Sudha Suresh

Managing Director and CEO

DIN: 06480567

CEO / CFO CERTIFICATION

To,
The Board of Directors
Ujjivan Financial Services Limited

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 the financial year 2017-18 and that 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 Company'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 Company during the year which are fraudulent, illegal or violative of the Company'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 Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, 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) significant changes in internal control over financial reporting during the year;
 - (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sudha Suresh
Managing Director & CEO
DIN: 06480567

Deepak Khetan
Chief Financial Officer

Date: May 10, 2018
Place: Bangalore

INDEPENDENT PRACTICING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of UJJIVAN FINANCIAL SERVICES LIMITED

CIN: L65999KA2004PLC035329

Grape Garden, No.27, 3rd 'A' Cross, 18th Main, 6th Block,

Koramangala, Bangalore - 560095

I have examined all the relevant records of "UJJIVAN FINANCIAL SERVICES LIMITED" ("the Company") for the purpose of certifying compliance of the conditions of the Corporate Governance under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") for the Financial Year 31st March, 2018. 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 Company for ensuring the compliance of the conditions of the Corporate Governance.

This Certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In my opinion and to the best of my information and according to the explanations and information furnished to me, I certify that the Company has complied with the conditions of Corporate Governance as specified in Regulation 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraphs C, D and E of Schedule V of Listing Regulations, as applicable.

Date: May 10, 2018

Place: Bangalore

K. Jayachandran

Company Secretary

ACS No.: 11309

CP. No. : 4031



STANDALONE FINANCIALS
&
INDEPENDENT AUDITOR'S REPORT
FY 2017-18



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UJJIVAN FINANCIAL SERVICES LIMITED

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

1. We have audited the accompanying standalone financial statements of Ujjivan Financial Services Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018 and its profit and its cash flows for the year ended on that date.

Other Matter

9. The standalone financial statements of the Company as at March 31, 2017 and for the year then ended, were audited by another firm of chartered accountants who, vide their report dated April 27, 2017 expressed an unmodified opinion on those financial statements.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. 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 Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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 Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A and
 - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - (i) The Company does not have any pending litigations as at March 31, 2018 which would impact its financial position.
 - (ii) The Company did not have any long-term contracts including derivative contracts as at March 31, 2018.
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018.
 - (iv) The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016


Vivek Prasad

Partner

Place: Bengaluru

Date: May 10, 2018

Membership Number – 104941

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE ACT

1. We have audited the internal financial controls over financial reporting of Ujjivan Financial Services Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

8. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over finan-

cial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

9. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016



Vivek Prasad

Partner

Membership Number – 104941

Place: Bengaluru

Date: May 10, 2018

Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Ujjivan Financial Services Limited on the standalone financial statements for the year ended March 31, 2018

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
The Company does not own any immovable properties as disclosed in Note 8 on fixed assets to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company is a Non-Banking Financial Company - Core Investment Company ("CIC") registered with Reserve Bank of India. The Company has not granted any loans or provided any guarantees or security to the parties covered under Section 185. Further, provisions of Section 186 are not applicable to the Company. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, income tax, service tax and goods and service tax with effect from July 1, 2017 and other material statutory dues, as applicable, with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, service-tax or goods and service tax which have not been deposited on account of any dispute.
- viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is required to, and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as NBFC-ND-SI-CIC.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016



Vivek Prasad

Partner

Membership Number – 104941

Place: Bengaluru

Date: May 10, 2018

UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)
STANDALONE BALANCE SHEET AS AT MARCH 31, 2018

(Amount in Rupees)

Particulars	Note No.	As at March 31, 2018		As at March 31, 2017	
I. EQUITY AND LIABILITIES					
(1) Shareholder's Funds:					
(a) Share Capital	3	1,208,617,810		1,193,770,720	
(b) Reserves and Surplus	4	16,335,670,602	17,544,288,412	16,358,467,035	17,552,237,755
(1.2) Share application money pending allotment:	22		2,369,747		5,287,610
(2) Current Liabilities					
(a) Trade payables					
(i) Total outstanding dues of micro enterprises and small enterprises		-		-	
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	5	1,776,771		7,751,062	
(b) Other current liabilities	6	9,767,767		41,859,887	
(c) Short-term provisions	7	996,024	12,540,562	66,978,314	116,589,263
Total			17,559,198,721		17,674,114,628
II. Assets					
(1) Non-Current Assets					
(a) Fixed assets					
(i) Tangible assets	8	307,625		-	
(ii) Intangible assets		-		-	
(iii) Capital work in progress		-	307,625	-	-
(b) Non-current investments	9	16,400,378,000		16,400,378,000	
(c) Deferred tax assets (net)	19.5	311,458		355,515	
(d) Long-term loans and advances	10	5,883,075	16,406,572,533	316,953	16,401,050,468
(2) Current Assets					
(a) Cash and Bank balances	11	1,148,251,464		1,270,729,029	
(b) Short-term loans and advances	12	3,132,921		2,172,391	
(c) Other current assets	13	934,178	1,152,318,563	162,740	1,273,064,160
Total			17,559,198,721		17,674,114,628
See accompanying notes forming part of the financial statements	1-23				



This is the Balance sheet referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP

Chartered Accountants

Firm Registration No: 012754N / N500016



Vivek Prasad

Partner

Membership No. 104941

Place: Bengaluru

Date: May 10, 2018

For and on behalf of the Board of Directors



K.R. Ramamoorthy

Chairman

DIN:00058467



Deepak Khetan

Chief Financial Officer



Sudha Suresh

Managing Director & CEO

DIN:06480567



Sanjeev Barnwal

Company Secretary

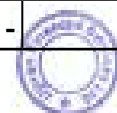


UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)

STATEMENT OF STANDALONE PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

(Amount in Rupees)

Particulars	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
I. CONTINUING OPERATIONS			
A. INCOME			
(a) Other income	14	77,409,952	237,053,783
Total Income (A)		77,409,952	237,053,783
B. EXPENDITURE			
(a) Employee benefits expenses	15	15,193,297	13,985,489
(b) Administrative and other expenses	16	32,100,825	1,450,076
(c) Finance Costs	17	127,122	-
(d) Depreciation and amortisation expenses	8	115,066	-
Total Expenditure (B)		47,536,310	15,435,565
Profit Before Tax from continuing operations (A) - (B)		29,873,642	221,618,218
Tax expenses			
(a) Current tax expenses		11,940,000	76,600,000
(b) Provision for tax related to previous years		13,700,000	-
(c) Deferred tax	19.5	44,057	(355,515)
Profit after tax from continuing operations (i)		4,189,585	145,373,733
II. DISCONTINUED OPERATIONS			
Profit before Gain on transfer of business attributable to the discontinued operations	18.1	-	2,826,856,758
Gain on transfer of business attributable to the discontinued operations	18.1	-	160,000,000
Profit Before Tax from discontinued operations	18.1	-	2,986,856,758
Tax expenses			
(a) Current tax expenses on discontinued operations		-	1,242,184,800
(b) Current tax expenses on transfer of business		-	36,915,200
(c) Provision for tax of earlier year		-	(289,868)
(d) Deferred tax		-	(222,940,037)
Profit after tax from discontinued operations (ii)		-	1,930,986,663



(Amount in Rupees)

Particulars	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
Total Tax expenses			
(a) Current tax expenses		11,940,000	1,355,700,000
(b) Provision for tax of earlier year		13,700,000	(289,868)
(c) Deferred tax		44,057	(223,295,552)
Profit for the year for Total Operations (i+ii)		4,189,585	2,076,360,396
Earnings per Equity Share: face value Rs. 10 each			
(a) Basic			
(i) Continuing operations	19.4	0.03	1.24
(ii) Total operations	19.4	-	17.75
(b) Diluted			
(i) Continuing operations	19.4	0.03	1.20
(ii) Total operations	19.4	-	17.10
See accompanying notes forming part of the financial statements	1-23		

This is the Statement of Profit and Loss referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP

Chartered Accountants

Firm Registration No: 012754N / N500016


Vivek Prasad

Partner

Membership No. 104941

Place: Bengaluru

Date: May 10, 2018

For and on behalf of the Board of Directors


K.R. Ramamoorthy
Chairman
DIN:00058467


Deepak Khetan
Chief Financial Officer


Sudha Suresh
Managing Director & CEO
DIN:06480567


Sanjeev Barnwal
Company Secretary



UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash Flows from operating activities		
Profit before tax	29,873,642	3,208,474,976
Adjustments for		
Depreciation and amortisation expenses	115,066	75,269,334
Gain on transfer of business attributable to the discontinued operations	-	(160,000,000)
Profit on Sale of mutual funds	(14,531,518)	(144,546,312)
Bad debts written off -provision reversed	-	(36,483,640)
Deferred Stock Compensation expenses	7,830,596	12,164,686
Provision for Receivables under Financing Activities	-	699,130,642
Provision for advances	-	2,557,263
Claims written off (net)	50,000	4,781,694
Fixed assets written off	-	19,685
Interest on fixed deposits	(62,360,075)	(92,507,471)
Loss /(Profit) on sale of Fixed Assets	-	(21,223)
Operating cash flows before Working capital changes	(39,022,289)	3,568,839,634
Changes in working capital:		
(Increase) / Decrease in Receivables under Financing Activity	-	(8,256,188,109)
(Increase) / Decrease in Loans and advances	(6,576,652)	(23,976,338,852)
(Increase) / Decrease in Other assets	-	360,544,069
Increase / (Decrease) in Trade payables	(5,974,291)	910,819,225
Increase / (Decrease) in Other current liabilities	(32,092,120)	(587,701,556)
Increase / (Decrease) in Short-term provisions	(31,238)	757,499,830
Increase / (Decrease) in Long-term provisions	-	(793,535,445)
Cash flow used in operations	(83,696,590)	(28,016,061,204)
Net Tax (paid)/Refunds received	(91,591,052)	(1,312,074,525)
Net Cash used in operating activities (A)	(175,287,642)	(29,328,135,729)
Cash flows from Investing activities		
Purchase of Investments	-	(1,100,368,000)
Purchase of Mutual funds	(2,697,000,001)	(62,109,600,001)
Sale proceeds of Mutual funds	2,711,531,518	62,254,146,313
Purchase of Fixed Assets	(422,691)	(952,475,188)
Proceeds from Sale of Fixed Assets	-	1,279,718
Interest on fixed deposits received	61,588,637	112,096,069
Investment made in deposits	-	-
Net Cash (used in)/generated from investing activities (B)	75,697,463	(1,794,921,089)



(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash flows from financing activities		
Proceeds from issue of share capital and securities premium (net)	89,943,442	3,486,138,393
Share application money pending allotment	2,369,747	5,287,610
Dividend and Dividend Tax Paid	(115,200,576)	-
Borrowings received from banks / others	-	56,562,500,000
Repayment of Borrowings from banks / others	-	(31,783,030,889)
Net Cash (used in)/ generated from financing activities (C)	(22,887,387)	28,270,895,114
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C)	(122,477,566)	(2,852,161,704)
Cash and cash equivalents at the beginning of the year	1,270,729,029	4,467,377,978
Less: Cash transferred on account of business transfer	-	(344,487,245)
Cash and cash equivalents at the end of the year*	1,148,251,463	1,270,729,029

Notes :

1. 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 Section 133 of the Companies Act, 2013.

2. Refer note 11 for items included in Cash and Cash equivalents.

* Cash and Cash equivalents at year end includes Rs Nil (PY: 13,548,822/-) in balance with Banks, which is to be used only for repayment of security deposit of customer.

*Cash and cash equivalents at year end include unclaimed dividend of Rs. 205,343/- (PY: Nil).

This is the Cash Flow Statement referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP

Chartered Accountants

Firm Registration No: 012754N / N500016



Vivek Prasad

Partner

Membership No. 104941

Place: Bengaluru

Date: May 10, 2018

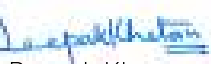
For and on behalf of the Board of Directors



K.R. Ramamoorthy

Chairman

DIN:00058467



Deepak Khetan

Chief Financial Officer



Sudha Suresh

Managing Director & CEO

DIN:06480567



Sanjeev Barnwal

Company Secretary



1 CORPORATE INFORMATION

Ujjivan Financial Services Limited is a Limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company was registered as NBFC-MFI under Non-Banking Financial Company Micro Finance Institutions (NBFC-MFIs) directions on September 05, 2013. The Company received approval from Reserve Bank of India ("RBI") to set up a Small Finance Bank. Pursuant to the same, the company executed an agreement to transfer its Business undertaking to its wholly owned subsidiary Ujjivan Small Finance Bank Limited ("the Bank"). The bank commenced operations w.e.f 1st February 2017, on which date the Company ceased to operate as a Micro finance company. Pursuant to this change, the Company surrendered its NBFC - MFI license and received approval and certificate of registration as NBFC-ND-SI-CIC (Core Investment Company) from the RBI on October 10, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The Financial Statements of the company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) to comply with accounting standard specified under Section 133 of the Companies Act, 2013 read with Rule 7(1) of the Companies (Accounts) Rules, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) of the Companies Act, 1956 [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year. The financial statements have been prepared on an accrual basis under the historical cost convention and considering the directions issued by the Reserve Bank of India (RBI) to the extent applicable to the Company.

2. Use of estimates

The presentation 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 year. The management believes that the estimate used in preparation of financial statements are prudent and reasonable. Future results could differ due to these estimates and

the differences between the actual results and the estimates are recognized in the period in which the results are known/material.

3. Cash flow statement

Cash and cash equivalents (for the purpose of cash flow statement)

Cash comprises of cash on hand and demand deposits with bank. Cash equivalents are short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

4. Tangible and Intangible assets

Fixed assets are stated at cost, net of accumulated depreciation. The cost of an asset comprises its purchase price (net of capital grants) and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets 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.

5. Depreciation and amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets 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. The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any. The useful life being followed by the company as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

6. Investments

Investments are classified into current investments and non-current investments. Current investments are carried at lower of cost or fair value. Non-Current investments are carried individually at cost less



provision made to recognize any decline, other than temporary, in the value of such investments. Cost of investments include acquisition charges such as brokerage, fees and duties. Reduction in carrying amount of current investment to be charged to the statement of profit and loss.

7. Receivables under Financing Activity

Loans are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition, the Company 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. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

Advances exclude derecognised securitised advances.

Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss account.

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.

8. Revenue Recognition

Revenue from Interest on loans financed by the Company is recognized on accrual basis, except in the case of non-performing assets and MRR portion of securitised loans considering the circulars/directions issued by the Reserve Bank of India from time to time. Loans are classified into 'Performing and Non-Performing' assets in terms of the said circulars/directions. Loans in respect of which interest/principal have remained overdue for a period of 90 days or more are considered as Non Performing Assets. Interest on non-performing assets is recognised upon realisation as per RBI circulars/directions.

Revenues from loan documentation charges are recognized as income on accrual basis.

Revenue from interest income on fixed deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Profit / Loss arising on the purchase and sale of mutual fund is recognised in the statement of profit and loss.

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 there from is accounted for immediately.

9. Grants

Grants received towards acquisition of tangible and intangible assets are adjusted against the cost of the assets. Grants related to revenue are deducted from the related expenses. Grants against employee loans are included in Reserves and Surplus.

10. Employee benefits

Employee benefits includes Provident Fund, Gratuity and compensated absences.

a) Short term employee benefits
This includes salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits for current employees are estimated and measured on an undiscounted basis.

b) Defined Contribution Plan

Company's contributions to Provident Fund and Pension fund are considered as defined contribution plan and are charged as expense based on amount of contribution required to be made and when services are rendered by the employees.

c) Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme administered by the Life Insurance Corporation of India, are determined by Actuarial Valuation on Projected Unit Credit Method made at the end of each balance sheet date. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

d) Long term employee benefits

Liability for compensated absences is provided based on actuarial valuation carried out at the end of the financial period using Projected Unit Credit Method and is not funded but provided for. Past service cost is recognized immediately to the extent that the benefits are already used and otherwise is amortised on straight line base over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefits obligation as adjusted for unrecognised past service cost, as redeemed by the fair value of scheme assets.

Compensated absences which are not expected to occur within 12 months after the end of period in which the employee rendered the related services are recognised as a liability at the present value of the defined benefit obligations as at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

11. Lease

Lease rentals under operating lease are charged to the Statement of Profit and Loss on straight line basis over the lease term.

Assets leased by the company in its capacity as a lessee in which substantially all the risk and rewards of ownership vest in the Company are classified as finance leases. Lease arrangements where risk and rewards incidental to ownership of assets substantially vest with the lessor are recognised as operating leases.

12. Earnings per share

In determining the earnings per share, the Company considers the net profit / (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be diluted only if their conversion to equity share would decrease the net profit per share from continuing ordinary operations. Diluted potential equity shares are determined independently for the each period presented.

13. Borrowing costs

Borrowing costs attributable to qualifying assets as per Accounting Standard 16 (assets which require substantial period of time to get ready for their intended use) are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue.

14. Taxes

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent

periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

15. Provisions and Contingent Liabilities

A provision is recognized when the enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed in notes. Contingent assets are not recognised in the financial statements.

16. Employee Stock Option Plan

The Company has Employee Stock Option Plans for the benefit of its employees. Options granted in terms of the Stock option plans on or after April 1, 2005 are accounted in accordance with the Guidance Note on Accounting for Employee Share Based Payment Plans issued by the Institute of Chartered Accountants of India (ICAI). The difference between the intrinsic value of the stock option granted on or after April 1, 2005 and exercise price, if any, is expensed as "Employee Compensation" over the period of vesting.

17. Operating Cycle

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realisation in cash and cash equivalents, the Company has determined operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non current.



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of standalone financial statements

Note 3 - Share Capital

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Authorised 125,000,000 Equity Shares of Rs.10/- each (P.Y.125,000,000 Equity Shares of Rs.10/- each)	1,250,000,000	1,250,000,000
Issued 120,861,781 Equity Shares of Rs.10/- each (P.Y.119,377,072 Equity Shares of Rs.10/- each)	1,208,617,810	1,193,770,720
Subscribed & fully Paid up 120,861,781 Equity Shares of Rs.10/- each (P.Y.119,377,072 Equity Shares of Rs.10/- each)	1,208,617,810	1,193,770,720
Total	1,208,617,810	1,193,770,720

i) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year

	Number of shares	Number of shares
	March 31, 2018	March 31, 2017
Number of shares outstanding at the beginning of the year	119,377,072	101,186,028
Add: shares issued during the year - Stock options	1,484,709	1,135,767
Add: shares issued during the year - Institutions/Others	-	17,055,277
Number of shares outstanding at the end of the year	120,861,781	119,377,072

ii) Reconciliation of equity share capital outstanding at the beginning and at the end of the year

	Amount in Rs.	Amount in Rs.
	March 31, 2018	March 31, 2017
Share capital outstanding at the beginning of the year	1,193,770,720	1,011,860,280
Add: shares issued during the year - Stock options	14,847,090	11,357,670
Add: shares issued during the year - Institutions/Others	-	170,552,770
Share capital outstanding at the end of the year	1,208,617,810	1,193,770,720



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of standalone financial statements

iii) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:

Class of shares / Name of the shareholder	Number of shares as at March 31, 2018	%	Number of shares as at March 31, 2017	%
Equity Shares:				
Alena Private Limited	10,790,943	8.93%	10,790,943	9.04%
CDC Group Plc.	-	-	10,932,696	9.16%
International Finance Corporation	7,141,684	5.91%	7,141,684	5.98%
NewQuest Asia Investments II Limited	7,028,022	5.81%	7,028,022	5.89%

iv) The company has only one class of equity shares with voting rights (one vote per share). The distribution of dividend is in proportion to the number of equity shares held by the shareholders. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

v) As the Company has not issued any bonus shares and do not have any securities that are convertible into equity shares, the said disclosures pursuant to Schedule III requirements are not applicable.



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of standalone financial statements

Note 4 - Reserves and Surplus

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
a. Securities premium account		
Opening balance	10,878,466,449	7,574,238,496
Add : Premium on shares issued during the year on stock options	80,383,962	48,206,271
Add : Premium on shares issued during the year on Institutions/ Others	-	3,411,055,400
Less : Utilised during the year for writing off share issue expenses	-	155,033,718
Closing balance	10,958,850,411	10,878,466,449
b. Other reserves - Statutory reserve *		
Opening balance	1,144,593,640	729,321,561
Add: Additions during the year	837,917	415,272,079
Closing balance	1,145,431,557	1,144,593,640
c. Other reserves - Employee loan grant	1,300,000	1,300,000
d. Share options outstanding account		
Opening balance	49,601,715	57,133,959
Add: Amounts recorded on grants during the year	-	-
Less: Grants forfeited during the year	3,198,798	4,216,468
Less: Grants exercised during the year	8,667,535	3,315,776
	37,735,382	49,601,715
Less: Deferred stock compensation expense	11,710,229	31,407,158
Closing balance	26,025,153	18,194,557
e. Surplus in Statement of Profit and Loss		
Opening balance	4,315,912,389	2,654,824,072
Add: Profit for the year	4,189,585	2,076,360,396
Less: Dividend distributed during the year	95,715,211	-
Less: Dividend distribution tax	19,485,365	-
Less: Transferred to statutory reserve*	837,917	415,272,079
Closing balance	4,204,063,481	4,315,912,389
Total	16,335,670,602	16,358,467,035

* Transfer of 20% of the profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

Note: The Board has recommended a dividend at the rate of 5% i.e. Rs 0.50 per equity share for the FY 2017-18 amounting to Rs. 72,733,198/- (including Dividend Distribution Tax) subject to the approval of the shareholders at the ensuing 14th Annual General Meeting(AGM).



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of standalone financial statements

Note 5 - Trade payables

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(i) Total outstanding dues of micro enterprises and small enterprises	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises *	1,776,771	7,751,062
Total	1,776,771	7,751,062

*Includes amount due to subsidiary Rs Nil (PY: Rs. 4,468,534/-)

Note 6 - Other current liabilities

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Other payables		
(i) Statutory remittances	607,977	9,774,499
(ii) Security deposits from customers (Refer Note (i) below)	-	1,262,378
(iii) Unclaimed security deposits from customers (Refer Note (i) below)	-	13,091,724
(iv) Unclaimed Dividend	205,343	-
(v) Employee benefits payable	7,546,111	10,128,561
(vi) Other payables	1,408,336	7,602,725
Total	9,767,767	41,859,887

Note (i) : Relates to security deposits from erstwhile customers. Pursuant to RBI direction, the same deposit balances has been transferred to Ujjivan Small Finance Bank Limited in October 2017.

Note 7 - Short-term provisions

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Provision for employee benefits		
(i) Compensated absences (Refer Note No. 19.1)	615,592	1,027,262
(ii) Provision for Gratuity (Refer Note No. 19.1)	380,432	-
(b) Provision - Others		
(i) Provision for tax [net of advance tax Rs. Nil (PY: Rs. 2,797,748,948/-)]	-	65,951,052
Total	996,024	66,978,314



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)

Notes forming part of standalone financial statements

Note 8 – Fixed assets

(Amount in Rupees)

	Fixed Assets	Gross Block at Cost					Accumulated Depreciation & amortisation				Net Block	
		Balance as at April 1, 2017	Additions	Disposals	Transfer of assets	Balance as at March 31, 2018	Balance as at April 1, 2017	Depreciation / amortisation expense for the period	On disposals	Transfer of assets	Balance as at March 31, 2018	Balance as at March 31, 2017
A	Tangible Assets											
	Computers	-	422,691	-	-	422,691	-	115,066	-	-	115,066	-
	Leasehold improvements	(168,257,373)	(125,411,431)	(3,778,466)	(289,890,338)	-	(91,443,599)	(36,506,504)	(3,459,398)	(124,490,705)	-	-
	Furniture and Fixtures	(47,684,436)	(2,045,946)	(757,661)	(48,972,721)	-	(28,075,182)	(6,536,889)	(728,759)	(33,883,312)	-	-
	Vehicles	(64,239,557)	(3,074,965)	(1,171,189)	(66,143,333)	-	(36,533,605)	(3,845,102)	(772,634)	(39,606,073)	-	-
	Office equipments	(8,604,699)	(1,042,769)	(540,075)	(9,107,393)	-	(1,863,107)	(794,967)	(288,391)	(2,369,683)	-	-
		(75,819,809)	(7,914,568)	(2,543,500)	(81,190,877)	-	(39,479,539)	(9,852,298)	(2,263,529)	(47,068,308)	-	-
	Total (A)	-	422,691	-	-	422,691	-	115,066	-	-	115,066	307,625
	Previous Year	(364,605,874)	(139,489,679)	(8,790,891)	(495,304,662)	-	(197,395,032)	(57,535,760)	(7,512,711)	(247,418,081)	-	-
B	Intangible Assets- others											
	Computer software	(119,280,154)	(37,866,443)	-	(157,146,597)	-	(44,698,178)	(17,733,574)	-	(62,431,752)	-	-
		-	-	-	-	-	-	-	-	-	-	-
	Total (B)	-	-	-	-	-	-	-	-	-	-	-
	Previous Year	(119,280,154)	(37,866,443)	-	(157,146,597)	-	(44,698,178)	(17,733,574)	-	(62,431,752)	-	-
		-	-	-	-	-	-	-	-	-	-	-
	Total (A) + (B)	-	422,691	-	-	422,691	-	115,066	-	-	115,066	307,625
	Previous Year	(483,886,028)	(177,356,122)	(8,790,891)	(652,451,259)	-	(242,093,210)	(75,269,334)	(7,512,711)	(309,849,833)	-	-

Note: Amounts within brackets represent previous year's figures.



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of standalone financial statements

Note 9 - Non-current investments

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Trade investments, at cost (unquoted) in other entities		
Investments in subsidiary Bank:		
Ujjivan Small Finance Bank Limited		
1,440,036,800 Equity Shares of Rs 10 each fully paid up (P.Y. 1,440,036,800 Equity Shares of Rs 10 each fully paid up)	14,400,368,000	14,400,368,000
200,000,000 Non-convertible Preference Shares of Rs 10 each fully paid up (P.Y. 200,000,000 Non-convertible Preference Shares of Rs 10 each fully paid up)	2,000,000,000	2,000,000,000
Investment in Others:		
Ujjivan Social Services Foundation		
1,000 Equity shares (P.Y. 1,000) of Rs.10/- each at cost fully paid up	10,000	10,000
Total	16,400,378,000	16,400,378,000
Aggregate amount of unquoted investments	16,400,378,000	16,400,378,000

Note 10 - Long-term loans and advances

(Unsecured, considered good)

(Amount in Rupees)

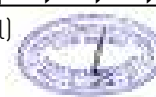
Particulars	As at March 31, 2018	As at March 31, 2017
(a) Other deposit	-	316,953
(b) Advance tax [net of Provision Rs. 2,889,340,000/- (PY. Nil)]	5,883,075	-
Total	5,883,075	316,953

Note 11 - Cash and Bank balances

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
I. Cash & cash equivalents		
a) Cash in hand	-	-
b) Balances with Banks		
(i) In Current account (Refer Note below)	8,251,464	270,729,029
(ii) In deposit accounts with original maturity less than 3 months	1,140,000,000	1,000,000,000
Total	1,148,251,464	1,270,729,029

Note: Balances with Banks includes unclaimed dividend of Rs 2,05,343/- (PY: Nil)



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Note 12 - Short-term loans and advances(Unsecured, considered good)

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Prepaid expenses	182,572	-
(b) Advances recoverable in cash or in kind for value to be received*	2,950,349	2,172,391
Total	3,132,921	2,172,391

*Includes amount due from subsidiary Rs 1,726,424/- (PY:Nil)

Note 13 - Other current assets (Unsecured, considered good)

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Interest accrued on Fixed deposits	934,178	162,740
Total	934,178	162,740

Note 14 - Other Income

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest on fixed deposits *	62,360,075	92,507,471
Profit on sale of current investments	14,531,518	144,546,312
Miscellaneous income	518,359	-
Total	77,409,952	237,053,783

* Includes interest received from Subsidiary Rs. 60,909,552/- (PY: Rs 180,822/-)

Note 15 - Employee benefits expense

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries and wages (net)	14,235,773	13,985,489
Contributions to provident and other funds (Refer Note no. 19.1)	234,709	-
Gratuity Cost (Refer Note no. 19.1)	380,432	-
Expenses on employee stock option	257,167	-
Staff welfare expenses	85,216	-
Total	15,193,297	13,985,489



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Note 16 - Administrative and Other expenses

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Rent *	685,242	1,450,076
Insurance	156,811	-
Rates & taxes	4,062,233	-
Audit fees (Refer Note (i) below)	506,891	-
Professional charges	6,509,605	-
Sitting fee	2,337,791	-
Postage & courier	2,628	-
Printing & stationery	17,270	-
Telephone charges	1,843	-
Travelling & conveyance expenses	1,968,673	-
Expenditure on Corporate social responsibility (Refer Note 21)	15,164,304	-
Advances written off	50,000	-
Advertisement and Publicity	212,778	-
Miscellaneous expenses	424,756	-
Total	32,100,825	1,450,076

*Represents rental charges paid to subsidiary

Note (i)

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
(i) Payments to the auditors comprises (net of service tax/GST input credit)		
Audit services	200,000	2,300,000
Tax audit	100,000	300,000
Other services	200,000	516,313
Reimbursement of expenses and levies	6,891	216,562
Total	506,891	3,332,875

Note 17 - Finance costs

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Bank and other charges	127,122	-
Total	127,122	-



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18 Additional information to the financial statements

18.1 Discontinued operations

During the previous year, pursuant to approval of the Shareholders and Reserve Bank of India, the Company has transferred the business to Ujjivan Small Finance Bank on a slump sale basis with effect from February 01, 2017 for a consideration of Rs.15,300,000,000/-.

i) Profit / (Loss) after tax of discontinued operations *(Amount in Rupees)*

Particulars	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
A. INCOME			
(a) Income from operations	(iv.a)	-	11,455,262,785
(b) Other income	(iv.b)	-	22,977,051
Total Income (A)		-	11,478,239,836
B. EXPENDITURE			
(a) Employee benefits expenses	(iv.c)	-	2,194,736,216
(b) Administrative and other expenses	(iv.d)	-	1,347,001,163
(c) Finance cost	(iv.e)	-	4,327,569,356
(d) Depreciation and amortisation expenses	8	-	75,269,334
(e) Provision / write off for receivables under financing activity	(iv.f)	-	706,807,009
Total Expenditure (B)		-	8,651,383,078
Profit Before Gain on transfer of business attributable to the discontinued operations before tax (A) - (B)		-	2,826,856,758
Gain on transfer of business attributable to the discontinued operations		-	160,000,000
Profit Before Tax from discontinued operations		-	2,986,856,758

ii) Details of Income and Expenditure of Discontinued operations:

a) Income from operations

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest on loans	-	10,405,558,416
Loan processing fees	-	670,718,202
Other financial services	-	378,986,167
Total	-	11,455,262,785



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b) Other income

(Amount in Rupees)

Particulars	For the year ended March 31 , 2018	For the year ended March 31, 2017
Fee income, from insurance activities	-	1,681,231
Profit on sales of fixed assets (net)	-	21,223
Miscellaneous income	-	21,274,597
Total	-	22,977,051

c) Employee benefits expense

(Amount in Rupees)

Particulars	For the year ended March 31 , 2018	For the year ended March 31, 2017
Salaries and wages (net)	-	1,871,094,714
Expenses on employee stock option	-	15,480,461
Contributions to provident and other funds	-	172,108,968
Staff welfare expenses	-	136,052,073
Total	-	2,194,736,216

d) Administrative and Other expenses

(Amount in Rupees)

Particulars	For the year ended March 31 , 2018	For the year ended March 31, 2017
Electricity & water charges	-	21,705,320
Rent	-	140,621,724
Repairs & maintenance		
Buildings	-	2,406,531
Others	-	94,029,495
Security & house keeping expenses	-	50,471,676
Office maintenance	-	14,155,567
Insurance	-	6,900,246
Rates & taxes	-	39,724,992
Audit fees	-	3,332,875
Professional charges	-	397,108,660
Sitting fee	-	7,846,961
Postage & courier	-	32,431,240
Printing & stationery	-	46,727,045
Recruitment expenses	-	24,549,246
Telephone charges	-	69,904,282
Training & conference charges	-	91,083,119
Travelling & conveyance expenses	-	238,770,193
Expenditure on Corporate social responsibility	-	26,831,588

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(Amount in Rupees)

Particulars	For the year ended March 31 , 2018	For the year ended March 31, 2017
Advances Written off	-	4,781,694
Fixed Assets Written off	-	19,685
Provision for other advances	-	2,557,263
Miscellaneous expenses	-	31,041,761
Total	-	1,347,001,163

e) Finance costs

(Amount in Rupees)

Particulars	For the year ended March 31 , 2018	For the year ended March 31, 2017
(a) Interest expense on		
(i) Borrowings	-	4,197,173,719
(ii) Others	-	380,067
(b) Loan processing fees, bank charges and other related costs	-	130,015,570
Total	-	4,327,569,356

f) Provision / write off for receivables under financing activity

(Amount in Rupees)

Particulars	For the year ended March 31 , 2018	For the year ended March 31, 2017
Bad debts written off	-	44,160,007
Less: Provision reversed	-	(36,483,640)
	-	7,676,367
Provision for receivables under financing activities	-	699,130,642
Total	-	706,807,009



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Notes forming part of standalone financial statements

18.2 Contingent liabilities and commitments (to the extent not provided for)

(Amount in Rupees)

	Particulars	As at March 31, 2018	As at March 31, 2017
(i)	Contingent liabilities		
	(a) Disputed taxes – Service tax	-	-
	(b) Bank Guarantee	-	-
(ii)	Commitments		
	a) Estimated amount of contracts remaining to be executed on capital account and not provided for		
	Tangible assets	-	-
	Intangible assets	-	-

18.3 Earnings in foreign currency - Rs. Nil (PY - Nil)

18.4 Expenditure in foreign currency - Rs. Nil (PY - Nil)

18.5 Details of Unhedged Foreign Currency Exposure - Rs. Nil (PY - Nil)

18.6 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The above information regarding Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

18.7 Disclosure of details as required under Clause No. 19 of Master Direction - Core Investment Companies (Reserve Bank) Direction, 2016.

(a) Provisions as per CIC Guidelines - As the company is not engaged in the business of financing, it has not provided any loans/advances and therefore related compliance in relation to classification as standard asset, sub standard assets, doubtful and loss assets are not applicable.

(b) Exposure to real estate sector, both direct and indirect - NIL

(c) Maturity pattern of assets and liabilities.

(Amount in Rupees)

Particulars	Liabilities	Assets	
	Borrowings from Banks and others	Advances	Investments
Up to one month	-	-	-
Over one month to 2 months	-	-	-
Over 2 months up to 3 months	-	-	-
Over 3 months up to 6 months	-	-	-
Over 6 months to 1 year	-	-	-
Over 1 year to 3 years	-	-	-
Over 3 years to 5 years	-	-	-
Over 5 years	-	-	16,400,378,000
Total	-	-	16,400,378,000

Ujjivan Financial Services Limited
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Notes forming part of standalone financial statements

18.8 Disclosure as required under Annexure I of Master Direction - Core Investment Companies (Reserve Bank,) Direction, 2016

Schedule to the Balance Sheet of a non-deposit taking Core Investment Company

Particulars		
Liabilities side :		
(1) Loans and advances availed by the CIC inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount overdue
(a) Debentures : Secured	Nil	Nil
: Unsecured (other than falling within the meaning of public deposits*)		
(b) Deferred Credits	Nil	Nil
(c) Term Loans	Nil	Nil
(d) Inter-corporate loans and borrowing	Nil	Nil
(e) Commercial Paper	Nil	Nil
(f) Other Loans (specify nature)	Nil	Nil
* Please see Note 1 below		

Assets side :	Amount outstanding
(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :	
(a) Secured	Nil
(b) Unsecured	Nil

(3) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities	Amount outstanding
(i) Lease assets including lease rentals under sundry debtors:	
(a) Financial lease	Nil
(b) Operating lease	Nil
(ii) Stock on hire including hire charges under sundry debtors:	
(a) Assets on hire	Nil
(b) Repossessed Assets	Nil
(iii) Other loans counting towards AFC activities:	
(a) Loans where assets have been repossessed	Nil
(b) Loans other than (a) above	Nil



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(4) Break-up of Investments :	Amount outstanding
Current Investments :	
1. Quoted : (i) Shares : (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)	Nil
2. Unquoted : (i) Shares : (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)	Nil
Long Term investments :	
1. Quoted : (i) Shares : (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)	Nil
2. Unquoted : (i) Shares : (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)	1,440,036,800 200,000,000 Nil Nil Nil Nil

(5) Borrower group-wise classification of assets financed as in (2) and (3) above : Please see Note 2 below			
Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil
Total	Nil	Nil	Nil



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(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	Nil	16,400,368,000
(b) Companies in the same group	Nil	Nil
(c) Other related parties	Nil	Nil
2. Other than related parties	Nil	10,000
Total	Nil	16,400,378,000

** As per Accounting Standard of ICAI (Please see Note 3)

(7) Other information

Particulars	Amount
(i) Gross Non-Performing Assets	-
(a) Related parties	-
(b) Other than related parties	-
(ii) Net Non-Performing Assets	-
(a) Related parties	-
(b) Other than related parties	-
(iii) Assets acquired in satisfaction of debt	-

Notes:

- As defined in Core Investment Companies (Reserve Bank) Directions, 2016.
- Provisioning norms shall be applicable as prescribed in these Directions.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments shall be disclosed irrespective of whether they are classified as long term or current in (4) above.



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Notes forming part of standalone financial statements
Note 19 Disclosures under Accounting Standards

19.1 Employee Benefits:

The details of employee benefits are as given below:

(i) Defined Contribution Plans

During the year, the Company has recognized the following amounts in the statement of profit and loss

(Amount in Rupees)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Employers' Contribution to Provident & Pension Fund	234,709	96,474,379
Employers' Contribution to ESI	-	28,650,538
Total	234,709	125,124,917

(ii) Defined Benefit Plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

(Amount in Rupees)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Components of employer expense		
Current Service cost	257,257	20,200,351
Interest cost	79,533	7,638,825
Expected return on plan assets	(71,385)	(6,384,166)
Actuarial Losses/(Gains)	116,659	25,917,248
Actual Company Contributions	(1,632)	-
Total expense/(income) recognized in the Statement of Profit & Loss	380,432	47,372,258
Actual Contribution and Benefit Payments for the Year ended		
Actual benefit payments	-	(7,042,025)
Actual Contributions	-	62,084,457
Change in Defined Benefit Obligation (DBO) during the year ended		
Present Value of DBO at the beginning of the year	1,079,143	125,240,090
Current service cost	257,257	20,200,351
Interest cost	79,533	7,638,825
Actuarial (gains)/losses	291,031	24,398,500
Actual return on plan assets	-	-
Benefits paid	-	(7,042,025)
Acquisitions/Divestures/Transfers	-	(169,356,598)
Present Value of DBO at the end of the year	1,706,964	1,079,143



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(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Net asset/(liability) recognized in balance sheet as at		
Fair value of plan assets	1,326,532	1,079,143
Present Value of Defined Benefit Obligation	(1,706,964)	(1,079,143)
Excess of plan assets over present value of obligation	-	-
Net (liability) recognized in balance sheet	(380,432)	-
Prasent Value of DBO at the end of the year		
Current Liability	895,401	-
Non current liability	811,563	-
Change in Fair Value of Assets during the year ended		
Plan assets at the beginning of the year	1,079,143	84,721,081
Expected return on plan assets	71,385	6,384,166
Actuarial gain/(loss)	174,372	(1,518,748)
Actual Company Contributions	1,632	62,084,457
Benefit Paid	-	(7,042,025)
Acquisitions/Divestures/Transfers	-	(143,549,788)
Plan assets at the end of the year	1,326,532	1,079,143
Actuarial Assumptions		
Discount Rate	6.61%	7.37%
Expected Return on plan assets	6.61%	7.37%
Rate of increase in compensation	9.00%	9.00%
Attrition rate	0.00%	0.00%
Retirement age	60	60
Expected Contribution	1,600	62,000,000

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Information of investment details of plan assets are not available hence not disclosed and the obligation is funded with LIC.

During the year, the Company completed the transfer of plan assets pursuant to Business Transfer Agreement on 31st October, 2017

Details relating to experience adjustment and expected future cashflow is given below

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014
Defined Benefit Obligation at end of the year	1,706,964	1,079,143	125,240,090	80,986,224	54,278,862
Plan Assets at end of the period	1,326,532	1,079,143	84,721,081	55,515,269	39,552,345
Funded Status - Assets/ (Liabilities)	(380,432)	-	(40,519,009)	(25,470,955)	(14,726,517)
Experience (Gain)/Loss adjustments on plan liabilities	291,031	24,416,260	19,586,392	6,293,275	(340,486)
Experience (Gain)/Loss adjustments on plan Assets	174,372	(1,518,748)	4,476,951	5,074,490	29,246
Actuarial (Gain)/Loss due to change on assumptions	-	-	-	34,575,013	103,246

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Note 19 Disclosures under Accounting Standards

(iii) Other Long term employee benefits – Compensated absences

(Amount in Rupees)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Charge in statement of Profit & Loss	(411,670)	54,881,951
Liability as at the period end	615,592	1,027,262
Actuarial Assumptions		
Discount Rate	6.61%	7.37%
Rate of increase in compensation	9.00%	9.00%
Attrition rate	0.00%	0.00%
Retirement age	60	60

19.2 Segment Reporting

The Company is a RBI Registered NBFC-Core Investment Company and operates in a single segment (i.e. investments activities), no further disclosure is required to be given as per the notified AS-17 'Segment Reporting'.

19.3 Related Party Disclosure

A. List of Related Parties are Given below:

Key Management Personnel

Mrs. Sudha Suresh,	Managing Director and CEO
Mr. Hiren Shah,	Chief Financial Officer (Up to October 9, 2017)
Mr. Deepak Khetan	Chief Financial Officer (From March 29, 2018)
Mr. Sanjeev Barnwal,	Company Secretary

Enterprises over which Key Management Personnel is able to exercise significant influence

Parinaam Foundation (Upto January 31, 2017)
Ujjivan Social Services Foundation

Subsidiary of Company

Ujjivan Small Finance Bank Limited (with effect from July 4, 2016)

B. Transactions with Related Parties during the year

(Amount in Rupees)

Particulars	March 31, 2018	March 31, 2017
Remuneration:		
Mr. Samit Ghosh		
- Salary	-	7,971,116
- Perquisite - ESOP	-	106,777,400
Mrs. Sudha Suresh		
- Salary	7,968,750	6,600,250
- Perquisite - ESOP	975,648	1,602,247

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(Amount in Rupees)

Particulars	March 31, 2018	March 31, 2017
Mr. Sanjeev Barnwal		
- Salary	3,687,633	3,304,043
- Perquisite - ESOP	260,589	276,300
Mr. Hiren Shah		
- Salary	2,117,976	545,735
Mr. Deepak Khetan		
- Salary	221,110	-
Parinaam Foundation:		
Amount received	-	960,853
Donations paid	-	-
Ujjivan Small Finance Bank Limited:		
Investment in Equity shares	-	14,400,368,000
Investment in Preference shares	-	2,000,000,000
Investment in Term deposit	-	1,000,000,000
Interest income recognised	60,909,522	180,822
Amount received	16,767,103	14,405,561
Amount paid*	128,288,954	123,587,223

*Excludes amount of Rs. 328,870,395/- received by UFSL towards employees perquisite tax and securitisation closure related Fixed deposits & Income amounts on behalf of USFB and the same has been transferred to USFB.

C. Outstanding balance with related parties

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Due from Ujjivan Small Finance Bank Limited	1,726,424	-
Due to Ujjivan Small Finance Bank Limited	-	4,468,533
Term deposit balance	-	1,000,162,740
Investment in Shares	16,400,368,000	16,400,368,000



Note 19 Disclosures under Accounting Standards

19.4 Earnings per share

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Net profit / (loss) after tax (Rs.)	4,189,585	2,076,360,395
Weighted average shares outstanding – Basic (Nos.)	119,862,730	116,964,261
Weighted average shares outstanding – Diluted (Nos.)	120,093,156	121,437,887
Earnings / (loss) per share – Basic (Rs.)	0.03	17.75
Earnings / (loss) per share – Diluted (Rs.)	0.03	17.10

19.5 Deferred Tax

In accordance with Accounting Standard -22 “Accounting for Taxes on Income”, the company has recognized deferred tax charge/(credit) as detailed below:

(Amount in Rupees)

Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2017	Current period (credit) / charge *	Deferred Tax (Assets) / Liabilities as on March 31, 2018
Difference between book and tax depreciation	-	(17,857)	17,857
Provision for Employee benefits	(355,515)	(26,200)	(329,315)
Net Deferred Tax (Asset) / Liability	(355,515)	(44,057)	(311,458)

19.6 Employee Stock Option Plan

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010, MD ESOP 2010 and ESOP 2015.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, such expense for the year ended March 31, 2018 amounts to Rs 8,02,35,588/- and the basic and diluted EPS would have been revised to Rs (0.63).



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Option activity under the plans is as given as below:

March 31, 2018

Particulars (Nos.)	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD ESOP 2010	ESOP 2015	Total
Options granted and outstanding as at beginning of period	-	6,910	43,260	766,447	809,172	2,847,837	4,473,626
Granted during the year	-	-	-	-	-	-	-
Exercised during the year	-	630	34,040	425,471	809,172	215,396	1,484,709
Forfeited/Expired during the year	-	-	840	10,116	-	218,975	229,931
Options granted, as of March 31, 2018	-	6,280	8,380	330,860	-	2,413,466	2,758,986
Option exercisable at the period end	-	6,280	8,380	330,860	-	2,413,466	2,758,986
Weighted average of remaining contractual life (years) at the period end							1.74

March 31, 2017

Particulars (Nos.)	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD ESOP 2010	ESOP 2015	Total
Options granted and outstanding as at beginning of year	4,120	69,770	172,340	1,434,160	1,164,172	1,419,830	4,264,392
Granted during the year	-	-	-	-	-	1,696,850	1,696,850
Exercised during the year	4,120	55,090	100,540	538,617	355,000	82,400	1,135,767
Forfeited/Expired during the year	-	7,770	28,540	129,096	-	186,443	351,849
Options outstanding as at March 31, 2017	-	6,910	43,260	766,447	809,172	2,847,837	4,473,626
Option exercisable at the year end	-	6,910	43,260	766,447	809,172	367,189	1,992,978
Weighted average of remaining contractual life (years) at the year end							1.05



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)

Notes forming part of standalone financial statements

20 Disclosure relating to SBNs held and transacted during the period from 8th November 2016 to 30th December 2016.

(Amount in Rupees)

Particulars	SBNs	Other Denomination notes	Total
	Total	Total	
Closing Balance as at November 8, 2016	73,089,000	22,776,159	95,865,159
Transactions between November 9, 2016 and December 30, 2016			
Add: Withdrawal from Bank accounts		1,093,417,200	1,093,417,200
Add: Receipts for permitted transactions		-	-
Add: Collection from customers from November 9, 2016 and December 30, 2016 (Refer Note (ii))	23,558,000	10,957,938,491	10,981,496,491
Add : Receipts for non-permitted transactions (if any)			-
Less : Paid for permitted transactions			-
Less : Paid for non-permitted transactions (if any)			-
Less : Cash Disbursements (Refer Note (ii))		6,400,707,757	6,400,707,757
Less: Deposited in bank accounts		5,235,089,822	5,235,089,822
Denomination as per authorisation letter	22,530,000		22,530,000
Denomination as per Bank challan	29,523,500		29,523,500
Customer directly deposited (Refer Note (iii))	23,558,000		23,558,000
No denomination (Refer Note (iv))	21,035,500		21,035,500
Less : Petty cash expenditure (Refer Note (ii))		68,650,224	68,650,224
Closing balance as at December 30, 2016			369,684,048

The Company confirms that the above information is given as per the records available with the Company. The Company has complied with the relevant regulations in this regard.

Note (i): SBN shall have the same meaning as provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8th November, 2016.

Note (ii): Our accounting system does not capture the denomination-wise details of disbursements, collections and expenditure.

Note (iii): This represents installments deposited by the customers directly to Company bank accounts as per representation given by the management.

Note (iv): Bank deposit slips do not contain denomination details of amount deposited. The company is in process of obtaining the same.



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)

Notes forming part of standalone financial statements

21 Corporate Social Responsibility

a) Gross amount required to be spent by the company during the financial year ended March 31, 2018 is Rs.47,156,625/- (PY. Rs.31,356,180/-).

b) Amount spent during the year 2017-18 on :

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	-	-	-
On purposes other than above	15,164,304	-	15,164,304

Amount spent during the year 2016-17 on:

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	18,728,705	-	18,728,705
On purposes other than above	8,102,883	-	8,102,883

22 As at March 31, 2018, the Company has received an amount of Rs.2,369,747/- share application money (including a premium of Rs. 2,138,937) towards the exercise of 23081 vested options by eligible employees under various ESOP Schemes of the Company. The Company has sufficient authorised capital to cover the allotment of these shares and pending allotment of shares, the amounts are maintained in a designated bank account and are not available for use by the Company. The Company has completed the allotment of these shares on 17th April 2018 for the aforesaid options.

23 Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year classification / disclosure.

In terms of our report attached

For Price Waterhouse Chartered Accountants LLP

Chartered Accountants

Firm Registration No: 012754N / N500016



Vivek Prasad
Partner
Membership No. 104941

Place: Bengaluru

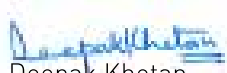
Date: May 10, 2018



For and on behalf of the Board of Directors



K.R. Ramamoorthy
Chairman
DIN:00058467



Deepak Khetan
Chief Financial Officer



Sudha Suresh
Managing Director & CEO
DIN:06480567



Sanjeev Barnwal
Company Secretary





CONSOLIDATED FINANCIALS
&
INDEPENDENT AUDITOR'S REPORT
FY 2017-18



INDEPENDENT AUDITORS' REPORT

To the Members of UJJIVAN FINANCIAL SERVICES LIMITED

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Ujjivan Financial Services Limited ("hereinafter referred to as the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2018, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matter

8. The consolidated financial statements of the Company for the year ended March 31, 2017, were audited by another firm of chartered accountants who, vide their report dated April 27, 2017 expressed an unmodified opinion on those financial statements.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

9. As required by Section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements.
 - b) In our opinion, proper books of account as required by law maintained by the Holding Company and its subsidiary included in the Group, incorporated in India including relevant records relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the subsidiary.
 - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company and its subsidiary included in the Group, incorporated in India including relevant records relating to the preparation of the consolidated financial statements.
 - d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 taken on record by the Board of Directors of the Holding Company and the report of its subsidiary, incorporated in India, none of the directors of the Group companies, incorporated in India, is disqualified as on March 31, 2018 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 Holding Company and its subsidiary company, incorporated in India 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 Auditors' 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 consolidated financial statements disclose the impact, if any, of pending litigations as at March 31, 2018 on the consolidated financial position of the Group – Refer Note 27.1 to the consolidated financial statements.
 - ii. The Group has made provision as at March 31, 2018, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts. The Group did not have any derivative contracts as at March 31, 2018.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company, incorporated in India during the year ended March 31, 2018
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2018.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016



Vivek Prasad

Partner

Place: Bengaluru

Date: May 10, 2018

Membership Number 104941

Annexure A to Independent Auditors' Report

Referred to in paragraph 9 (f) of Independent Auditors' Report of even date to the members of Ujjivan Financial Services Limited on the consolidated financial statements for the year ended March 31, 2018.

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of

Section 143 of the Act

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Ujjivan Financial Service Limited (hereinafter referred to as "the Holding Company") and its subsidiary company, which are incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company and its subsidiary company, to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls over financial reporting is applicable, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company'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

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

8. In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016



Vivek Prasad

Partner

Membership Number 104941

Place: Bengaluru

Date: May 10, 2018

UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2018

(Amount in Rupees)

Particulars	Note No.	As at March 31, 2018		As at March 31, 2017	
I. EQUITY AND LIABILITIES					
(1) Shareholder's Funds:					
(a) Share Capital	3	1,208,617,810		1,193,770,720	
(b) Reserves and Surplus	4	16,404,647,028	17,613,264,838	16,358,817,799	17,552,588,519
(1.2) Share application money pending allotment:	32		2,369,747		5,287,610
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	14,660,900,005		28,390,756,190	
(b) Other non-current liabilities	5A	2,443,425,355		59,763,892	
(c) Long-term provisions	6	2,508,240,416	19,612,565,776	511,867,494	28,962,387,576
(3) Current Liabilities					
(a) Short-term borrowings	7	21,912,450,553		-	
(b) Trade payables					
(i) Total outstanding dues of micro enterprises and small enterprises		-		-	
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	8	252,687,728		140,130,230	
(c) Other current liabilities	9	38,395,399,026		37,129,965,616	
(d) Short-term provisions	10	350,002,002	60,910,539,309	995,550,500	38,265,646,346
Total			98,138,739,670		84,785,910,051
II. Assets					
(1) Non-Current Assets					
(a) Fixed assets					
(i) Tangible assets	11A	1,184,610,320		721,873,075	
(ii) Intangible assets	11B	757,123,445		644,162,507	
(iii) Capital work-in-progress		42,022,186	1,983,755,951	31,650,176	1,397,685,758
(b) Non-current investments	12	5,459,841,717		3,572,719,451	
(c) Deferred tax assets (net)	28.5	763,010,866		469,696,697	
(d) Long-term loans and advances	13	319,727,203		219,837,054	
(e) Receivables under financing activity	14	24,551,351,221		15,890,735,581	
(f) Other non current assets	15	159,560,522	31,253,491,529	298,192,519	20,451,181,302

(Amount in Rupees)

Particulars	Note No.	As at March 31, 2018		As at March 31, 2017	
(2) Current Assets					
(a) Current investments	16	6,864,957,153		10,894,061,037	
(b) Receivables under financing activity	17	50,968,452,206		42,820,868,013	
(c) Cash and Bank balances	18	5,937,042,959		7,600,750,600	
(d) Short-term loans and advances	19	262,889,302		839,327,925	
(e) Other current assets	20	868,150,570	64,901,492,190	782,035,416	62,937,042,991
Total			98,138,739,670		84,785,910,051
See accompanying notes forming part of the financial statements	1-33				

This is the Balance sheet referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP

Chartered Accountants

Firm Registration No: 012754N / N500016



Vivek Prasad
Partner

Membership No. 104941

Place: Bengaluru

Date: May 10, 2018

For and on behalf of the Board of Directors



K.R. Ramamoorthy
Chairman
DIN:00058467



Deepak Khetan
Chief Financial Officer








Sudha Suresh
Managing Director & CEO
DIN:06480567



Sanjeev Barnwal
Company Secretary



UJJIVAN FINANCIAL SERVICES LIMITED (Formerly Ujjivan Financial Services Private Limited) CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018 (Amount in Rupees)			
Particulars	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
A. INCOME			
(a) Income from operations	21	14,433,561,903	13,493,734,980
(b) Other income	22	1,383,392,875	482,504,268
Total Income (A)		15,816,954,778	13,976,239,248
B. EXPENDITURE			
(a) Employee benefits expenses	23	3,664,490,794	2,716,155,981
(b) Administrative and other expenses	24	2,463,233,396	1,738,003,190
(c) Finance cost	25	6,048,987,658	5,427,222,013
(d) Depreciation and amortisation expenses	11	413,847,245	126,310,464
(e) Provision / write off for receivables under financing activity	26	3,108,054,956	751,161,879
Total Expenditure (B)		15,698,614,049	10,758,853,527
Profit/(Loss) Before Tax (A - B)		118,340,729	3,217,385,721
Tax expenses			
(a) Current tax expenses (including reversal of Rs. 14,214,949 relating to previous period)		325,139,649	1,369,914,949
(b) MAT provision relating to previous period		17,251,699	-
(c) MAT credit entitlement availed		(17,251,699)	-
(d) Provision for tax of earlier year		13,700,000	(289,868)
(e) Deferred Tax (includes charge of Rs. 14,880,549/- relating to previous period)	28.5	(293,314,169)	(228,950,518)
Total tax expenses		45,525,480	1,140,674,563
Profit/(Loss) for the year		72,815,249	2,076,711,158
Earnings per Equity Share: face value Rs. 10 each			
(a) Basic	28.4	0.61	17.76
(b) Diluted	28.4	0.61	17.10
See accompanying notes forming part of the financial statements	1-33		
<p>This is the Statement of Profit and Loss referred to in our report of even date.</p> <p>For Price Waterhouse Chartered Accountants LLP For and on behalf of the Board of Directors</p> <p><i>Chartered Accountants</i></p> <p>Firm Registration No: 012754N / N500016</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">  Vivek Prasad Partner Membership No. 104941 </div> <div style="width: 45%;">  K.R. Ramamoorthy Chairman DIN:00058467 </div> <div style="width: 45%;">  Sudha Suresh Managing Director & CEO DIN:06480567 </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%;">  Deepak Khetan Chief Financial Officer </div> <div style="width: 45%;">  Sanjeev Barnwal Company Secretary </div> </div> <p>Place: Bengaluru Date: May 10, 2018</p>			

UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash Flows from operating activities		
Profit/(Loss) before tax	118,340,729	3,217,385,721
Adjustments for:		
Depreciation and amortisation expenses	413,847,245	126,310,464
Profit on sale of current investments	(24,807,565)	(146,699,747)
Bad debts written off	-	(36,483,640)
Deferred Stock Compensation expenses	7,830,596	15,480,461
Provision for Receivables under Financing Activities	1,342,615,734	732,867,044
Provision for advances	3,096,568	2,884,146
Claims written off (net)	305,283	5,239,502
Fixed assets written off	83,040	2,584,990
Interest on fixed deposits	(44,632,614)	(136,826,508)
Loss /(Profit) on sale of Fixed Assets	6,365,191	(21,223)
Interest on Loan - MSE	33,282	-
Marked to Market provision	(41,966,250)	41,966,250
Amortisation of premium on HTM investments	17,370,234	-
Operating Profit before Working capital changes	1,798,481,473	3,824,687,460
Changes in working capital:		
(Increase) / Decrease in Receivables under Financing Activity	(16,808,199,833)	(8,067,723,966)
(Increase) / Decrease in Loans and advances	461,404,773	(641,806,963)
(Increase) / Decrease in Other assets	346,984,522	(209,461,967)
Increase / (Decrease) in Trade payables	112,557,498	133,947,227
Increase / (Decrease) in Other current liabilities	(686,928,448)	484,210,539
Increase / (Decrease) in Short-term provisions	80,240,592	(29,749,755)
Increase / (Decrease) in Long-term provisions	-	-
Cash flow from/(used in) operations	(14,695,459,423)	(4,505,897,425)
Net Tax paid/Refunds	(410,904,833)	(1,320,175,342)
Net Cash from / (used in) operating activities (A)	(15,106,364,256)	(5,826,072,767)
Cash flows from Investing activities		
Investments in Central government securities	2,109,051,384	(14,507,736,738)
Purchase of Current investments	(21,366,641,582)	(65,030,890,383)
Sale of Current investments	21,448,976,560	65,177,590,113
Purchase of Fixed Assets	(998,503,225)	(1,419,339,950)
Proceeds from Sale of Fixed Assets	3,879,408	161,597,339
Interest on fixed deposits	36,955,853	27,017,261
Net Cash from / (used in) investing activities (B)	1,233,718,398	(15,591,762,358)



(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash flows from financing activities		
Proceeds from issue of share capital & securities premium (net)	89,943,442	3,482,822,618
Dividend and Dividend Tax Paid	(115,200,576)	-
Borrowings from banks / others	45,512,449,638	56,562,500,000
Repayment of Borrowings from banks / others	(48,235,588,546)	(37,028,420,214)
Deposits from customers	15,241,755,431	1,064,117,905
Share application money pending allotment	2,369,747	5,287,610
Net Cash from / (used in) financing activities (C)	12,495,729,136	24,086,307,919
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C)	(1,376,916,722)	2,668,472,793
Cash and cash equivalents at the beginning of the period	7,135,850,772	4,467,377,978
Cash and cash equivalents at the end of the period*	5,758,934,050	7,135,850,772

Notes :

1. 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 Section 133 of the Companies Act, 2013.

2. Refer note 17 for items included in cash and cash equivalents.

* Cash and Cash equivalents at year end includes Rs Nil (PY: 13,548,822/-) in balance with Banks, which is to be used only for repayment of security deposit of customer.

* Cash and cash equivalents include unclaimed dividend of Rs 205,343 (PY: Nil).

This is the Cash Flow Statement referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP

Chartered Accountants

Firm Registration No: 012754N / N500016



Vivek Prasad
Partner

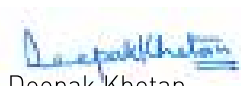
Membership No. 104941

Place: Bengaluru

Date: May 10, 2018

For and on behalf of the Board of Directors


K.R. Ramamoorthy
Chairman
DIN:00058467



Deepak Khetan
Chief Financial Officer



Sudha Suresh
Managing Director & CEO
DIN:06480567



Sanjeev Barnwal
Company Secretary



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)

Notes to Consolidated Financial Statements for the year ended March 31, 2018

GROUP INFORMATION

Ujjivan Financial Services Limited is a Limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company was registered as NBFC-MFI under Non-Banking Financial Company Micro Finance Institutions (NBFC-MFIs) directions on September 05, 2013. The Company received approval from Reserve Bank of India ("RBI") to set up a Small Finance Bank. Pursuant to the same, the company executed an agreement to transfer its Business undertaking to its wholly owned subsidiary Ujjivan Small Finance Bank Limited ("the Bank"). The bank commenced operations w.e.f 1st February 2017, on which date the Company ceased to operate as a Micro finance company. Pursuant to this change, the Company surrendered its NBFC - MFI license and received approval and certificate of registration as NBFC-ND-SI-CIC (Core Investment Company) from the RBI on October 10, 2017.

Basis of Consolidation

1.1 The Consolidated Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7(1) of the Companies (Accounts) Rules, 2014 and The Banking Regulation Act, 1949. Until the standards of accounting or any addendum thereto are prescribed by Central Govt. in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) of the Companies Act, 1956 [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention.

1.2 The Consolidated Financial Statements relate to (Ujjivan Financial Services Limited and its subsidiary) - "The Group", the details of which are given below:

Name of the Subsidiary	: Ujjivan Small Finance Bank Limited
Country of Incorporation	: India
Group interest	: 100%

1.3 The financial statements of the parent company and its subsidiary has been prepared based on a line by line Consolidation by adding together book value of like items of assets and liabilities, revenue and expenses as per the respective financial statements. Intra group balances, intra group transactions have been eliminated. The financial statements of the Subsidiary Bank used in the consolidation are drawn upto the same reporting date as that of the Company i.e., March 31, 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Use of estimates

The presentation 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 year. The management believes that the estimate used in preparation of financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the period in which the results are known/ material.

3. Cash and cash equivalents (for the purpose of cash flow statement)

Cash comprises of Cash on hand, balances with RBI, balances with other banks and money at Call and Short notice. Cash equivalents are short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

4. Tangible and Intangible assets

Fixed assets are stated at cost, net of accumulated depreciation. The cost of an asset comprises its purchase price (net of capital grants) and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets 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.



Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. An asset's recoverable amount is the higher of an asset's net selling price and its value in use, if such assets are considered to be impaired, the impairment is recognised by debiting the Statement of profit and loss account and is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

5. Depreciation and amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets 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. The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any. The useful life being followed by the company as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

Assets costing less than Rs.5,000/-individually are fully depreciated in the year of purchase.

Assets purchased/sold during the year are depreciated on a pro-rata basis for the actual number of days the asset has been put to use.

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 improvements.

6. Investments

Investments are classified into current investments and Non-current investments. Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current

investments are carried at lower of cost or fair value. Non-Current investments are carried individually at cost less provision made to recognize any decline, other than temporary, in the value of such investments. Cost of investments include acquisition charges such as brokerage, fees and duties.

Classification and valuation of the Bank's investments are carried out in accordance with RBI guidelines which are as follows:

6.1 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.

6.2 Acquisition cost

(i) Broken period interest on debt instruments is 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.

6.3 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. 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.

(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 1Re per share

(xi) Units of Mutual Funds are valued at the latest repurchase price/net Asset Value declared by the Mutual Fund.

(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.

7.Receivables under Financing Activity

Advances pertaining to the Subsidiary Bank are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

Specific provisions for non-performing advances and floating provisions are made in conformity with 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. Provision made against standard assets is included in 'Long term provisions' as well as 'Short term provisions'.

Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

Advances exclude derecognised securitised advances.

Amounts recovered during the year against bad debts written off in earlier years are recognised in the Statement of Profit and Loss account.

Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Statement of Profit and Loss account to the extent such provisions were charged to the Statement of 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.

The securitization transactions are without recourse to the Subsidiary Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Subsidiary Bank surrenders the rights to the benefits specified in the loan contracts.

The Subsidiary Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Subsidiary Bank sells the fulfillment 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'. Advances are stated net of specific loan loss provision and Inter Bank Participating Certificates issued.

8.Revenue Recognition

Revenue from Interest on loans financed by the Company is recognized on accrual basis, considering the directions issued by the Reserve Bank of India from time to time. Loans are classified into 'Performing and Non-Performing' assets in terms of RBI Master Circulars. Loans in respect of which interest/principal have remained overdue for a period of 90 days or more are considered as Non Performing Assets.



Revenues from loan documentation charges are recognized as income on accrual basis.

Revenue from interest income on fixed deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

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 statement of profit and loss account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

Profit / Loss arising on the purchase and sale of mutual fund is recognised in the statement of profit and loss.

9. Employee benefits

Employee benefits includes Provident Fund, Employee State Insurance scheme, Gratuity fund and compensated absences.

a) Short term employee benefits

This includes salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits for current employees are estimated and measured on an undiscounted basis.

b) Defined Contribution Plan

Company's contributions to Provident Fund, Pension fund and employee state insurance scheme are considered as defined contribution plan and are charged as expense based on amount of contribution required to be made and when services are rendered by the employees.

c) Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme administered by the Life Insurance Corporation of India, are determined by Actuarial Valuation on Projected Unit Credit Method made at the end of each balance sheet date. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

d) Long term employee benefits

Liability for compensated absences is provided

based on actuarial valuation carried out at the end of the financial period using Projected Unit Credit Method and is not funded but provided for. Past service cost is recognized immediately to the extent that the benefits are already used and otherwise is amortised on straight line base over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefits obligation as adjusted for unrecognised past service cost, as redeemed by the fair value of scheme assets.

Compensated absences which are not expected to occur within 12 months after the end of period in which the employee rendered the related services are recognised as a liability at the present value of the defined benefit obligations as at the balance sheet date.

Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

10. Lease

Lease rentals under operating lease are charged to the Statement of Profit and Loss on straight line basis over the lease term.

Assets leased by the company in its capacity as a lessee in which substantially all the risk and rewards of ownership vest in the Company are classified as finance leases. Lease arrangements where risk and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases.

11. Earnings per share

In determining the earnings per share, the Company considers the net profit / (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per



share comprises the weighted average shares considered for deriving basic earnings per share and the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be diluted only if their conversion to equity share would decrease the net profit per share from continuing ordinary operations. Diluted potential equity shares are determined independently for the each period presented.

12. Borrowing costs

Borrowing costs attributable to qualifying assets as per Accounting Standard 16 (assets which require substantial period of time to get ready for their intended use) are capitalized as part of the cost of such assets. All other borrowing costs are charged to Statement of profit and loss. Borrowing cost includes interest and other costs incurred in connection with the arrangement of borrowings. Cost incurred in relation to borrowings made the certificate of deposit are amortised over the tenure of certificate of deposits.

13. Taxes

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Current/Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.



14. Minimum Alternate Tax (MAT)

Minimum Alternate Tax (MAT) Credit is recognized as an asset only when and to the extent there is convincing evidence that the Group 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 recommendation contained in the guidance note issued by ICAI, said asset is created by way of credit/reversal of provisions to statement of profit and loss and shown as MAT Credit Entitlements in Advances. The Group 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 the Group will pay normal Income Tax during the specified period.

15. Provisions and Contingent Liabilities

A provision is recognized when the enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed in notes. Contingent assets are not recognised in the financial statements

16. Employee Stock Option Plan

The Company has Employee Stock Option Plans for the benefit of its employees. Options granted in terms of the Stock option plans on or after April 1, 2005 are accounted in accordance with the Guidance Note on Accounting for Employee Share Based Payment Plans issued by the Institute of Chartered Accountants of India (ICAI). The difference between the intrinsic value of the stock option granted on or after April 1, 2005 and exercise price, if any, is expensed as "Employee Compensation" over the period of vesting.

17. Operating Cycle

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realisation in cash and cash equivalents, the Company has determined operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non current.



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of Consolidated financial statements

Note 3 - Share Capital

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Authorised 125,000,000 Equity Shares of Rs.10/- each (P.Y.125,000,000 Equity Shares of Rs.10/- each)	1,250,000,000	1,250,000,000
	1,250,000,000	1,250,000,000
Issued 120,861,781 Equity Shares of Rs.10/- each (P.Y.119,377,072 Equity Shares of Rs.10/- each)	1,208,617,810	1,193,770,720
	1,208,617,810	1,193,770,720
Subscribed & fully Paid up 120,861,781 Equity Shares of Rs.10/- each (P.Y.119,377,072 Equity Shares of Rs.10/- each)	1,208,617,810	1,193,770,720
Total	1,208,617,810	1,193,770,720
i) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year		
	Number of shares	Number of shares
	March 31, 2018	March 31, 2017
Number of shares outstanding at the beginning of the year	119,377,072	101,186,028
Add: shares issued during the year - Stock options	1,484,709	1,135,767
Add: shares issued during the year - Institutions/Others	-	17,055,277
Number of shares outstanding at the end of the year	120,861,781	119,377,072
ii) Reconciliation of equity share capital outstanding at the beginning and at the end of the year		
	Amount in Rs.	Amount in Rs.
	March 31, 2018	March 31, 2017
Share capital outstanding at the beginning of the year	1,193,770,720	1,011,860,280
Add: shares issued during the year - Stock options	14,847,090	11,357,670
Add: shares issued during the year - Institutions/Others	-	170,552,770
Share capital outstanding at the end of the year	1,208,617,810	1,193,770,720



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iii) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:				
Class of shares / Name of the shareholder	Number of shares as at March 31, 2018	%	Number of shares as at March 31, 2017	%
Equity Shares:				
CDC Group Plc	-	-	10,932,696	9.16%
Alena Private Limited	10,790,943	8.93%	10,790,943	9.04%
International Finance Corporation	7,141,684	5.91%	7,141,684	5.98%
NewQuest Asia Investments II Limited	7,028,022	5.81%	7,028,022	5.89%
<p>iv) The company has only one class of equity shares with voting rights (one vote per share). The distribution of dividend is in proportion to the number of equity shares held by the shareholders. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.</p> <p>v) As the Company has not issued any bonus shares and do not have any securities that are convertible into equity shares, the said disclosures pursuant to Schedule III requirements are not applicable.</p>				



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Notes forming part of Consolidated financial statements

Note 4 - Reserves & Surplus

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
a. Securities premium account		
Opening balance	10,878,466,450	7,574,238,496
Add : Premium on shares issued during the year on stock options	80,383,962	48,206,272
Add : Premium on shares issued during the year on Institutions/Others	-	3,411,055,400
Less : Utilised during the year for writing off share issue expenses	-	155,033,718
Closing balance	10,958,850,412	10,878,466,450
b. Other reserves - Statutory reserve *		
Opening balance	1,144,681,331	729,321,561
Add: Additions during the year	17,994,333	415,359,770
Closing balance	1,162,675,664	1,144,681,331
c. Other reserves - Employee loan grant	1,300,000	1,300,000
d. Share options outstanding account		
Opening balance	49,601,715	57,133,959
Add: Amounts recorded on grants during the year	-	-
Less: Grants forfeited during the year	3,198,798	4,216,468
Less: Grants exercised during the year	8,667,535	3,315,776
	37,735,382	49,601,715
Less: Deferred stock compensation expense	11,710,229	31,407,158
Closing balance	26,025,153	18,194,557
e. Surplus in Statement of Profit and Loss		
Opening balance	4,316,175,461	2,654,824,072
Add: Profit/(Loss) for the year	72,815,247	2,076,711,159
Less: Dividends distributed during the year	95,715,211	-
Less: Tax on distributed dividend	19,485,365	-
Less: Transferred to statutory reserve	17,994,333	415,359,770
Closing balance	4,255,795,799	4,316,175,461
Total	16,404,647,028	16,358,817,799

* Transfer to the statutory reserves is made in accordance with the provisions of Banking Regulation Act, 1949 and Reserve Bank of India Act, 1934.

Note: The Board has recommended a dividend at the rate of 5% i.e. Rs 0.50 per equity share for the FY 2017-18 amounting to Rs. 72,733,198/- (including Dividend Distribution Tax) subject to the approval of the shareholders at the ensuing 14th Annual General Meeting(AGM).



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Note 5 - Long-term borrowings

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Non Convertible Debentures		
Secured		
600, 12.60% Secured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 5 years from the date of allotment July 01, 2014 (Refer Note (i) below)	600,000,000	600,000,000
1,000, 12.35% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par by August 5, 2021 with put/call option August 5, 2018 from the date of allotment August 5, 2015 (Refer Note (i) below)	-	1,000,000,000
40, 10.75% Secured Redeemable Non Convertible Debentures of Rs.10,000,000/- each redeemable at par at the end of 6 years from the date of allotment July 31, 2013 (Refer Note (i) below)	400,000,000	400,000,000
Unsecured		
1750, 9.74% Unsecured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 2 years from the date of allotment October 7, 2016	-	1,750,000,000
2250, 9.65% Unsecured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 2 years from the date of allotment November 16, 2016	-	2,250,000,000
Total - (A)	1,000,000,000	6,000,000,000
(b) Term loans		
Secured		
from Banks (Refer Note (ii)(a) below)	-	9,045,278,189
from NBFCs (Refer Note (ii)(b) below)	465,900,000	1,705,452,447
from other parties (Refer Note (ii)(c) below)	1,640,000,005	5,864,666,670
	2,105,900,005	16,615,397,306
Unsecured		
from Banks (Refer Note (ii)(d) below)	-	2,857,137,784
from NBFCs (Refer Note (ii)(e) below)	-	2,418,221,100
from other parties (Refer Note (ii)(f) below)	11,555,000,000	500,000,000
	11,555,000,000	5,775,358,884
Total - (B)	13,660,900,005	22,390,756,190
Total - (A) + (B)	14,660,900,005	28,390,756,190

Note (i) : Debentures and Term Loans are secured by hypothecation of book debts.

Note 5A - Other non-current liabilities

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Deposits		
-Term deposits*	2,443,425,355	59,763,892
Total	2,443,425,355	59,763,892

*Comprise of deposits taken from retail as well as institutional customers whose maturity period ranges between 31 months to 304 months. The interest rate ranges between 6.5% to 9% on these deposits.



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(iii) Terms of repayment for borrowings including current maturities :

Secured

Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2018	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from Banks - (a)				
Repayable in Monthly Installments				
Base Rate + 0.45%	< 1 Year	5	485,714,286	-
Interest Rate - 8.60%	< 1 Year	15	795,833,333	-
6 Month CD rate	< 1 Year	10	1,375,000,000	-
1 Y MCLR	< 1 Year	9	88,125,003	-
1 Y MCLR + 0.10%	< 1 Year	9	468,399,449	-
1 Y MCLR + 0.15%	< 1 Year	9	818,181,818	-
1 Y MCLR + 0.30%	< 1 Year	3	561,994,507	-
MIBOR	< 1 Year	9	85,700,000	-
MIBOR	< 1 Year	9	77,100,000	-
Repayable in Quarterly Installments				
Base Rate + 0.20%	< 1 Year	2	80,000,000	-
1 M MCLR	< 1 Year	8	666,666,667	-
1 M MCLR + 0.10%	< 1 Year	2	570,019,555	-
Repayable in Bullet				
Interest Rate - 8.10%	< 1 Year	1	980,400,000	-
Total			7,053,134,618	-



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Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2018	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from NBFCs - (b)				
Repayable in Monthly Installments				
Interest Rate - 9.45%	< 1 Year	12	800,400,000	-
	2 Year	7	-	465,900,000
Interest Rate - 10.00%	< 1 Year	7	220,000,000	-
Total			1,020,400,000	465,900,000
Borrowings from Others - (c)				
Repayable in Monthly Installments				
Interest Rate - 11.75%	< 1 Year	9	450,000,000	-
Repayable in Half Yearly Installments				
Interest Rate - 10.25%	< 1 Year	1	166,666,667	-
Interest Rate - 10.75%	< 1 Year	4	1,157,999,998	-
	2 Year	4	-	916,199,998
	3 Year	4	-	154,399,998
	4 Year	4	-	154,400,009
	5 Year	1	-	40,000,000
Interest Rate - 11.50%	< 1 Year	2	450,000,000	-
	2 Year	2	-	262,500,000
	3 Year	2	-	75,000,000
	4 Year	1	-	37,500,000
Total			2,224,666,665	1,640,000,005
Grand Total			10,298,201,283	2,105,900,005

Unsecured

Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2018	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from Banks - (d)				
Repayable in Quarterly Installments				
3M MCLR	< 1 Year	4	571,388,554	-
3M MCLR + 0.70%	< 1 Year	4	1,142,768,506	-
Total			1,714,157,060	-



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of Consolidated financial statements

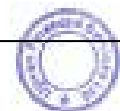
Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2018	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from NBFCs - (e)				
Repayable in Monthly Installments				
Interest Rate - 9.60%	< 1 Year	4	500,000,000	-
Repayable in Quarterly Installments				
Interest Rate - 9.75%	< 1 Year	8	1,515,191,561	-
Total			2,015,191,561	-
Borrowings from Others - (f)				
Repayable in Monthly Installments				
Interest Rate - 10.75%	< 1 Year	12	1,200,000,000	-
	2 Year	8	-	800,000,000
Repayable in Half Yearly Installments				
Interest Rate - 8.35%	< 1 Year	4	1,630,000,000	-
	2 Year	4	-	1,630,000,000
	3 Year	3	-	765,000,000
Interest Rate - 8.75%	< 1 Year	2	1,000,000,000	-
	2 Year	6	-	3,500,000,000
		6	-	3,500,000,000
Interest Rate - 8.85%	< 1 Year	2	760,000,000	-
	2 Year	2	-	760,000,000
	3 Year	1	-	100,000,000
Repayable in Bullet				
Interest rate - 15.00%	2 Year	5	-	416,666,667
		1	-	83,333,333
Total			4,590,000,000	11,555,000,000

Secured

Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from Banks - (a)				
Repayable in Monthly Installments				
Base Rate + 0.35%	< 1 Year	12	1,000,000,000	-
Base Rate + 0.40%	< 1 Year	47	852,272,727	-
Base Rate + 0.45%	< 1 Year	12	1,165,714,286	-
	2 Year	5	-	485,714,286

Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of Consolidated financial statements

Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
Base Rate + 0.75%	< 1 Year	31	438,095,238	-
Base Rate + 0.80%	< 1 Year	12	571,428,571	-
Base Rate + 1.00%	< 1 Year	4	83,333,333	-
Base Rate + 1.15%	< 1 Year	7	49,551,859	-
Base Rate + 1.25%	< 1 Year	11	261,904,762	-
Base Rate + 1.50%	< 1 Year	6	187,500,000	-
Base Rate + 1.55%	< 1 Year	8	83,333,328	-
Base Rate + 1.60%	< 1 Year	12	62,485,911	-
Base Rate + 1.75%	< 1 Year	64	1,120,841,249	-
Base Rate + 1.80%	< 1 Year	5	119,047,619	-
Base Rate + 1.95%	< 1 Year	8	166,385,136	-
Base Rate + 2.00%	< 1 Year	10	180,518,541	-
Base Rate + 2.25%	< 1 Year	6	45,416,747	-
Base Rate + 2.40%	< 1 Year	21	523,333,333	-
Base Rate + 2.50%	< 1 Year	8	108,883,823	-
At MCLR	< 1 Year	36	1,667,500,004	-
	2 Year	28	-	1,327,674,951
MCLR + 0.05%	< 1 Year	12	1,650,000,000	-
	2 Year	10	-	1,375,000,000
MCLR + 0.10%	< 1 Year	24	217,200,000	-
	2 Year	18	-	162,800,000
MCLR + 0.15%	< 1 Year	12	1,090,909,091	-
	2 Year	9	-	818,181,818
MCLR + 0.25%	< 1 Year	12	500,000,000	-
	2 Year	9	-	375,000,000
MCLR + 0.30%	< 1 Year	4	750,000,000	-
	2 Year	3	-	562,500,000
MCLR + 0.40%	< 1 Year	12	285,720,000	-
	2 Year	7	-	166,660,000



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)

Notes forming part of Consolidated financial statements

Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
MCLR + 0.55%	< 1 Year	20	750,000,000	-
	2 Year	20	-	187,500,000
MCLR + 0.65%	< 1 Year	11	137,500,000	-
	2 Year	12	-	149,965,548
MCLR + 0.80%	< 1 Year	24	1,000,000,000	-
	2 Year	8	-	333,333,333

Repayable in Quarterly Installments				
At Base Rate	< 1 Year	4	750,000,000	-
Base Rate + 0.15%	< 1 Year	4	285,699,609	-
Base Rate + 0.20%	< 1 Year	4	160,000,000	-
	2 Year	2	-	80,000,000
Base Rate + 0.25%	< 1 Year	4	857,140,664	-
Base Rate + 0.40%	< 1 Year	4	149,986,210	-
Base Rate + 0.80%	< 1 Year	4	185,714,286	-
Base Rate + 0.95%	< 1 Year	12	462,478,706	-
Base Rate + 1.00%	< 1 Year	4	80,000,000	-
		3	-	59,977,303
Base Rate + 1.10%	< 1 Year	2	75,000,000	-
Base Rate + 1.25%	< 1 Year	12	166,638,575	-
	2 Year	9	-	124,822,866
Base Rate + 1.50%	< 1 Year	2	187,200,000	-
Base Rate + 2.05%	< 1 Year	7	176,799,021	-
Base Rate + 2.30%	< 1 Year	4	79,959,242	-
MCLR + 0.05%	< 1 Year	8	666,666,667	-
		8	-	665,912,025
		2	-	571,040,119
MCLR + 0.25%	< 1 Year	3	175,200,000	-
MCLR + 0.65%	< 1 Year	6	165,555,556	-
	2 Year	8	-	171,111,111
	3 Year	15	-	123,284,828



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of Consolidated financial statements

Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
Repayable in annually				
At Base Rate	< 1 Year	1	125,000,000	-

Repayable in Bullet

At Base rate	< 1 Year	-	-	-
	2 Year	1	-	1,130,000,000
Total			21,382,165,044	9,045,278,189

Borrowings from NBFCs - (b)

Repayable in Monthly Installments

Interest Rate - 9.45%	< 1 Year	11	733,700,000	-
	2 Year	12	-	800,400,000
	3 Year	7	-	465,900,000
Interest Rate - 10.00%	< 1 Year	12	360,000,000	-
	2 Year	7	-	220,000,000
Interest Rate - 10.15%	< 1 Year	12	19,292,501	-
	2 Year	12	-	21,344,397
	3 Year	28	-	58,560,293
Interest Rate - 10.90%	< 1 Year	12	8,862,328	-
	2 Year	12	-	9,878,069
	3 Year	24	-	23,308,570
Interest Rate - 11.30%	< 1 Year	12	181,818,182	-
	2 Year	7	-	106,061,118
Interest Rate - 12.50%	< 1 Year	12	109,404,887	-
Total			1,413,077,898	1,705,452,447

Borrowings from Others - (c)

Repayable in Monthly Installments

Interest Rate - 10.75%	< 1 Year	10	1,000,000,000	-
	2 Year	12	-	1,200,000,000
	3 Year	8	-	800,000,000
Interest Rate - 11.75%	< 1 Year	12	600,000,000	-
	2 Year	9	-	450,000,000
Total			1,600,000,000	2,450,000,000

Repayable in Bullet

Interest Rate - 10.25%	< 1 Year	2	333,332,500	-
Interest Rate - 10.75%	< 1 Year	4	1,157,999,998	-
	2 Year	4	-	1,157,999,998
	3 Year	13	-	1,265,000,005
Interest Rate - 11.50%	< 1 Year	2	450,000,000	-
	2 Year	2	-	450,000,000
	3 Year	5	-	375,000,000
Total			2,274,665,831	3,414,666,670
Grand Total			3,874,665,831	5,864,666,670

Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of Consolidated financial statements

Unsecured

Terms of Repayment and Interest			Amount Outstanding in Rupees March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from Banks - (d)				
Repayable in Quarterly Installments				
At MCLR	< 1 Year	6	1,285,714,286	-
	2 Year	8	-	1,714,282,149
MCLR + 0.70%	< 1 Year	3	857,142,857	-
	2 Year	4	-	1,142,855,635

Repayable in Bullet

At Base rate	< 1 Year	1	600,000,000	-
Total			2,742,857,143	2,857,137,784

Borrowings from NBFCs - (e)

Repayable in Monthly Installments

Interest Rate - 9.50%	< 1 Year	7	621,162,206	-
Interest Rate - 9.60%	< 1 Year	-	-	-
	2 Year	4	-	500,000,000
Interest Rate - 9.75%	< 1 Year	12	254,545,453	-
	2 Year	12	-	254,545,454
	3 Year	7	-	148,484,851

Repayable in Quarterly Installments

Interest Rate - 9.75%	< 1 Year	9	1,984,808,439	-
	2 Year	8	-	1,515,190,795
Total			2,860,516,098	2,418,221,100

Borrowings from Others - (f)

Repayable in Bullet

Interest rate - 15.00%	3 Year	6	-	500,000,000
Total			-	500,000,000



Ujjivan Financial Services Limited
(Formerly Ujjivan Financial Services Private Limited)
Notes forming part of Consolidated financial statements

Note 6 - Long-term provisions

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Provision - Employee Benefits		
(i) Compensated absences (Refer Note.28.1)	149,075,349	104,161,231
(b) Provision - Others		
(i) Provision for receivables under financing activity		
Provision for standard assets	109,298,532	261,683,006
Provision for non performing assets	2,249,866,535	146,023,257
Total	2,508,240,416	511,867,494

Note 7 - Short-term borrowings

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured		
Inter bank borrowing - (Refer Note (i) below)	250,000,000	-
Deposits		
-Certificate of deposits (Refer Note (ii) below)	21,662,450,553	-
Total	21,912,450,553	-



Ujjivan Financial Services Limited
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Notes forming part of Consolidated financial statements

Note:

(i) Details of Inter bank borrowing

(Amount in Rupees)

Classification	Start Date	End Date	No of install- ments Pending	Rate of Interest	Amount
Inter bank limit - Repayable in Bullet	3-Aug-17	3-Aug-18	1	7.50%	250,000,000

(ii) Details of Certificate of deposits

(Amount in Rupees)

CD No.	Start Date	End Date	Coupon rate	Face Value	Interest
101277	11-Dec-17	08-Jun-18	7.20	482,947,500	10,574,455
100927	15-Sep-17	14-Sep-18	7.40	931,274,000	37,383,923
100922	15-Sep-17	14-Sep-18	7.40	465,637,000	18,691,962
101303	19-Dec-17	18-Dec-18	7.75	928,257,000	20,300,904
101501	16-Jan-18	10-Apr-18	7.35	245,841,500	3,712,946
101568	31-Jan-18	26-Apr-18	7.80	1,964,320,000	25,185,882
101569	31-Jan-18	26-Apr-18	7.80	245,540,000	3,148,235
101550	29-Jan-18	27-Apr-18	7.80	1,423,235,900	18,856,525
101566	31-Jan-18	27-Apr-18	7.80	490,977,000	6,295,116
101556	30-Jan-18	27-Apr-18	7.80	1,718,059,000	22,395,414
101567	31-Jan-18	02-May-18	7.80	1,961,848,000	25,155,165
101359	28-Dec-17	27-Dec-18	7.60	232,387,000	4,548,412
101635	20-Feb-18	21-May-18	7.80	2,207,542,500	18,870,000
101576	01-Feb-18	03-May-18	7.80	980,924,000	12,367,956
101618	12-Feb-18	07-May-18	7.70	265,298,760	2,686,423
101591	05-Feb-18	08-Jun-18	7.92	1,217,505,000	14,530,285
101824	27-Mar-18	26-Jun-18	7.77	1,961,992,000	2,088,352
101754	26-Mar-18	25-Jun-18	7.77	980,996,000	1,253,011
101727	13-Mar-18	12-Jun-18	7.77	735,747,000	2,975,901
101721	12-Mar-18	11-Jun-18	7.85	980,804,000	4,218,901
101705	07-Mar-18	06-Jun-18	7.85	980,804,000	5,273,624
Total				21,401,937,160	260,513,393



Ujjivan Financial Services Limited
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Notes forming part of Consolidated financial statements

Note 8 - Trade payables

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(i) Total outstanding dues of micro enterprises and small enterprises (Refer Note 27.2)	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	252,687,728	140,130,230
Total	252,687,728	140,130,230

Note 9 - Other current liabilities

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Current maturities of non convertible debentures (Refer Note (i) below)	5,000,000,000	2,250,000,000
(b) Current maturities of long-term debt (Refer Note (i) below)	18,617,549,904	32,273,282,014
(c) Current maturities of term deposits	12,232,460,652	971,881,282
(d) Demand deposits*	1,629,987,329	32,472,731
(e) Interest accrued but not due on borrowings, term deposits and demand deposits	664,389,866	599,981,768
(f) Other payables		
(i) Statutory remittances	77,559,695	86,829,517
(ii) security deposits from customers	1,242,340	1,262,378
(iii) Unclaimed security deposits from customers	13,078,328	13,091,724
(iv) Unpaid Dividend	205,343	-
(v) Deposit from vendors	50,001	50,000
(vi) Employee benefits payable	127,533,293	145,693,161
(vii) Other payables (including Rent Equilisation)	31,342,275	755,421,041
Total	38,395,399,026	37,129,965,616

* Represents current and saving deposits taken by subsidiary Bank in the banking business



Ujjivan Financial Services Limited
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Notes forming part of Consolidated financial statements

Note (i) : Current maturities of long term debts

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Non Convertible Debentures *		
<u>Secured</u>		
250, 13.25% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par Rs. 25 Crs by December 26, 2017 from the date of allotment December 26, 2014 *	-	250,000,000
1,000, 12.15% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/-each redeemable at par by May 12, 2017 from the date of allotment May 12, 2015 *	-	1,000,000,000
1,000, 12.15% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/-each redeemable at par by June 23, 2017 from the date of allotment June 23, 2015 *	-	1,000,000,000
1,000, 12.35% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par by August 5, 2021 with put/call option August 5, 2018 from the date of allotment August 5, 2015 *	1,000,000,000	-
<u>Unsecured</u>		
1750, 9.74% Unsecured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 2 years from the date of allotment October 7, 2016	1,750,000,000	-
2250, 9.65% Unsecured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 2 years from the date of allotment November 16, 2016	2,250,000,000	-
Total	5,000,000,000	2,250,000,000

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(b) Term loans		
From banks		
-Secured (Refer Note 5 (ii)(a))	7,053,134,618	21,382,165,044
-Unsecured (Refer Note 5 (ii)(d))	1,714,157,060	2,742,857,143
From Non Banking Financial Companies		
-Secured (Refer Note 5 (ii)(b))	1,020,400,000	1,413,077,898
-Unsecured (Refer Note 5 (ii)(e))	2,015,191,561	2,860,516,098
From other parties		
-Secured (Refer Note 5 (ii)(c))	2,224,666,665	3,874,665,831
-Unsecured (Refer Note 5 (ii)(d))	4,590,000,000	-
Total	18,617,549,904	32,273,282,014

*Debentures are secured by hypothecation of book debts.



Ujjivan Financial Services Limited
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Notes forming part of Consolidated financial statements

Note 10 - Short-term provisions

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Provision for employee benefits		
(i) Compensated absences (Refer note no. 28.1)	37,736,045	25,418,966
(ii) Gratuity (Refer note no. 28.1)	56,578,137	33,568,742
(b) Provision - Others		
(i) Provision for tax (net of advance tax - Rs Nil. (P.Y: Rs 2,805,849,765/-)	-	72,065,184
(ii) Provision for receivables under financing activity		
Provision for standard assets	255,687,820	864,497,608
Total	350,002,002	995,550,500



Ujjivan Financial Services Limited
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Notes forming part of Consolidated financial statements

Note 11 - Fixed assets

(Amount in Rupees)

	Fixed Assets	Gross Block at Cost			Accumulated Depreciation & amortisation				Net Block	
		Balance as at April 1, 2017	Additions	Disposals	Balance as at March 31, 2018	Balance as at April 1, 2017	Depreciation / amortisation expense for the period	On disposals	Balance as at March 31, 2018	Balance as at March 31, 2017
A	Tangible Assets									
	Computers	744,951,832	166,341,471	10,201,727	901,091,576	149,811,726	167,916,587	9,501,953	308,226,360	592,865,216
		(168,257,373)	(582,083,804)	(5,389,345)	(744,951,832)	(91,443,599)	(63,521,384)	(5,153,257)	(149,811,726)	(595,140,106)
	Leasehold improvements	75,936,194	286,971,868	14,381,612	348,526,450	36,161,134	30,006,218	13,342,339	52,825,013	295,701,437
		(47,684,436)	(29,694,157)	(1,442,399)	(75,936,194)	(28,075,182)	(9,464,316)	(1,378,364)	(36,161,134)	(39,775,060)
	Furniture and Fixtures	80,930,971	116,545,075	18,041,438	179,434,608	40,785,123	29,248,464	11,578,379	58,455,208	120,979,400
B	Intangible Assets- others									
	Computer software	719,519,317	268,052,264	6,000	987,565,581	75,356,810	155,091,326	6,000	230,442,136	757,123,445
		(119,280,154)	(600,239,163)	-	(719,519,317)	(44,698,178)	(30,658,632)	-	(75,356,810)	(644,162,507)
	Goodwill	-	-	-	-	-	-	-	-	-
		-	(160,000,000)	(160,000,000)	-	-	-	-	-	-
	Total (B)	719,519,317	268,052,264	6,000	987,565,581	75,356,810	155,091,326	6,000	230,442,136	757,123,445
	Total (A)	1,002,386,756	731,820,802	52,067,338	1,682,140,220	280,513,681	258,755,919	41,739,699	497,529,901	1,184,610,319
	Previous Year	(364,605,874)	(654,475,172)	(16,694,290)	(1,002,386,756)	(197,395,032)	(95,651,832)	(12,533,184)	(280,513,681)	(721,873,075)
	Intangible Assets- others									
	Computer software	719,519,317	268,052,264	6,000	987,565,581	75,356,810	155,091,326	6,000	230,442,136	757,123,445
		(119,280,154)	(600,239,163)	-	(719,519,317)	(44,698,178)	(30,658,632)	-	(75,356,810)	(644,162,507)
	Goodwill	-	-	-	-	-	-	-	-	-
	Total (A) + (B)	1,721,906,073	999,873,066	52,073,338	2,669,705,801	355,870,491	413,847,245	41,745,699	727,972,037	1,941,733,764
	Previous Year	(483,886,028)	(1,414,714,335)	(176,694,290)	(1,721,906,073)	(242,093,210)	(126,310,464)	(12,533,184)	(355,870,491)	(1,366,035,582)

Note (i) All the tangible assets/intangible assets are owned by the Company and are not on lease.

(ii) Amounts within brackets represent previous year's figures.

Ujjivan Financial Services Limited
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Notes forming part of Consolidated financial statements

Note 12 - Non-current investments

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Trade Investments (at cost) (Unquoted unless stated)		
Investment in equity instruments		
Alpha Micro Finance Consultants Pvt Ltd, 100,000 Equity shares of Rs.10/- each fully paid up	1,000,000	1,000,000
Ujjivan Social Services Foundation 1,000 Equity shares (P.Y. 1,000) of Rs.10/- each at cost fully paid up	10,000	10,000
Trade Investments (at cost) (Quoted)		
Investment in Government securities	5,458,831,717	3,571,709,451
Total	5,459,841,717	3,572,719,451
Aggregate amount of unquoted investments	1,010,000	1,010,000
Market Value of quoted investments	4,985,670,000	3,451,040,000

Note 13 - Long-term loans and advances

(Unsecured, considered good unless otherwise stated)

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Capital advances	19,202,733	30,944,584
(b) Security deposits	241,197,156	169,475,361
(c) Loans and advances		
Advances recoverable in cash or in kind	28,446,200	18,589,612
Advances recoverable in cash or in kind - Doubtful	6,666,444	3,739,908
	35,112,644	22,329,520
Less: Provision for doubtful loans and advances	6,666,444	3,739,908
	28,446,200	18,589,612
(d) Prepaid expenses	7,620,218	827,497
(e) Advance tax (net of Provision - Rs 3,216,754,598/- P.Y - Nil)	23,260,896	-
Total	319,727,203	219,837,054



Ujjivan Financial Services Limited
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Notes forming part of Consolidated financial statements

Note 14 - Long-Term Receivables under financing activity

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Secured Receivable under financing activity *		
Considered good	3,677,339,419	-
Considered doubtful	21,733,420	43,650,995
Unsecured Receivable under financing activity		
Considered good	18,105,590,875	13,726,762,681
Considered doubtful	2,746,687,507	2,120,321,905
Total	24,551,351,221	15,890,735,581

* Secured by equitable mortgage of the property.

Note 15 - Other non current assets

(Unsecured, considered good unless otherwise stated)

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Term deposits (more than 12 months maturity)*	159,560,522	298,192,519
Total	159,560,522	298,192,519

* Includes Rs 100,000,000 (PY: Rs 298,192,519/-) under Lien against loans availed by the Company.

Note 16 - Current Investments

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Trade investments at cost or fair value whichever is lower (quoted)		
Investment in Government Securities and Treasury Bills	6,864,957,153	10,894,061,037
Total	6,864,957,153	10,894,061,037
Aggregate amount of quoted trade investments	6,864,957,153	10,894,061,037
Market Value of quoted trade investments	6,864,957,153	10,894,061,037



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Note 17 - Short-Term Receivables under financing activity

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Secured *		
considered good	364,338,239	-
	364,338,239	-
Unsecured		
considered good	50,604,113,967	42,820,868,013
	50,604,113,967	42,820,868,013
Total	50,968,452,206	42,820,868,013

* Secured by equitable mortgage of the property

Note 18 - Cash and Bank balances

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
I. Cash & cash equivalents		
a) Cash in hand	377,393,983	402,018,352
II. Balance with Reserve Bank of India		
(i) In Current account	1,598,952,025	2,207,274,052
(ii) RBI Reverse REPO Lending (Refer Note i below)	520,000,000	-
III. Balance with Banks		
(i) In Current account (Refer Note ii below)	122,690,564	376,558,368
(ii) In deposit accounts with original maturity less than 3 months	1,140,000,000	-
(iii) Money at Call and Short Notice (Refer Note iii below)	1,999,897,477	4,150,000,000
	5,758,934,049	7,135,850,772
IV. Other bank balances		
a) Fixed Deposits (Refer Note iv below)	178,108,910	464,899,828
	178,108,910	464,899,828
Total	5,937,042,959	7,600,750,600

Note:

(i) Carries interest rate @5.75% duration being 3-4 days from the date of lending.

(ii) Balances with Banks includes unclaimed dividend of Rs 2,05,343/- (PY: Nil).

Balance with Banks of Rs Nil (PY: Rs 13,548,937/-) is to be used only for repayment of Security deposit of customers.

(iii) Includes lending under CBLO Rs 1,99,897,477/- (PY: Nil)

(iv) Rs 1,14,145,000/- (PY: Rs 4,64,899,828/-) under lien against loans availed by the Group and towards dues collateralisation for securitisation.



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Note 19 - Short-term loans and advances

(Unsecured, considered good, unless otherwise stated)

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Deposits	4,832,766	7,686,251
(b) Loans and advances		
secured, considered good**	69,662,672	29,577,731
secured, considered doubtful	4,150,324	3,980,292
	73,812,996	33,558,023
Less: Provision for doubtful loans and advances	4,150,324	3,980,292
	69,662,672	29,577,731
(c) Prepaid expenses	112,576,610	56,640,817
(d) Other advances *		
Unsecured, considered good	75,817,253	745,423,126
	75,817,253	745,423,126
	75,817,253	745,423,126
Total	262,889,301	839,327,925

* Includes advance for expenses

** Secured by equitable mortgage of the property

Note 20 - Other current assets

(Unsecured, considered good)

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Interest accrued on		
(i) Fixed deposits and investments	137,237,346	129,560,585
(ii) Receivables under financing activity	717,576,988	652,474,831
(b) Accrued income	13,336,236	-
Total	868,150,570	782,035,416



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Note 21 - Revenue from Operations

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest on loans	13,117,260,050	12,257,962,185
Loan processing fees	713,232,944	776,147,086
Other financial services	603,068,909	459,625,709
Total	14,433,561,903	13,493,734,980

Note 22 - Other Income

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest on fixed deposits	44,632,614	136,826,508
Interest on other investments*	964,898,357	150,538,700
Profit on sale of current investments	24,807,565	146,699,747
Fee income, other than financing activity	57,696,746	1,801,748
Profit on sales of fixed assets	-	21,223
Miscellaneous income**	291,357,593	46,616,342
Total	1,383,392,875	482,504,268

*Includes Short term interest income of Rs. 582,285,466/- (PY Rs. 138,427,248/-) and Long term interest income of Rs. 382,612,892/- (PY Rs. 12,111,452/-)

**Includes Income from Priority Sector Lending Certificate of Rs. 228,798,450/-

Note 23 - Employee benefits expense

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries and wages (net)	3,242,750,483	2,337,803,973
Contributions to provident and other funds (Refer note no. 28.1)	188,276,662	119,010,593
Gratuity (Refer note no. 28.1)	59,132,664	83,396,521
Expenses on employee stock option	16,498,131	15,480,461
Staff welfare expenses	157,832,854	160,464,433
Total	3,664,490,794	2,716,155,981



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Note 24 - Administrative and Other expenses

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Electricity and water charges	53,069,381	26,455,525
Rent	367,316,526	180,736,213
Donation	-	-
Repairs and maintenance		
Buildings	14,766,967	2,801,080
Others	119,673,041	119,468,521
Security and house keeping expenses	186,497,603	81,309,332
Office maintenance	25,447,851	20,268,183
Insurance	14,521,162	11,463,345
Rates and taxes	32,223,412	82,247,904
Audit fees (Refer Note (i) below)	7,257,775	4,532,875
Professional charges	596,150,150	462,938,533
Sitting fee	7,588,257	9,737,808
Postage and courier	57,520,543	39,232,440
Printing and stationery	141,543,575	62,498,153
Recruitment expenses	29,011,895	32,692,379
Telephone charges	159,693,587	88,772,357
Training and conference charges	98,819,045	110,672,778
Travelling and conveyance expenses	345,007,882	287,774,563
Expenditure on Corporate social responsibility (Refer Note 31)	15,164,304	26,831,588
Advances/Claims written off	305,283	5,239,502
Fixed Assets Written off	83,040	2,584,990
Loss on sale of fixed assets	6,365,191	97,367
Provision for other advances	3,096,568	2,884,146
Advertisement and Publicity	105,280,306	-
Miscellaneous expenses	76,830,052	76,763,608
Total	2,463,233,396	1,738,003,190

Note (i)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
(i) Payments to the auditors comprises (net of tax input credit)		
Audit services (includes subsidiary company's audit services)	3,400,000	3,500,000
Tax audit	400,000	300,000
Other services	2,805,000	516,313
Reimbursement of expenses and levies	652,775	216,562
Total	7,257,775	4,532,875



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Note 25 - Finance costs

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
(a) Interest expense on		
(i) Borrowings	5,555,796,132	5,289,339,957
(ii) Others	466,569,713	1,808,397
(b) Loan processing fees, bank charges and other related costs	26,621,813	136,073,659
Total	6,048,987,658	5,427,222,013

Note 26 - Provision / write off for receivables under financing activity

(Amount in Rupees)

Particulars	For year ended March 31, 2018	For the year ended March 31, 2017
Bad debts written off	1,765,439,222	54,778,475
Provision for receivables under financing activities	1,342,615,734	696,383,404
Total	3,108,054,956	751,161,879



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27.1 Contingent liabilities and commitments (to the extent not provided for)

(Amount in Rupees)

	Particulars	As at March 31, 2018	As at March 31, 2017
(i)	Contingent liabilities		
	(a) Disputed taxes – Service tax	4,408,763	4,226,041
	(b) Claims against the company- not acknowledged as debt	1,770,430	325,035
	(c) Gaurantee on behalf of constituents	2,500,000	-
(ii)	Commitments		
	Estimated amount of contracts remaining to be executed on capital account and not provided for:		
	Tangible assets	140,438,294	100,064,155
	Intangible assets	45,974,449	178,744,887

The Group had received demand order from service tax authorities against show cause notices received in earlier years. The Order pertains to applicability of service tax on securitisation. The amount of service tax demand aggregated to Rs.4,226,041/- (plus penalty and interest, as applicable). The Group had filed an appeal against the demand order with The Commissioner of Service Tax (Appeals) and has deposited Rs.316,953/- (amounting to 7.5% of the demand) as pre deposit against demand.

Based on the merits of the case, the Group and its tax advisors believe that its position is likely to be upheld in the appellate process for the above matters. Accordingly, no provision has been made for the amounts mentioned above as at March 31, 2018

27.2 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Enterprises, to whom the Group owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The above information regarding Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Group.



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Note 27 Disclosures under Accounting Standards

27.3 Segment Reporting

The Group's business segment is primarily in Micro and Retail Financing. The principal geographical segment is in India.

(Amount in Rupees)

SR. NO	Business Segments →	Treasury	Micro and Retail financing	Total
	Particulars ↓	March 31,2018	March 31,2018	March 31,2018
1	Revenue	1,205,940,452	14,594,513,926	15,800,454,378
2	Un allocated Revenue	-	16,500,400	16,500,400
3	(less) Inter segment revenue	-	-	-
4	Total Income (1+2-3)	1,205,940,452	14,611,014,326	15,816,954,778
5	Result	212,646,406	556,154,534	768,800,940
6	Unallocated result	-	-	29,873,644
7	Unallocated expenses	-	-	680,333,855
8	Operating profit	-	-	118,340,729
9	Tax expenses (including deferred tax)	-	-	45,525,480
10	Extraordinary profit/ loss	-	-	-
11	Net profit (5-6-8-9)	-	-	72,815,249
	Other information:			
12	Segment assets	16,548,386,244	79,653,171,898	96,201,558,142
13	Unallocated assets	-	-	1,937,181,528
14	Total assets	-	-	98,138,739,670
15	Segment liabilities	16,548,386,244	63,963,904,701	80,512,290,945
16	Unallocated liabilities	-	-	13,183,887
17	Total liabilities	-	-	80,525,474,832

Tax paid in advance / tax deducted at source (net of provisions), others which cannot be allocated to any segments, have been classified as unallocated assets.

SR. NO	Business Segments →	Treasury	Micro and Retail financing	Total
	Particulars ↓	March 31,2017	March 31,2017	March 31,2017
1	Revenue	197,191,994	13,541,993,471	13,739,185,465
2	Un allocated Revenue	-	-	-
3	(less) Inter segment revenue	-	-	-
4	Total Income (1+2-3)	197,191,994	13,541,993,471	13,739,185,465
5	Result	197,191,994	2,924,885,973	3,122,077,967
6	Unallocated result	-	-	237,053,783
7	Unallocated expenses	-	-	141,746,029
8	Operating profit	-	-	3,217,385,721
9	Tax expenses (including deferred tax)	-	-	1,140,674,563
10	Extraordinary profit/ loss	-	-	-
11	Net profit (5-6-8-9)	-	-	2,076,711,158



SR. NO	Business Segments →	Treasury	Micro and Retail financing	Total
	Particulars ↓	March 31,2017	March 31,2017	March 31,2017
	Other information:			
12	Segment assets	21,684,079,687	61,202,428,706	82,886,508,393
13	Unallocated assets	-	-	2,899,564,398
14	Total assets	-	-	85,786,072,791
15	Segment liabilities	-	67,949,179,418	67,949,179,418
16	Unallocated liabilities	-	-	284,304,854
17	Total liabilities	-	-	68,233,484,272

Tax paid in advance / tax deducted at source (net of provisions), others which cannot be allocated to any segments, have been classified as unallocated assets.

Note 28 Disclosures under Accounting Standards

28.1 Employee Benefits:

The details of employee benefits are as given below:

(i) Defined Contribution Plans

During the year, the Group has recognized the following amounts in the statement of profit and loss

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Employers' Contribution to Provident & Pension Fund	184,634,123	118,664,171
Employers' Contribution to NPS	3,642,539	-
Employers' Contribution to ESI	-	28,650,538

(ii) Defined Benefit Plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Components of employer expense		
Current Service cost	44,478,140	23,528,857
Interest cost	12,002,556	9,719,089
Expected return on plan assets	(16,240,028)	(8,147,436)
Actuarial Losses/(Gains)	12,644,662	30,033,680
Actual Company Contributions	(1,632)	
Total expense/(income) recognized in the Statement of Profit & Loss	52,883,698	55,134,190
Actual Contribution and Benefit Payments for the year ended		
Actual benefit payments	(8,523,099)	(7,042,025)
Actual Contributions	34,165,184	62,084,457



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(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Change in Defined Benefit Obligation (DBO) during the year ended		
Present Value of DBO at the beginning of the year	179,909,114	125,240,090
Current service cost	44,478,140	23,528,857
Interest cost	12,002,556	9,719,089
Actuarial (gains)/losses	1,602,730	28,463,103
Actual return on plan assets	-	-
Benefits paid	(8,523,099)	(7,042,025)
Acquisitions/Divestures/Transfers	-	-
Present Value of DBO at the end of the year	229,469,441	179,909,114

Particulars	As at March 31, 2018	As at March 31, 2017
Net asset/(liability) recognized in balance sheet as at		
Fair value of plan assets	172,891,304	146,340,372
Present Value of Defined Benefit Obligation	(229,469,441)	(179,909,114)
Excess of plan assets over present value of obligation	-	-
Net (liability) recognized in balance sheet	(56,578,137)	(33,568,742)
Present Value of DBO at the end of the year		
Current Liability	26,749,373	(33,568,742)
Non current liability	202,720,068	-
Change in Fair Value of Assets during the year ended		
Plan assets at the beginning of the year	146,340,372	84,721,081
Expected return on plan assets	16,240,028	8,147,436
Actuarial gain/(loss)	(11,041,932)	(1,570,577)
Actual Company Contributions	34,166,816	62,084,457
Benefit Paid	(8,523,099)	(7,042,025)
Other charges (Service tax, FMC, Mortality charges, etc)	(4,290,881)	-
Plan assets at the end of the year	172,891,304	146,340,372
Actuarial Assumptions		
Discount Rate	7.31%/6.61%	6.83%/7.37%
Expected Return on plan assets	7.31%/6.61%	6.83%/7.37%
Rate of increase in compensation	9.00%	9.00%
Attrition rate	18.08%/0.00%	16.40%/0%
Expected Contribution	87,862,903	80,643,100
Retirement age	60	60

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Information of investment details of plan assets are not available hence not disclosed and the obligation is funded with LIC.

During the year, the Company completed the transfer of plan assets pursuant to Business Transfer Agreement on 31,October,2017



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Details relating to experience adjustment and expected future cash flow is given below:

(Amount in Rupees)

Particulars	March 31, 2018	March 31, 2017
Defined Benefit Obligation at end of the year	229,469,441	179,909,114
Plan Assets at end of the year	172,891,304	146,340,372
Funded Status - Assets/ (Liabilities)	(56,578,137)	(33,568,742)
Experience (Gain)/Loss adjustments on plan liabilities	13,961,506	47,192,653
Experience (Gain)/Loss adjustments on plan Assets	11,390,676	(1,570,577)
Actuarial (Gain)/Loss due to change on assumptions	-	-

(iii) Other Long term employee benefits – Compensated absences

(Amount in Rupees)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Charge in statement of Profit & Loss	80,537,691	55,928,935
Liability as at the year end	186,811,394	129,580,197
Actuarial Assumptions		
Discount Rate	7.31%/6.44%	6.83%/7.37%
Rate of increase in compensation	9.00%	9.00%
Attrition rate	18.08%/0.00%	16.40%
Retirement age	60	60

28.2 Related Party Disclosure

A. List of Related Parties are given below:

Key Management Personnel of Holding Company and Wholly owned subsidiary:

Mrs. Sudha Suresh	Managing Director
Mr. Hiren Shah	Chief Financial Officer (Up to October 9, 2017)
Mr. Deepak Khetan	Chief Financial Officer (From March 29, 2018)
Mr. Sanjeev Barnwal	Company Secretary

Enterprises over which Key Management Personnel is able to exercise significant influence Ujjivan Social Services Foundation



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B. Transactions with Related Parties during the year

(Amount in Rupees)

Particulars	March 31,2018	March 31,2017
Remuneration:		
Mr. Samit Ghosh		
- Salary	-	7,989,116
- Perquisite ESOP	-	106,777,400
Mrs. Sudha Suresh		
- Salary	7,968,750	6,600,250
- Perquisite ESOP	975,648	1,602,247
Mr. Hiren Shah		
- Salary	2,117,976	545,735
- Perquisite ESOP		
Mr. Deepak Khetan		
- Salary	221,110	-
Mr. Sanjeev Barnwal		
- Salary	3,687,633	3,325,643
- Perquisite ESOP	260,589	276,300
Parinaam Foundation		
Amount Received	-	1,069,243

(Amount in Rupees)

Particulars	As at March 31, 2018	As at March 31, 2017
Outstanding Balance with related parties		
Due to Parinaam Foundation	-	108,390

28.3 Details of leasing arrangements

The Group has taken on operating lease certain facilities and office premises for a period ranging from 11 months to 120 months which are non-cancellable for the period as reflected in the respective agreements. These lease agreements provide for increase in the lease payments by 10% to 15% over the period as mentioned in the agreements. The total minimum lease payments for the current year, in respect of operating leases, included under rent, aggregates to Rs.3,67,316,526/- (PY Rs.180,736,213/-)



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The future lease payments in respect of the above are as follows:

(Amount in Rupees)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Not later than one year	278,264,224	136,888,602
Later than one year but not later than five years	489,300,377	265,345,796
Later than 5 years	15,856,143	-

28.4 Earnings Per share

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Net profit / (loss) after tax (Rs.)	72,815,249	2,076,711,158
Weighted average shares outstanding – Basic (Nos.)	120,080,060	116,964,519
Weighted average shares outstanding – Diluted (Nos.)	120,282,211	121,438,145
Earnings / (loss) per share – Basic (Rs.)	0.61	17.76
Earnings / (loss) per share – Diluted (Rs.)	0.61	17.10

28.5 Deferred Tax

In accordance with Accounting Standard -22 “Accounting for Taxes on Income”, the Group has recognized Rs.293,314,169/- (P.Y. Rs.228,950,518/-) deferred tax charge/(credit) as detailed below:

(Amount in Rupees)

Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2017	Current Year (credit) / charge *	Deferred Tax (Assets) / Liabilities as on March 31, 2018
Difference between book and tax depreciation	38,017,321	106,383,509	144,400,830
Provision for Employee benefits	(81,347,820)	54,317,680	(27,030,140)
Provision for doubtful assets/standard assets	(416,932,007)	(465,724,113)	(882,656,120)
Others	(9,434,191)	11,708,755	2,274,564
Net Deferred Tax (Asset) / Liability	(469,696,697)	(293,314,169)	(763,010,866)



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29 Employee Stock Option Plan

The Group has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010 and ESOP 2015.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, such expense for the year ended March 31, 2018 amounts to Rs 80,235,588/- and the basic and diluted EPS would have been revised to Rs (0.062).

Option activity under the plans is given as below:

March 31, 2018

Particulars (Nos.)	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD ESOP 2010	ESOP 2015	Total
Options granted, beginning of period	-	6,910	43,260	766,447	809,172	2,847,837	4,473,626
Granted during the year	-	-	-	-	-	-	-
Exercised during the year	-	630	34,040	425,471	809,172	215,396	1,484,709
Forfeited/Expired during the year	-	-	840	10,116	-	218,975	229,931
Options granted, as of March 31, 2018	-	6,280	8,380	330,860	-	2,413,466	2,758,986
Option exercisable at the period end	-	6,280	8,380	330,860	-	2,413,466	2,758,986
Weighted average of remaining contractual life (years) at the year end							1.74

March 31, 2017

Particulars (Nos.)	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD ESOP 2010	ESOP 2015	Total
Options granted, beginning of year	4,120	69,770	172,340	1,434,160	1,164,172	1,419,830	4,264,392
Granted during the year	-	-	-	-	-	1,696,850	1,696,850
Exercised during the year	4,120	55,090	100,540	538,617	355,000	82,400	1,135,767
Forfeited/Expired during the year	-	7,770	28,540	129,096	-	186,443	351,849
Options granted, as of March 31, 2017	-	6,910	43,260	766,447	809,172	2,847,837	4,473,626
Option exercisable at the year end	-	6,910	43,260	766,447	809,172	367,189	1,992,978
Weighted average of remaining contractual life (years) at the year end							1.05



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30 Disclosure relating to SBNs held and transacted during the period from 8th November 2016 to 30th December 2016.

(Amount in Rupees)

Particulars	SBNs	Other Denomination notes	Total
	Total	Total	
Closing Balance as at November 8, 2016	73,089,000	22,776,159	95,865,159
Transactions between November 9, 2016 and December 30, 2016			
Add: Withdrawal from Bank accounts		1,093,417,200	1,093,417,200
Add: Receipts for permitted transactions		-	-
Add: Collection from customers from November 9, 2016 and December 30, 2016 (Refer Note (ii))	23,558,000	10,957,938,491	10,981,496,491
Add : Receipts for non-permitted transactions (if any)			-
Less : Paid for permitted transactions			-
Less : Paid for non-permitted transactions (if any)			-
Less : Cash Disbursements (Refer Note (ii))		6,400,707,757	6,400,707,757
Less: Deposited in bank accounts		5,235,089,822	5,235,089,822
Denomination as per authorisation letter	22,530,000		22,530,000
Denomination as per Bank challan	29,523,500		29,523,500
Customer directly deposited (Refer Note (iii))	23,558,000		23,558,000
No denomination (Refer Note (iv))	21,035,500		21,035,500
Less : Petty cash expenditure (Refer Note (ii))		68,650,224	68,650,224
Closing balance as at December 30, 2016			369,684,047

The Company confirms that the above information is given as per the records available with the Company.
The Company has complied with the relevant regulations in this regard.

Note (i): SBN shall have the same meaning as provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8th November, 2016.

Note (ii): Our accounting system does not capture the denomination-wise details of disbursements, collections and expenditure.

Note (iii): This represents installments deposited by the customers directly to Company bank accounts as per representation given by the management.

Note (iv): Bank deposit slips do not contain denomination details of amount deposited. The company is in process of obtaining the same.



31 Corporate Social Responsibility

a) Gross amount required to be spent by the company during the financial year ended March 31, 2018 is Rs.47,156,625/- (PY. Rs.31,356,180/-).

b) Amount spent during the year on:

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	-	-	-
On purposes other than above	15,164,304	-	15,164,304

Amount spent during the year 2016-17 on:

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	18,728,705	-	18,728,705
On purposes other than above	8,102,883	-	8,102,883

32 As at March 31, 2018, the Company has received an amount of Rs.2,369,747/- share application money (including a premium of Rs. 2,138,937) towards the exercise of 23081 vested options by eligible employees under various ESOP Schemes of the Company. The Company has sufficient authorised capital to cover the allotment of these shares and pending allotment of shares, the amounts are maintained in a designated bank account and are not available for use by the Company. The Company has completed the allotment of these shares on April 17, 2018 for the aforesaid options.

33 Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year classification / disclosure.

For Price Waterhouse Chartered Accountants LLP

Chartered Accountants

Firm Registration No: 012754N / N500016


Vivek Prasad

Partner

Membership No. 104941

Place: Bengaluru

Date: May 10, 2018



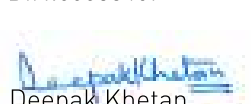
For and on behalf of the Board of Directors



K.R. Ramamoorthy

Chairman

DIN:00058467



Deepak Khetan

Chief Financial Officer



Sudha Suresh

Managing Director & CEO

DIN:06480567



Sanjeev Barnwal

Company Secretary



NOTICE TO THE 14TH ANNUAL GENERAL MEETING

Notice is hereby given that the **14th Annual General Meeting (AGM)** of the members of **Ujjivan Financial Services Limited** ('the Company') will be held on **Wednesday, June 27, 2018** at **02:30 PM** at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India to transact the following business:

Ordinary Business:

Item No. 1 - Adoption of Financial Statements

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

"RESOLVED THAT the Standalone and the Consolidated Audited Balance Sheet, Profit and Loss Account and the Cash Flow Statement for the Financial Year ended March 31, 2018 together with the Director's Report and Independent Auditor's Report thereon as circulated to the members and laid before the meeting be and are hereby received, considered, approved and adopted."

Item No. 2 - Declaration of Dividend

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

"RESOLVED THAT the dividend of 5% i.e. Rs. 0.50 per equity share as recommended by the Board of Directors of the Company at their meeting held on May 10, 2018, be and is hereby approved and declared for the year ended March 31, 2018."

Item No. 3 - To appoint a director in place of Mr. Jayanta Basu (DIN: 01268046), who retires by rotation and being eligible, offers himself for re-appointment

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

"RESOLVED THAT Mr. Jayanta Basu (DIN: 01268046), who retire by rotation and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director of the Company liable to retire by rotation."

Special Business:

Item No. 4 - To approve the appointment of Mr. Ittira Davis (DIN: 06442816) as the Managing Director and Chief Executive Officer of the Company for a period of 3 years w.e.f. July 01, 2018 subject to the approval of the Reserve Bank of India

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

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and Rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), the relevant provisions of the Articles of Association of the Company and all applicable guidelines issued by the Central Government from time to time and subject to the approval of the Reserve Bank of India and such other approvals, as may be necessary, consent of the Members be and is hereby accorded to the appointment of Mr. Ittira Davis (DIN: 06442816) as the Managing Director and Chief Executive Officer of the Company for a period of three years w.e.f. July 01, 2018 and upon the following terms and conditions mentioned in Point A to C below which includes remuneration, and with further liberty to the Board of Directors of the Company (hereinafter referred to as "the Board") which term shall be deemed to include any Committee constituted / to be constituted by the Board) to alter the said terms and conditions of appointment and remuneration of Mr. Ittira Davis from time to time in the best interests and in accordance with the policy of the Company and as may be permissible at law:

A. Period:

The period of appointment is 3 (three years) w.e.f. July 01, 2018 i.e. till June 30, 2021 with the liberty to either party to terminate the appointment on three months' notice in writing to the other.

B. Details of Fixed Remuneration, benefits and other terms & conditions

Sr. No.	Remuneration per annum	(Amount in Rs.)
(1)	Basic	3,600,000
(2)	Dearness Allowance	-
(3)	House Rent Allowance	1,440,000
(4)	Variable Allowance	3,087,600
(5)	Vehicle Maintenance	39,600

Sr. No.	Remuneration per annum	(Amount in Rs.)
(6)	Leave Travel Allowance	360,000
(7)	Food Coupon	28,800
(8)	Telephone Allowance	12,000
(9)	Provident Fund	432,000
	Gross Salary	9,000,000

Other benefits:

1. Gratuity as per the Payment of Gratuity Act, 1972
2. Personal Accident Insurance as per the policy of the Company
3. Term Life Insurance, medical and health related benefits and Insurance as per the policy of the Company
4. Leave and encashment of leave as per the policy of the Company

Other terms and conditions

1. For the purposes of Gratuity, Provident Fund, Performance Bonus, Leave balance and encashment, Superannuation and other like benefits, if any, the present service of Mr. Ittira Davis, as the Chief Operating Officer of Ujjivan Small Finance Bank Limited will be considered as a continuous service with the Company from the date of his appointment in the Company as the Managing Director and Chief Executive Officer.
2. Annual remuneration review is effective April 01 each year, as per the policy of the Company; The Nomination and Remuneration Committee of the Board will review and recommend the remuneration payable to the Managing Director during the tenure of his appointment.
3. The aggregate of the fixed remuneration and perquisites as aforesaid in any financial year during his tenure shall not exceed Rs. 1,50,00,000 per annum and shall be within the limit as prescribed under Section 197, Section 198 and other applicable provisions of the Act and Rules made thereunder, read with Schedule V of the said Act or any statutory modification(s) or re-enactment thereof for the time being in force.
4. When in any financial year, the Company has no profits or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Ittira Davis in accordance with the applicable provisions of Schedule V of the Act, and subject to the approval of the Central Government, if required.
5. Mr. Ittira Davis shall not be subject to retirement by rotation during his tenure as the Managing Director and Chief Executive Officer of the Company.
6. Mr. Ittira Davis shall not be paid any fees for attending the meetings of the Board or any Committee(s) thereof of the Company.

C. Variable Payment & Incentive:

Mr. Ittira Davis will be eligible for the performance related variable bonus as and when recommended by the Nomination Committee / Board in line with the performance of the employee and the Company subject to a maximum ceiling of Rs. 1,000,000 per annum. He will also be eligible for the grant of Employee Stock Options as may be decided by the Board.

Any other allowances, benefits and perquisites as per the Rules applicable to the Senior Executives of the Company and / or which may become applicable in the future and / or any other allowance, perquisites as the Board may from time to time decide.

“RESOLVED FURTHTER THAT the Board be and is hereby authorised to revise the remuneration payable to Mr. Ittira Davis during his tenure as MD & CEO of the Company from time to time, subject however to the maximum fixed remuneration of Rs. 1,50,00,000 per annum and maximum variable payment of Rs. 1,000,000 per annum subject to the overall compliance of the ceiling as prescribed under Section 197 of the Companies Act, 2013 to be read with Schedule V of the Act and rules made thereunder.”

“RESOLVED FURTHER THAT in the event of absence or inadequacy of net profits of the Company in any financial year, the payment of remuneration to Mr. Ittira Davis shall be governed by Section II of Part II of Schedule V of the Act and rules made thereunder, as amended from time to time.”

Item No. 5 – Cancellation of Options which are lapsed and valid under existing ESOP Schemes 2006, 2007, 2008, 2010 and 2015 and approval for adding back the cancelled options to the ESOP 2015 Pool

To consider and if thought fit, to assent or dissent, to the following resolution(s) to be passed as a Special Resolution:

“RESOLVED THAT pursuant to the applicable provisions of the Companies Act 2013 (including any statutory modification or enactment thereof), read with the rules made thereunder, and subject to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“SEBI ESOP Regulations”), including the relevant circulars and modifications, if any issued by Securities and Exchange Board of India (“SEBI”) from time to time and the Memorandum and Articles of Association of the Company, and subject to

such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, approval of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee, including the Nomination and Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution) to cancel 14,74,099 (Fourteen lacs seventy four thousands ninety nine) Options representing the number of Options which has lapsed under ESOP 2006 (600 options), ESOP 2007 (16,480 options), ESOP 2008 (80,970 options), ESOP 2010 (9,20,661 options) and ESOP 2015 (4,55,388 options) as on March 31, 2018 and to include the said 14,74,099 lapsed options in the ESOP 2015 pool and thereafter create, offer, and grant equal number of 14,74,099 options at any time to employees of the Company as defined under the ESOP Scheme 2015 and as determined by the Board, but excluding the Independent Directors of the Company and which shall be available under the Ujjivan Employee Stock Option Plan 2015 ("ESOP 2015") in addition to the already approved pool under ESOP 2015 which has a balance of 23,94,538 (twenty three lacs ninety four thousands five hundred and thirty eight) Options already approved thereunder and not yet granted and available for being granted to eligible employees of the Company including the present and future employees of its present and future subsidiaries under ESOP 2015, with each Option giving the right but not obligation to the holder, to subscribe to, one fully paid Equity Share of Rs. 10/- (ten) each, of the Company, at an exercise price which shall be equivalent to the prevailing market price of the equity shares of the Company 1 (one) day prior to the date of grant, in one or more tranches and on such terms and conditions as may be determined and approved by the Board, from time to time, pursuant to the terms of ESOP 2015."

"RESOLVED FURTHER THAT the Board including the Governance, Nomination and Remuneration of the Board, be and is hereby authorized to do all such acts, deeds, and things, as may, at its absolute discretion, deems necessary, or being incidental for the effective implementation of this resolution and the ESOP Plans including any filings or submissions with any other authority or agency in the above connection and to settle all such questions or difficulties whatsoever which may arise and take all such steps and decisions in this regard."

"RESOLVED FURTHER THAT the Managing Director and the Company Secretary of the Company be and are hereby authorized severally to do all such acts and deeds as are required for regulatory & legal compliance including filing of any relevant forms with the Registrar of Companies for giving effect to the above resolutions and to initiate all necessary actions for and to settle all such questions, difficulties or doubts whatsoever that may arise and take all such steps and decisions in this regard."

Item No. 6 - Grant of Stock Options to the Employees (present and future) of the wholly owned subsidiary 'Ujjivan Small Finance Bank Limited' under ESOP Scheme 2015

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

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act 2013 (including any statutory modification or enactment thereof), read with the rules made thereunder, and subject to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI ESOP Regulations"), including the relevant circulars and modifications, if any issued by Securities and Exchange Board of India ("SEBI") from time to time and the Memorandum and Articles of Association of the Company, and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, approval of the members of the Company be and is hereby accorded to the Board of Directors of the Company (*hereinafter referred to as the "Board" which term shall be deemed to include any Committee, including the Nomination and Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution*) to grant stock options, in one or more tranches, not exceeding the approved, outstanding ESOP 2015 pool comprising of 38,68,637 (thirty eight lacs sixty eight thousands six hundred thirty seven) options (which includes un-granted ESOP 2015 pool of 23,94,538 and 4,55,388 lapsed options under ESOP 2015 and 10,18,711 options lapsed under ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010, as cancelled and approved to be added to ESOP 2015 pool vide item no. 5 of the notice of even dated) to eligible employees of the Company including the employees (present and future) of the subsidiary 'Ujjivan Small Finance Bank Limited' and any other future subsidiary under ESOP 2015, in accordance with the existing ESOP Scheme 2015, at an exercise price which shall be equivalent to the prevailing market price of the equity shares of the Company one day prior to the date of grant and on such terms and conditions as may be decided and approved by the Board, from time to time."

"RESOLVED FURTHER THAT the Board, be and is hereby authorized to include the future lapsed / cancelled options under its ESOP 2010 and ESOP 2015 back to the pool of ESOP 2015 periodically without being required to seek any further consent or approval of the members and that the Board is hereby authorized to grant such added back options to its employees (which includes the employees of its subsidiary) and do all such acts, deeds, and things, as may, at its absolute discretion, deems necessary, or being incidental for the effective implementation of this resolution and the ESOP Plans including any filings or submissions with any other authority or agency in the above connection and to settle all such questions or difficulties whatsoever which may arise and take all such steps and decisions in this regard."

“RESOLVED FURTHER THAT the Board including its authorised Committee, be and is hereby authorized to issue and allot Equity Shares upon exercise of options from time to time in accordance with the Employee Stock Option Plan and such Equity Shares shall rank pari passu in all respects with the then existing Equity Shares.”

By Order of the Board of Directors

Sanjeev Barnwal

Company Secretary and Compliance Officer

Membership No.: A19180

Place: Bangalore

Date: May 10, 2018

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (AGM or the Meeting) is entitled to appoint a proxy to attend and vote on a poll, instead of himself/ herself and the proxy need not be a Member of the Company. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent of the total share capital of the Company carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not later than forty-eight hours before the commencement of the Meeting.
2. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. Members/Proxies should fill the Attendance Slip for attending the Meeting and bring their Attendance Slips along with their copy of the Annual Report to the Meeting.
4. 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.
5. Members who hold shares in dematerialized form are requested to write their DP ID and Client ID number(s) and those who hold share(s) in physical form are requested to write their Folio Number(s) in the attendance slip for attending the Meeting to facilitate identification of membership at the Meeting.
6. Corporate Members are requested to send a duly certified copy of the board resolution authorizing their representative(s) to attend and vote on their behalf at the Meeting.
7. The register of members and share transfer books of the Company would remain closed from **Thursday, June 21, 2018 to Wednesday, June 27, 2018** (both days inclusive).
8. **Dividend on equity shares as recommended by the Board of Directors for the year ended March 31, 2018, if approved at the Meeting, will be payable to those Members who hold shares:**
 - (a) In dematerialized mode, based on the beneficial ownership details to be received from National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on **Wednesday, June 20, 2018**.
 - (b) In physical mode, if their names appear in the Company's Register of Members after giving effect to all valid transfers in physical form lodged with the Company and / or its Registrar and Transfer Agents on or before **Wednesday, June 20, 2018**.
9. Members wishing to claim unclaimed dividends are requested to correspond with the Company Secretary of the Company, at the Company's registered office. Members are requested to note that dividends which are not claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per the provisions of Section 205A of the Companies Act, 1956 (Section 124 of the Companies Act, 2013), be transferred to the Investor Education and Protection Fund.
10. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed Form No. SH-13 duly filled, to Karvy Computershare Private Limited ("**Karvy**"), Registrar and Transfer Agent (**R&T**) of the Company. Members holding shares in electronic form may contact their respective Depository Participants for availing this facility.
11. Brief profile and other required information about the Directors proposed to be re-appointed, as required under Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to this Notice.
12. Relevant documents referred to in the accompanying Notice are open for inspection by the Members at the Registered Office of the Company on all working days between **10.00 A.M.** and **12.00 noon** up to the date of the Meeting. This notice and the Annual Report will also be available on the Company's website <https://www.ujjivan.com/annualreports.html> for download.

13. The Members, desiring any information relating to the accounts, are requested to write to the Company at an early date, so as to enable the management to keep the information ready.
14. Pursuant to sections 101 and 136 of the Companies Act, 2013 read with the Rules framed thereunder, the Annual Report for FY 2017-18 and this Notice, *inter alia* indicating the process and manner of Remote e-voting along with attendance slip and proxy form are being sent by e-mail to those Members whose e-mail addresses have been made available to the Company / Depository Participants unless the Member has requested for a hard copy of the same. For Members who have not registered their e-mail addresses, physical copies of the Annual Report for FY 2017-18 and this Notice *inter-alia* indicating the process and manner of Remote e-voting along with attendance slip and proxy form, will be sent to them in the permitted mode.

In support of the Green Initiative, the Company hereby request Members who have not updated their email IDs to update the same with their respective Depository Participant(s) or the Karvy for receiving communications from the Company electronically. Further, Members holding shares in electronic mode are requested to direct change of address notifications and updates of savings bank account details to their respective Depository Participant(s). Members holding shares in physical mode are also requested to update their email addresses by writing to the R & T of the Company quoting their folio number(s).

15. The Company will use electronic mode of payment for making cash payment to the investors. In the cases of shareholder/s, where it is not possible to effect electronic payment, the dividend warrant instruments would be issued to them. Shareholders who are holding shares in Electronic Form are requested to contact their respective Depository Participants (DP) only for updating their bank details. They are also advised to seek 'Client Master Advice' from their respective DP to ensure that correct updation has been carried out in their record. It may be noted that the bank details data provided by the Depositories is solely used by the Company to effect the payment of dividend. Hence, it is utmost necessary for shareholders to ensure that the correct bank details are updated with DPs.
16. For registration of transfer of physical securities, the transferee(s) as well as transferor(s) shall furnish copy of PAN card to the Company for registration of such transfer of securities.
17. In terms of Sections 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 as amended, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing the e-voting facility to its Members holding shares in physical or dematerialized form, as on the cut-off date, being **Wednesday, June 20, 2018**, to exercise their right to vote through electronic means from a place other than the venue of the Meeting on any or all of the businesses specified in the accompanying Notice (the "Remote e-voting"). The Remote e-voting commences on, **Friday, June 22, 2018 (10:00 A.M.)** and ends on **Tuesday, June 26, 2018 (5:00 P.M.)**. Detail of the process and manner of Remote e-voting along with the User ID and Password is being sent to all the Members along with this Notice.
18. In terms of the Companies (Management and Administration) Rules, 2014 with respect to the Voting through electronic means, the facility for voting through electronic voting system ('Insta Poll') shall be made available at the AGM. The Members attending the meeting should note that those who are entitled to vote but have not exercised their right to vote through Remote e-voting, may vote at the AGM through 'Insta Poll' for all businesses specified in the accompanying Notice. The Members who have exercised their right to vote through Remote e-voting may attend the AGM but shall not vote at the AGM. The voting rights of the Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date being **Wednesday, June 20, 2018**.
19. The Company has engaged the services of Karvy Computershare Private Limited as the Agency to provide Remote e-voting facility.
20. The Board of Directors has appointed Mr. S. Kannan of M/s. S Kannan And Associates, bearing Firm No. S2017KR473100 (FCS 6261, holding CP No. 13016), as Scrutinizer to scrutinize the voting through Remote e-voting and voting process at AGM in a fair and transparent manner.
21. The Results on above resolutions shall be declared not later than 48 hours from the conclusion of the AGM of the Company and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favor of the resolutions.
22. The Results of voting declared along with Scrutinizer's Report(s) will be published on the website of the Company (www.ujjivan.com) and on Service Provider's website (<https://evoting.karvy.com>) within 48 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.
23. The route map of the venue of the Meeting is given in the Notice.
24. Detail of the process and manner of Remote e-voting along with the User ID and Password is being sent to all the Members along with this Notice. In case of any queries / grievances relating to voting by electronic means, the Members / Beneficial owners or in case any person, acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. June 20, 2018 may obtain the login ID and password by sending a request to Mr. Mohd Mohsin Uddin, Senior Manager, Karvy Computershare Pvt. Ltd., Karvy Selenium, Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad 500 032, mohsin.mohd@karvy.com, Phone: +91 040 6716 1562 toll-free number 1-800-34-54-001.

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

In respect of Resolutions set out at Item No. 4

The Board consequent to the resignation of Ms. Sudha Suresh from her position of Managing Director and Chief Executive Officer from June 30, 2018, and based on the recommendation of the Nomination and Remuneration Committee has appointed Mr. Ittira Davis (DIN: 06442816) as the Managing Director and Chief Executive Officer on the Board of the Company with effect from July 01, 2018 subject to the approval of the Reserve Bank of India and the Members of the Company.

Mr. Ittira Davis is currently the Chief Operating Officer of Ujjivan Small Finance Bank Limited (the wholly owned subsidiary of the Company). He is an international banker with over 36 years of Corporate and Investment banking experience having worked extensively in the Middle East and Europe. He was with the Europe Arab Bank from July 2008 to October 2012 initially as the Managing Director – Corporate and Institutional banking and then as an Executive Director of the Europe Arab Bank. He has previously worked with Citi bank in India and the Arab Bank Group in the Middle East and Europe. Mr. Ittira Davis is a graduate from the Indian Institute of Management, Ahmedabad (1976).

Mr. Ittira Davis will resign from his current post in Ujjivan Small Finance Bank Limited from the date of his appointment as the MD & CEO of the Company.

The remuneration and other terms and conditions of the appointment of Mr. Ittira Davis as Managing Director and Chief Executive Officer as set out in the resolution are subject to your approval.

In terms of the provisions of the ESOP Scheme 2015, Mr. Ittira Davis holds 15,540 stock options in the Company which were granted to him when he was in employment with the Company and designated as the Head-Transition prior to his transfer to Ujjivan Small Finance Bank Limited on February 01, 2017. Further, he holds 50,000 shares of the Company jointly with his wife Ms. Anna Ittira Davis.

Other details required to be disclosed in terms of regulation 36 of SEBI Listing Regulations and the provisions of Secretarial Standard on General Meetings form part of this Notice.

Accordingly, the Board recommends the resolution set forth in item no. 4, for the approval by the members of the Company.

None of the Directors, Key Managerial Personnel and their relatives other than Mr. Ittira Davis and his relatives are, in any way, concerned or interested in the said resolutions.

In respect of Resolutions set out at Item No. 5 and 6

The Company appreciates the role of its employees (including the employees of the subsidiary 'Ujjivan Small Finance Bank Limited' play in the organizational growth. It strongly feels that the value created by its people should be shared by them.

As per the SEBI ESOP Regulations, approval of member(s) by way of a separate Special Resolution is required to be obtained by the Company, if the benefits of the ESOP 2015 are to be extended to the employees of the subsidiary Company. The special resolution as set out under item no. 5 and 6 proposes to cover the employees of the subsidiary of the Company (present and future) under ESOP 2015.

At the extra-ordinary general meeting of the Company held on November 03, 2015, the Company has approved the ESOP Scheme 2015 and a total ESOP pool of 55,61,188 options to be granted to the eligible employees as defined under the ESOP Scheme 2015. However, the Company has not passed a separate special resolution for extending the grant of options to its subsidiary, hence the requirement to pass a separate special resolution for extending the benefit to the employees of the subsidiary.

Further, the options which has lapsed or forfeited under various ESOP Schemes 2006, 2007, 2008, 2010 and 2015 and which are available to be re-granted can be added back to the ESOP pool under **Ujjivan Employee Stock Option Plan 2015 "ESOP 2015"** with same number, with the approval of the Board (which includes its authorized Committee) to reward and retain the employees (both present and future) of both the Company as well as its subsidiary.

The approval of the members is desired to approve the cancellation and adding back the lapsed and valid options under various ESOP Schemes to the ESOP pool of 2015 to enable the Board to grant outstanding un-granted options including the lapsed and added back options to the employees (present and future) of the wholly owned subsidiary 'Ujjivan Small Finance Bank Limited' or any future subsidiary under ESOP Scheme 2015 and further implementation of the ESOP 2015.

1. Brief Description of the Scheme

At the extra-ordinary general meeting of the Company held on November 03, 2015, the Company has approved the ESOP Scheme 2015 and a ESOP pool of total 55,61,188 options was approved by the Company to be granted to the eligible employees as defined under the ESOP Scheme 2015. The Company views employee stock options as instruments that would enable the employees to share the value they would create and contribute to the Company in the years to come. Options granted under the Scheme shall vest on satisfaction of vesting conditions which can thereafter be exercised resulting in allotment of equity shares of the Company. The Governance, Nomination and Remuneration ("Committee") of the Board shall administer the ESOP 2015. All questions of interpretation of the ESOP 2015 shall be determined by the Committee and such determination shall be final, conclusive and binding.

2. Total number of options to be granted:

To grant 38,68,637 (thirty eight lacs sixty eight thousands six hundred thirty seven) options (which includes un-granted ESOP 2015 pool of 23,94,538 and 4,55,388 lapsed options under ESOP 2015 and 10,18,711 options lapsed under ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010 to eligible employees of the Company including the present and future employees of the present and future subsidiary under ESOP 2015. Each Option when exercised would be converted into one equity share of Rs. 10/- each fully paid-up.

Options which are vested and have lapsed due to non-exercise or unvested options that get cancelled / forfeited due to resignation of the employees or otherwise would be available to the Company for being re-granted at a future date.

In case of any corporate action(s) such as right issues, bonus issues, change in capital structure, merger, split, consolidation of shares, sale of division/undertaking and others, the ceiling as aforesaid of 38,68,637 (thirty eight lacs sixty eight thousands six hundred thirty seven) options shares shall be deemed to be increased/decreased, as may be determined by the Committee, to facilitate making a fair and reasonable adjustment to the entitlements of participants under ESOP 2015 such that the total value to the employee of the options remains the same after the corporate action.

3. Identification of classes of employees entitled to participate in the Employee Stock Option Plan:

All permanent employees of the Company (present and future) and its subsidiary (present and future) are eligible to participate in the plan. ESOPs may be granted to such eligible employees as decided by the Board in compliance with the applicable laws from time to time.

4. Requirements of vesting and period of vesting:

The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Board may lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such time based and performance-based vesting, and the proportion in which options granted would vest, subject to the minimum and maximum vesting period as specified below.

The options granted shall vest in not less than one year and not more than three years from the date of grant of such options. The exact proportion in which and the exact period over which the options would vest would be determined by the Board.

5. The maximum period within which the options shall be vested:

The options granted shall vest over a period of three years from the date of grant of such options on satisfaction of vesting conditions as determined by the Board.

6. Exercise Price or pricing formula:

Exercise price shall be equivalent to the prevailing market price of the equity shares of the Company one day prior to the date of grant and on such terms and conditions as may be decided and approved by the Board from time to time in accordance with the ESOP 2015 Scheme.

7. Exercise Period and the process of Exercise:

All vested options can be exercised within 3 years from the date of vesting of options. The options can be exercised online by the employees from the portal <https://www.esopdirect.com/MyESOPs/Login.aspx> subsequent to the login and payment of exercise amount as well as applicable perquisite tax.

8. Appraisal Process for determining the eligibility of the employees to ESOPs:

The appraisal process for determining the eligibility of the employee will be specified by the Board, and will be based on criteria such as role / designation of the employee, length of service with the Company and/or its subsidiary, past performance record, future potential of the employee including incentivising new recruits and/or such other criteria that may be determined by the Board at its sole discretion.

9. Maximum number of options to be issued per employee and in aggregate:

The maximum number of options that may be granted to any specific eligible employee will be determined by the ESOP Committee on case to case basis and shall not exceed the limit prescribed under the ESOP Regulations and other applicable laws.

The maximum number of options which can be granted in aggregate under ESOP 2015 shall be 38,68,637 (thirty eight lacs sixty eight thousands six hundred thirty seven) options.

10. Maximum quantum of benefits to be provided per employee under the ESOP 2015

The maximum quantum of benefits underlying the options issued to an eligible employee shall be equal to the difference between the option exercise price and the market price of the shares as on the exercise date.

11. Whether the scheme(s) is to be implemented and administered directly by the company or through a trust

The scheme is being implemented directly by the Company.

12. Whether the scheme(s) involves new issue of shares by the company or secondary acquisition by the trust or both

The scheme involves new issue of shares by the Company. The Company is not formulating any new scheme and only the cancelled / lapsed / forfeited options are being added to the already existing pool of ESOP 2015 and enabling the Company to grant options to the employees of its subsidiary as well.

13. Method of option valuation

The Company shall adopt the fair value method or any other method as per applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India or prescribed under any other applicable statutory provisions from time to time for valuation of options.

14. Disclosure and Accounting Policies:

The Company shall follow the 'Guidance Note on Accounting for Employee Share-based Payments' and/or any relevant Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India from time to time, including the disclosure requirements prescribed therein.

'In case the company 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 company shall also be disclosed in the Directors' report.'

Consent of the members is being sought by way of a special resolution pursuant to Section 62 (1)(b) of the Companies Act, 2013, Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the Memorandum and Articles of Association of the Company and any other applicable laws.

None of the Directors or Key Managerial Personnel of the Company including their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed resolution(s) mentioned at Item No. 5 and 6, except to the extent of their shareholding or stock options that may be granted to them under ESOP 2015.

The Certificate from the Statutory Auditors of the Company certifying that the ESOP 2015 Scheme of the Company is being implemented in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and is in accordance with the resolutions passed by the Members of the Company, will be available for inspection by the Members at the AGM.



Ujjivan Financial Services Limited

Registered Office: Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block,
Koramangala, Bangalore 560095, Karnataka, India

ATTENDANCE SLIP

CIN	:	L65999KA2004PLC035329
Name of the Company	:	Ujjivan Financial Services Limited
Registered Office	:	Grape Garden, No. 27, 3 rd 'A' Cross, 18 th Main, 6 th Block, Koramangala, Bangalore 560095, Karnataka, India

Members attending the Meeting in person or by Proxy are requested to complete the Attendance slip and hand it over at the entrance of the meeting room.

Joint shareholders may submit additional slip at the venue of the meeting.

Registered Folio No.	
DP ID No.*	
Client ID No.*	

Name and address of the shareholder:

.....
.....
.....**Signature:**

No. of shares(s) held:

I hereby record my presence at the 14th Annual General Meeting of the Company (AGM) to be held on Wednesday, **June 27, 2018** at 02:30 P.M. at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India

Name and address of the Proxy:.....

Signature:



UJJIVAN FINANCIAL SERVICES LIMITED

Registered Office: Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block, Koramangala, Bangalore 560095, Karnataka, India, Website: www.ujjivan.com, Email: compliance@ujjivanfin.com, CIN: L65999KA2004PLC035329

Form No. MGT - 11

Proxy Form

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies
(Management and Administration) Rules, 2014)

Venue of the Meeting: at Ujjivan Financial Services Limited, Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India

Day, Date and Time: **Wednesday, June 27, 2018 at 02:30 P.M.**

Name of the Member(s):
Registered Address:
E-mail Id:
Folio No. / Client Id*:
DP ID*:
No. of Shares held:

**Applicable for investors holding shares in dematerialized form*

I / We, being the member(s) of shares of the above named company, hereby appoint

- i) Name:Address:
..... E-mail Id:
Signature: Or failing him
- ii) Name:Address:
..... E-mail Id:
Signature: Or failing him
- iii) Name:Address:
..... E-mail Id:
Signature:

as my/our proxy to attend and vote for me/us and on my/our behalf at the 14th Annual General Meeting of the company, to be held on **Wednesday, June 27, 2018 at 02:30 P.M.** at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India and at any adjournment thereof in respect of such resolutions as are indicated below:

I/We direct my/our Proxy to vote on the Resolutions in the manner as indicated below:

Sr. No.	Resolution	For	Against	Abstain
Ordinary Business				
1.	Adoption of Financial Statements			
2.	Declaration of Dividend			
3.	Re-Appointment of Mr. Jayanta Basu (DIN:01268046) as a Director liable to retire by rotation and being eligible, offers himself for re-appointment			
Special Business				
4.	To approve the appointment of Mr. Ittira Davis (DIN: 06442816) as the Managing Director and Chief Executive of the Company for a period of 3 years w.e.f. July 01, 2018 subject to the approval of the Reserve Bank of India			
5.	Cancellation of Options which are lapsed and valid under existing ESOP Schemes and approval for adding back the cancelled options to the ESOP 2015 Pool			
6.	Grant of Stock Options to the Employees (present and future) of the wholly owned subsidiary 'Ujjivan Small Finance Bank Limited' under ESOP Scheme 2015			

Signed thisday of2018

Signature of Shareholder

Signature of Proxy holder(s)



Note:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered office of the Company at Grape Garden, No. 27, 3rd A Cross, 18th Main, Koramangala 6th Block, Bengaluru 560 095 not less than 48 hours before the commencement of the Meeting.
- It is optional to indicate your preference. If you leave the 'for', 'against' or 'abstain' column blank against any or all of the resolutions, your proxy will be entitled to vote in the manner as he / she may deem appropriate
- A Proxy can act on behalf of Members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying Voting Rights. However, a Member holding more than ten percent of the total share capital of the company carrying Voting Rights may appoint a single person as Proxy for his entire shareholding and such person shall not act as a Proxy for another person or shareholder.

The instructions for e-voting are as under

Pursuant to Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing the e-voting facility to its Members holding shares in physical or dematerialized form, as on the cut-off date, being **Wednesday, June 20, 2018**, to cast their vote through electronic means on all resolutions set forth in the Notice.

The process and manner for remote e-voting are as under:

A. For members who receive notice of annual general meeting through e-mail:

Member whose email IDs are registered with the Company/Depository Participants(s) will receive an email from Karvy informing them of their User-ID and Password. Once the Members receive the email, he or she will need to go through the following steps to complete the e-voting process:

- i) Open your web browser during the voting period and navigate to <https://evoting.karvy.com>.
- ii) Enter the login credentials (i.e., user-id & password)

User – ID for Members holding shares in demat form:

 - a) For NSDL: 8-character DP ID followed by 8-digit Client ID
 - b) For CDSL: 16-digit beneficiary ID

User-ID for Members holding shares in physical form:

Event number, followed by Folio Number registered with the Company

Password: Your unique password is printed on the form / forwarded via email through the electronic notice

Captcha: Enter the verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

- iii) The e-voting period shall commence on **Friday, June 22, 2018 (10:00 A.M.)** and ends on **Tuesday, June 26, 2018 (5:00 P.M.)**. Members, holding shares either in dematerialised form or physical form as on cut-off date, **Wednesday, June 20, 2018**, may cast their vote electronically during this period. The remote e-voting module shall be disabled at 5.00 p.m. on Tuesday, June 26, 2018. Once the vote on a resolution is cast by a Member, he/she shall not be allowed to change it subsequently or cast the vote again.
- iv) After entering these details appropriately, click on 'LOGIN'.
- v) Members holding shares in demat / physical form will now reach password change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the demat holders for voting for resolution of any other company on which they are eligible to vote, provided that company opts for e-voting through Karvy Computershare Pvt. Ltd. e-voting platform. System will prompt you to change your password and update any contact details like mobile number, email ID etc., on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vi) You need to login again with the new credentials.
- vii) On successful login, the system will prompt to select the 'Event' i.e., 'Company Name'.
- viii) If you are holding shares in demat form and had logged on to <https://evoting.karvy.com> and cast your vote earlier for any company, then your existing login id and password are to be used.
- ix) On the voting page, you will see Resolution description and against the same the option 'FOR / AGAINST / ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR / AGAINST / ABSTAIN' or alternatively, you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR / AGAINST' taken together should not exceed your total shareholding. If you do not want to cast your vote, select 'ABSTAIN'.
- x) After selecting the resolution you have decided to vote on, click on 'SUBMIT'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'OK', else to change your vote, click on 'CANCEL' and accordingly, modify your vote.
- xi) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- xii) Corporate / Institutional Members (Corporate / Fls / Flls / Trusts / Mutual Funds / Banks, etc.) are required to send scan (PDF format) of the relevant board resolution to the Scrutiniser through e-mail to cs.skannan@gmail.com with copy to evoting@karvy.com. The file scanned image of the board resolution should be in the naming format 'Corporate Name_ Event number'.
- xiii) If you are already registered with Karvy Computershare Pvt. Ltd. for e-voting, then you can use your existing user ID and password for casting your vote. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- xiv) Please contact Mr. Mohd Mohsin Uddin, Senior Manager, Karvy Computershare Pvt. Ltd., Karvy Selenium, Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad 500032, mohsin.mohd@karvy.com, Phone: +91 040 6716 1562, toll-free number 1-800-34-54-001 for any further clarifications.

B. For members who receive the notice of annual general meeting in physical form:

In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participant(s) or requesting physical copy] :

- (i) The Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :
REVEN (Remote e-voting Event Number) USER ID _____ PASSWORD/PIN _____
- (ii) Please follow all steps from Sl. No. A (i) to Sl. No. A(xi) above, to cast vote

C. Voting facility at Annual General Meeting:

- (i) In addition to the remote e-voting facility as described above, the Company shall make a voting facility available at the venue of the annual general meeting, through electronic voting system and members attending the meeting, who have not already cast their votes by remote e-voting, shall be able to exercise their right at the meeting.

- (ii) Members who have cast their votes by remote e-voting prior to the meeting may attend the meeting, but shall not be entitled to cast their vote again.

Venue of the **14th Annual General Meeting of UJJIVAN FINANCIAL SERVICES LIMITED** to be held on **Wednesday, June 27, 2018 at 02:30 P.M.**, at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India.

Map of Venue below



Additional information on Directors being appointed/ re-appointed as required under Regulation 36 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Secretarial Standard-2 by ICSI:

Name of the Director	Mr. Ittira Davis	Mr. Jayanta Basu
DIN	06442816	01268046
Date of Birth and Age	March 04, 1955; 63 Years	November 09, 1965; 52 Years
Date of First Appointment on the Board	July 01, 2018 (subject to RBI approval)	March 25, 2015
Brief Resume, Qualification, Experience and Nature of Expertise in specific functional areas	Mr. Ittira Davis is currently the Chief Operating Officer of Ujjivan Small Finance Bank Limited (the wholly owned subsidiary of the Company). He is an international banker with over 36 years of Corporate and Investment banking experience having worked extensively in the Middle East and Europe. He was with the Europe Arab Bank from July 2008 to October 2012 initially as the Managing Director – Corporate and Institutional banking and then as an Executive Director of the Europe Arab Bank. He has previously worked with Citi bank in India and the Arab Bank Group in the Middle East and Europe. Mr. Ittira Davis is a graduate from the Indian Institute of Management, Ahmedabad (1976).	Jayanta Basu is a Non-Executive Director of our Company. He holds a post graduate diploma in management from the Indian Institute of Management, Ahmedabad and a bachelor's degree in economics from University of Delhi. He has over 20 years of experience in the fields of investments. He is currently the Managing Partner at CX Advisors LLP. He has previously worked with Citibank India. He serves as a director in many other companies including Security and Intelligence Services (India) Limited, Matrix Cellular (International) Services Limited and CX Advisors Private Limited.

Name of the Director	Mr. Ittira Davis	Mr. Jayanta Basu
DIN	06442816	01268046
Date of Birth and Age	March 04, 1955; 63 Years	November 09, 1965; 52 Years
Date of First Appointment on the Board	July 01, 2018 (subject to RBI approval)	March 25, 2015
No. of Board Meetings attended during the year as a Director	Not Applicable	3
Directorships held in other Companies	Nil	Public Companies - Security and Intelligence Services (India) Limited - Matrix Cellular (International) Services Limited Private / Section 8 Companies - Sutures India Private Limited - Transaction Solutions International (India) Private Limited - CX Advisors LLP (designated partner)
Memberships / Chairmanships of Committees of other Boards (includes only Audit Committee and Stakeholders Relationship Committee)	None	1) Matrix Cellular (International) Services Limited - Audit Committee - Stakeholder Relationship Committee - (member of the above committees)
Remuneration last drawn	Please refer the remuneration section under the Board's Report	
Remuneration sought to be paid	Remuneration as approved by the Board of Directors and Members of the Company, within the limits of the applicable laws. Please refer the item no. 4 of this AGM Notice	Sitting fees as approved by the Board of Directors within the limits of the applicable laws.
Shareholding in the Company	50,000 Shares as on March 31, 2018 (jointly held with his wife Ms. Anna Ittira Davis)	Nil
Relationship with other Directors and Key Managerial Personnel of the Company	Nil	Nil

By Order of the Board of Directors

Sanjeev Barnwal

Company Secretary

Membership No.: A19180

Place: Bangalore

Date: May 10, 2018







MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

I am pleased to inform you that in just 14 months since Ujjivan Small Finance Bank started its operations, it has achieved a transformation from a predominantly Microfinance Institution to a Small Finance Bank with a complete suite of products and services for the unserved and underserved customers throughout the country.

FY 2017-18 was the bank's first full year of operations. It was a challenging year which saw swift economic reforms from the government including implementation of the Goods and Services Tax. We have made immense progress during the year and received the Scheduled Bank status within 7 months of commencing our business. We recovered from the effects of demonetisation to revive our businesses and managed to bring asset business back to pre-demonetisation level. We have stabilised our portfolio quality due to continuous efforts towards portfolio management and overdue collections. We have introduced a spectrum of products under Liabilities, MSE, Affordable Housing and our traditional Microfinance Segment with attractive interest rate offerings. These products have been launched by using technology at scale.

Our bank has accomplished a challenging task of setting up 187 banking outlets, including 47 banking outlets in Unbanked Rural Centres (URCs), complying with the RBI prescribed norm of 25% compliance applicable in the financial year ending on March 31, 2018. We would further expand our bank's branch network in the coming year and that will entail significant investments in infrastructure costs and sizeable increase in manpower. Our bank aims to leverage these assets and develop a robust cost management framework especially as the network of our banking outlets would expand significantly in the next financial year. We have a large customer base with close to 37 lakh customers and a nationwide network of banking outlets that would facilitate serving the financially underserved with banking products and would be key to generating long term value. Harnessing the power of mobile and Aadhaar-based technologies, we would continue to deliver basic financial services to our customers and enhance the financial inclusion further.

With an objective to promote digital banking among our customers, the bank has undertaken various initiatives which have generated favourable outcomes and increased the usage of missed call banking, mobile banking, internet banking and debit card transactions. These programmes would become key enablers to encourage adoption of digital platforms in the coming years. With a mission to provide financial empowerment amongst our customers, we would further increase our efforts towards digitisation of processes and promotion of digital banking, thus delivering convenient banking to our customers.

Our Bank was named the 13th best place to work across industries by the Great Place to Work Institute & The Economic Times and ranked 10th in the 'Best Large Workplace in Asia List' becoming the highest ranked Indian organisation on the list. The bank also received the award for 'Best IT Risk and Cyber Security Initiatives' by Indian Banking Association at IBA Technology Awards. The bank has conducted extensive training programmes for its employees for skill development, regulatory and compliance training and training on customer handling in addition to regular basic level trainings and refresher trainings.

With a mission to bring fundamental financial products to the unserved and underserved, Financial Literacy has been a part of our core interests and we are focussed to educate our customers on what our products will do to uplift their families. Over 600,000 low income women have participated in our Diksha Programme. 125,000 children have learned about basic financial planning and savings in our Chillar Bank Program. We are proud to have our partner, Parinaam Foundation, work with us to develop our programmes. This year, we will create specific programmes for adult males and our rural customers. Together with Parinaam, we continue as envisioned in the beginning of our journey, to bring about financial inclusion for all.

Our bank would continue to focus on its unique selling proposition by providing differentiated services in terms of customer service and offerings in line with customer needs. Our thrust still lies in becoming one of the best institutions providing technology-based complete suites of banking services to the unserved/underserved community. The bank has successfully managed to diversify its portfolio with non-microfinance portfolio touching 7% of the total asset portfolio. We would maintain robust growth of our existing asset business with new products, foray into rural banking and set up new business lines in the coming year besides keeping a close focus on managing our collections.

The bank has always believed that effective corporate governance forms the bedrock of business excellence in an organisation. The importance of this goes beyond mere adherence to rules and regulations. The bank would continue to set highest standards for compliance and corporate governance.

During the year, the Board of Directors has also engaged with the senior management during various Board/Committee meetings and on other occasions. These interactions provided the Board with an opportunity to understand the strength of the bank's leadership and guide them to ensure long-term sustenance of business strategies while keeping in mind customer requirements.

The executive management team under the leadership of the Managing Director & CEO is executing a focussed strategy, leveraging existing strengths and building new capabilities to stay ahead in the evolving financial environment. We are optimistic about the future, as the banking sector gradually emerges from the challenges of recent years. Our bank is well-positioned to provide responsible and sustainable banking services as part of our larger financial inclusion programme.

With Best Wishes,



Sunil Patel



LETTER FROM THE MANAGING DIRECTOR

Last year, we had five challenges to address:

- Overcome the impact of the 'black swan event' of demonetisation: clean up the bad book;
- Transform to a bank, build the infrastructure and equip the people for the future;
- Build the deposit business and replace the high cost borrowings we inherited;
- Re-charge the engines of existing asset business; and
- Contain cost and improve productivity to close the year in black.

I. Battling the Black Swan Event

Portfolio at Risk (PAR) reduced from Rs. 650 Crores (10.2%) in March 2017 to Rs. 304.5 Crores (4.0%) in March 2018. We had estimated Rs. 300 Crores as our credit cost for the year and we ended at Rs. 311 Crores which includes a write-off of Rs. 176.5 Crores and a balance of incremental provision. The three majorly impacted states were: Uttar Pradesh, Karnataka and Maharashtra. The Uttar Pradesh portfolio was hit first and since then it has shown a healthy recovery of Rs. 60 Crores with PAR reducing from 50.4% to 21.5% as the portfolio in the state has shrunk. Karnataka has recorded a recovery of Rs. 58 Crores with PAR reducing significantly from 19.1% to 7.3%. Maharashtra has continued interference from local political leaders with a recovery of only Rs. 28 Crores, with PAR reducing from 15.9% to 7.5% largely due to write-offs. Our overall monthly repayment rate has improved from 89.5% to 97.3%. The repayment rate on loans disbursed post demonetisation stands at 99.7%. Despite this unforeseen and one-time credit cost of Rs. 311 Crores, we were able to close the year with Profit Before Tax of Rs. 8.8 Crores and Profit After Tax of Rs. 6.9 Crores. This was largely achieved because of the collection efforts of the Microfinance team and the specialised collection team which was set up to collect from the hard buckets and also recover from written-off loans. This year, the team will continue to work on recovery of these loans

II. Transforming to a Small Finance Bank

The transformation to a bank required us to build on:

- New technology infrastructure;
- Banking channels like new banking outlets, handheld devices to take banking to the doorstep, biometric ATMs, phone, mobile and internet banking;
- Induction of new people from banks and other financial institutions and training of the existing staff to bring in competencies of a banker. We had to establish new business lines and functions such as Treasury, Risk & Compliance etc.

Harnessing the Power of Technology

At Ujjivan, we are committed to serve the underserved and unbanked and our strategy has been to take them through a user-friendly technology journey from assisted to self-service. Our customer's banking journey commences with paperless interaction, providing them with services at their doorstep through our handheld device. Banking is now on customers' fingertips through phone banking, internet banking, mobile banking, biometric ATMs & more.

To meet this goal, a mammoth task for our technology team was to build new systems and channel capabilities, integrate with the legacy systems where necessary and provide a reliable environment for businesses to operate and customers to access services. New systems that have been deployed are Finacle for core banking, Evolute - the handheld device (I-exceed), biometric ATMs, mobile banking apps, internet banking, CRM for unified platform and SAS for risk management. These have been integrated with legacy systems: BR.Net for microfinance loan processing, Sys-Arc for MSE and housing loan processing, along with loan origination and collection on mobile applications and finally the Oracle Financials for an enterprise-level consolidation. We work closely with state-of-the-art payment systems provided by NPCI and our entire technology path is Aadhaar-based identification of customers.

While new systems were launched with individual vendors, the whole technology platform was brought together by our system integrator - Wipro. Along with this comes the challenge of managing connectivity with our far-flung distribution system, which is being managed by Tikona. The overall IT infrastructure has stabilised, controls and risk management processes are largely in place and the connectivity is stable. New product/service introduction continues at a brisk pace with adequate Change Management in place and further integration to meet all the regulatory norms are still in progress. Individual glitches do crop-up, however they are being resolved in a timely manner.

We are also putting in place protective measures against IT risk and cyber security. It is gratifying that Ujjivan was adjudged the Winner of the IT Risk and Cyber Security Initiatives category amongst the Small Banks at the Indian Banking Association Technology Awards. We expect to invest Rs. 400-500 Crores in technology over a five-year period.

In the year ahead, our focus is to leverage technology to launch tailor-made products faster, drive operational efficiencies, improve turn-around time and thereby serve our customers better.

Building Multiple Channels to Reach our Customers

We have built 187 banking outlets of which 47 are in Unbanked Rural Centres (URC). Of these, 180 brick and mortar structures are modern customer-friendly branches designed specifically to meet customer convenience and establish our brand. These branches have gone through a number of permutations as we progressed to meet local requirements and cost efficiency. The URC outlets are ultra-light models. We had slowed down our physical banking outlet expansion this year to manage our overall costs mainly because of unforeseen credit costs relating to demonetisation. By the end of March 2019, we plan to have 475 banking outlets live.

We have experimented with seven banking correspondent outlets this year. These are primarily transaction points and do not generate business or promote financial inclusion. We may not continue to expand this network.

We have developed a handheld device (Evolute) for our sales and service staff. With this device, we are able to open accounts, take deposits, and do withdrawals at customers' doorsteps, thereby making the account opening process completely paperless in less than 10 minutes. It is truly a revolutionary device christened as 'Chalta Firta Bank'. We have 7011 devices with our sales and service team and this is expected to go up to 10,000 in the current financial year.

We are the only bank in India with all 146 ATMs as biometric enabled. This has been done specially so that it can aid customers who are not comfortable with the PIN, largely our microfinance customers. We have seen active usage of ATMs and it is still the most preferred channel for the unserved and underserved customer base.

We have set up an active phone banking centre in Bangalore with 64 seats. They have provided powerful support for us in sales, service and collection. In the current year, we plan to set up another phone banking centre in Pune and expand the scope of services offered through phone banking.

Our mobile banking application has a user base of over 24,000 and is among the highest user rated applications, with a rating of 4.70 on a scale of 5 in the category on Google Play Store. We also offer internet banking services and are planning to expand this offering to various segments of customers. The long term objective of the physical outlets is to establish our brand identity and build trust in the institution. Over time, customers will graduate to other channels for which we have laid the railroad.

Staffing for New Businesses and Function and Building Competencies

We started the year with a staff strength of 10,167 and with strict controls closed the year with 11,242. Last FY, we recruited more than 3,554 employees, bringing in new skills required in the bank across multiple businesses and new functions - mainly in the areas of sales, credit, operations, phone banking, audit, treasury, risk and compliance, legal and collections. Along with this, we had the massive exercise of building competencies required in the bank for the over-6,000-strong microfinance staff. Overall, we trained nearly 7,000 staff for building awareness about the principles of Small Finance Bank, general banking and their roles in the bank. An area of key importance in capacity building was regulatory compliance. We tied up with experts from relevant fields to deliver trainings in the areas of regulatory compliance. Our employees have attended trainings conducted by RBI and its affiliates such as NIBM and CAB. As our technology went through major changes we had to train our staff on new technology platforms. We have conducted technology training programmes to equip our staff with skills, relevant to their role requirements. A significant achievement was to train our field staff on the usage of handheld devices to capture accurate data on the field and thereby reduce the turnaround time for our customers. This also resulted in increasing the productivity levels of field staffs.

Our unique strength is the Management Trainee (MT) programme which has helped us in building a strong talent pool to shoulder larger responsibilities of the bank. This year, we have enhanced our MT programme with the first batch of 14 IIM recruits and will be further build upon this in the years to come.

This year, our plan is to recruit over 3,000 staff members. Our headcount is expected to close at around 14,500. We plan to conduct enhanced training programmes in the areas of selling skills to build a sales culture in the organisation, function-specific certification programmes, refresher trainings for our new business verticals and training programmes on debt recovery, all of which would cover over 10,800 staff members. We are also introducing accreditation programmes for Credit Approvers and Auditors.

We have introduced structured induction programmes to ensure that the newly recruited employees go through a detailed induction process before they start their job activities. This approach has helped the new staff settle down in their roles and contribute effectively towards building the bank. The additional challenge with people coming from diverse backgrounds is to preserve the culture of Ujjivan and build 'One Team'.

III. Building the Deposit Business and Reducing the Cost of Funds

This year our primary focus was to build our wholesale deposits and reduce our cost of funds. This largely entailed mobilisation of low cost deposits from banks and financial institutions to repay the older debts which were taken as microfinance institution and later grandfathered to the Bank. Our legacy borrowings were Rs. 5989 Crores at the beginning of the year which reduced to Rs. 2325 crores, that is, a reduction of Rs. 3664 Crores by either repayment or pre-payment. These were replaced by largely wholesale deposits including CDs of Rs. 3345 Crores and retail deposits of Rs. 427 Crores. This enabled us to reduce our cost of funds from 10.4% to 9.0 %.

We did not focus on retail deposits for two reasons: slowing down of banking outlet opening due to demonetisation and operational and technology glitches in the process to on-board microfinance customers, open savings accounts for them and disburse loans to these accounts. These have been all resolved and we expect a robust growth in retail deposits and CASA balances this financial year.

We have re-organised and established branch banking as a separate vertical (channel/business) which will be primarily responsible for open market liability customers. A separate unit has been set up to focus on sourcing deposits from specialised customer segments like TASC, government and corporate. The wholesale funding group will focus on financial institutions.

IV. Re-Charging the Engines of Business

The month-on-month disbursement levels of microfinance business have breached the demonetisation levels despite the restrictions of operations in areas severely impacted. This has happened largely due to repeat loans to existing good customers. We are in the process of re-assessing the geographical areas; we will segregate good and delinquency-affected areas at branch level and commence new customer acquisition in most branches. We are also building our rural business with specialised agriculture and allied products at our URC banking outlets and also existing banking outlets with large rural customer base. We plan to introduce new loan products such as two-wheeler loans and expand the relations with members of customers' family, especially the spouse.

Two businesses have gone through a long incubation period over the last two years: Micro & Small Enterprise Business and Housing Business. We brought in new leadership for both businesses and built the team around them so that they start ramping up. Monthly disbursements have shown steady growth. We are planning to introduce a number of new products this year like Working Capital Overdrafts in MSE business and Composite Loans in Housing business. Our non-MFI portfolio has grown to 7.2%. We have done the preliminary work on personal loan business and we plan to launch it in the current year.

We have built a robust treasury business largely supporting our funding requirements, meeting our statutory reserve requirements and also brought in Rs. 22.9 Crores (net of tax) of earnings in PSLC sale. We have set ambitious goals for treasury in the current year including starting a small trading business.

Finally, we have established tie-ups with insurance companies and will be offering third party products on life, health and general insurance.

V. Contain the Cost & Improve Productivity to Close the Year in Black

The biggest challenge for us this year was to contain the credit cost which swamped us after demonetisation. We set a target to contain it around Rs. 300 Crores and having come so close is a remarkable achievement. We had slowed down our banking outlet expansion to balance the rise in the operating costs. We dramatically cut down our marketing expenses, deferring it to the current year. On the personnel side, recruitment was on a tight leash. We were able to contain the Operating Expense Ratio at 9.7%. All this enabled us to close the year at break-even and stay in black. We were able to show quarter by quarter improvement in our financials, which showed our control over a very difficult year.

The current year will be a major investment and growth year. Operating Expense Ratio is likely to initially deteriorate and then improve as we start scaling our businesses.

Looking ahead:

We have proved that we are a resilient organisation, having come out fighting against all odds. The years to follow will be take-off years for our multiple businesses, and will aim at expanding our customer base and amplifying our reach through multiple banking channels. We are establishing the foundations of a great mass market bank.

With Best Wishes,



Samit Ghosh

Managing Director and Chief Executive Officer

BOARD OF DIRECTORS



Sunil Patel

Sunil Patel is the Non-Executive Chairman and Independent Director of Ujjivan Small Finance Bank. He is a practicing Chartered Accountant and Former Director of A. F. Ferguson and Co. and former Partner of A. F. Ferguson Associates. He was an Independent Director in L&T Investment Management Limited from 1997 to 2013. Mr. Patel holds a Master's degree in Business Administration from Wharton Business School, University of Pennsylvania.



Biswamohan Mahapatra

Biswamohan Mahapatra is a Non-Executive, Independent Director of the Bank. He is a career central banker, spanning over 33 years in the Reserve Bank of India and retired as its Executive Director at the end of August 2014. He is currently an external senior advisor to Ernst and Young LLP (on part-time contractual basis) on financial sector regulatory matters. He is presently an independent director in Gruh Finance Limited, Edelweiss Financial Services Limited, HDFC Credila Financial Services Private Limited, etc. Recently, on February 8, 2018, he has been inducted as an Independent Director and Non-Executive Chairman of National Payments Corporation of India (NPCI), for a period of two years. Mr. Mahapatra is a Master's of Science in Management and has done a Master's in Business Administration and Arts.



Vandana Viswanathan

Vandana Viswanathan is a Non-Executive, Director of Ujjivan Small Finance Bank. She is an Independent Director in 'Ujjivan Financial Services Limited'. She is a Co-founder of Cocoon Consulting, a management and human resources consulting firm since 2000. She holds a Master's degree in Personnel Management and Industrial Relations from the Tata Institute of Social Sciences and a Bachelor's degree in Science from Bangalore University.



Nandlal Sarda

Nandlal Sarda is a Non-Executive, Independent Director of Ujjivan Small Finance Bank. He is a Professor (Emeritus Fellow) in the department of Computer Science and Engineering at Indian Institute of Technology, Mumbai. He received his Master's degree in Technology and Doctorate in Philosophy from IIT Mumbai. Mr. Sarda has served as Director on the board of Union Bank of India, The Clearing Corporation of India Limited, IDBI Intech Limited and Andhra Bank. He is the Director on boards of NSE Infotech Services Limited as well as Cybertech Systems and Software Limited.



Mona Kachhwaha

Mona Kachhwaha is a Non-Executive, Independent Director of the Bank. She has 24 years of financial services industry experience, which includes 11 years with Caspian Impact Investment Advisers (2007 to present) and 13 years with Citibank India (1994-2007). At Caspian, she manages the India Financial Inclusion Fund (IFIF), a USD 89 Million impact fund with a focus on financial inclusion. Over the last 11 years she has served on various corporate boards as a nominee director of Caspian Funds which includes Ujjivan Financial Services Limited, Micro Housing Finance Corporation Limited, Arohan Financial Services Private Limited. She is currently on the boards of Aptus Value Housing Finance India Limited, Sonata Finance Private Limited, VBHC Value Homes Private Limited and MMTC-PAMP India Private Limited. She has graduated in Mathematics (Hons.) from Delhi University and holds an MBA from XLRI, Jamshedpur. She has also completed an executive program in Private Equity from Said Business School, Oxford University.



Anadi Charan Sahu

Anadi Sahu has over 35 years of experience in the field of development banking. He has handled important portfolio viz. credit dispensation, Micro Finance, Audit and inspection and NPA management during his posting in various offices of IDBI/SIDBI. After initially working in erstwhile IDBI, he moved to SIDBI in 1990, on its formation. Shri Sahu took charge of Bangalore Region since September 01, 2015 as Regional Head. Prior to his posting at Bangalore, he was heading SIDBI in the state of Kerala and served as Nominee Director of Kerala Financial Corporation and KITCO. He also served as a member of Investment Committee in Micro Venture Innovation Fund (MVIF) an outfit of National Innovation Foundation (NIF) during 2003 to 2008. He was a Project Advisory Committee member of FWFB, Ahmadabad and was involved in the Microfinance sector.



Prabal Kumar Sen

Prof. Prabal K. Sen is a Non-Executive, Independent Director of the Bank. He has to his credit over 41 years of experience in teaching, training, research and corporate management. He has been Professor of Economics and Founder Chairperson, Entrepreneurship Development Centre (EDC) at XLRI, Jamshedpur till September 30, 2017, when he superannuated. Prior to his association with XLRI since March 2007, Prof. Sen worked for IRMA as a Chair Professor for six years and served a public sector bank for over 23 years, where he occupied senior management positions in fields related to economic research, planning & development, general management and priority sector credit including rural and small business finance and credit planning. Earlier, he had served at Burdwan University as a Lecturer in the Post Graduate Department of Economics for around a year. Prof. Sen has also been a Visiting Professor at several premier institutions including IIM Ahmedabad, IIM Ranchi, IIM Amritsar, Rural Development Centre of IIT Kharagpur, XIMR Mumbai and National Academy of Direct Taxes (NADT), Nagpur. Prof. Sen holds a Master's degree in Economics from Calcutta University. He has been conferred with the Best Teacher Award in September 2011 by Higher Education Forum of India, Mumbai and the Lifetime Achievement Award in April 2017 by Headstart Network Foundation.



Luis Miranda

Luis Miranda is a Non-Executive, Independent Director of the Bank. He was the President and CEO of IDFC Private Equity till 2010. He was earlier a partner and managing director in ChrysCapital. He has worked with various banks like Citibank, HSBC and HDFC in the past. He has extensive experience in dealing with early stage companies and private equity investing. He is currently involved as an advisor to various profit and non-profit organisations. Mr. Miranda holds an MBA from University of Chicago and is a Chartered Accountant. He holds a Master's degree in Commerce from University of Mumbai.



Samit Ghosh

Samit Ghosh is the Managing Director and Chief Executive Officer of the Bank. Mr. Ghosh was a career banker for over 30 years and had worked both in South Asia and the Middle East. He started his career with Citibank in 1975 and later worked with Standard Chartered Bank, HDFC Bank and the Bank Muscat, and holds a master of business administration degree from the Wharton School of Business at the University of Pennsylvania. He was the past President of Microfinance Institutions Network and the Chairman of Association of Karnataka Microfinance Institutions (AKMI). He was an Executive Managing Director and Chief Executive Officer of 'Ujjivan Financial Services Limited' till January 31, 2017.

MANAGEMENT TEAM



Samit Ghosh
Managing Director & Chief Executive Officer

Samit Ghosh is the Managing Director and Chief Executive Officer of the Bank. Mr. Ghosh was a career banker for over 30 years and worked both in South Asia and the Middle East. He started his career with Citibank in 1975 and later worked with Standard Chartered Bank, HDFC Bank and the Bank Muscat, and holds a master of business administration degree from the Wharton School of Business at the University of Pennsylvania. He was the past President of Microfinance Institutions Network and the chairman of Association of Karnataka Microfinance Institutions (AKMI). He was an Executive Managing Director and Chief Executive Officer of 'Ujjivan Financial Services Limited' till January 31, 2017.



Ittira Davis
Chief Operating Officer

Ittira Davis is the Chief Operating Officer of the bank. He is an international banker with over 36 years of Corporate and Investment banking experience having worked extensively in the Middle East and Europe. He was with the Europe Arab Bank from July 2008 to October 2012 as Managing Director – Corporate and Institutional banking and then as an Executive Director of the Europe Arab Bank. He has worked with Citi bank in India and the Arab Bank Group in the Middle East and Europe. Ittira is a graduate from the Indian Institute of Management, Ahmedabad (1976) and has been based in Bangalore since November 2012. He joined Ujjivan in March 2015.



Sanjay Kao
Chief Business Officer

Sanjay Kao is the Chief Business Officer and brings a wealth of experience in Consumer Banking across products and markets. Prior to joining Ujjivan, he was the Head of Consumer Business at Dunia Finance in Dubai. He also spearheaded Consumer Finance for Royal Bank of Scotland in Asia and held leadership roles with Citibank in Asia Pacific. He worked in the UAE from 2001 to 2003 as Head of Marketing with Mashreq Bank. Sanjay started his career with Unilever India and holds a Business Management Degree from IIM Kolkata and a Bachelor's degree in Chemical Engineering from IIT, Varanasi.



Carol Furtado
Head – Human Resources

Carol Furtado is associated with Ujjivan since inception and has served the organization in various roles and responsibilities. She was the Chief Operating Officer, South before taking over her current responsibility as the Head of Human Resources. She is a finance professional with over two decades of experience, having worked at ANZ Grindlays and Bank of Muscat, where she specialized in modern retail banking operations. In 2009, she won the Financial Women's Association award in recognition of her demonstrated professional commitment from Women's World Bank. She has completed her Master's degree in Business Management from the Mount Carmel Institute of Management, Bengaluru.



Vijay Balakrishnan
Chief Marketing Officer

Vijay Balakrishnan has over two decades of Strategic Marketing experience with reputed corporates, including Bharti Airtel and the Tata Group. He joined Ujjivan in November 2015 where he leads the Products and Marketing functions nationally. His executive experience spans leading Mass Marketing roles, Category Creation and National Level brand launches across Fast Moving Consumer Goods, Telecommunications and Early Stage Technology companies. Vijay graduated from the Delhi University and holds a Diploma in Marketing Management from the Times School of Marketing. He was awarded the British Chevening Scholarship to study Leadership and Excellence at the London School of Economics, United Kingdom.



Manish Kumar Raj
Business Head - Branch Banking

Manish Raj joined Ujjivan in 2010. His first assignment was as an Area Manager at Dhanbad, Jharkhand. Thereafter, he was elevated to the role of a Regional Vigilance Manager where he was part of setting up the Vigilance department in the East. In November 2013, he managed the business for NCR and Madhya Pradesh territories in the North region. In December 2014, he was appointed as the Regional Business Manager- GL, handling the group lending business for the North region. Manish holds a Post Graduate Diploma in Rural Management from the Xavier Institute of Management, Bhubaneswar.



Abhiroop Chatterjee
Business Head - Microfinance

Abhiroop Chatterjee joined Ujjivan in April 2008 in the first batch of Management Trainees. His first assignment was to establish operations in Jharkhand as an Area Manager. He was later assigned the role of a Distribution Manager in May 2010. Thereafter, he was promoted as Chief Operating Officer – East region in April 2014, before taking up the current responsibilities of leading the Microfinance business nationally. Abhiroop holds a Post Graduate Diploma in Rural Management from the Xavier Institute of Management, Bhubaneswar.



Vasant Srivastava
Business Head of MSE

Vasant Srivastava has 21 years of experience in Banking and Financial Services. He started his career as a research analyst at CRISIL, after which he worked with Citibank as a Credit Manager. He was with HDFC Bank for 13 years in the Business Banking division where he handled various roles in credit, early warning, product and business roles across various geographies. His last stint was in Janalakshmi Financial Services as National Sales Manager for MSE. He has done his BE in Chemical Engineering from The MS University of Baroda and PGDM from IIM, Lucknow.



Abhay Kataria
Business Head-Housing

Abhay Kataria joined Ujjivan in August, 2017 as Business Head-Housing. He has over 2 decades of exposure in office automation and BFSI space, and has worked with some well-known names like Modi Xerox, ICICI Bank, HDFC Bank, Indiabulls, Capital First. Most recently he worked with Muthoot Fincorp, as SVP and Head BD-Mortgages. He has over 14 years of experience in the BFSI space and has handled various assignments in liabilities distribution, consumer lending sales & distribution, Product Management and underwriting in both Secured and Unsecured Loans. He has done his Post Graduate Diploma in Management from Symbiosis Pune.



Santhosh Kumar G
Head - Third Party Products & TASC

G. Santhosh Kumar has 21 years of experience across industries. In the banking sector, he has worked with ING Vysya, Kotak Bank and ICICI Bank. His last stint was as the Senior Vice President and Head of Branch Banking for Andhra Pradesh and Telangana states with ING Vysya Bank, overseeing a network of 77 retail branches. Prior to banking, he was with Johnson and Johnson. Santhosh is an alumnus of the Birla Institute of Technology and has done his MBA from IIM Kozhikode.



Rajat Kumar Singh
Head -New Business Initiatives & Data Analytics

Rajat Singh has been with Ujjivan since 2007. As a financial analyst, his first assignment was to build and expand the organization's finance function. He was instrumental in developing and implementing organizational budgeting processes and basic business analytics structure. In June 2010, he was appointed as Chief of Staff for East region, overseeing regional business and was thereafter promoted to Chief Operating Officer - East in October 2011. In April 2013, he became the Chief Operating Officer - North and then led the Strategy and Planning division. He holds a Bachelor's degree in Agriculture and Food Engineering from the IIT, Kharagpur.



Jolly Zachariah
Head of Channels

Jolly Zachariah joined Ujjivan inspired by its mission. He has over 22 years of banking experience with Citigroup, specialising in retail banking where he managed Consumer Banking and Cards businesses of diverse scope and scale across geographies of India, Middle East, Africa, Europe and North America. He has played an important role in establishing Ujjivan's presence in urban Maharashtra and Gujarat as the Chief Operating Officer - West before taking over the current responsibility to manage the Channels division for the proposed SFB.



Martin P S
Head of Operations

Martin Pampilly has over 14 years of experience, with companies such as ANZ Grindlays, Bank Muscat and Centurion Bank. He was a member of the Centralised Operations Unit at Centurion Bank. He joined Ujjivan in 2009 as Regional Operations Manager (South), and managed the successful testing, training and implementation of the core banking project. He has successfully completed the Strategic Leadership Program at Harvard in April 2013. In May 2013, he was promoted as the Chief Operating Officer - East. He is a graduate in Science from Bangalore University.



Upma Goel
Chief Financial Officer

Upma Goel is a Chartered Accountant with an experience spanning over 23 years in strategic financial planning, analysis and reporting, tax optimization, risk management, business restructuring and regulatory compliances. Her extensive experience includes roles of Deputy Group CFO at L&T Finance Holdings Limited, Reporting Head of CFOs of subsidiaries of L&T Finance Holding, DGM at Larsen and Toubro Ltd. and Financial Controller at Escorts Securities Limited.



Alagarsamy A P
Head of Audit

Alagarsamy A. P. is a banking and financial services professional with over two decades of experience in Sales, Credit, Risk and Audit. He worked with ICICI Bank for over 8 years in the Retail Assets and Rural Business Group, where he handled various roles. Before joining Ujjivan in 2010, his last assignment was as Assistant Vice President with Fullerton India Credit Company. He was part of the core team which launched their rural business and also handled audit. He has completed his Master's degree in Business Administration from Osmania University, Hyderabad.



Premkumar G
Head of Admin and Infra

Premkumar G. has over 15 years of experience in senior administration positions at One World Hospital and Paul D'Souza and Associates, a leading law firm. He joined Ujjivan in 2006, and led the administration department. In 2012, he set up the Vigilance department and presently heads the function with a focus on preventive vigilance. He is also a member of the International Facility Management Association.



Arunava Banerjee
Chief Risk Officer

Arunava Banerjee has over 35 years of experience, primarily in the banking industry. Starting his career with the State Bank of India, he later on worked with Standard Chartered Bank in their Merchant Banking division. He moved to Bahrain in 1996 as the Manager for Corporate banking at the Bahraini Saudi Bank, before making a career shift to work as the Chief Financial Officer with Remza Investment Company W.L.L. He joined Ujjivan in July 2015. He holds a Master's degree in Arts from the University of Kolkata and is an Associate of the Indian Institute of Bankers.



Sneha Thakur
Head of Credit and Collections Microfinance

Sneha Thakur joined Ujjivan in April 2008 with the first batch of Management Trainees. She started as a Corporate Financial Analyst and handled Corporate Finance and Investor Relationships for two years. During this time, she was involved in two rounds of equity fund raising in the Company. In 2011, she was appointed as the Regional Credit Manager (South) overseeing the transition phase of Credit Bureau verifications and compliance to regulatory changes. In April 2013, she was appointed as the Head of Credit. She holds a Post Graduate Diploma in Management from SDM Institute for Management Development, Mysore.



Subramanian Ravi
Head of Treasury

Subramanian Ravi has over thirty-three years of experience in the domain of treasury. He was a gold medalist in B.Sc. (Maths) from the University of Madras, after which he did his Post Graduation in Public Policy. Prior to assuming his current role, he worked as a freelance consultant and trainer. He is an internationally certified instructor for teaching ACI suite of exams Level I and II and provides training services to government agencies, multinationals, public and private-sector banks, and multinational software companies. He teaches for all courses related to Treasury, Foreign Exchange, Money Market, Derivatives, ALM and Regulatory Compliance, Operations and Risk Management, Securities and Investment, Wealth Management. He has worked for two major Multinational Banks, Software Companies and top banking institutes. He has previously held the positions of Head of Treasury (Front Office), Head of Treasury and Derivative Operations (Back office) as well as been responsible for structured products and risk management.



Srikumar Vadake Varieth
Head of Legal

As a legal professional, Srikumar has a rich experience and expertise spanning over two decades in Wholesale, Retail, SME, Agri and Micro Finance Banking, Litigation, Recovery, Joint Ventures and other Corporate Laws. He has had substantial legal exposure to labour related issues and in drafting and vetting of agreements, contract negotiations and closure. He was involved in mergers of two private banks and transitioning a NBFC to a Bank. Srikumar started his career as an advocate and has worked with organizations like Bank of Baroda and ING Vysya, in different positions and has gained understanding of local state laws while working in various parts of the country with his most recent stint being in Bandhan Bank as a Head of Legal department.



Brajesh Cherian
Head of Compliance

Brajesh Joseph Cherian is a banking and financial services professional with over 17 years of experience in Compliance, Operational Risk, Corporate Banking, Retail Banking and Treasury. Starting his career with the South Indian Bank, he later on worked with Axis Bank in India and UAE where he handled various roles including Deputy CEO for Dubai Operations. Before joining Ujjivan in 2016, his last assignment was as Vice President with Axis Bank, Mumbai. He holds a Master's degree in Business Administration and is an Associate of the Indian Institute of Bankers'.



Balaji Parthasarathi
Chief Technology Officer

Balaji Parthasarathi is the Chief Technology Officer of the bank. He joined us recently from Hewlett Packard Enterprise. He has a rich experience of over 20 years architecting and delivering technology solutions to banking clients. He started his career as a banker with BNP Paribas in the year 1997. His technology stint commenced with Oracle Financial Services in 2000. He subsequently joined HP in 2005 where he wore multiple hats over a 11 year span handling account delivery, customer engagement, solutioning and sales etc., He is an engineer from BITS Pilani and a Post Graduate in Business Administration from IIM Lucknow.



N Mahadevan
Chief Vigilance Officer

N Mahadevan joined Ujjivan in May 2017 as the Chief Vigilance Officer. He comes with an extensive banking experience of 33 years. Prior to Ujjivan, he was working with Kotak Mahindra bank as Vice President, Vigilance consequent to the amalgamation of the erstwhile ING Vysya Bank with Kotak Mahindra Bank. His total tenure with ING Vysya / Kotak Mahindra Bank was 17 years out of which 15 years was in Vigilance. He has also worked in State Bank of India for 13 years prior to ING Vysya Bank. He has done his CA Final from the Institute of Chartered Accountants of India.



Chanchal Kumar
Company Secretary

Chanchal Kumar is the Company Secretary of Ujjivan Small Finance Bank. He is a qualified Company Secretary from the Institute of Company Secretaries of India and a Chartered Accountant from the Institute of Chartered Accountants of India. With him, he brings 14 years of valuable experience of working with companies like Yes Bank Limited, GE Capital Services India, ICICI Bank Limited & Anand Corporate Services Limited. He has completed CAIIB & JAIIB from the Indian Institute of Banking & Finance.

FIRST YEAR OF BANKING OPERATIONS

Change is a constant and to that end we are perpetually transitioning. Ujjivan Small Finance Bank closed its Transition phase (conversion to an SFB) on March 31, 2017, two months after the successful launch of the Small Finance Bank. Microfinance branches continue their move to the new SFB branch premises in a phased manner over the next two financial years. At the end of FY 2017-18, 187 SFB branches (including 47 that were set up in unbanked rural centres - URCs) were operational offering a full range of banking services. The setting up of bank branches, getting them operational and adhering to the 25 percent URC regulation is challenging yet extremely satisfying as we are taking banking services to the underserved and unserved.

Based on the revised RBI definition of Bank Branch, the Business Correspondent model that can be considered as equivalent to a Bank Branch (subject to certain conditions), was introduced in West Bengal as part of the branch banking network.

The table below provides the branch distribution by state:

State	BC	URC	SFB	Grand Total
Assam		7	3	10
Bihar		1	5	6
Chhattisgarh			2	2
Gujarat			7	7
Haryana			9	9
Himachal Pradesh			1	1
Jharkhand		1	3	4
Karnataka		1	21	22
Kerala			2	2
Madhya Pradesh			1	1
Maharashtra			14	14
Meghalaya			1	1
New Delhi			7	7
Odisha		3	3	6
Pondicherry			1	1
Punjab			6	6
Rajasthan			4	4
Tamil Nadu		8	22	30
Tripura		6	2	8
Uttar Pradesh			4	4
Uttarakhand			1	1
West Bengal	7	13	21	41
Grand Total	7	40	140	187

Note: BC: Business Correspondent, URC: Unbanked Rural Centre, SFB: Small Finance Bank

Teamwork has been an important factor for the successful branch rollouts. From the selection of the site, negotiation of the contract, upgradation of



the premises to the installation of infrastructure and connectivity there has been outstanding partnership across business functions. The branch launch date is eagerly awaited and branch staff ensures that it is a very special occasion for both customers and staff. Associated with the Branch opening are community projects 'Chote Kadam' executed in association with Parinaam Foundation for upgrading schools, healthcare, infrastructure & sanitation facilities near our branches.

The importance of a Scheduled Bank status in the business of banking in India cannot be over-emphasised. In August 2017 Ujjivan Small Finance Bank received its Scheduled Bank status from the Reserve Bank of India. This was particularly beneficial for our Treasury.

Responsiveness to customer preferences requires Ujjivan SFB's IT and Operations teams to be agile on product development, implementation and delivery. Looking ahead, rationalisation of IT systems combined with the increased utilisation of available systems can give us a leading edge. To this end we are working closely with our technology partners to review our existing system architecture and capabilities and fine tune where required. Assisted banking services is an important part of Ujjivan's offering. The Digi-buddy service assists customers with banking technology channels at bank branches.

Cyber Security is a critical component of banking. Ujjivan places significant emphasis on this aspect and has teams within IT and Risk that focus on cyber security. The efforts of these teams was recognised at the Indian Bankers Association at the Banking Technology Awards with Ujjivan SFB being adjudged the Winner in the category of the Best IT Risk and Cyber Security Initiatives amongst Small Banks.

AWARDS AND ACCOLADES

Best IT Risk and Cyber Security Initiatives

Ujjivan Small Finance Bank was awarded with 'Best IT Risk and Cyber Security Initiatives' amongst all Small Banks at IBA Technology Award, presented by Indian Banking Association (IBA). The accolade was granted for the steps undertaken by Ujjivan Small Finance Bank to strengthen the Cyber risk framework as a part of enterprise risk management and initiatives related to IT Risk and Cyber Security.



Ujjivan has once again been ranked as one of India's Best Companies To Work For

Ujjivan has consistently been ranked and recognized among the Best Workplaces through the last decade. Great Place to Work® Certification is one of the most prestigious achievements for any organizations across the globe. Ujjivan SFB ranked 10th in Asia's Best Large Workplaces and ranked 13th in 'India's Best Companies to Work For'. Ujjivan SFB also received the recognition for 'Being the Best in the Industry - Small Finance Bank'. We are both proud & humbled by the recognition; this appreciation received over the years has been possible because of our People-first-approach.



LIABILITIES



In FY 2017-18 Ujjivan Small Finance Bank focused on acquiring liabilities from existing and new to bank customers. Two key target markets were identified: retail mass market and institutional liabilities.

At the onset of financial year, the Ujjivan SFB had four savings account products, two current account products, Fixed Deposit, Recurring Deposit and Institutional Banking products. During FY-17-18, the bank launched two new products to expand its product & service offerings for customers.

SAVINGS ACCOUNT FOR SENIOR CITIZENS: The product is designed to cater to the needs of Senior citizens. Key product features include:

- Doorstep account opening service
- Flexible to use – no charge for minimum balance
- Lifetime Free Debit Card
- 25 Cheque leaves free per year
- Unlimited Free transactions across all Ujjivan's biometric enabled ATMs
- 6 Free transactions per month at other Bank ATMs
- Easy to use mobile app
- Convenient internet banking
- Priority services at our branches

TAX SAVER FIXED DEPOSIT: The Product is designed for Individuals and HUF to save taxes by availing tax exemption under Section 80C of Income Tax Act, 1961.

Key product features include:

- Minimum amount Rs 1,000/- , maximum amount Rs 1,50,000/- per FY with a lock-in period of 5 years
- Interest Payment Options – Quarterly, Monthly and at Maturity
- Deposits can be opened thorough Internet and Mobile Banking

INSURANCE SOLUTIONS TAILORED TO OUR CUSTOMERS' LIFE STAGES: We worked with our insurance partners to cater relevant products addressing the needs of our customers.

The Bank set up a branch banking vertical for acquiring retail mass market liabilities. A robust team comprising of Sales Officers are operating at our bank branches. In the first year, the acquisition process was tested, implemented and stabilized. All the banking processes related to different types of products, Savings Account, Current Account, Recurring Deposit, Fixed Deposit and their variants were implemented. The processes related to transaction and servicing across branches and alternate channels were executed.

The innovative account opening process using biometric authentication on a handheld device has cut down account opening TAT and improved productivity for Sales taskforce. Ujjivan SFB creates a hassle-free and convenient doorstep service for customers to open accounts. On the institutional space a team of specialist relationship managers provided solutions to customers. The Institutional team built relationships with various segments like Co-operative banks, schools, government entities, trust and corporates to place deposits with us.





India is undergoing rapid urbanization which requires expansion of urban amenities. A major deficit among urban population is housing. As a key focus area the government has set 2022 as the target year to realize this objective by making specific initiatives for the promotion of urban housing.

The Technical Group estimated that 88% of the urban housing shortages are coming from Economically Weaker Sections (EWS). Around 11% of shortages are from Lower-Income Groups (LIG). The main constraint in urban areas is the lack of availability of land. Lack of access to finance for low income people, rising cost of construction, low interest by private developers are some other adverse factors in urban affordable housing segment. Realizing the urban housing requirements, the government has launched Pradhan Mantri Awaas Yojana in 2015 to provide housing for all by 2022 in urban areas.

One major concern in the housing segment is that the private sector concentrates on the higher income groups to develop houses. Hence to attract their investment and participation, incentives should be given to them. Looking at this opportunity Ujjivan Small Finance Bank due to its long association with Underserved and unserved

customers started offering affordable housing loan 3 years back. Last year we provided affordable Housing loans to almost 4000 customers.

We are creating product awareness through various marketing initiatives and generating awareness of CLSS (PMAY) as we focus on EWS and LIG as growth drivers in the coming years. Our plans for FY 2018-19 has given impetus to set Ujjivan Small Finance Bank as one of the key players in this product category and set a benchmark of further strengthening our customer base to 12,000 by end of this financial year.

In FY 2017-18, we had leveraged our major business from Construction & Purchase products which sums up close to 67% of total business, followed by Home Improvement & Loan against Property at 12% & 22% respectively. Also, the focus on Informal & Semi-Formal segment was balanced at 52% & 48% respectively. But in FY 2018-19 our major focus will be more on the Semi-Formal segment given the advantage of better customer profiles and formalised income.

Key Snapshots on Product Offering under Ujjivan Home Loans

PRODUCTS OFFERED	LOAN AMOUNT (Lakhs)	ROI (%)	TENOR (months)	LEGAL & DOCUMENTATION CHARGES
Home Loan (Informal Segment) Construction/Purchase	2-15 Lakhs	15.75	36 to 180	2% + GST
Home Loan (Semi-Formal Segment) Construction/Purchase	5-25 Lakhs	12.75	36 to 240	1.5% + GST
Home Improvement Loan (Secured)	2-7 Lakhs	15.75	36 to 120	2% + GST
Loan Against Property	3-10 Lakhs	17.75	36 to 120	2% + GST

MICRO AND SMALL ENTERPRISES (MSE)



The Micro, Small and Medium (MSME) sector is a significant contributor to the GDP of the country. Due to its significant contribution towards economic growth, employment generation and balanced regional development, the MSME sector has been given a priority by the Government of India and it has launched a number of programs to accelerate the growth of the sector.

As per the estimates of the Planning Commission, there are over 30 million MSMEs in India. Out of these, nearly 95% of the enterprises are unregistered and belong to the Micro & Small Enterprises (MSE) segment. Of the total MSEs, over 70% of them are engaged in services, and the balance 30% in manufacturing. It has been acknowledged that lack of institutional finance has been one of the constraints for the growth of MSEs. Due to their limited access to institutional finance, they continue to be dependent on sources such as money lenders, pawn brokers, chit funds apart from family and friends. Therefore, the Reserve Bank of India has mandated the small finance bank to focus on MSE as one of the main customer segments.

Additionally, Government of India has set up a dedicated refinancing agency MUDRA (Micro units development and refinance agency limited) to facilitate flow of funds to this segment of customers. The unmet financial needs of MSE offer a great opportunity to banks and

NBFCs to develop a strong business line dedicated to this particular sector.

The Micro and Small Enterprises (MSE) business of Ujjivan offers secured and unsecured loans to MSEs to meet their business requirements. The MSE business caters to both the registered and unregistered segments. The increase in loan ticket sizes, expansion of the geographical footprint of the business, new product offerings, reduction in loan service time, rewards and recognition program and marketing efforts enabled the strong growth of the business. The introduction of GST in July affected the business to some extent in the second quarter of the year, but the business picked up subsequently. The portfolio quality remained good with the collection rate at over 98%.

In 2017-18, MSE recorded strong growth in disbursements with a substantial increase in the customer base during the year. Progressively the accent on secured loans has been higher, in order to manage this segment responsibly and sustainably.

The following products were on offer during FY 2017-18:

SECURED ENTERPRISE LOANS: This product caters to the need of customers who are into the business of Micro and Small enterprises and require loan for expanding their business premises/purchase

of new machinery, working capital, debt consolidation or any capital investment. Primarily, the businesses are registered in the segment. Some formal documents are collected as income proof. In this segment, the tax filing is done although irregular and there is moderate exposure to banking. The loans will be secured by collateral.

- Loan Amount: Rs. 10-25 lacs
- Tenure: Upto 120 months

UNSECURED ENTERPRISE LOANS: This product caters to the need of customers who are into the business of Micro and Small enterprises and require loan for expanding their business premises/purchase of new machinery, working capital, debt consolidation or any capital investment. Primarily, the businesses are registered in the segment. Some formal documents are collected as income proof. In this segment, the tax filing is done although irregular and moderate exposure to banking. No collateral is required for these loans.

- Loan Amount: Rs. 3-5 lacs
- Tenure: Up to 36 months

UNSECURED BUSINESS LOANS: This product caters to the need of customers who are in the business of Micro and Small enterprises and require loan for expanding their business premises/purchase

of new machinery, working capital, debt consolidation or any capital investment. Primarily, the businesses are not registered in the segment, and there is no documentary income proof. These segments typically have high fungibility with family income and expenses. No collateral is required for these loans.

- Loan Amount: Rs 2-3 lacs
- Tenure: Upto 36 months

WAY FORWARD: In the coming financial year, the MSE Unit plans to significantly expand its distribution reach as more Bank Branches are launched. The focus would be in terms of improving turnaround times for loan processing through introduction of Loan Origination System (LOS) and its integration with Loan Management System (LMS). This is also expected to result in consistent credit underwriting leading and superior customer experience. Ujjivan MSE business plans to offer complete Banking solutions to customers to enhance relationships with its growing customer base.





For the last 12 years, Ujjivan has been working closely with low income customer segments often referred to as micro-entrepreneurs and economically active poor. However, there was always a need to become a specialized bank in order to provide a full range of banking products & services to low income households.

In the last financial year, we successfully transformed into a Small Finance Bank with an objective to provide best-in class products and services to our existing 4 million microfinance customers. Our mission is to offer a full range of financial products & services like credit, savings, deposits and third party products like insurance and direct benefit transfers etc. We also aim to provide banking services to the family members, friends and relatives of our existing clients and double our customer base in the next 2 years.

Technology and banking channels are the core drivers of customer service at Ujjivan. Robust portfolio quality is an outcome of sound risk mitigation tools imbibed in our field processes and credit policies which are reviewed and revised periodically.

Last year was a challenging year for microfinance. Post demonetization, the market witnessed changes in consumer behaviors and market dynamics like never

before. Our microfinance business portfolio in Uttar Pradesh, Maharashtra and Karnataka were impacted. We had to re-assess and modify our branch-level and occupation based credit policies to factor in the preparedness for demonetization effect. Due to early response systems and concerted efforts of our field teams, we could manage the risk relatively better than the average industry standards.

During the challenging times of demonetization, we never compromised on our customer service standards. We worked on improving our loan TAT (Turnaround time) by making our LOS (loan origination system) paperless and bringing in selective re-engineering processes. Our improved TAT is one of the best in the sector.

As a Bank, we have now recovered from demonetization impact and have been able to stabilize our business and disbursements. The FY 2017 – 18 has been a focused year of transition and managing collections for microfinance team. We are also focused on our liability product offerings and trained our microfinance teams to generate more deposits for the bank.

There were several important milestones achieved on the technology front. We have made the loan origination (LOS) of all our microfinance loans digital and paperless.



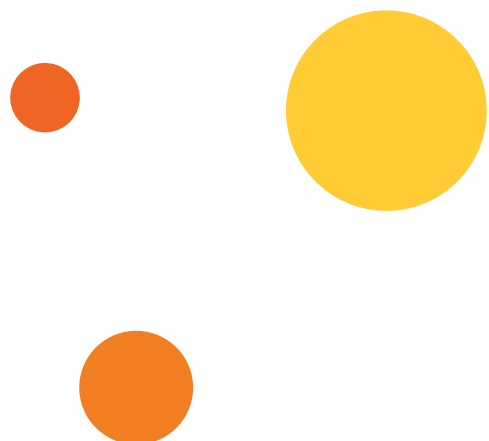
The loan origination system is digitized and all the front line staffs have hand-held device for loan origination as well as liability customer sourcing. The credit process for microfinance loans is also digitized wherein, with the incorporation of Business Rule Engine (BRE tool); the loan underwriting process stands automated. Education loan product upper limit was increased to INR 50,000 to assist customers in meeting the expenses incurred towards household educational expenses.

We also worked a lot on strengthening our workforce by investing on training and capacity building aimed towards making our people ready for banking needs. Despite being hit by demonetization and related challenges, we featured as a one of India's Best Companies To Work For by Great Place To Work Institute yet again.

FY 2018-19 is going to be very exciting. We shall be working towards increasing our Microfinance asset book by 20 – 25% and simultaneously focus on building the microfinance liability book by leveraging our existing loan relationship with customers.

We are working on bringing process improvements and loan digitization to further narrow down our TAT. A work plan optimization is in process to free some time for our front-end staffs so that focus could be enhanced

towards liability business build up. More importantly, we will enhance our relationship with existing customers by working towards bringing their family members under the scope of a wide range of banking products and services.





Ujjivan Small Finance Bank started with a mission to be the best institution to provide financial services to the unserved and underserved and transformed to a mass market bank. To be aligned with our mission statement we embarked on a journey to provide full range of financial services to our target customer segment. Post receipt of NOC from Reserve Bank Of India to commence the insurance business, we approached IRDAI for transfer of the Corporate Agency License from Ujjivan Financial Services Ltd to Ujjivan Small Finance Bank Ltd. IRDAI transferred the license with effect from March 17, 2017 and allowed us to operate as a composite agent under the open architecture policy.

Customers of the microfinance segment continue to be a large and important part of our business. During our discussion with the customers we realized that there is an unmet need for Insurance. Customers are concerned about the future of their family in absence of the wage earner and requirement of funds in case of a medical emergency.

We are offering our customers, their spouses & co-applicants option of enrolling under group insurance scheme. This is being done with the purpose of providing financial support to the family of the customer in the

case of an unfortunate event and eliminating the burden of repayment of outstanding loan balances.

Customers have a wide choice of products to choose from based on their requirements. To do so, we have partnered with Bajaj Allianz Life Insurance, HDFC Life Insurance and Aditya Birla Sun Life Insurance to provide life insurance solutions to customers. The insurance product offerings have been meticulously selected post an extensive consumer research. We are currently distributing Term Insurance, Endowment and Unit Linked Insurance Plans. We are also in the process of bringing Health Insurance and Asset Insurance solutions for our customers.

RURAL BANKING



As per Reserve Bank of India mandate, 25% of our bank branches need to be in unbanked rural areas, co-terminus with the financial inclusion plan. An 'Unbanked Rural Centre' (URC) is a rural centre/village that does not have a brick and mortar structure of a bank for customer based banking transactions. In FY 2017-18, we identified prominent locations in East & South regions for URCs. Customers in Unbanked Rural Centres have no access to banking in their vicinity and had to travel to nearby towns for their banking needs.

The launch strategies for URCs were executed keeping in mind the customer needs and their financial requirements for a better tomorrow. The concept of doorstep account opening using Aadhar authentication on a hand-held device was a new experience for rural residents. This seamless service of Ujjivan Small Finance Bank without any paperwork hassles was welcomed and appreciated by the residents. We are educating and guiding URC customers on how to manage their savings better and enabling them to become financially empowered.

Ujjivan Small Finance Bank has opened 24 URC branches and 7 Business Correspondents (BC) in the financial year 2017-18 focussing on the needs of the communities and customer segments. During this period, we were able to book Rs 2.2 crore liability business and assets worth Rs.9.3 Cr.

We will continue to extend relationship banking service to rural customers. We will offer customized affordable

and accessible financial services to Small and Marginal Farmers and other rural customers enabling them to improve their income levels and savings. Differentiated marketing tools through Farmers Clubs assisted by NABARD will be used to improve visibility of branches and business.

Customized products will have repayment aligned to cash flows and dairy loan as a component will be offered to dairy farmers to maintain touch base monthly. We will focus on products such as Dairy loans, Composite Agriculture Loans, Kisan Credit Card and two wheeler loans in rural areas. Ujjivan Small Finance Bank will be positioned as a preferred financial services provider with these customized products and services and TAT driven convenient branches in availing loans and depositing disposable income.



MARKETING – CREATING A COMPELLING DIFFERENTIATION AND BRANDING FOR UJJIVAN SMALL FINANCE BANK

Marketing at Ujjivan Small Finance Bank is aiming to make a fundamental yet holistic impact on the unserved and underserved customers who continue to remain outside formal banking systems.

Our current challenges stem from factors ranging from previous economic discriminations, non-access to formal banking systems, inability to understand banking products & processes, prevalent ignorance and myths which many customers from these segments have had historically about banks.

Our marketing strategy and frameworks are therefore strategically underpinned to address these very challenges while establishing the Ujjivan Bank Brand as one of the best in its class.

As a marketer of a new financial service brand, where trust plays such an important role, we had to do something different, something dramatic yet something which was real, credible, connected and would definitely appeal to our customer's minds & hearts. Thus was borne Paison Ki ABCD – a financial literacy film, jointly developed with the Parinaam Foundation.

The resultant was an innovative and content rich driven film which beautifully set the tone for the prelaunch of the bank and announced the arrival of a bank, to the unserved and underserved segments which are core to Ujjivan. It also built a solid Marketing approachability to the bank and made customers feel a space of their own.



MARKETING & LAUNCH OF BRANCHES USING DIFFERENTIATED CONTENT AND MULTIMEDIA APPROACH

Post the high decibel bank launch last year, where we got Noble Laureate Prof Mohammad Yunus to inaugurate our first branch, a series of State-level branch launches have followed since expanding our retail presence across 20+ States in the country. These launches have been executed using unique cultural and state specific symbols to emphatically announce our arrival & presence in an inimitable and stand out manner. Very rarely has a brand used such different content and innovation to deep dive into customer minds and spaces for impact, thus departing from a conventional and unilateral national framework approach which is so typical of nationwide extensions. Each creative content linking the state to its socio cultural ethos, magnificently connected with the hearts and minds of our customers.

To educate our customers about our transition to a bank, we also designed robust brand and product marketing campaigns, which engaged, educated and empowered both our existing to Ujjivan and new to Ujjivan customers alike. Two thematic press campaigns titled 'Ujjivan is now a Bank' and 'Ek Alag Bank' (a different bank) was created to underpin the transition

and transformation both emotionally and functionally. The campaign was executed across multiple mass mediums spanning Television, Print, Outdoors, Digital, PR and Brand Activations thus building a direct connect with the mass markets



TELEVISION CAMPAIGN

Ujjivan Small Finance Bank unveiled its debut brand campaign on television in March 2018 starting with two key markets of Karnataka and West Bengal. The campaign attempts to strategically position Ujjivan SFB as a bank of choice among the target consumer segments using its key service propositions of 'Doorstep& Instant Account Opening', 'Paperless Banking' & 'Special Service Envelope for Senior Citizens'. Customer research & insights had revealed 5 brand drivers amongst our target audience namely: Simplicity, Convenience, Assistance, Trust and Security.

The Brand Campaign, while addressing these pivots head on, showcases them in real life situations which are absolutely relevant and credible for our target audience. The commercial went live across major Kannada and Bengali channels and would gradually progress to a national outreach. Besides Hindi, the TVC has been adapted in various vernacular

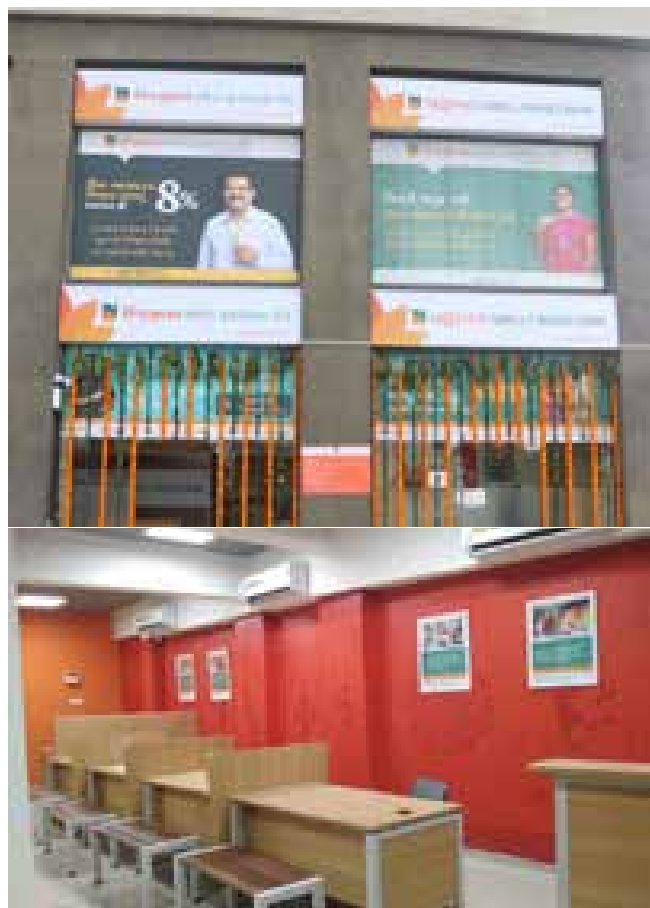


languages: Kannada, Tamil, Malayalam, Marathi, Assamese, Bengali, Odiya and Gujarati for widespread reach and connect with the masses.

In the campaign there is a sub message of Ujjivan having transformed into a Small Finance Bank from its previous avatar of being a NBFC-MFI. Ujjivan also consciously departs from its earlier positioning and tag line of 'Build a better life' to 'Better Banking, Better Living' (Behtar Banking, Behtar Jeevan).

BRANCH BRANDING

The branches of Ujjivan Small Finance Bank have been designed as per the new brand identity developed by the Marketing team following a massive consumer research with existing and potential customers. The branch design celebrates Ujjivan's deep rooted societal connect and continual impact on building better lives for the millions of our customers. The design and final output has come in for considerable appreciation from customers and stakeholders. The branch premises have been innovatively branded internally and externally with product communication on glass façades, TV displays which refresh content and beam messages in vernacular, standees and special gateway arches to highlight the service offerings aiding visibility and footfalls.



RADIO & CINEMA CAMPAIGN

Keeping content as the corner stone for recall and comprehension, the medium of radio was effectively leveraged. Our key USP's and product promises such as, formless banking, doorstep account opening, biometric ATMs and higher interest rates on deposits were highlighted in the campaign. The unserved and underserved customers often struggle to understand the importance of banking, its products and services, when content was presented in a simple and entertaining manner, it hit all the sweet spots. The radio advertisements executed in regional languages with a colloquial flavor created massive awareness & action impact by delivering the core product messages in a simple and humorous manner. Post recall studies done by the Marketing team confirmed buildup of desired brand salience and equity.

Ujjivan SFB also leveraged the Cinema medium to act as a multi-media reminder for a captive target audience delivering big screen impact. The campaign ran successfully in key Ujjivan states of Karnataka, Tamil Nadu, West Bengal and Gujarat.

DIGITAL & PR

Digital marketing & PR has played an integral role to highlight bank's presence on the web and in national media. On the digital front, Google location mapping was implemented for all branches launched in last FY to ensure each bank branch has its presence on digital and to enable seamless user navigation. The website (www.ujjivansfb.in) search ranking has improved massively since the bank launch due to continued Search Engine Optimization to augment search terms of the bank and its products. The website traffic has recorded an increase of 200% per month in the last fiscal.

Marketing also executed digital drives to generate leads through targeted Emails and SMS campaigns on varied products and service offered. The social media strategy to drive consumer engagement through Facebook, Twitter, LinkedIn and YouTube delivered encouraging results. In a span of one year, Ujjivan Small Finance Bank has garnered over three million impressions through its social media presence. Social channels were effectively utilized to drive the bank's brand communications on branch launch updates, product messaging, recruitment posts, Awards & Accolades and more.

In addition, Public Relations played a crucial part in creating key messages on company's transition and built a positive perception of the bank in national media. Media stories appeared nationally in top publications and TV channels creating a buzz on country wide branch launches, new product offerings, transition success stories from an MFI to SFB, our corporate and hiring strategy, business plans for the year and much more.

With digital taking prominence in the media universe for driving consumer awareness and engagement, Ujjivan Small Finance Bank will build on its focus and presence on digital channels in the next Fiscal Year.

Ujjivan SFB has been the MOST written and talked about SFB brand in its category based on all of the above initiatives. It continues to enjoy the highest share of print amongst all other peers.



As a new age small finance bank it was important for us to adopt a new approach where human touch and technology blend in to give the unserved and under-served customers a unique experience which they value and helps us in developing deeper profitable relationships with them. The aim is to accomplish this by enhancing their banking experience and offering segmented customer-centric solutions. To achieve this, a multi-channel network is deployed which includes doorstep account opening with the aid of hand held devices, unique bank branches, bio-metric ATMs and debit cards allowing access to Point of sales terminals and e-commerce merchandise for cash and cashless transactions. Further, a 24X7 phone banking center and internet and mobile banking solution is also made available - each specifically crafted and implemented to cater to the unique banking needs of each of our focus segments.

In our efforts to expand formal banking services and to build basic banking habits for our unserved and under-served customers thereby facilitating financial inclusion; door-step account opening services have had great demand delivering to over 40 lac customers each month across 24 states and union territories. We have successfully installed 146 biometric ATMs which are being well utilized by our customers. These ATMs are easier to operate, ensure cash availability at will, and in secure settings. We see our customers increasingly using their debit cards for making cashless transactions, purchases and payment obligations.

Ujjivan's Phone Banking unit is a team of dedicated Phone Banking officers who are available 24 hours a day, 7 days a week and are equipped to handle customer needs from the simplest of queries to requests for new products or services on bank accounts. Customers have to face an Integrated Voice Response (IVR) tool

only to choose their preferred language of interaction. A bilingual phone banking officer then attends to the customer addressing his/her needs in a personalized way. Simple services like balance in an account or recent transactions can also be serviced with a convenient missed call facility. The Phone banking unit also plays an important role in sourcing 'new to bank' customers who approach the team in response to various marketing interventions conducted by the bank.

This continuum of access options and banking services include a fully digital, safe, secure and self-service banking experience which can be either accessed through the internet or over a smart phone handset. Customers have shared positive feedback on the simplicity and relevance of the solution which is validated by their high engagement rates that exceed 12 contacts on an average each month once they download and experience the application for the first time. The application has a high satisfaction score of 4.7 out of 5 on the Android play store, which is one of the highest scores in the finance category amongst our peer group. This feedback helps us to continually strengthen our application, even as we respond to the customer needs.

Our successes lie in an easily adaptable solution based architecture backed by the high customer adoption rates which help to optimize costs and improve customer experience thereby ensuring customer empowerment at scale. To accelerate the adoption of these initiatives, digital buddies (Digi-Buddies) have been deployed at each Ujjivan branch. Digi-buddies are agents of change, not only for our customers to whom they demonstrate the power of alternative channels at the bank through live demonstrations but also to our field force, helping them convert into new age bankers who aid customers in going digital at a convenient, yet accelerated pace.

OPERATIONS: FROM CONSISTENCY & CREDIBILITY TO EXCELLENCE



We began the financial year of 2017-18 with the aim of achieving consistency in operations processes so that customers could experience a cohesive delivery of services and products, which in turn would establish the credibility of the Bank. As the financial year unfolded and processes stabilized, Operations shifted its focus towards enhancing the quality of delivery, reducing turn-around-times and cutting costs. And much of this was achieved through a series of major and minor initiatives undertaken in this direction.

A snapshot of some of the milestones in this journey is presented below.

INTRODUCTION OF 'INSTA-KITS' AND 'INSTA DEBIT- CARDS':

- At the beginning of the FY, customers would get personalized debit cards and cheque books, and personal identification numbers (PINs) after opening the accounts. These deliverables would take at least 7 days to reach them. And customers would not be able to operate their accounts until they received these vital tools.
- To enhance customer experience and do away with the problems associated with delay / non-delivery of personalized deliverables, Operations introduced 'insta-kits' in November 2017.
- An insta- kit contains a non- personalized debit card and its PIN, and / or cheque book which are linked to a pre-generated account number.
- When a customer wishes to open an account, the kit is issued to him or her. Thus they get the deliverables they require to operate the account immediately, on the spot.
- Consequently customers need not wait, need not

follow up with the Bank in case the deliverables do not reach; with insta- kit an account can be opened and operated on the go!

- Of course, if they so wish, a customer can still opt for personalized debit card and cheque book. They are now spoilt for choices!
- Insta-kits apart, insta-debit cards too were introduced in March 2018. With insta-debit cards, a customer who loses or damages his or her existing debit card need not order and wait for a new one! Instead he or she can walk into a branch and get a new debit card immediately, over the counter.
- Insta-debit cards will also go a long way in reducing the huge costs that the Bank was incurring on manufacturing and stocking personalized kits for MFI borrowers.

INTRODUCTION OF 'GREEN PIN':

- Customers earlier had to request for new PIN's in case they forgot their old ones. And new PIN's would take at least 7 days to reach them.
- To overcome this limitation, the Bank introduced 'Green PIN' in December'17.
- This facility enables a customer to set his or her own PIN at any Ujjivan Bank ATM.
- He or she can do it either through Aadhaar enabled biometric authentication (fingerprint scan) or through the one-time-password (OTP) route.
- Customers now need not wait for the PIN and then go the ATM to change it. Now they can directly access the ATM and set their own PIN at their convenience.

- This is an environment-friendly option of saving paper and the carbon footprint associated with delivering the PIN to the customer is avoided

SWITCH TO INDIA POST:

- The Bank was earlier using the services of private courier service providers to delivery debit cards, PINs and cheque books to customers.
- The service of these courier companies was below par and as a result the Bank had to grapple with several complaints from customers.
- Towards the end of November, the Bank switched to the Speed Post service provided by India Post.
- Since then, the number of complaints has seen a sharp fall. And the icing on the cake – the average TAT for delivery has dropped by a substantial 25%.
- In February 2018, 72% of the deliverables reached the customers concerned within 7 days and only 4% of the deliverables came back to the Bank undelivered.

ONLINE PAYMENTS THROUGH INSTAMOJO:

- In April'17, the Bank launched an online payment option on its website, www.ujjivansfb.in, in collaboration with Instamojo, a payments gateway service provider.
- Initially designed to allow the Bank's borrowers to pay EMI's / overdue instalments through debit cards, net- banking of other banks and e- wallets, the scope has since been expanded to allow users to pay housing loan login fees and employees of the Bank to repay their staff loans.
- For the first time the repayment value crossed 25 lakhs in December 2017, the amount doubled in January at 50 lakhs. The repayment collected in March was 1.25 crore, more than 4000 customers are using this facility.
- As of March 23, 2018 the number of repayments stood at approximately 8500 and the total amount collected at Rs 3.80 crore; a small but significant step towards cashless repayments.

GLOW ROLL- OUT:

- GLOW was rolled out in June 2017 with just 2 CRO's.
- Since then, it has been scaled up to over 3000 CRO's across India.
- With the introduction of GLOW, the TAT for processing loans has reduced from 8-9 days to 3 days.
- GLOW has significantly reduced the Bank's data entry costs – the Bank saved 3 million rupees

in December 2017 and over Rs 4 million each in January and February 2018.

- Operations is now on the verge to launch Version 3.0 of GLOW, which would further revolutionize the process of booking and disbursing group loans.

CASH TO OTHER BANKS (CTOB):

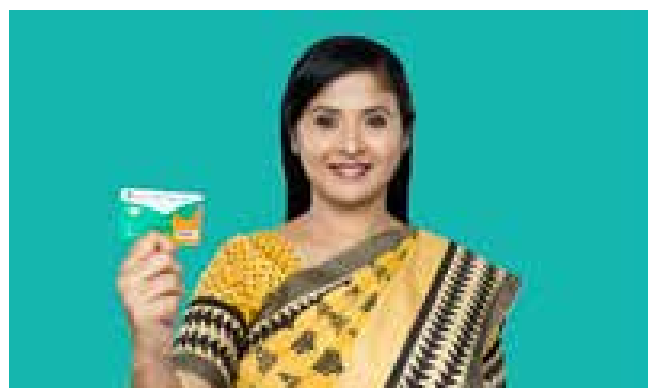
- Under the CTOB initiative, SFB branches of the Bank remit cash held in excess of their requirement to other banks that need currency.
- The 'borrowing' banks repay the SFB branches through NEFT or RTGS.
- This results in huge savings for the Bank:
- No charges for moving cash through CIT vendors
- No cash deposit charges for depositing cash into accounts maintained with other banks and currency chests
- The initiative began in February 2018 and since then volumes have increased manifold. For example, branches in South remitted Rs 2.27 crores in February'18; in March'18, the volumes saw a steep climb to over 11 crores.

Consistency, credibility and excellence apart, Operations team has also focussed on promoting Gender Balance at work. Operations have been making a conscious effort to achieve this objective. This is best exemplified by the below:

- 4 of the 5 Management Trainees hired by Operations in FY 17-18 are women
- The Regional Processing Unit of South has more women employees: 8 women to 6 men
- Line managers are giving preference to hiring women candidates over men

And as it forays into the new financial year, Operations have their sights firmly set on the twin targets of Customer Delight and Excellence:

- Delight to all customers – internal and external
- Delight to business partners
- Excellence in products
- Excellence in delivery of services





Financial Year 2017-18 was a challenging year for the microfinance industry and a real test of our strength and character. The steep drop in repayment rates due to demonetization impacted our portfolio quality and small finance bank transition plans at the start of the FY. However, Ujjivan has recovered well from the impact of demonetization with our monthly collection efficiencies back to over 97% in March 2018. Our decision enabled our robust credit risk framework to not operate in Vidarbha and some districts of Madhya Pradesh has favored us positively during this event.

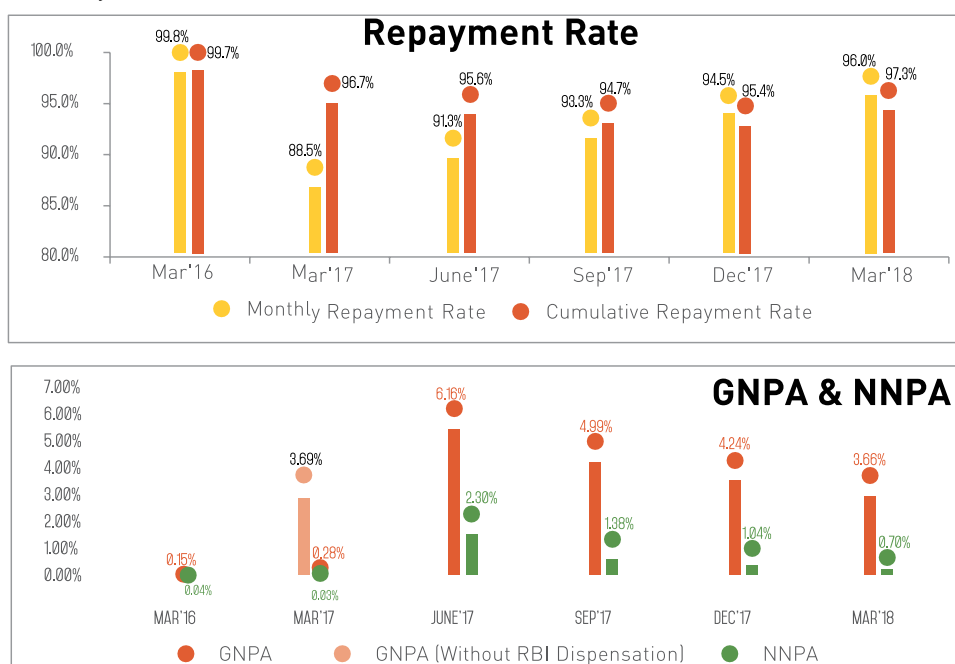
Our proactive approach in involving the Branch staff for collections, along with setting up of dedicated collections team primarily focused on 90 days past due accounts has yielded good results with an average monthly traction of 30% on accounts handled by this team. Considering the vintage of these overdue, a 30% traction is significant and gives us hope of a constant recovery environment during the next financial year.

Our fresh delinquencies have been contained over the quarters and with our sustained collection efforts the PAR (Portfolio at Risk >0 days) has steadily declined from 10.2% in March 2017 to 4% in March 2018. For all new loans disbursed from Jan 2017 onwards the collection efficiency continues to be at an impressive 99.7%. Our GNPA had peaked to over 6% during the year which declined to 3.66% as of March '18. Since majority of the provisions have been taken during the year, our Provisioning Coverage Ratio stands at 82% and as result our NNPA as of March '18 stands at 0.70 %.

In response to our customer needs post demonetization, we have been quick to make necessary changes to our lending model including discontinuation of group members' guarantee and instead focus on Individual on-time repayments at the center meetings.

Post demonetization all our branches in affected geographies are being re-surveyed to identify and exclude problematic areas, identify expansion areas and focus on servicing repeat customers. Re-building business and portfolio cautiously is our goal in these geographies along with continued recovery efforts that will help keep our incremental credit costs to pre-demonetization levels. The credit risk framework is also being re-visited to incorporate our learnings as we emerge with a stronger character from this devastating event.

On the underwriting side, we continue to leverage technology to further strengthen our assessment processes and effectively use data and credit models to ascertain credit behavior of various customer segments as we diversify the product suite to offer Personal loans, Two wheeler loans and other new products under rural lending. This will also help us achieve our objective of providing pre-approved and digital credit offerings to all customers including existing microfinance customers.



BRANCH INFRASTRUCTURE



We aim to provide an attractive, easy access, well-functioning work environment which offers a great service experience to our customers. At Ujjivan SFB, we are driven to break barriers, set new benchmarks and continue to build upon our fundamentals of transparency, trust, efficient services and delivering on the brand promise. Admin & Infra's branch banking journey began with setting-up of branch models which were designed by Marketing. Each model was of different size but replicating Ujjivan's vision for an ideal open banking space, which was later termed as 'Ujjivan's SFB model'. We were overwhelmed to receive a positive and encouraging response from internal stakeholders and customers alike.

We extended this model across 187 branches of which 40 were in Unbanked Rural Centers (URC). Our branches provide a broad spectrum of integrated service solutions, exceeding customer needs and expectations.

Our choice of strategic partners who would work on an integrated solution was very selective. We combined modular furniture with an open ceiling finish to enhance banking experience. Our partners maintain the highest quality standards which include certifications of ISO 9001, ISO 14001 – 2004, and ISO 18001 – 2007. One of them is the only manufacturer in India to have FIRA UK quality certification.

Recognizing Ujjivan's mission to be the best financial institution across target customer segments, it was imperative to venture new markets and establish an identity in unbanked areas. As per RBI mandate, we made a move to foray into URC locations, not only to extend formal banking services but also to aid financial inclusion. We further tweaked our designs to be accepted at leaner demography areas, and setup ultra-lite models, a toned down version of branch to provide an exceptional branch banking experience to our rural

customers. We constantly work on customer feedbacks to ensure we meet their expectations and serve them better.

In addition to banking outlets, we have successfully set-up new premises of regional offices in Pune, Noida and Kolkata to effectively contribute in increasing operational efficiency and well equipped 24/7 functioning Phone Banking Unit in Bengaluru to remotely serve our customer base.

On physical security aspect, fully converted branch offices and regional offices have three lines of defense security systems in place, and we are introducing remote monitoring systems (RMS) in the coming year. We believe the technology based security solutions can bring down the cost significantly that will help optimize banking operations. Our enterprise security control approach safeguards against internal and external threats and fraud, allowing enhanced protection to employees, customers, assets, offices, branches and bank office operations





Ujjivan has always believed that technology will be the engine that will drive us through the journey of becoming the best mass market bank. The journey is about creating technology that will help our customers embrace banking with ease, experience banking at their convenience and stay engaged through superior services.

Our technology strategy has three pillars (a) providing banking at the door step (b) leverage platforms and partnerships for tailor-made products (c) adopt digital to service customers better.

OUR TECHNOLOGY FOUNDATION

The technology platform implemented allows our customers to be served at the door step. As he gets familiar with banking, the customer can also reach us through a channel of his choice (mobile, telephone or through our branch).

- Biometric is our new pin. The philosophy is actually implemented while on-boarding an account as well as while providing basic banking services to our customer
- Our USP is 'paperless' door-step delivery at your convenience. The account relationship journey starts through the ubiquitous Hand-held device by using Aadhar. In addition, to opening an account, the device allows for a host of services including deposit opening, remittances and withdrawals.
- The loan originating system has additionally been put in place for MSE/ Housing that allows for sourcing, verification as well as underwriting in a seamless way. The entire cycle is integrated with the respective bureaus to ensure a high degree of straight through process.

- The product processors (core banking) platform provide the much needed capability to quickly launch new assets and liabilities products.
- And finally the CRM, provides a 360 degree view of the customer's entire relationship. It allows our feet on street staff a better visibility of the customer and helps serve them better.

All this come together in a seamless way with the help of a state of the art Enterprise Service Bus. Our strategy has been to deploy technology that empowers our employees to service our customer better.

KEY INITIATIVES

With the foundation laid, the latter part of the year saw a shift in renewing a focus on less-cash economy and also embarking on the digital journey

- Ujjivan has been one of first banks to have a biometric ATM. Customers can transact with a fingerprint. Last year saw additional installations of the biometric ATM.
- Aadhar based payments have been implemented through our business correspondents to further facilitate transactions from our customers as well as "other bank" customers using only Aadhar.
- In order to further a less -cash economy, the loans disbursed have been credited to the savings account. The system has been configured to open an account as part of the loans process itself. In addition, a debit-card is also given instantly to ensure that the money can be withdrawn at their convenience.
- In order to ensure better customer service and usage of the debit card, insta-kit has been launched. The insta-kit is a delivery kit (with the ATM card and pin) given instantly that ensures the account can be used immediately.
- It was found that customers forget their pin or do not use their pin despite getting one. In order to help customers, the technology team has implemented a green-pin option that allows customers to choose their own pin number through the ATM.

Our Technology is built to empower our employees to serve our customers better.

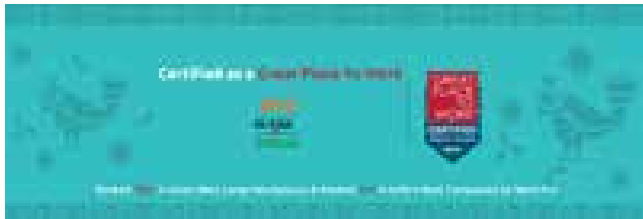
HUMAN RESOURCES

EMPLOYEE'S FIRST

The Financial Year 2017-18 has been a challenging period for Ujjivan. Together as an organization, we continue to soar above challenges such as transformation, demonetization and several structural challenges. Working in tandem with businesses and verticals, amid challenging times, the HR team has been able to partner in building a strong foundation for a Bank that is centred on core values and excellent services.

The Human Resources team has been continuously engaged in developing Ujjivan's core values of Integrity, Transparency, Respect, Professionalism and Teamwork. Our people have been our vital energy source, giving us strength in every step of our growth. At Ujjivan, "Employees First" is our motto. We believe in the purposeful involvement of employees at the workplace so that they can make a difference & give back to the community and make a positive impact.

UJJIVAN CONTINUES TO BE A GREAT PLACE TO WORK!



Ujjivan has consistently been ranked and recognised among the Best Workplaces through the last decade. Great Place to Work® Certification is one of the most prestigious achievements for any organizations across the globe.

Ranked 10th in Asia's Best Large Workplaces and ranked 13th in 'India's Best Companies to Work For'. Ujjivan Small Finance Bank, also received the recognition for **'Being the Best in the Industry - Small Finance Bank'**. We are both proud & humbled by the recognition & we believe that this recognition received over the years has been possible because of our **"Employee-first"** approach.

We believe that happy employees create happy customers. This is the reason why Ujjivan tops the chart in Customer Service & Customer Retention Ratios across the Banking & Financial Services Industry. We also practice an open door policy that fosters transparency, fairness, collaboration and innovation within the organization. A few examples of our efforts in this direction.

EMPLOYEE ENGAGEMENT SURVEY-'BOLO UJJIVAN':

An employee - first approach has always been characteristic of Ujjivan and we are continuously striving to build a better work place. Towards this objective, we designed an internal employee survey named **"Bolo Ujjivan"** to seek open and candid feedback from employees. The Survey was launched across regions for 7,231 Employees on January 31, 2018 and received an **89% response rate**. Based on the responses received, the



HR Team designed various initiatives revolving around employee satisfaction.

FAMILY DAY EVENTS KEEP EMPLOYEES CONNECTED:



Regular team outings got a much-needed remodelling this year at Ujjivan. We insisted that teams must take a day off with their near & dear ones. Through these events, employees got an opportunity to interact with each other & their families in a relaxed setting, away from work premises. These events foster a spirit of belongingness, team spirit, and inclusion. Demonetization and transition periods triggered high-stress-times for employees and their families and thus, Ujjivan took the opportunity to thank families of employees for standing by our side through these events.

UJJIVAN'S SPIRIT OF CELEBRATIONS: At Ujjivan all employees come together with great fervour & excitement to celebrate several regional & national festivals, milestones of the organization/teams and several other important days of awareness. Independence Day, Diwali, Dussehra, Great Place To Work ranking, women's day, world yoga day etc. are a few events where employees came together in their festive best. We also conducted several activities such as quizzes, food fests, cultural & talent events to keep employees engaged.



ENGAGEMENT THROUGH SPORTS EVENTS:

Several engaging sports events and tournaments were organized across regions. Employees came together in their competitive best to participate in Marathons such as the urban stampede, TCS marathon in Kolkata, Ujjivan cricket premier league and women's throw ball tournaments etc.



WELLNESS INITIATIVES: Demonetization led to increased work load and stress which took a toll on employees. We ensured that the health of employees were taken care of by organizing for health check-up camp across regions. These health checks were also extended to the employee's families and the response received was overwhelmingly positive.

RECOGNITION: Jacob George, National Manager, Talent Acquisition has been conferred an award as one of the 'Top 100 HR Minds in India' by the World HRD Congress, India Chapter in February 2018.

HIRING THE BEST TALENT: 3554 candidates joined the Ujjivan family in FY 2017-18. As a part of a regular practice, candidates are requested to visit an Ujjivan branch and spend time with field staff before the job offer is rolled out. Also, prior to joining Ujjivan candidates are engaged in introductory sessions wherein they get to learn and understand Ujjivan's journey.

The Employee Referral Program is a reflection of our strong belief that our employees are our best brand ambassadors. Ujjivan closed more than **25%** of all open positions through Internal Job Promotions (IJPs) and more than **60%** of the open positions through employee referrals as well as customer referrals. While there is

emphasis on hiring skilled and experienced candidates, we also focussed on attracting young talent under our 'Graduate Hiring' and 'Digibuddy' programs.



MANAGEMENT DEVELOPMENT PROGRAM: Since 2008, Management Development Programmes (MDPs) has been one of Ujjivan's key methods of welcoming & engaging fresh Management graduates. This structured programme moulds young professionals to take on challenging projects, thus enabling career progression and long-term association with Ujjivan. 118 Management Trainees joined us through 'Ujjivan Gurukul 2017' – our most recent Management Development Program.

During this placement season, Ujjivan also initiated hiring of Management Trainees from prestigious Universities across India and the Indian Institutes of Management (IIM). We were one of the Top recruiters at the campuses that we visited this placement season and the student community was excited to learn more about Ujjivan.

REINFORCING LEARNING: This year saw the introduction of a number of learning initiatives for both the frontline branch staff and the back end staff.

The following were the areas of focus:

- Training for transformation and managing new branch roles
- Building a Risk and Compliance Learning Culture
- Establishing in-house capability for technology training

TRAINING FOR TRANSFORMATION AND NEW BRANCH ROLES: Customized curriculum was built for each role and post evaluation processes were put in place. All the key branch roles went through a three-part training program (Function-specific, Compliance and Technology). For the year 2017-18, we have trained approximately 7000 employees across roles.

Employees were sent to various trainings offered by approved institutions such as IIBF, CAFRAL and NIBM. The audiences ranged from Assistant Managers to members from the National Leadership Team.

BUILDING A RISK AND COMPLIANCE LEARNING

CULTURE: Ujjivan has focussed over the year in developing the compliance culture at our branches. We have trained 1800 employees across roles at our branches.

ESTABLISHING IN-HOUSE TECHNOLOGY TRAINING

CAPABILITY: This year saw the establishment of our in-house technology labs across all four regions and building customized technology content for all the applications used across branches in partnership with the respective functions.

RETAINING TALENT: In FY 17-18, 3500 employees were on-boarded to the Ujjivan family. This included a proper mix of enthusiastic fresher's keen to learn and take up challenges, seasoned bankers, and domain experts. We were successfully able to retain **83%** of the employees, our attrition rates is one of the lowest in the industry.

PROMOTING EXPERIENCED STAFF: Employees were encouraged to take up additional and larger responsibilities and to groom themselves for the next level. Close to **500** employees were promoted to higher roles last year. **1600** employees also underwent job rotations last year to gain varied experience.

PERFORMANCE MANAGEMENT: Employees are provided with an opportunity to self-evaluate their performance before discussing it with their supervisors and are encouraged to discuss any challenges that they face and provide their feedback for their self-development and highlight their training needs.

To ensure that appraisals are objective, month on month performance is tracked through monthly scorecards. Supervisors conduct regular review meetings with employees to share their feedback on the employee's

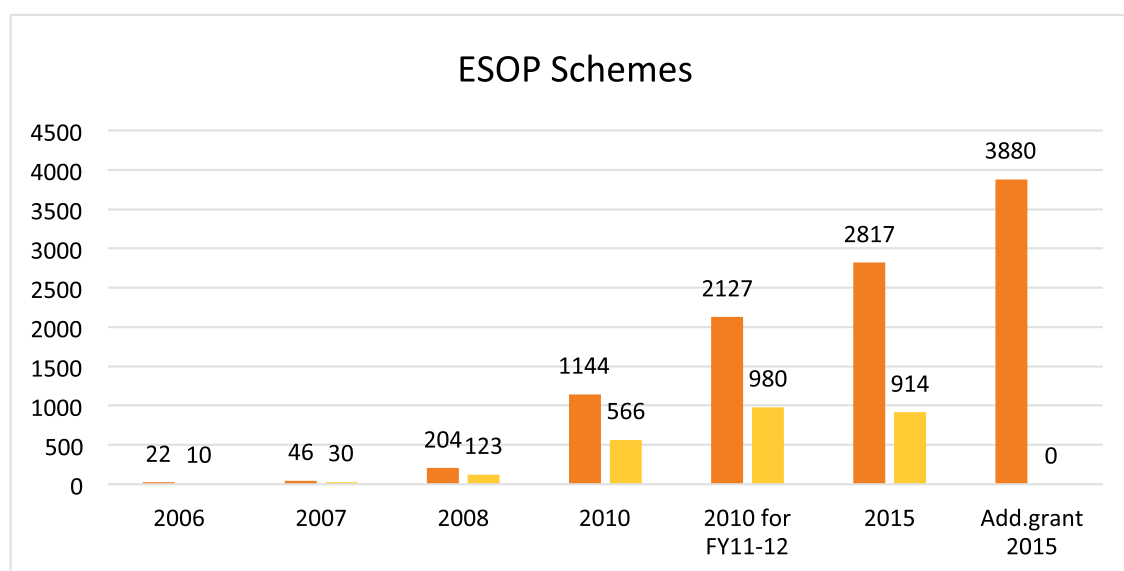
performance and also try to understand their challenges and suggest necessary course corrections.

REWARDING OUR PEOPLE: Ujjivan believes in paying its employees in an equitable and fair manner. We endeavour to link our rewards package to the individual's profile, performance and role. Our endeavour through our Rewards package is to build a meritocratic organization. At Ujjivan we believe that by offering great benefits to employees which are non-differentiated and would lead to increased efficiency and have higher commitment to meeting the company's goals.

EMPLOYEE STOCK OPTION PLAN (ESOP): Ujjivan offers Employee Stock Options as a reward for performance since early days. The stock options are given based on the employees' performance irrespective of their level in the organization. After a successful transition to bank, there is a lot of excitement seen amongst the employees to exercise their vested options under different schemes.

EMPLOYEES' SPEAK ON ESOP: "I am working at Ujjivan for the past ten years. Ujjivan has played a major role in improving my standard of living. I was unable to have any savings out of my salary earlier. But ESOPs given by Ujjivan helped me earn a lot when I sold it. My family is also very happy as it helped me buy a property, which was my dream" -Ramu S (Branch Operation Officer-South)

"I have exercised my ESOP with Net banking payment options which is way more convenient than traditional cheque payment system. Some key advantages are immediate payment, No need to maintain balance for long duration and faster allocation of shares" - Shriram Walve (Area Manager MFI&BB-West)



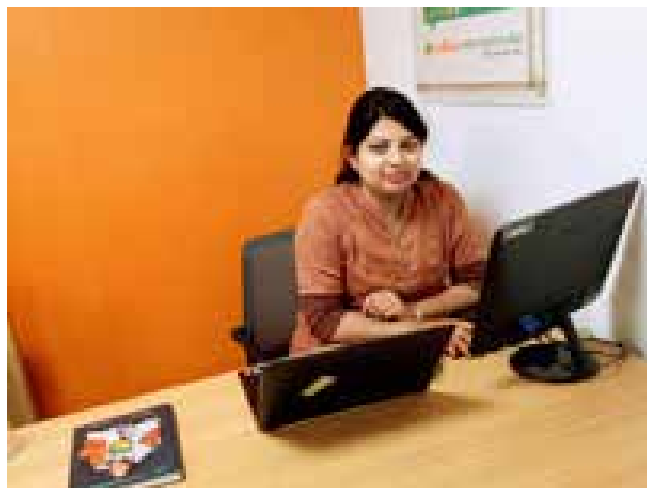
SUCCESS STORIES



I am so grateful that I am a part of such an esteemed organization. I joined Ujjivan as a CRO on 5 Feb 2015 and today when I go back it seems like yesterday. Since the day of my joining I felt a positive vibe working in this organization. There were many ups & downs in my career with Ujjivan where I learned so many new things of working in a prominent work culture.

It was last year in the month of January where I had applied for an IJP. I really worked hard but destiny had something else planned for me, I didn't qualify for the interview. This is where my supervisors guided me, motivated me and taught me the essence of life and its virtue. I regained my confidence and kept working diligently. After few days I heard from my colleagues that another IJP had been published. I gathered courage and approached my supervisor and told that I want to apply for the IJP but also expressed my nervousness of not being able to qualify again. At that time my supervisor told me that "You are born for this day. Go and fulfil your dreams". It boosted my self-confidence and I started preparing for the interview and this time I was selected and was promoted from a CRO to a Cashier. Today it's been 3 years and I know there are endless possibilities in Ujjivan.

Papu Hazarika (UJJ13818)
Titabor Branch – Assam



Savita Mehta's association with Ujjivan began in 2017 when she was appointed as the sales officer at Sirsa Branch. An elated Savita recalls that when she joined the branch she was the only female employee but it never dampened her spirit because the branch staff was extremely cooperative.

Ujjivan as she describes is such an organization that absorbs you and makes you a special part of it. She is thankful for the unending opportunities that have fostered creativity in her. She highlights that celebrating occasions is so much fun at Ujjivan. The most unique feature is that apart from the employees it offers so much to its clients ranging from unending support to making them feel the most important people, like celebrating a customer's birthday or an anniversary. Every month customers are invited in Branch and their feedback is taken to understand their need and for up skilling themselves. With great pride she says, "Today we have more than 700 customers in Sirsa Branch".

Savita Mehta (UJJ21417)
Sirsa Branch - Haryana

RISK AND COMPLIANCE

Risk Management and Compliance has always been a core function at Ujjivan, and was enhanced in the last Financial Year 2017-18 with core competencies built in newer areas like cyber security, cyber governance, transaction monitoring, anti-money laundering and regulatory reporting. During the fiscal year, the function facilitated in securing the several regulatory approvals that were required for the banking business and was primarily responsible in coordinating and interacting with the Reserve Bank of India, for the audit preparatory to the Bank becoming a Scheduled Commercial Bank.

One of the early initiatives by the function was in developing a comprehensive check list of the branch banking process. This was initially intended to serve as a tool to familiarize the new branch banking team with the whole gamut of branch banking processes, but was later used as a scoring mechanism to assess compliance at a granular level. These efforts by the Operational Risk team were complemented by a branch connect program, under which Branch Managers were provided direction on key regulations and transaction monitoring. This has equipped the branch team to graduate to new responsibilities, and also address queries made during periodic incognito visits by Reserve Bank of India personnel to branches. With a lot of the risk in the field processes, and especially those that got magnified during demonetization, the Bank has continued to monitor risk at a granular level, through visits and through a scoring mechanism. The year saw recalibration of this scorecard and inclusion of additional parameters to more effectively measure and monitor operational risk.

While this internal scoring model has served well, the EGRC module in SAS was also implemented and the internal scorecard migrated to this module. It is expected that going forward the scores will be generated from the system and aggregated at Bank level for risk categorization. The Bank is also in the process of developing RSCA through SAS for each of its products, and has developed a repository of loss events. There are comprehensive risk registers for all products and processes. The year also saw a comprehensive review of all operational and financial controls under IFC when a minimum of 260 controls were tested.

Transformation from an NBFC-MFI to a Small Finance Bank provided opportunities for diversification of funding sources through mobilisation of deposits from the untapped market of underserved and unserved strata of the society. The modest growth in CASA deposits during the year was in line with the expectation set by the Bank for its 1st year of operation, especially since roll out of Bank branches was very gradual. Certificate of deposits (CDs) and bulk deposits were therefore the main source of funding in year 1 while the way forward is to diversify the funding sources through a combination of term money, refinance and portfolio re-financing to bring down the reliance on CDs. As the Bank completes its branch conversion roll out plan, it is expected to enable a wider reach in building its core deposits.

Mobilization of Institutional deposits was therefore a key focus area for the Bank to create a foothold into the rate-sensitive yet service oriented institutional deposit sector. With the proposed way forward, the Bank is expected to improve the funding cost with a more diversified liability book after the initial focus of retiring high cost legacy debts in the 1st year.

The Bank has established a separate Mid-Office Treasury function which manages the ALM of the Bank and advises ALCO on the funding mix and tenure of the instruments to be raised via both money market as well as deposit instruments. Mid-Office also advises ALCO on the immediate as well as long term funding needs of the Bank for a pro-active approach towards the management of ALM.

In February 2018, the Bank was awarded the best Small Bank in IT Risk and Cyber Security by the Indian Banks' Association (IBA). This is a coveted recognition of the efforts and investment that the Bank has made in the area of Information Security and Cyber Security. The Bank was the first Small Finance Bank to participate in Cyber drills conducted by the Institute for Development and Research in Banking Technology (IDRBT) and was successful in detecting and thwarting most of the simulated attacks. Considerable investments have been made by the Bank in Security Operations Center (SOC) which is fed with threat intelligence from various sources to keep the infrastructure secure from external threats. The Bank was successful in defending against many global attacks including WannaCry, Petya, Mirai Botnet, Locky Ransomware, Mumba and others.

In keeping with the requirement of the Reserve Bank of India, the Compliance team conducts periodic thematic studies to help identify gaps in systems and processes and advise on areas of improvement. The accent in these thematic studies is more in the area of regulatory compliance and complements the efforts of the Operations Risk team. The Compliance team rigorously monitors adherence to each of the licensing conditions and the operating guidelines for Small Finance Banks. In order to embed a compliance culture across the Bank, the Bank has invested in a certification tool that requires that essentials of regulatory compliance are adhered to by each operating staff and confirmed to the Compliance unit. This certification is independently verified. A schedule for compliance testing has been drawn up and will be implemented in the next financial year.

As Reserve Bank of India commences Risk Based Supervision (RBS) in Small Finance Banks from the next financial year, the Compliance team has created the essential framework for submission of the required data. This has been a major exercise that required coordination amongst key departments of the Bank, besides providing the necessary guidance. This proactive measure should aid in timely compliance with the mandatory regulatory submissions at the end of each quarter from the next financial year.



The primary purpose of the establishment of vigilance mechanism in Banks is prevention, detection, investigation and reporting of frauds; our team at Ujjivan Small Finance Bank endeavors towards this.

The focus of the year under review was on consolidation of Vigilance and Risk Containment Unit function and transforming it into a unit as per regulatory requirements. We focused on Preventive controls to minimize cash losses & frauds, by way of upgrading the Security, introducing procedural changes in Bank branches operating structure, training of staff, regular checks across branches etc.

Risk Containment Unit has looked into it more independently, exploring newer products and upgrading the quality of feedback given to business. The team will be continuously seeking for improvements in the processes and will maintain zest for betterment. Risk Containment Unit has assisted the business in containing the risk by establishing a robust vigilance mechanism across the business verticals and by timely verification of reports.

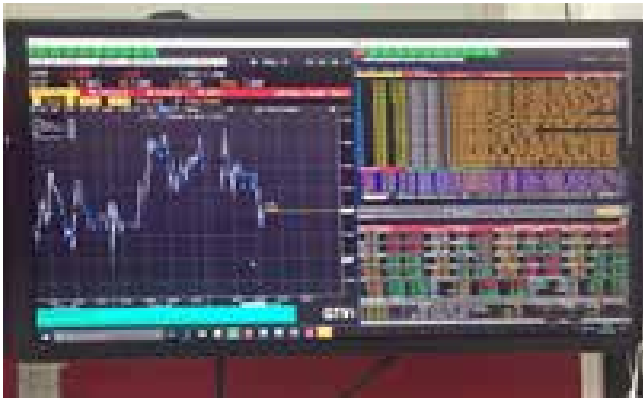
This year has been of great significance with our bank receiving the Scheduled Bank status. This has brought changes in our regulatory reporting of Frauds. The earlier manual reporting gave way to online reporting through the XBRL platform of the Reserve Bank of India, thus increasing the timeliness and quality of reporting.

During the year under review, cash loss cases due to robbery occurred in two regions viz., East and North.

However, the instances as compared to the previous year have come down as a result of certain preventive measures put in place.

We are now gearing up for the FY 2018-19 to face the fraud risks that arise from the banking verticals such as liabilities, Housing loans, Micro and Small Enterprise loans and also the frauds relating to AML-KYC issues, ATMs and Debit Cards.

TREASURY



Treasury played a vital role and is a major contributor to the bottom line of the bank. The Bank has set up a state of the art Dealing Room in their head office in Bangalore. The primary responsibility of Treasury includes compliance to Statutory Reserve requirements, managing Banking Book Asset-Liability Management (ALM), Interest Rate Risk Management & Funds Raising both short and long term and Investments of the Bank. Treasury has a robust front office, mid office and Back office which ensures 100% compliance to the regulatory requirements of CRR and SLR, efficient liquidity management and managing sovereign bonds position, churning of portfolios in tune with the current market conditions and raising funds at the most competitive rate.

During the last week of August we got our scheduled Bank Status and raised funds at a most competitive rate and repaid the high cost Grandfathered loans to a larger extent. We have been actively leveraging on the various refinance facility offered by SIDBI, NABARD & NHB. Bank is having a SGL A/C with Reserve Bank of

India and direct member of CCIL which enable treasury to operate various treasury platforms of CCIL/RBI such as NDS-OM, NDS-Call, CBLO, CROMS & E-Kuber. Bank has an automated environment where the deals flows seamlessly through Straight through Processing from the trading dealing platforms to Front Office systems, Back Office for authorization, confirmation, payments and settlements. There is no manual intervention.

Bank has a FIG (Financial Institutional Group) team which is responsible for raising bulk deposits and Certificate of deposits which operates from Mumbai in consultation with Head of treasury. Bank has a short term rating of A1+ from CRISIL (Highest rating) and successfully issued Certificate of deposits to various class of investors. We have successfully on boarded 14 Mutual Funds and 2 Insurance Companies to our fold. Bank has raised funds from various Institutional clients such as Mutual Funds, Insurance Companies, NBFC's, Primary Dealers (PD), State/District/Urban Cooperative Banks, PSU Banks and Private Sector Banks & SFBs.

Bank has set up Money Market lines for various bank treasuries which include Public Sector Banks, Private Banks, Foreign Banks & SFBs and got reciprocal lines from most of them. The Bank vide RBI circular FIDD. CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 is an active player in PSLC and provides liquidity to the market participants. In Financial year 2017-18, Bank has sold PSLC in all four categories and has earned fee Income of Rs 22.9 Crores.

LEGAL

The Legal Department's mission is to provide professional and trusted legal advice that assist businesses and other functions in operating effectively. Legal Function at Ujjivan was set up during the transition from NBFC-MFI into Small Finance Bank and consists of dynamic and experienced legal professionals who support the various functions of the Bank. The Legal Department is headed by Mr Srikumar Vadake Varieth who has legal expertise spanning over two decades in the Banking Sector. The Legal Department comprises of the team at the Corporate Office as well as the team of Legal Managers in its Regional Offices. The Legal Unit is further categorised into the following sub-verticals:

- Legal Advisory & Documentation
- Contract Management
- Infra & Admin Support
- Branch Banking Support
- Employment Law Related Matters
- Housing & MSE (Including creation of Security)
- Litigation Management

The primary objective of the Legal Department is to be the 'Corporate Gatekeeper' by averting, mitigating and managing any legal risk that may arise in the Bank's business activities.

The past year has been an exciting journey for the Bank in setting up new business operations and rolling out efficient products & services to our customers. The journey has been equally interesting for the Legal Department as the department supported the business and other functions of the Bank by providing the required documentation and other legal support for each such new product/service to ensure that the interests of the Bank and also of our customers are protected. The Legal team also played a pivotal role in the transition from NBFC-MFI to Small Finance Bank by handling the necessary legal documentation involved in the process, registration of the new trademarks and brand identity developed by the Bank and the mammoth task of Novation of all the existing contracts of Ujjivan Financial Services Limited.

With the help of the Legal Department, the Bank was able to formulate the Processes and Policies imperative to ensure compliance of laws and regulations in our day to day operations. Legal Function has supported the end to end execution of our Goal of 'Better Banking', by not only helping in resolving legal issues pertaining to operations being faced by our newly opened branches but also by providing support in ensuring greater reach through setting up of Business Correspondents in unbanked areas.

Legal Department has devised Loan Documentation for the Bank's MSE& Housing Verticals for its various products and also set up policies for Empanelment of

Advocates/ Litigation Management and resolving death claims of our customers etc.

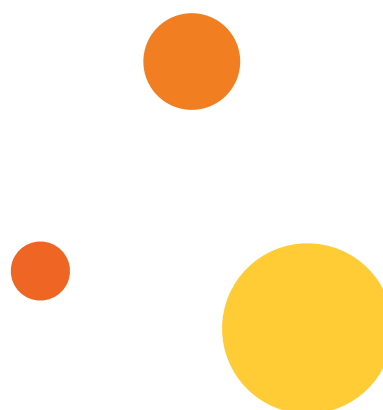
In our endeavour to provide best services to our customers, the Bank has entered into strategic partnerships with various third party entities and the Legal team has supported this endeavour by providing suitable documentation, legal advices and strategies to protect the interests of the Bank and its stake holders.

We also conducted several trainings in the past year in order to educate and train our employees on relevant laws/procedure including loan documentation & recovery aspects on a periodic basis.

There has also been immense contribution by the Legal Unit as the Bank embraces the wave of digitisation, by launching paperless forms for opening accounts and applying for loans.

Since the transition, the Legal Unit has taken over control of all Litigation and has also been assisting in the recovery process including recovery under the provisions of SARFAESI Act. The Bank is committed to protecting the interests of its customers and upholding their trust and legal team has been assisting in addressing customer grievances to the satisfaction of all.

With the support of the Legal Department, the Bank has been taking strict disciplinary action against its errant employees who have violated the Code of Conduct or the provisions of Standard Operating Procedure of the Bank. Now, as the Bank strives to further diversify and expand its business activities, the Legal Function seeks to align itself to the aspirations of the Bank and continue to provide skilled legal advice in a timely and efficient manner.



FINANCIAL INCLUSION INITIATIVES WITH PARINAAM FOUNDATION

Ujjivan Small Finance Bank has partnered with Parinaam Foundation to create and execute various interventions for the upliftment of the unserved and the underserved.

FINANCIAL INCLUSION INITIATIVES



DIKSHA

'Diksha' is a five week, five-module, in-depth training and linkages program to give women from low-income families across India the knowledge and tools they need to save safely, reduce financial risk and make informed, intelligent financial decisions. The program teaches women cash-flow, income and expenditure budgeting, savings options, debt management and mobile usage to help them with digital transactions. Women are taught to differentiate between "needs" and "w ants", to negotiate their debt, understand the mechanics of loans/EMI components, and the use of bank account facilities such as ATMs, SMS alerts and cheque books.

Key Highlights

Outcomes	Impact 2017-2018	Overall Impact
Indicator	Achievement	Achievement
Number of women beneficiaries trained	115,885	640,728
No. of women beneficiaries certified through Diksha	96,021	526,733
Number of bank accounts opened by women beneficiaries through Diksha	23512	174,842

CHILLAR BANK

This program is designed to educate the younger generation on the importance of savings and money handling as well as inculcate the habit of savings by helping them open savings bank accounts. The program was initiated following a RBI guideline that encourages children to open and operate savings bank accounts independently, and is targeted at children between the ages of 10 and 17 years.



Key Highlights

Outcomes	Impact 2017-2018	Overall Impact
Indicator	Achievement	Achievement
Number of children trained	43097	119,144
No. of bank accounts opened by the children through Chillar Bank	9757	37,133

For most of us having a bank account is as natural as breathing and we can't imagine surviving without our debit cards. Unfortunately, for millions of people in India who are unbanked or under banked the lack of financial awareness and trust in financial institutions impedes access to bank accounts. To help these millions, Parinaam with the support of Ujjivan Marketing Team created:

PAISON KI ABCD FILM - A financial literacy film directed by renowned Bollywood filmmaker Pradeep Sarkar and written by the Mudra DDB Team in Bangalore. The film was created to build awareness among the existing customers on how Ujjivan can give them access to a special financial institution that caters to their needs. The film was created in 9 different languages to ensure that viewers across

India understand the Ujjivan experience. The film is being screened at Bank Centres, Financial Literacy Camps, Branch Walk-throughs and during house visits to enable customers to open an account after viewing the film. To watch the film, please visit Ujjivan Small Finance Bank's YouTube channel.

The financial inclusion initiatives adopt a goal based approach wherein the beneficiaries are taught to save for their specific financial goals. Based on their needs, the beneficiaries open savings bank account in the first week of Diksha training; following which, they are encouraged to save in their accounts over the next 4 weeks of training. The beneficiaries are also taught to save for their life goals like child's education, buying an asset, vacation, pilgrimage etc. using long term savings products like Recurring Deposit and Fixed Deposit.



Film Screening at Bank Centre:

Outcomes	Impact 2017-2018
Indicator	Achievement
Number of Ujjivan branches covered	146
No. of bank centers covered	13304
No. of bank accounts opened after the film viewing	98457

Mass Screening:

Outcomes	Impact 2017-2018
Indicator	Achievement
Number of Ujjivan branches covered	110
No. of existing Ujjivan customers attended	18653
No. of open market customers attended	7388
Average participants per screening	237

MY GOALS WITH MY UJJIVAN CARD - To inculcate goal-based savings behaviour amongst Ujjivan customers, Parinaam designed a Goal Based Commitment Card. This card helped the customers identify their long-term savings goals which could be then linked to Ujjivan savings products like Fixed Deposit, Recurring Deposit & Savings Account to help them achieve their goals. This program commenced in the month of August, 2017.



STATUTORY REPORTS AND FINANCIALS



MANAGEMENT DISCUSSION AND ANALYSIS

FY2017-18 marks a successful first full financial year of our banking operations. We surmounted multiple challenges such as transition from micro-finance lender to a bank and after-effects of demonetization. It has been a remarkable journey with roll out of 187 Banking Outlets (BOs) including 47 Unbanked Rural Centres (URC); putting the systems, processes, compliances in place; and hiring and training for a bank ready team committed towards maximizing customer experience with convenient banking. We emerged from the shadows of demonetization and revived our microfinance business in addition to scaling up our newer asset verticals. We mobilized a deposit base of Rs. 3,772 Crores. The first year saw us focusing on institutional deposits and successfully repaying a significant portion of our high cost grandfathered borrowings, thereby substantially reducing our cost of funds. We focused our efforts towards portfolio management and overdue collections, and containing our credit costs. We undertook initiatives to improve our back-end processes and efficiencies, driven by our commitment towards a less cash economy, digitization, cost optimization and affordable banking. Our wholesome performance in business and processes resulted in a full year break-even with a net profit of Rs.7 Crores, despite the unprecedented credit cost of Rs.311 Crores due to demonetization and its after effects.

THE YEAR AT A GLANCE:

Business Growth: Our gross loan book including managed assets grew by 18% over the previous year. Our microfinance business registered a cautious growth of 13% over last year while our newer asset verticals MSE and Affordable Housing Businesses gathered momentum, closing their respective books at ~3.3 times and 4 times that on 31st March, 2017. In line with our strategy to diversify our loan book, our non micro-finance portfolio grew to 7.2% of overall loan book against 2.4% in the previous year while our secured loan book grew to Rs.406 Crores from Rs.117 Crores during the year.

Demonetization affected our customers and disrupted loan repayments in many states, especially in parts of Uttar Pradesh, Maharashtra & Karnataka, while rollout of GST also temporarily slowed down our MSE business. Business remained muted for the first half of the year as our focus was more on managing our collections and monitoring the credit quality of our book. We reinforced our collection management by placing dedicated staff for collecting hard bucket overdues. We institutionalized tele-calling for delinquent customers to educate them about the consequences of a bad credit record and received 'Promise to Pay' (PTP) for our collections team to work on. We suspended new customer acquisition in the affected branches having portfolio with DPD>0 at 5% and above to focus only on collections, while repeat loans to customers with good credit history continued. Our incessant efforts on portfolio management ensured a steady arrear collection averaging over Rs.9 Crores each month. Further, we identified the delinquent pockets in the branches and suspended new customer acquisition therein. Following a detailed review of credit performance in Q2, we fully provided for demonetization related overdues for which no repayment was received.

Q3 brought a turnaround as our stabilized credit quality instilled confidence in the branches, boosted field staff morale, and helped mobilize higher business volumes. Our business revived to pre-demonetization levels by Q3 and further improved in Q4 with the highest ever volumes.

We built a deposit base of Rs.3772 Crores in the first year of our banking operations, primarily focusing on garnering low cost wholesale deposits, institutional deposits and certificate of deposits (CD) to retire our high cost legacy borrowings and reduce the cost of funds. We successfully retired over 60% of our high cost legacy borrowings amounting to Rs. 3664 Crores. Our retail deposits stood at Rs.427 Crores, which was moderate in the first year due to slowdown of our bank branch rollout after demonetization, and operational and technological issues affecting our ability to onboard our existing microfinance customers into the bank. We have since been able to resolve the issues, open savings accounts for customers due for payment and facilitate their disbursements into the same accounts. We rolled out insta-kits for immediate account activation at the time of account opening. Our handheld device based account opening solution, powered to carry out Aadhaar based authentication helped us take banking to our customers doorstep, at a very low cost. 73% of our retail deposit was mobilized from new to bank customers, 16% from our existing microfinance customers and the balance 11% from our staff.

Our target segments for the deposit business mainly comprise people in the un-served and under-served areas and also salaried individuals, trader community, small and micro enterprises, small and marginal farmers and senior citizens. We piloted Corporate Salary Account in 6 locations and rolled out zero charges BSBDA accounts with all the features of our regular savings account for rural customers. We plan to introduce more product variants aligned with the needs of our targeted customer segments. Providing excellent customer service, including handholding of the customers, getting them onto mobile and digital banking platforms continues to remain our key focus areas. We launched the "Digi-Buddy" program to assist our customers in their journey towards digitization.

We made sizeable investments in IT infrastructure to ensure seamless service delivery across a multi-channel network comprising branches, ATMs, internet, mobile and phone banking along with facilities such as NEFT and RTGS. Our technology ecosystem is built on a strong core product platform ensuring low cost and efficient delivery, keeping customer experience in the center.

Our focus in the next financial year will be to scale up our retail deposit base with good proportion of CASA. Increasing competition intensity in the SFB space will require us to differentiate ourselves in terms of customer service and products with features in line with customer needs.

Network Expansion: We undertook a phased roll out of our branch network. At the year-end we had a network of 187 banking outlets spanning 20 states, consisting of 140 regular banking outlets, 40 brick and mortar and 7 business correspondent banking outlets in Unbanked Rural Centres.

Cost Efficiency: The transition to banking, expansion of our branch network, significant investment in technology infrastructure and human capital increased our operating costs resulting in a Cost to Income Ratio of 67.1% for FY18. As part of our cost optimization initiatives, a core committee has been formed for expense management and identifying opportunities for further cost reduction.

Productivity: We took a number of initiatives to enhance process efficiencies. Our handheld device-based deposit account opening, e-KYC and processing of microloans have helped us achieve low turn around times and improved staff productivity. We shall increasingly promote the adoption of digital channels to deliver low cost and convenient banking to our customers.

Credit Quality: Our continued focus on collections helped prevent further slippages and contained our credit cost at Rs. 311 Crores. We successfully reduced the overall PAR (DPD>0) by Rs. 346 Crores (Rs. 650 Crores in March 2017 to Rs. 304.5 Crores in March 2018), closing the year with a GNPA of 3.6% and NNPA of 0.7%. Our Collection Efficiency for new loans disbursed post demonetization stood at 99.7%.

Deposit Mobilization: We built our Treasury function, that ably supported our funding requirements, met our statutory reserve requirements and also brought in Rs.22.9 Crores of earnings (net of tax) in Priority Sector Lending Certificate (PSLC) sales. The bank continued to maintain a comfortable liquidity position with steadily reducing cost of funds. Attainment of Scheduled Bank status around the end of August gave a fillip to our institutional deposits by opening access to the CD market. We raised CDs at the most competitive rates which helped us retire some of our high cost grandfathered debts, thereby reducing our average cost of funds from 10.4% in the previous year to 9.0% in FY18. The total borrowings stand at Rs.7625 Crores (49% contributed by deposits) as on March 2018 against Rs.6,498 Crores in the previous year.

Transition: We expanded our network to 187 banking outlets in the financial year. We also accomplished a challenging task of setting up 47 Banking Outlets (BOs) in Unbanked Rural Centre (URCs), complying with the RBI mandate of maintaining atleast 25% of the banking outlets in the URCs. Our BO network in URC comprised 40 brick and mortar branches and 7 business correspondent outlets, the latter primarily serving as transaction points.

We made sizeable investments in technology, to build new systems and channel capabilities, integrating them with the legacy systems for a reliable operating environment to ensure convenient service delivery. New systems that have been deployed include Finacle for core banking, I-exceed to power mobility devices-handhelds, biometric ATMs, Mobile Banking Apps, Internet Banking, CRM for unified platform, SAS for risk management and Oracle Financials for an Enterprise level consolidation. We operate on Aadhaar enabled identification system for our customers and have deployed state of the art payment systems provided by NPCI. Our IT infrastructure has stabilized and our control risk management processes are largely in place. We have built strong cyber security capabilities and adopted protective measures to mitigate probable IT risks.

We offer a multi-channel service delivery network for our customers comprising Branches, ATMs, Internet, Mobile Banking, Phone Banking and relationship officers equipped with handheld devices. We operate a network of 146 biometric enabled ATMs and run an active phone banking centre in Bangalore with 64 seats, ably supporting the sales, service & collection teams. The adoption of Internet & Mobile Banking platforms among our target customers continues to be low. We endeavour to assist, handhold and graduate our customers to mobile and digital banking platform through our financial literacy programs and "Digi-Buddy" Program.

We also invested significantly in human capital to drive the massive transition program. During the year we recruited more than 1,255 employees with banking experience across multiple disciplines. We also focused on building competencies for our 6,543 strong microfinance workforce by providing specialized training on general banking and regulatory compliances.

Our unifying organizational culture and employee engagement initiatives ensured a seamless people transition with our existing employees and external hires from diverse backgrounds.

Awards & Accolades:

The Bank ranked 10th in the 'Best Large Workplaces in Asia' assessment and 13th in the 'Great Place To Work in India' for 2016-17. The bank was awarded the "Best Small Bank" in IT Risk and Cyber Security by the Indian Banks Association (IBA).

KEY PERFORMANCE INDICATORS:

Particulars	FY 2017-18	FY 2016-17	Growth
Disbursement (Rs Crores)	8,047	7,132	13%
New Customer Acquisition (Lac)	7.6	9.4	(19%)
Borrowers (Lac)	37.1	35.6	4%
Average Ticket Size (Rs.)	29,622	25,777	15%
Total Gross Loan Book (Rs Crores)	*7,560	6,379	18%
MFI OSP (Rs Crores)	7,005	6,224	13%
MSE OSP (Rs Crores)	224	56	298%
Affordable Housing OSP (Rs. Crores)	323	99	227%
Deposits (Rs Crores)	3,772	206	1728%
Bank Branch network	187	15	1147%
Employees	11,242	10,167	11%
PAR> 0 (DPD>0 days)	4.00%	10.20%	61%
GNPA	3.6%	**3.70%	1%

* Includes Rs.7.5 Crores of Loan against Overdraft

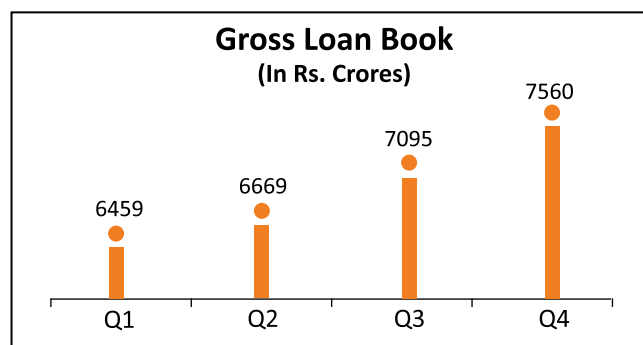
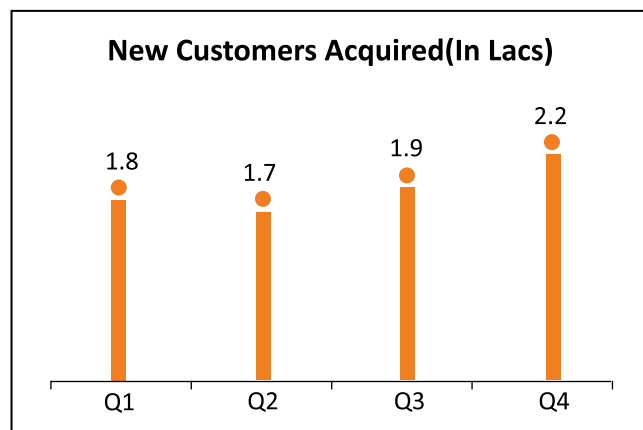
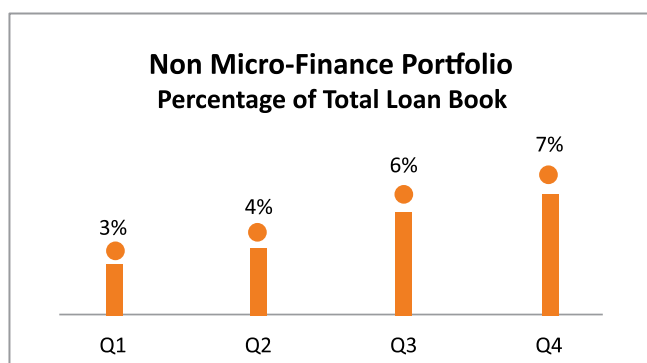
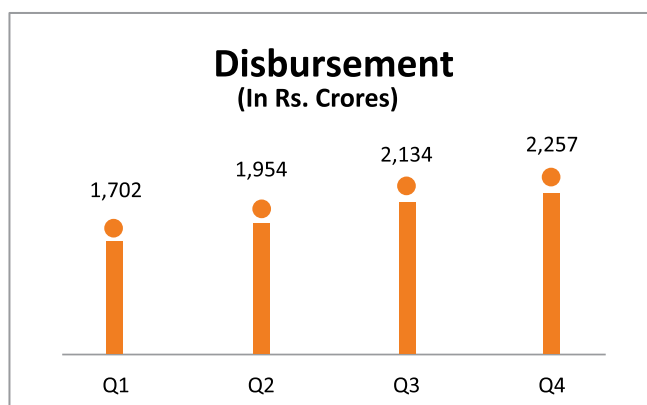
** Without RBI dispensation. 0.28% with RBI dispensation

SEGMENT-WISE PERFORMANCE

In FY18, our business was organized into 4 distinct verticals – Microfinance & Branch Banking, MSE, Affordable Housing and Liabilities for open market customers & Third Party Products. Microfinance unit comprised of Group Loans (GL), Unsecured Individual Loans and deposits mobilized from the same segment of customers. This unit also managed the Banking Outlets as they came up during the year. We followed a two pronged growth strategy for the year on the assets side – moderate and cautious growth for Microfinance and accelerated scale up of Affordable Housing and MSE businesses. At the same time, we focused on laying the foundation of our retail deposit business, sourcing deposits from new to bank customers, and established tie ups with Insurance Companies to offer third party products, i.e. life, health and general insurance.

With microfinance business reviving to pre-demonetization levels, we intensified our efforts on processes and technology related improvements for better efficiencies. Improved productivity and process efficiencies were envisaged as the key thrust areas for Group Loans business as we focused on careful customer selection. For Unsecured Individual Loans, we focused on effective graduation of the eligible pool of higher vintage group loans (GL) customers with simplified back-end processes. Expansion of our product offering in new locations, stabilization of systems and simplification of documentation were the primary focus areas for our Housing and MSE businesses.

The financial year saw us increase our non-microfinance portfolio from 2% to 7% of the total loan book, however asset business diversification into new lines apart from MSE & Housing had to be deferred to the next year as our primary focus was on containing the credit cost and reviving the business to pre-demonetization levels.



MICROFINANCE

The bank's Microfinance asset portfolio closed at Rs. 7005 Crores, registering a 13% growth over the previous year despite the slowdown in business momentum in the first two quarters of the year. Transition and collection management consumed the bandwidth of our field staff till we reinforced our collection efforts with placement of dedicated collection staff, bringing the focus back on business. We suspended new customer acquisition and individual lending business in pockets having portfolio quality issues and largely focused on repeat loans to customers with good credit discipline. We re-assessed and modified our branch-level and occupation based credit policies to manage the collateral damage caused by demonetization. We re-started new customer acquisitions and renewed our focus on unsecured individual lending as the portfolio quality gradually stabilized in Q3 and revived our business, surpassing pre-demonetization levels by Q4 in terms of monthly disbursements.

Customer service remained our strong focus even during the challenging times post demonetization. Our initiatives towards back-end process efficiencies and roll out of handheld based loan origination systems across all our branches, significantly reduced our loan turn-around time from 10 to 4 days while also improving field staff productivity from Rs.12 lakhs per month in the previous year to Rs.15 lakhs per month for Group Loans. The average ticket size increased to Rs. 29,500 for Group Loans from Rs. 25,400 in the previous year.

We are in the process of building our rural business with specialized agriculture and allied products to be made available at our URC banking outlets and existing banking outlets with large rural customer base. We plan to introduce new loan products such as two-wheeler loans and deepen relationship with customers and their families. We also mobilized deposits worth Rs. 67 Crores from our existing microfinance customers, and on-boarded around 3 lakh customers into banking.

The coming year shall see us digitizing our repeat loan process, thereby enhancing field staff capacity to focus on ramping up deposits from the customer base as we onboard many more of them into banking and build a significant deposit base.

HOUSING

India is undergoing rapid urbanization which creates a huge demand for housing. As a key focus area, the government has set 2022 as the target year to realize the objective of housing for all through specific initiatives for the promotion of urban housing.

Lack of access to finance for low income groups and rising cost of construction are among the main adverse factors in urban affordable housing segment. Realizing these, the government has launched Pradhan Mantri Awaas Yojana (PMAY) in 2015 with Credit Linked Subsidy Scheme (CLSS) as one of the important components. After the launch of the scheme, the private builders have come up with low-cost dwelling units in many cities and towns. This, coupled with improved availability of credit, has given impetus to urban affordable housing.

Looking at this opportunity and also our long association with underserved and unserved customers, the bank has planned a robust growth in affordable housing loan business which was started 3 years back. Last year we provided affordable housing loans to approximately 4000 customers and disbursed close to Rs 250 Crores worth of new loans.

We are creating product awareness through various marketing initiatives and generating awareness of CLSS (PMAY) as we focus on the Economically Weaker Sections (EWS) and Low Income Groups (LIG) as growth drivers in the coming years. Our plans for FY 2018-19 are to set the bank as one of the key players in this product category and expand our customer base to 12,000 by end of this financial year. We see this as an important step towards becoming a full-scale financial services provider to the unserved and underserved segments.

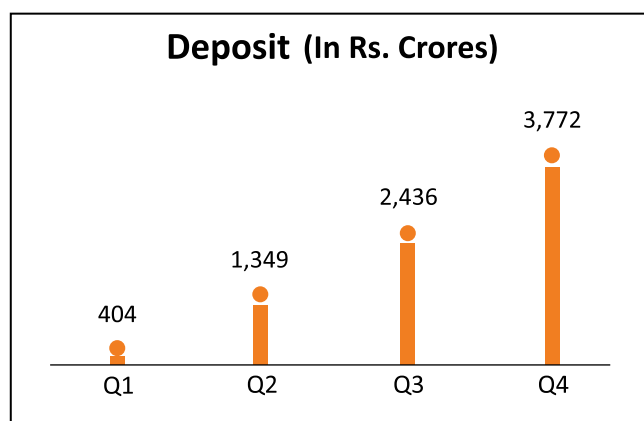
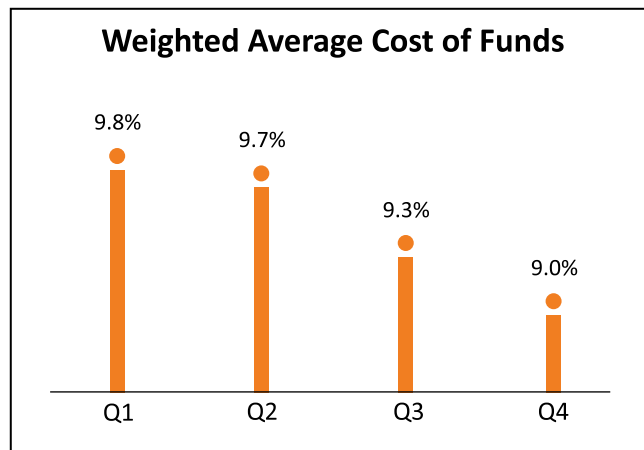
MICRO AND SMALL ENTERPRISES (MSE)

The bank offers current accounts, transaction facilities such as Card Swiping Terminals and secured & unsecured loans to the Micro and Small Enterprises (MSE) to meet their diverse financial requirements. The MSE finance business caters to both the registered and unregistered manufacturing units, trades and services. With enhancement of product features, increase in loan ticket sizes, availability of the MSE finance services in more number of branches, reduction in loan service time, rewards and recognition program for performing employees and marketing efforts, the business has grown manifold in FY18. The introduction of GST in July affected the business to some extent in the second quarter of the year, however the business momentum again picked up from 3rd quarter of the financial year. The portfolio quality remained good with a collection rate at over 98%.

In 2017-18, MSE recorded a robust growth of 390% in loan book over the previous year and a substantial increase in the customer base during the year. MSE disbursements crossed Rs. 200 Crores and the portfolio as on 31st March, 2018 stood at Rs. 224 Crores. MSE business will be one of the key drivers of the bank's growth in FY19 and subsequent years.

LIABILITIES AND THIRD PARTY PRODUCTS

The primary focus for the first year of banking operations was to ramp up low cost wholesale deposits, institutional deposits and certificate of deposits (CD) to retire our high cost legacy borrowings and reduce our cost of funds. We garnered a total deposit of Rs.3772 Crores, comprising of CD of Rs.2166 Crores, wholesale deposits of Rs. 1179 Crores and retail deposits of Rs.427 Crores.



Focus on collections and management of demonetization related overdues had slowed down our branch rollout, leading to moderate mobilization of retail deposits in the first year. We had originally intended to on-board a larger number of our microfinance customers into banking, however the phased and delayed bank branch roll out and initial operational and technological issues affected the original plans. We have since resolved the issues and on-boarded around 3 Lakhs of our existing microfinance customers, opened savings accounts and facilitated disbursements into the same. Initial delay in delivery of welcome kits had affected our account activation in the early days of banking. We tied up with 'India Post' to improve the last mile reach and rolled out insta-kits for real-time account activation at the time of account opening to significantly bring down the turnaround time. Our CASA stood at Rs.138.6 Crores, constituting 3.7% of our overall deposits. 73% of our retail deposits were mobilized from new to bank customers, 16% from our existing microfinance customers and balance 11% from our staff.

We diversified our product offerings during the year and rolled out enhanced products for Senior Citizens and feature rich BSBDA for our rural customers in addition to Tax Saver Fixed Deposits. We piloted Corporate Salary Account in 6 locations around the end of the year. We believe that the bulk acquisition of salary accounts will help us ramp up our CASA.

The next year shall see us significantly scaling up our retail deposit base with focus on CASA. We shall leverage our expanded branch network, offer a full suite of product and services and effectively utilize our phone banking and other alternate channels to deepen customer engagement. We will cross sell current accounts and business loan products to MSE customers to build the current account balances.

We have re-organized and established Branch Banking as a separate vertical to primarily focus on acquiring new to bank liability customers. A separate unit has been set up to focus on sourcing deposits from niche customer segments including Trusts, Associations, Societies & Corporations (TASC), government entities. The wholesale funding group will focus on financial institutions and banks.

We plan to introduce more product variants aligned with the needs of our targeted customer segments. Provisions of better customer service and handholding together with deeper mobile and digital banking penetration will continue to remain our key focus areas. We launched the "Digi-Buddy" program to assist and handhold our largely digitally excluded customers to begin operating on the mobile and digital platforms.

DISCUSSION ON FINANCIAL AND OPERATIONAL PERFORMANCE

We closed the year FY 2017-18 with satisfactory performance despite considerable challenges posed by demonetization and transition into banking. Our post-tax profits stood at Rs.6.9 Crores.

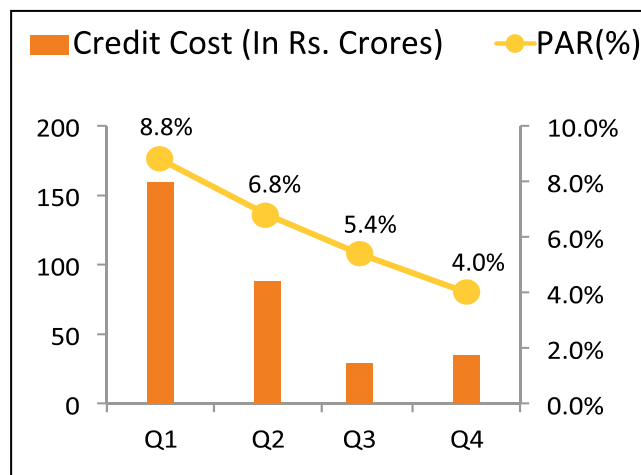
Particulars (Rs. Crores)	FY2017-18
Interest Income	1,466.7
Other Income	112.7
Total Income (A)	1,579.4
Operating Expenses	650.4
Finance cost	609.3
Provision/ write offs	310.8
Total Expenditure (B)	1,570.5
Profit Before Tax (A - B)	8.8
Tax	1.9
Profit After Tax	6.9

The total revenue closed at Rs. 1579 Crores. Our gross loan book grew by 18% over PY to close at Rs.7560 Crores despite muted growth upto the first half of the year in response to the disturbed credit discipline post demonetization. Implementation of GST affected our MSE business for about two months. Normal business flow resumed by Q3, culminating in high volumes in Q4. Interest income on advances constituted 83% of our total revenue while income from statutory investments and treasury operations constituted 6% of our total revenue. We earned Rs.22.9 Crores (net of tax) from sale of Priority Sector Lending Certificates (PSLC).

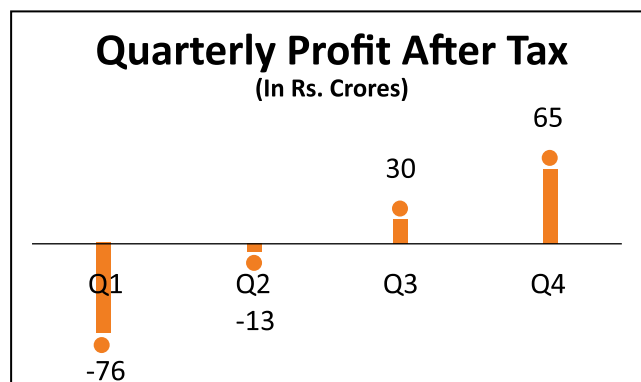
Our operating costs increased significantly as we upgraded our branches and technology infrastructure, recruited over 1000 additional manpower for bank specific roles, and trained our new employees and existing staff to facilitate a seamless transition to

banking operations. Our operating costs including depreciation stood at Rs.650 Crores, resulting in a Cost to Income ratio of 67.1% for the financial year.

On the borrowing side, we mobilized wholesale deposits and certificate of deposits (CD) to retire over 60% of our high cost legacy borrowings, reducing the average cost of funds to 9% in FY2017-18 against 10.4% in the previous FY.



Our credit costs for Q1 stood at Rs.159 Crores and started tapering down from Q2 onwards. Observing the collection trends, we made significant provisions in Q1, including additional provision of Rs.43 Crores for cases originated prior to Nov 2016 but in default post demonetization (Nov'16-Jan'17), for which the borrowers had not paid even a single EMI. We further reviewed the loss assets identified in Q1 and made additional provisions, thus fully providing for all NPA accounts with 'no payments'. We made a prudential write off amounting to Rs.88.6 Crores in Q2 for loss assets of Q1 with no traction. We closed first two quarters of the year in the red on account of significant increase in credit cost and operating costs while our incomes increased only marginally on account of low business volumes. As our portfolio stabilized across the quarters, our credit costs steadily reduced over Q3 and Q4. Continuing progress in business and processes, backed by stable credit cost and reducing financing costs, resulted in a quarterly break even in Q3. We registered our best performance in Q4, wiping all the cumulative losses and breaking even for the full year with Rs.6.9 Crores of net profit.



As on 31st March 2018, our balance sheet stood at Rs. 9473 Crores, an increase of 12% over Rs. 8436 Crores in the previous year. Our Loan book closed at Rs.7560 Crores, registering an 18% growth over that in previous

year. We built a deposit base of Rs.3772 Crores in our first full-fledged year of banking operations. The proportion of Current Account and Savings Account deposits to total deposits was at 3.7%

RISK AND COMPLIANCE

The Bank has embodied a strong risk culture, designed for a holistic approach to management of risk and return as well as the effective management of the Bank's risk, capital and reputation. Our comprehensive risk management framework was further reinforced with core competencies built in newer areas such as cyber security, cyber governance, transaction monitoring, anti-money-laundering and regulatory reporting. During the fiscal year, the function facilitated securing of several regulatory approvals required for the banking operations.

The operational risk unit developed a comprehensive checklist of the branch banking processes with a scoring mechanism, intended to serve as a tool to familiarize the new branch banking team with the whole gamut of branch banking processes and assess compliances at a granular level. The unit complemented the branch score card with a branch connect program to sensitize Branch Managers on key regulations. The Bank continues to monitor risk at a granular level, through regular visits and a strong scoring mechanism to effectively manage the operational risks inherent in the field processes, especially those that got magnified during demonetization. The internal scorecard was subsequently recalibrated to include additional parameters and migrated to the EGRC model on SAS to facilitate auto generation and aggregation at the Bank level for appropriate risk categorization. The Bank is in the process of developing RSCA through SAS for each of its products, and has developed a repository of loss events and comprehensive risk registers for all products and processes.

The Bank has established a separate Mid-Office Treasury function to pro-actively manage the ALM, advise on the optimal funding mix and manage the immediate as well as long term funding requirements of the Bank.

In February 2018, the Bank was awarded the Best Small Bank in IT Risk and Cyber Security by the Indian Banks' Association (IBA). The Bank was the first Small Finance Bank to participate in Cyber drills conducted by the Institute for Development and Research in Banking Technology (IDRBT) and was successful in detecting and thwarting most of the simulated attacks. Considerable investments have been made by the Bank in Security Operations Center (SOC), fed with threat intelligence from various sources to keep our infrastructure secure from external threats. The Bank was successful in defending against many global attacks including WannaCry, Petya, Mirai Botnet, Locky Ransomware, Mumba and others.

The Compliance team rigorously monitors adherence to each of the licensing conditions and the operating guidelines for Small Finance Banks. In order to enforce a strong compliance culture, the Bank has invested in an online certification tool that requires that essentials of regulatory compliance be adhered to by each operating staff and confirmed to the Compliance unit. A schedule for compliance testing has been drawn up and will be implemented in the next financial year.

The Compliance team has set up a Core Management Group with Compliance, Finance, Risk, Credit and Audit as key stakeholders and has put in place an essential framework for timely submission of data at the end of each quarter from the next financial year in line with the Risk Based Supervision (RBS) for Small Finance Banks, as mandated by Reserve Bank of India.

INTERNAL AUDIT

The Bank has a well-established Internal Audit and Control Systems in place that monitors adherence to policies, procedures and systems. The Audit Committee of the Bank reviews the adequacy and effectiveness of the internal audit function, including the structure of the internal audit department, annual audit plan, staffing etc., and ensures effective and independent review process.

The Internal Audit Department is responsible for monitoring and evaluating the internal controls of the Bank as well as its adherence to various statutory and regulatory compliances. These audits cover Branches/ Asset Centers, various Departments & Processes at Regional offices and Head Office at regular intervals.

Annual Audit Plan: The Annual Audit Plan is drawn up based on the Risk assessment of the auditable units and the audit frequency is decided based on the risk profile of these units. The Annual Audit Plan includes plan for Branch/ Asset Center Audits, Departmental/ Process Audits, IS Audit and Concurrent Audit. The scope of various audits are reviewed and continuously modified to keep pace with a dynamic business environment.

Branch / Asset Center Audits: Each branch / asset center is audited once or twice during the financial year, based on its risk profile. These are comprehensive audits, carried out by the in-house audit team, spanning 14 to 18 man-days, covering end-to-end branch processes, loan documentation, statutory compliances and field visits. The salient feature of our branch / asset center audits is the independent customer visits carried out by the audit team during field visits. Strong focus on field visits and independent customer visits are the distinguishing features of the Bank's rigorous audit process that helps in identifying any critical issues at a very early stage. Apart from this, IAD conducts Departmental/Process audits, Concurrent audits, and Information systems audits.

The Bank has a strong follow-up mechanism to ensure that all critical issues are tracked until closure within specified timelines. All significant audit observations of Internal Audits and follow-up actions are reported and discussed at the Board Audit Committee, which meets every quarter.

VIGILANCE

The Bank has an internal Vigilance team to focus on Preventive and Predictive controls to minimize cash losses, frauds and other malpractices.

The Department has a network of Risk Control Units which ensure timely reporting of frauds and negative cases, helping mitigate risks and ensuring healthy asset quality.

This year, the focus will be on consolidation of the Vigilance and the Risk Containment Unit vertical in line with banking requirements.

CREDIT

The collateral damages inflicted by demonetization spilled on to the current year. GNPA's continued to be high as overdues from November-January period were relatively stagnant and were rolling over to higher provision buckets. We started a collection program specifically targeting these overdues but the traction was low. We intensified our collection efforts from June by deputing senior cross-functional managers and heads to mentor and monitor branch teams, guiding them in handling the distressed portfolio. We placed dedicated collection staff to focus on '90 days past due' accounts in affected areas. We adopted a focused approach to NPA management with support from the tele-calling team across critical branches. We continued to service the customers with good credit discipline and created awareness amongst the customer segments about banking services and benefits of having a good repayment history. Our efforts fructified by Q3 and our portfolio quality improved with steady traction of 30% on arrear collection, translating in average arrear collections of Rs.9 Crores every month.

Post demonetization, the group guarantee concept lost its relevance, necessitating changes to our lending method. We initiated individual customer repayments at the center meetings. Also we are re-assessing the affected areas post demonetization to rebuild our business cautiously along with consistent recovery efforts to contain our credit costs. We are increasingly leveraging technology on the underwriting side to further strengthen our assessment processes, as we diversify into new business lines and provide pre-approved and digital credit offerings to all customers including existing microfinance customers.

SERVICE QUALITY

Ujjivan from inception has been customer centric. Our Service Quality initiatives have evolved over the years, strengthening our customer connect, retention, client protection, fair practices, quality assurance and grievance resolution. Ujjivan's Service Quality objective is to "Deliver Exceptional Service to our Customers, by embedding it in our People, Process and Policy, enabled by Technology".

In order to establish the best service for our customers, Ujjivan's Service Quality team has established initiatives under three key areas; Customer Experience, Quality Assurance and Grievance Resolution.

Primary Channels for Complaint Resolution: Our customers have the option of raising their concerns through our CCRs placed at branches, 24/7 toll free helpline, customer care email and through web-form. The Service Quality team closely monitors all cases to ensure timely resolution

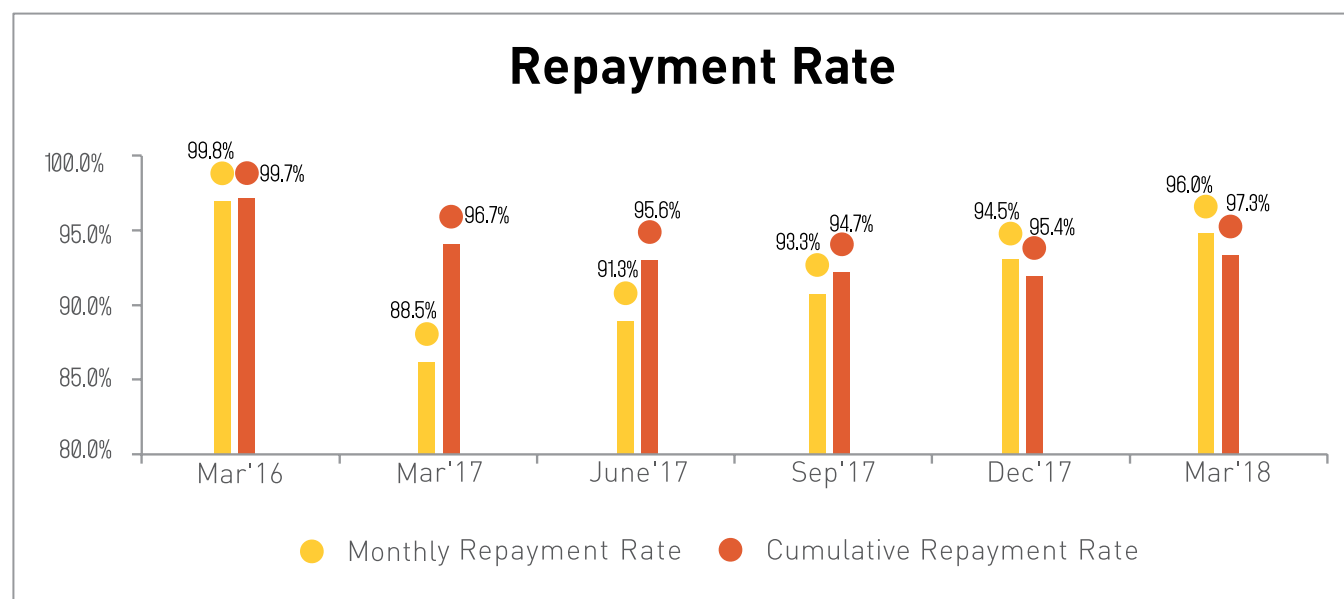
Nodal Officers: In addition to the primary level of grievance resolution, our customers also have the option to reach out through our Regional Nodal Officers at each of our four regions, and through our Principle Nodal Officer

We will further strengthen our Service Plans and Goals for each business vertical and for each branch.

INFORMATION TECHNOLOGY

Ujjivan has always believed that technology is critical for delivering superior services to customers. We leverage technology to provide last mile service to our customers. We have invested in the best of IT infrastructure to ensure seamless service delivery across a multi-channel network comprising Branches, ATMs, internet, mobile and phone banking along with facilities such as NEFT and RTGS. Our handheld device based account opening and loan processing helps deliver low cost, hassle free service to our customers. Our technology ecosystem is built on a strong core product platform ensuring low cost and efficient delivery, keeping customer experience at the centre.

We made sizeable investments in technology, to build new systems and channel capabilities, integrating them with the legacy systems for a reliable operating environment to ensure convenient service delivery. New systems that have been deployed include Finacle for core banking, I-exceed to power mobility devices-handhelds, biometric ATMs, Mobile Banking Apps, Internet Banking, CRM for unified platform, SAS for risk management and Oracle Financials for an Enterprise level consolidation. Our IT infrastructure has stabilized and our control risk management processes are largely



in place. We are also putting in place all the protective measures against IT risk and have built strong cyber security capabilities.

CHANNELS

We have deployed a multi-channel network consisting of Relationship Officers equipped with Handheld Devices (which are capable of one-touch account opening, deposit and withdrawal transactions & loan origination), unique bank branches, bio-metric enabled ATMs, RuPay Debit Cards, Phone Banking, Internet Banking, Mobile banking and Missed Call Banking to enhance the banking experience and offer customer-centric solutions. All these channels are designed and implemented to cater to the unique banking needs of our focus customer segments.

We have 146 biometric ATMs across the country which are user-friendly, secure and ensure round the clock cash availability. Our phone banking unit is available 24*7 for our customers, equipped to handle a broad range of queries and service requests. The interaction of customer with Integrated Voice Response (IVR) is minimal, limited to choosing his preferred language of interaction, after which a phone banking officer directly deals with the customer. Missed call facility delivers instantaneous information such as account balance, recent transactions etc. The Phone banking unit also plays an important role in sourcing 'new to bank' customers who approach the team in response to various marketing interventions conducted by the bank. Our mobile and internet banking platforms provide a safe & secure self-service banking experience and have been well received by our customers.

HUMAN RESOURCES

The Financial Year 2017-18 has been a challenging period for Ujjivan. Working in tandem with businesses and functions amid challenging times, the HR team has been able to partner in building a strong foundation for a Bank that is centered on core organizational values and excellent service standards for our customers. We were Ranked 10th in 'Asia's Best Large Workplaces' survey and ranked 13th in 'India's Best Companies to Work For' survey.

Employees First: We believe that happy employees create happy customers. Keeping this in mind we undertook a number of initiatives. "Bolo Ujjivan" is an employee engagement survey to seek open and candid feedback from employees. "Family Day" was organized to enable our employees to spend some quality time with their professional colleagues as well as personal family members. Employee engagement initiatives such as Sporting events, Health Checks helped maintain healthy work life balance and keep morales high.

Hiring the best talent: A total of 3554 candidates joined the Ujjivan family in FY 2017-18. While Internal Job Postings (IJP) and employee referrals ensured we got skilled and experienced candidates, our 'Graduate Hiring' and 'Digi-Buddy' program focused on attracting young talent. 118 Management Trainees joined us under 'Ujjivan Gurukul 2017' – our most recent Management Development Program. During this placement season, Ujjivan also initiated hiring of Management Trainees from the Indian Institutes of Management (IIMs) apart from the prestigious universities across India.

Reinforcing Learning: Transition into a bank opened up a lot of opportunities for our staff, but it also demanded additional skills in the new banking roles. Embracing the new technology and inculcating the culture of enhanced Risk Management and Compliance were the new demands on them. A number of learning initiatives for both the frontline branch staff and the back-end staff were taken this year. Overall 7000 employees were trained for new branch roles and 1800 employees were trained to develop the enhanced compliance culture in Ujjivan. This year also saw the establishment of our in-house technology labs across all four regions and creation of customized technology content for all the applications used across branches; an important task accomplished in partnership with different businesses and functions.

Retaining Talent: We were successfully able to retain 83% of the employees; our attrition rates are one of the lowest in the industry. A just performance management methodology, fair and equitable remuneration, and an ESOP scheme for all employees irrespective of their levels help us maintain one of the best talent retention rates in the industry.

FINANCIAL INCLUSION INITIATIVES:

In addition to providing a full range of banking services to the vast multitude of our customers in the unserved and underserved segments, we are committed to promoting financial literacy among our customers to increase their awareness of formal finance and making them ready for banking services. 'Diksha', our flagship financial literacy program, is a five-week, five-module, in-depth training and linkage program to impart to the women from low-income families the basic banking knowledge and tools they need to save, reduce financial risk and make informed, intelligent financial decisions. The program teaches the participating women basic cash-flow management, income and expenditure budgeting, savings options, debt management and mobile usage to help them with digital transactions. In this financial year we have conducted financial literacy programs across 346 branches, enrolling 115,885 customers, 82% of whom were certified after the training.

We also conduct financial literacy programs for children in the age group of 10 to 17 years. A total of 1838 financial literacy programs were conducted across 335 branches, in which 43097 children took part.

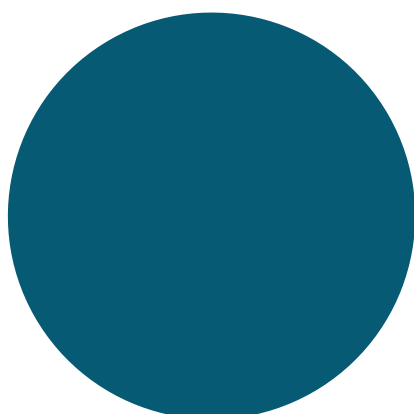
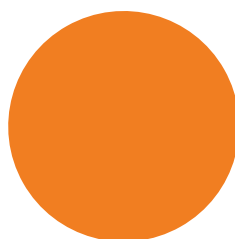
A film on financial literacy – 'Paison Ki ABCD' was created to educate the customers about the benefits of saving in a bank account and the wide range of products and services available with the bank with features such as simple documentation, doorstep services, one stop shop for all financial transactions, great customer care and goal based savings products. The film also teaches the customers to use banking products confidently using the latest technologies. The film has been created in 9 different languages to ensure a wide viewership. The film is being screened during bank meetings, mass screenings, and branch walk-throughs and during house visits to enable customers to understand the importance of savings. A 'Paison Ki ABCD' song was also created in 9 languages to reinforce the message of the film.

CONCLUSION

We closed a successful first year of banking with an all-round performance in business, processes and overall cost management, resulting in a net profit of Rs.7 Crores. The current year shall see us scaling up our retail deposit base with focus on CASA. We shall maintain robust growth of our existing asset businesses with new products, foray into rural banking and set up new business lines such as two wheeler finance, personal lending and institutional lending. Creating brand awareness for the bank will be one of our key agendas.

As a Small Finance Bank, Ujjivan remains committed to its objective of financial inclusion amongst the vast segments of the populace, hitherto excluded from

or partially served by the formal banking system. Our business predominantly caters to the un-served and the under-served segments while our financial literacy initiatives are targeted at sensitizing our customers and their children about the advantages of getting connected to formal banking system and also about the need for financial discipline. We leverage our technology infrastructure in tandem with our wide outreach for efficient delivery to the last mile destination. Our technology infrastructure enables us to take banking to the customers' doorsteps and deliver low-cost, convenient, quick and hassle free services. We also endeavor to assist, handhold and graduate our customers to mobile and digital banking platforms through our "Digi-Buddies" program to make them ready for the digital revolution in the banking space.



PILLAR 3 DISCLOSURES- MARCH 31, 2018

This disclosure report is prepared in compliance with the directions of Reserve Bank of India (RBI) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. The document provides a review as on 31st March 2018 together with a review for the first full year of operation of Ujjivan Small Finance Bank (hereinafter called "the Bank") with key observations on capital adequacy, the credit quality of its asset book and issues relating to liquidity risk and operational risk.

The RBI issued the Bank, Licence No. MUM 123 dated November 11, 2016 to carry on Small Finance Bank (SFB) business in India. Pursuant to the receipt of various approvals from the RBI and a host of other registrations and regulatory compliances on which the licence was granted, the Bank commenced its operations as an SFB with effect from February 1, 2017.

The Bank commenced its formal operations with five branches in Bangalore. As at the year ended 31st March 2017, the Bank had 15 Bank branches in diverse locations across the country including one branch in Krishnapura, which qualified as a branch in an Unbanked Rural Centre (URC). In the first full year of operation, from 1st April 2017-31st March 2018, the Bank had continued to convert its erstwhile microfinance branches into Bank branches, shifting them to newer premises to cater to customer needs and comply with security requirements. As at 31st March 2018, the Bank had a total of 187 full service commercial bank branches, including 40 URCs. The 40 URC branches included 16 branches which qualify as URC branches (branches situated in tier 3-6 locations in North Eastern (NE) states and Left Wing Extremism (LWE) districts). The Bank also had 7 Business Correspondents (BCs) as at 31st March, 2018. The remaining 277 erstwhile microfinance branches continued to operate as Asset Centres, most of which are slated for conversion into Bank branches in the next financial year.

The Bank is a Scheduled Commercial Bank vide an-RBI notification dated 7th September 2017, The Bank provides retail banking services to economically active poor in urban and semi urban areas and has also commenced its parabanking activities as a corporate agent of Bajaj Allianz Life Insurance Company Limited, Aditya Birla Sun life Insurance Limited, HDFC Life Insurance Company limited and Bajaj Alliance General Insurance Company Limited in distributing life insurance and general insurance products. The Bank has its registered office in New-Delhi and is headquartered in Bangalore and has regional offices in New-Delhi, Kolkata and Pune. There are no foreign operations of the Bank.

The Bank's strategic imperative as it embarks on its second full year of operation are the following:

- Make Customer Service a primary focus
 - Provide doorstep banking
 - Graduate its customer base from assisted to self-service, enabled by biometric authentication through Hand Held Devices (HHD)
 - Provide remote solutions for account opening and account management
 - Quick Turn Around Time (TAT) – be amongst the top 2 in the industry
- Leverage large database enabled by Analytics and Channels.
- Progress to a full solution provider for the Bank's customers.
- Leverage Technology to aid financially underserved and unserved customers to navigate banking.
- Develop a robust cost management process to ensure optimal utilization of all resources.
- Productivity optimization through process improvement and digitization
- Grow sensitively, responsibly and sustainably.

This is in line with the mission statement of being the best institution to provide financial services to the unserved and underserved customers and transform to a bank serving the mass market.

Table DF- 1: Scope of Application

Qualitative Disclosures

Parent Organization: Ujjivan Financial Services Limited

As per the Agreement to Transfer Business Undertaking (hereinafter referred to as 'BTA') dated January 12, 2017 Ujjivan Financial Services Limited (UFSL), the parent holding company of the Bank, transferred its business undertaking by way of a slump sale on a going concern basis to the Bank with effect from February 01, 2017.

The disclosures in this document pertain to **the Bank** as a stand-alone and independent entity.

The Bank does not have any subsidiary nor does it have any interest in any insurance entity.

List of group entities considered for consolidation			
Name of the entity / country of incorporation (as indicated in (I) a. above)	Principal activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
NIL	NIL	NIL	NIL

The 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 (as stated in the accounting balance sheet of the legal entity)	% of the Bank's holding in the total equity	Capital deficiencies
NIL	NIL	NIL	NIL	NIL

The aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk-weighted				
Name of the insurance entities/ country of incorporation	Principal activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of the Bank's holding in the total equity / proportion of voting power	Quantitative impact of regulatory capital using risk weighting methods versus using the full deduction method
Nil	Nil	Nil	Nil	Nil

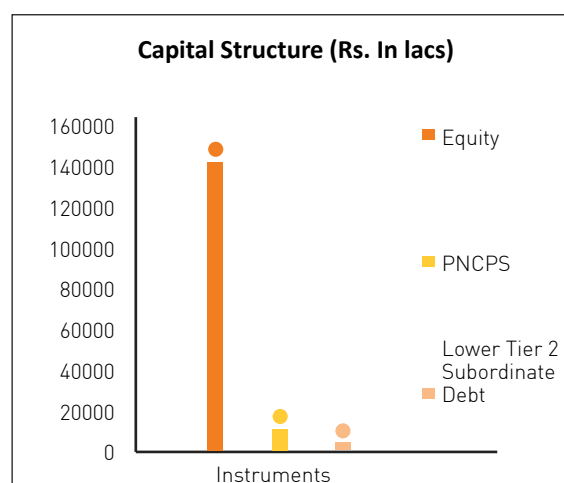
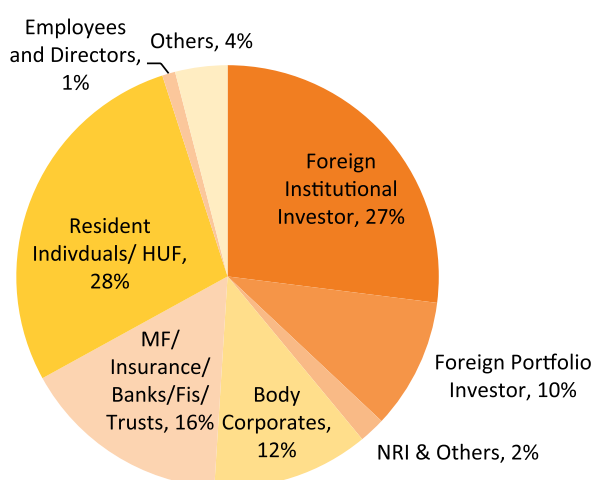
Table DF- 2: Capital Structure

Qualitative Disclosures

a) Equity capital

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

Out of this, 100% shareholding is with UFSL, the holding company as on 31st March 2018. The shareholding pattern of the holding company at the year-end is provided below. 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 of the bank (automatic up to 49% and approval route beyond 49% to 74%). By limiting foreign shareholding in the holding company to 39% (including NRI holdings) as at the year end, the Bank was fully compliant with the Licensing Guidelines. Further, in compliance with the Licensing Guidelines, the Holding Company has been recognized as a Core Investment Company (CIC) by the RBI. The shares of the Holding Company are listed; the Bank is yet to list its shares.



The Capital Structure of the Bank is provided below:

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

*Perpetual Non-cumulative Preference Shares

Details of PNCPS instruments

Perpetual Non-cumulative preference shares can be issued by Indian banks, subject to the legal provisions, in Indian rupees and in compliance with the terms and conditions issued by RBI for qualification. A key characteristic to PNCPS is that there can be no maturity date and no step ups or other incentives to redeem. 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

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

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

b) Debt Capital instruments (qualifying as Tier II capital)

Details of Subordinated debt instruments (in lacs)

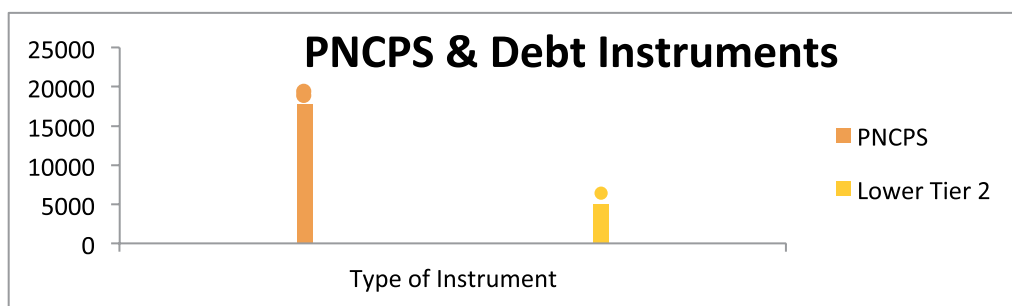
The subordinated debt capital instruments are issued as bonds / debentures by the Bank and meet the terms and conditions to qualify for inclusion as Tier 2 Capital for capital adequacy purposes.

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

The claims of the investors in instruments are:

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

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



The Bank has not issued any Debt instrument qualifying as Upper Tier II bonds.

Table DF- 3: Capital Adequacy

Qualitative Disclosures

The Bank has been well capitalized since inception. As required by RBI in its operating guidelines to SFBs (DBR. NBD.No.26/16.13.218/2016-17 dated October 6, 2016) SFBs are required to adopt the Standardized approach for credit risk and maintain a minimum CRAR of 15% segregated as under:

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

In comparison, as at 31st March 2018, the Bank's capital adequacy, when computed purely on the basis of risk weights for its credit risk exposures was 23.04%. The securitized portfolio that had been transferred to the Bank under the BTA had been completely paid by the year end. Hence additional charge on account of credit enhancement was not required. In addition, the legacy borrowing, which attracted an additional risk weight of 25%, had been considerably paid down by the year end, leading to further improvement in capital adequacy.

SFBs are not required to have a separate charge for Market Risk and Operational Risk for the time being in terms of an RBI communication dated 8th November 2017 marked DBR. NBD. No. 4502/16.13.218/2017-18, However, as a good governance practice, and as directed by its Board, the Bank separately computes capital charge for all the Pillar 1 risks viz. Credit, Market and Operational Risk following the Standardized approach for Credit Risk, Standardized Duration Approach (SDA) for Market Risk and the Basic Indicator Approach (BIA) for Operational Risk. In computing capital charge for Operational Risk, the Bank has used Gross Income for one completed year of operation. However, the Bank has developed an incident reporting module for capturing losses on account of operational risk incidents. Purely when compared to this loss data base, the capital charge on the BIA basis, even from a governance perspective, is high.

As directed by RBI, the Bank follows the Basel II guidelines when computing capital adequacy, though for its internal and regulatory reporting it also complies with certain aspects of Basel III requirement, such as computation and maintenance of RBI prescribed minimum Liquidity Coverage Ratio (LCR) and Leverage Ratio (LR).

Quantitative Disclosures

The break-up of Basel II capital funds (in lacs) as on 31st March 2018 is as follows:

Capital Funds		
	Position as on 31st March 2018	Amount(Rs. in Lacs)
A	Tier I Capital	
A.1	Paid-up Share Capital	1,44,004
A.2	Reserves	689
A.3	Perpetual Non-Cumulative Preference Shares (PNCPS)	20,000

A.4	Minority Interest	-
B	Deductions	
B.1	Investments in instruments eligible for regulatory capital of financial subsidiaries/associates	-
B.2	Securitisation exposures including credit enhancements	-
B.3	Deferred Tax Assets	7,627
B.4	Good will and Adjustments for less liquid position/intangibles	8,772
C	Net Tier 1 Capital	1,48,295
D	Tier II Capital	
D.1	General Provisions	3,646
D.2	Upper Tier 2 capital instruments	-
D.3	Lower Tier 2 capital instruments	1,167
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	4,813
G	Total Eligible Capital	1,53,108

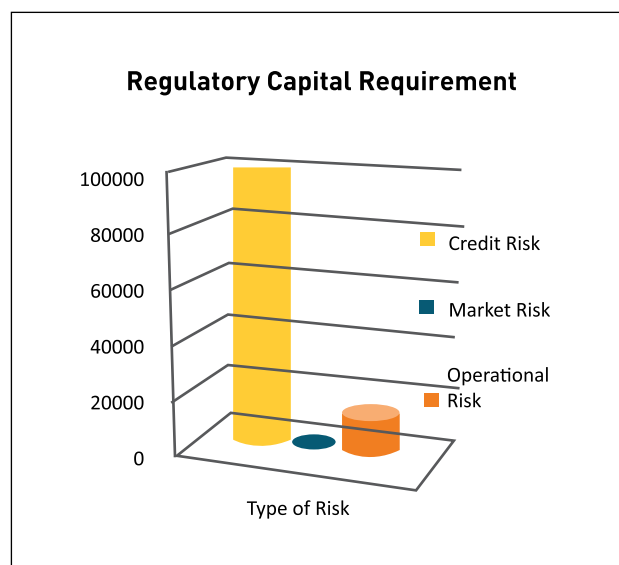
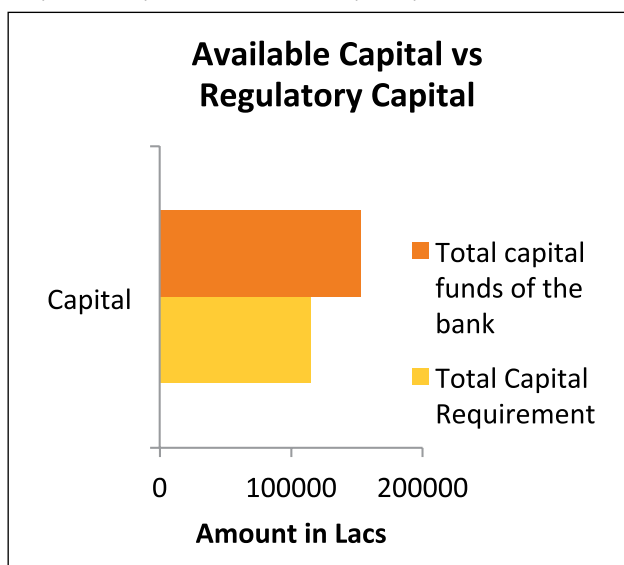
Capital Requirements for Various Risks		
Sl.No	Capital Requirements for various Risks	Amount(Rs. in Lacs)
A	Credit Risk	99,678
A.1	For non-securitized portfolio	99,678
A.2	For Securitized portfolio	0
B	Market Risk	169
B.1	For Interest Rate Risk	169
B.2	For Equity Risk	NIL
B.3	For Forex Risk (including gold)	NIL
B.4	For Commodities Risk	NIL
B.5	For Options risk	NIL
C	Operational Risk	14,576
D	Total Capital Requirement	1,14,424
E	Total Risk Weighted Assets	8,48,844
F	Total capital funds of the bank	1,53,108

Basel II Ratios as on 31st March 2018 (Rs.in Lacs)

Particulars	Amount/Ratio(Only Credit RWA)	Amount/ Ratio (all Pillar 1 risks)
Tier I Capital	1,48,295	1,48,295
Tier II Capital	4,813	4,813
Total Capital	1,53,108	1,53,108
Total RWA	6,64,525	8,48,844

Tier I Ratio	22.32%	17.47%
Tier II Ratio	0.72%	0.57%
Overall CRAR	23.04%	18.04%

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



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

Particulars	Jun-17	Sep-17	Dec-17	Mar-18
Credit RWA (Rs.in lacs)	6,42,726	6,34,526	6,27,857	6,64,525
Tier I CRAR	21.81%	22.14%	21.83%	22.32%
Total CRAR	21.81%	22.20%	22.05%	23.04%

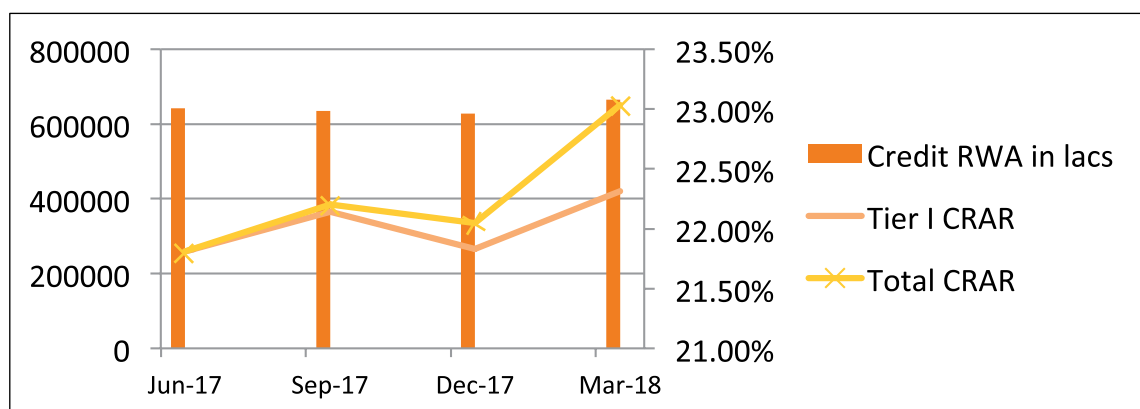


Table DF- 4: Credit Risk: General Disclosure Qualitative disclosures

Credit risk

A) Definitions of past due and impaired

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

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

B) Provisioning Norms of the Bank

The provisioning norms of the Bank, as approved by its Board, have been consistently more conservative than that defined by RBI. The increased provisioning norms help recognize the actual risk and gradually account higher for sub-standard assets and also provide fully for an asset that is past due over 365 days. The provisioning policy of the Bank that was current as at 31st March 2018 is as below:

Table 1: Unsecured loans: Group and Individual loans including unsecured MSE loans:

Asset Classification	Sub-category	Overdue Buckets	Regulatory Norms	Board approved Bank's Provision
Standard Asset	No Due	0 days	0.4%	0.5%
Standard Asset	Special Mention Account (SMA)- 0	1-30 days	0.4%	0.5%
Standard Asset	SMA- 1	31-60 days	0.4%	1%
Standard Asset	SMA-2	61-90 days	0.4%	1%
Sub-standard Asset	Non-Performing Asset (NPA)	91-150 days	25%	25%
Sub-standard Asset	NPA	151-180 days	25%	50%
Sub-standard Asset	NPA	181-365 days	25%	75%
Sub-standard Asset	NPA	366-455 days	25%	100%
Doubtful Asset	NPA	>455 days	100%	100%

The reasons for the accelerated provisioning when compared to regulatory minimums are as below:

- About 93% of the Bank's asset book comprised microfinance loans as at 31st March 2018. Though historically the portfolio has performed exceedingly well and instances of delinquency and Portfolio at Risk (PAR) were small, the microfinance industry has periodically been exposed to shocks that can only be classified as Event Risk. The Andhra Crisis of 2010 was one such instance; the demonetisation of November 2016 was another such Event Risk. While there is no pattern or cyclicity in such shocks, as a matter of good governance, the Bank has always deemed it appropriate to provide for such contingencies. This is reflected in the higher than mandated provision in each bucket.
- The Bank has a robust credit review and credit risk management process. The granular review of the portfolio enabled the Bank to identify areas and groups that were severely affected post demonetization. Taking cognizance of assets that had been impaired and where any recovery was in doubt, the Bank followed a policy of making full provisions for these assets. As at 31st March 2018, the overall position was as below:

Asset Classification	FY 2017-18 (Rs. In lacs)				
	Regulatory Requirement	Outstanding	Provision	Provision Rate	Additional Provision
Standard	0.40%	7,26,850	3,640	0.50%	727
SMA 0 (001 to 030 days)	0.40%	1,110	10	0.50%	1
SMA 1 (031 to 060 days)	0.40%	1,030	10	1%	6
SMA 2 (061 to 090 days)	0.40%	720	10	1%	4
Sub- standard	25%	20,790	15,710	75%	10,603
Doubtful	100%	450	450	100%	0
Loss	100%	6,340	6,340	100%	0
Reschedule Accounts	25%	70	20	37%	8
		7,54,430	26,190		11,349

As would be seen from the table above, the Bank has provided in excess of the mandated minimum in each bucket and had an excess provision of Rs 11,349 lacs. The impaired portfolio is therefore more than adequately provided and as confirmed by the Bank's external auditors, there was no underestimation of Credit Risk. Provision Coverage Ratio as at 31st March 2018 was 81.87%.

Table 2: Secured loans: MSE Secured loans, Loan against Property and Housing loans:

Asset Classification	Sub-category	Overdue Buckets	Regulatory Norms	Board Approved Provisions
Standard Asset	No Due	0 days	0.4%	0.5%
Standard Asset	Special Mention Account (SMA)- 0	1-30 days	0.4%	0.5%
Standard Asset	SMA- 1	31-60 days	0.4%	0.5%
Standard Asset	SMA-2	61-90 days	0.4%	0.5%
Sub-standard Asset	Non-Performing Asset (NPA)	91-180 days	15%	25%
Sub-standard Asset	NPA	181-455 days	15%	50%
Doubtful Asset	NPA	456-545 days	25%	75%
Doubtful Asset	NPA	546-720 days	25%	100%
Doubtful Asset	NPA	721- 970 days	40%	100%
Doubtful Asset	NPA	971- 1000 days	40%	100%
Loss Asset	NPA	>1551 days	100%	100%

- The provisioning norms for Secured loans, both MSE and Housing loans are also higher than the regulatory norms. The overdue buckets are categorized after analysing the trend/movement in overdue status and traction percentage achieved in these buckets.
- All cases identified as loss assets at any given point in time are fully provided for.
- This portfolio is stringently monitored with credit review by cluster and at a granular level. Any early signs of stress are addressed proactively to contain delinquencies.

Additional Considerations:

Treatment to the following special cases are as below:

- **Benami loans** and **Sub-lending cases** in its Group Loan portfolio as identified by the Bank, and as investigated and confirmed by the Risk and Fraud Management Committee are considered as loss asset and fully provided for immediately;
- **Abscond cases** are considered as loss assets from 91 days and fully provided for at 91 days. Any other fraudulent case as identified by the Bank and confirmed by the Risk and Fraud Management Committee is considered as loss asset and fully provided for immediately.
- While there had been increased instances of such Benami or Abscond cases as an immediate after effect of demonetisation, such instances are now lower and have been effectively contained.

C) Rescheduled loans

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

- Rescheduling results in immediate downgradation of the loan, i.e. a standard loan becomes sub-standard and immediately attracts provision as per the asset classification and subsequent provisioning norms.
- If the account continues to deteriorate post rescheduling, it will slip into further lower asset classification with reference to pre-rescheduling repayment schedule and attract provisioning as per the policy.
- If a Non-Performing Asset (NPA) is rescheduled, it shall continue to have the same classification as prior to rescheduling and slip into further lower asset classification as per asset classification norms with reference to the pre-rescheduling repayment schedule and attract provisioning as per policy. If the account performs regularly, it will be upgraded after one year of satisfactory performance of the loan.
- As required by RBI guidelines, in each case of rescheduled loans for its MSE and Housing vertical, the Bank makes an additional provision by computing comparable NPVs for the "before" and "after" scenarios. For the microfinance book, this is provided for as a percentage of the overall restructured book;

D) Write-offs

Technical/prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of branches, but have been written off (fully or partially) at head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches

For the complete year, the Risk Management Committee has approved a write-off of Rs. 17,653 lacs. These are the advances where no recoveries have been made in the past six months i.e. accounts in overdue status since June 2017. Further, the Bank is of the opinion that there is very low probability of recovery. The summary of write-offs for FY 2017-18 is as follows:

Period	Amount (Rs. in lacs)
Q1 of 2017-18	1,000
Q2 of 2017-18	8,868
Q3 of 2017-18	3,305
Q4 of 2017-18	4,480
Total write-offs for FY 2017-18	17,653

All assets which have been fully provided for are considered for writing off after all recovery efforts have been exhausted:

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

E) Credit Risk Management

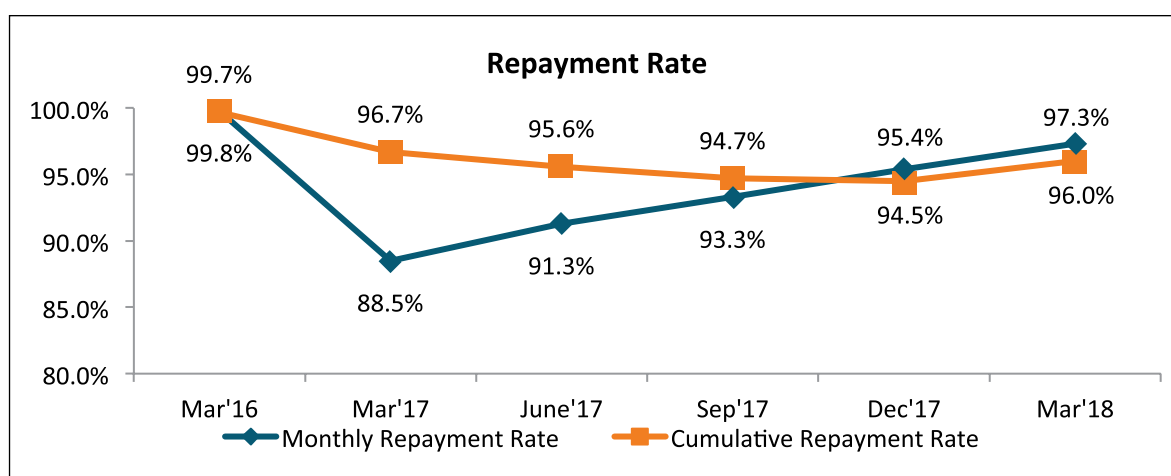
The Financial Year 2017-18 was a challenging year for the microfinance industry and a real test of the Bank's strength and character. The steep drop in repayment rates due to demonetization impacted the Bank's portfolio quality and the SFB transition plans at the start of the Financial Year. However, the Bank has recovered well from the impact of demonetization with monthly collection efficiencies back to over 97% in March 2018. A snapshot of the year end comparison of key parameters is given below:

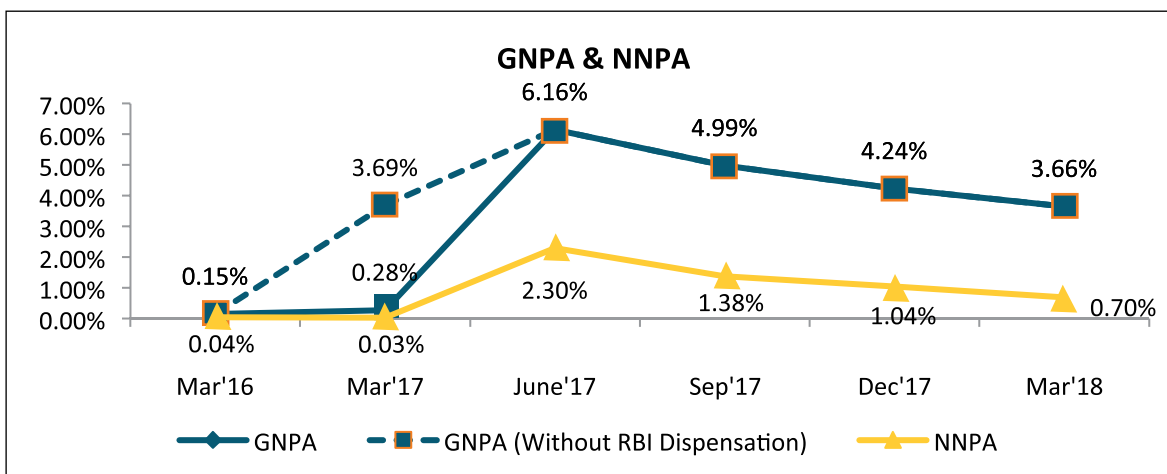
Particulars	Mar'17	Sept'17	Mar'18	YTD Variance
Outstanding Principal (OSP) (Rs. in lacs)	5,87,565	6,48,322	7,56,045	1,68,479
Monthly Repayment Rate (MRR)	88.5%	93.7%	97.3%	8.8%
Total Delinquent Accounts/Clients	4,30,376	3,76,176	2,29,378	2,00,998
Incremental Overdue (IOD)	27,917	11,399	2,909	25,008
PAR>0 Days (Rs. in lacs)	65,070	53,410	30,920	34,150
%PAR> 0 Days	10.2%	7.89%	4.10%	6.1%
On-time Repayment Rate (OTRR)	82.9%	86.3%	91.3%	8.4%
Cumulative Repayment Rate (CRR)	96.7%	94.7%	96.0%	0.7%

The Bank's proactive approach in involving the branch staff for collections, along with setting up of a dedicated collections team primarily focused on 90 days past due accounts has yielded good results with an average quarterly traction of 33% to 35% on accounts handled by this team. Considering the vintage of these delinquent accounts, a 30%+ traction is significant and gives the Bank hope of a constant recovery environment during the next financial year.

In the microfinance portfolio, fresh delinquencies have been contained over the quarters and with sustained collection efforts the PAR (Portfolio at Risk>0 days) has steadily declined from 10.2% in March 2017 to 4% in March 2018.

For all new loans disbursed from January 2017 onwards, the collection efficiency continues to be at an impressive 99.7%. The total Gross NPA of the Bank which had peaked to over 6% during the year had declined to 3.65% as of March'18. Since majority of the provisions have been taken during the year, the Provision Coverage Ratio (PCR) was at 81.87% and as a result of this the Net NPA as of March'18 was at 0.69 %.





Credit Risk Monitoring

Micro-finance portfolio

The unsecured credit function specifically manages and monitors the microfinance business for Joint Lending Group (JLG) loans and Individual Loans through an independent loan underwriting and approval process. Credit risk monitoring for the unsecured lending portfolio is undertaken in the following way:

- Field credit teams ensure implementation of various policies and processes through random customer visits and assessment, training of branch staff on application errors, liaison with other institutions to obtain necessary information/loan closure documents, as the case may be, and highlight early warning signals and industry developments enabling pro-active field risk management. The efforts of the field credit team are supplemented by that of the strong Internal Audit framework of the Bank. This is primarily audit of field and branch banking processes, including the credit sanction and disbursement process. Any breach is highlighted and corrective measures are initiated;
- Branch specific credit limits for Joint Lending Group (JLG) business have been formulated that define credit limits for various occupations thereby addressing exposure and concentration risks. The limits so drawn ensure approvals in accordance with customer's maturity in the lending system, vintage with the organization, primary occupation of the family and their locale. The entire policy suite thus enables robust customer selection and assessment;
- Portfolio analysis and reporting is used to identify and manage credit quality and concentration risks.
- In response to customer needs post demonetization, the Bank has been quick to make necessary changes to its lending model including discontinuation of group members' guarantee and instead focus on individual on-time repayments at the centre meetings.
- Post demonetization, all branches in affected geographies are being re-surveyed to identify and exclude problematic areas, identify expansion areas and focus on servicing repeat customers. Re-building business and portfolio cautiously is the Bank's goal in these geographies along with continued recovery efforts that will help keep incremental credit costs to pre-demonetization levels. The credit risk framework is also being re-visited to incorporate learning's as the Bank emerges with a stronger character from this devastating event.
- On the underwriting side, the Bank continues to leverage technology to further strengthen its assessment processes and effectively use data and credit models to ascertain credit behaviour of various customer segments as it diversifies the product suite to offer personal loans, two wheeler loans and other new products under rural lending. This will also help the Bank achieve its objective of providing pre-approved and digital credit offerings to all customers including existing microfinance customers.

Housing and Micro and Small Enterprises (MSE) portfolios

Credit risk monitoring for MSE and the Affordable Housing sector is broadly done at two levels – account level and portfolio level. Account monitoring aims to identify weak accounts at an incipient stage to facilitate corrective action. Portfolio monitoring aims towards managing risk concentration in the portfolio as well as identifying stress in certain occupations, markets and states where the PAR % is out of sync with the Bank's long term vision.

Housing:

In line with Government of India's declared mission of 'Housing for All by 2022', the Bank has seen robust growth in Affordable Housing portfolio. The Affordable Housing portfolio had grown from Rs. 9,863 lacs as on 31st March 2017 to Rs. 32,278 lacs as on 31st March 2018, with NPA of 0.11% with 2 times increase in customer base. Post conversion into a Bank, the Bank's Affordable Housing customers were able to take benefit of Credit Linked Subsidy Scheme (CLSS) of the Pradhan Mantri Awas Yojana (PMAY).

Demand in mid-income Affordable Housing remains strong and poised for excellent growth in coming months and years. Over the years the Bank has perfected the underwriting for these set of customers, and this has helped in being much more responsive to the customer needs.

The Affordable Home Loans are tailor-made for the underserved customers to help them realize their dream of owning a home. The Bank provides loans for construction of new home, improvement of existing house, purchase of apartment or house and loan against property. The portfolio is a blend of multiple products with majority of loans being extended for self-construction and for home improvement with combination of self-employed (organized and unorganized sector) and salaried. Self-Employed segment forms 60% of the Bank's portfolio with salaried comprising the rest. The portfolio is reviewed periodically to identify early warning signals, to understand concentration of portfolio by industry, geography, profiles and accordingly remedial actions are adopted.

During the year, RBI substantially reduced the risk weights on Affordable Housing with Loan to Value (LTVs) less than 75%, from previous 50% to 35%. As the portfolio grows at greater speed in coming years, this would help in better capital management.

Micro and Small Enterprises (MSE):

The year also saw the Bank make rapid strides in building its portfolio of Micro loans. There are four product variants that the Bank offers; these are both unsecured and secured. While lending to the micro segment is a mandatory priority sector lending requirement, the Bank also sees considerable business potential in this segment. Ticket size has been increased from the earlier cap of Rs 25 lacs to Rs 50 lacs, though this cap is strictly monitored to ensure that there is no breach of the SFB mandated guidelines. The Bank will also be introducing an overdraft product in the next financial year. A growth in the performance of the portfolio is furnished as below:

Region	Apr'17 (Rs. in lacs)	Mar'18 (Rs. in lacs)	Growth
South	2,467	7,014	184%
North	1,575	6,756	329%
East	1,361	5,314	291%
West	1,190	3,343	181%
Grand Total	6,593	22,427	240%

PAR OSP								
OD Days	Apr'17 (Rs. in lacs)				Mar'18 (Rs. in lacs)			
Product	LAP SENP SEP	UBL	UEL	Grand Total	LAP SENP SEP	UBL	UEL	Grand Total
0-30 days	40.37	32.33	6.94	79.63	25.73	88.36	40.92	155.01
31-60 days	9.46	6.14	-	15.60	27.45	75.12	29.60	132.17
61-90 days	24.21	5.24	-	29.45	8.38	29.36	-	37.74
90+ days	9.18	4.30	-	13.48	73.22	122.65	25.21	221.08
Total	83.22	48.01	6.94	138.17	134.79	315.49	95.72	546.00

From a risk management perspective, the Bank has put in place certain approved early warning triggers at the portfolio level for Housing Loans and MSE Loans. The intended purpose is to monitor the health of the portfolio in accordance with its maturity. These triggers would help the Bank to identify incipient stress in the portfolio and any breach in combination of triggers on bi-monthly basis would warrant an independent review by the Credit risk team.

F) Internal Audit

The Internal Audit process of the Bank complements the Risk Management function as the third line of defence. Traditionally, the focus was on audit of branch processes, with each microfinance branch being audited thrice a year. However, with its transformation into a Bank, there are newer audit processes that have been introduced. This includes audit of the liability process, all operating and functional departments, Treasury and business verticals. In compliance with the regulatory requirements, the Bank has concurrent auditors at each region and had completed the IS Audit of its systems as on 31st March, 2018. The Bank has scheduled to commence ISO 27001 certification process for its IT applications in the next financial year.

Quantitative Disclosures

Exposure summary: Facility type

Exposure Type*	Domestic (Rs. in lacs)	Overseas
Fund- Based exposure	7,81,443	--
Non- Fund Based Exposure	--	--
Total	7,81,443	--

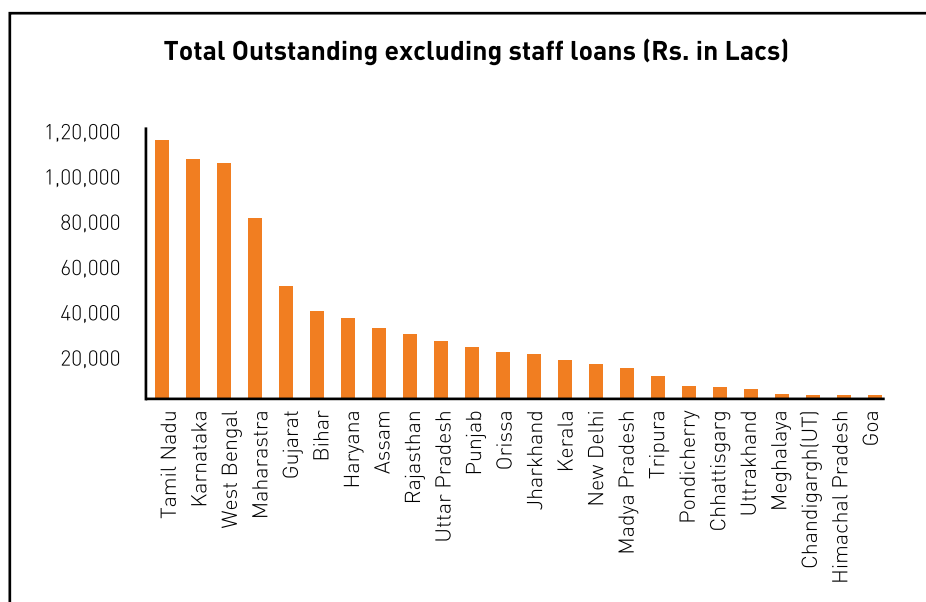
*Exposure definition as per RBI

Geographic Distribution of advances (State-wise) (Excluding Staff Loans)

State	Total Outstanding excluding staff loans (Rs. in Lacs)	% Share
Tamil Nadu	1,14,272	15.16%
Karnataka	1,06,332	14.11%
West Bengal	1,04,301	13.84%
Maharashtra	79,616	10.56%
Gujarat	49,548	6.57%
Bihar	38,524	5.11%
Haryana	35,457	4.71%
Assam	31,503	4.18%
Rajasthan	28,503	3.78%
Uttar Pradesh	25,713	3.41%
Punjab	22,530	2.99%
Orissa	20,979	2.78%
Jharkhand	20,311	2.70%
Kerala	17,386	2.31%
New Delhi	15,085	2.00%
Madhya Pradesh	13,513	1.79%
Tripura	9,951	1.32%
Pondicherry	5,665	0.75%
Chhattisgarh	5,179	0.69%
Uttarakhand	4,138	0.55%
Meghalaya	1,798	0.24%
Chandigarh(UT)	1,583	0.21%
Himachal Pradesh	935	0.12%
Goa	761	0.10%
Grand Total	7,53,584	100.00%

The share of microfinance advances constitutes a significant share in the above distribution. In order to contain excess build-up of concentration risk, the Bank has designed and incorporated risk assessment framework under its Internal Capital Adequacy and Assessment Process (ICAAP) to monitor the same. For geographic states with excess concentration, Pillar II capital charge as required by RBI is provided after duly factoring the expected defaults, expected tractions and expected provisions.

Since the share of MSE and Secured housing loans are small and growing, 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 shall be monitored and reported for corrective actions in the ensuing year.



Exposure distribution by activity

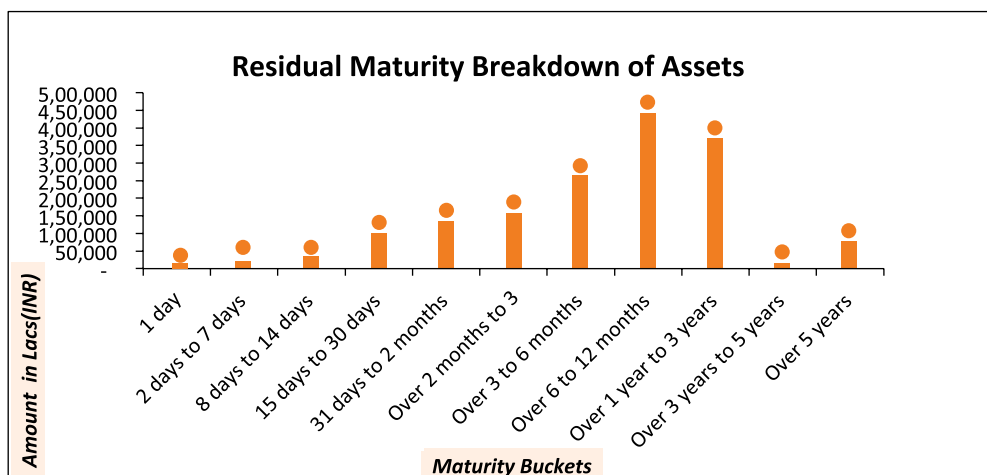
Exposure distribution by Activity		
S. No.	Industry Classification	Fund Based (Rs. in lacs)
1	Agriculture & Allied activities	21,891
2	MSME	35,934
3	Education	-
4	Housing	75,536
5	Other PSL Loans	3,10,424
	LESS: PSLC	(3,29,400)
A)	Total Priority Sector Loan	1,14,385
6	Agriculture (Non Priority)	1,36,521
7	MSME : Service (non-priority)	-
8	Education (Non Priority)	8,381
9	Housing(Non Priority)	36,969
10	Personal Loans under Non Priority Sector	3,34,298
11	Other Non PSL Loans	1,25,491
B)	Total Non-Priority Sector	6,41,660
C)	Total Advances	7,56,045

The Adjusted Net Bank Credit (ANBC) as on the corresponding date of the preceding year was Rs. 92,222 lacs. The Priority Sector lending was above the minimum requirement of 75% at 124% (Rs. 1,14,385 lacs as a percentage to ANBC).

Maturity pattern of assets and liabilities (Rs. in lacs)

Residual Contractual Maturity breakdowns of Assets- Position as on 31st March 2018					
Maturity Bucket	Loans & Advances	Investment	Deposits	Borrowings	Total
1 day	1	-	127	-	129
2 days to 7 days	11,063	7,495	1,385	-	19,943
8 days to 14 days	19,313	7,985	3,579	3,842	34,720
15 days to 30 days	24,609	-	63,631	13,460	1,01,700
31 days to 2 months	55,135	5,550	65,279	9,195	1,35,159

Maturity Bucket	Loans & Advances	Investment	Deposits	Borrowings	Total
Over 2 months to 3 months	53,666	-	93,697	12,442	1,59,805
Over 3 to 6 months	1,44,704	11,088	37,146	71,960	2,64,897
Over 6 to 12 months	2,01,753	36,531	75,542	1,27,777	4,41,603
Over 1 year to 3 years	1,88,343	(0)	36,610	1,44,290	3,69,243
Over 3 years to 5 years	13,372	-	221	2,319	15,911
Over 5 years	21,591	54,598	30	-	76,219



Non-performing assets (NPA) (Rs. in lacs)

Category of Gross NPA	31 st March 2018
Sub-standard	20,801
Doubtful	454
Loss	6,337
Total	27,592

Net NPA	5,093
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NPA Ratios	Percentage
Gross NPA to Gross Advances	3.65%
Net NPA to Net Advances	0.69%

Movement of Gross NPA's

Particulars	Amount (Rs. In lacs)
Opening Balance	1,640
Additions during the period	55,669
Reductions during the period	29,717
Closing Balance	27,592

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

Particulars	Amount (Rs. in lacs)
Opening Balance	1,460
Provisions made during the period	45,364
Write back of excess provisions	24,325
Closing Balance	22,499

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

Movement of provisions for depreciation on investments	Amount
Opening Balance	--
Provisions made during the period	--
Write-off	--
Write- Back of excess provisions	--
Closing Balance	--

Table DF-5: Credit Risk: Disclosures for Portfolios Subject to the Standardised Approach

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 is predominantly comprised of retail category loans. Therefore, the risk weights as applicable to Regulatory Retail, Claims under Residential Mortgage and staff loans are applied.
- No borrower is currently risk weighted as per ratings assigned by Eligible Credit Rating Agencies as prescribed by RBI.
- The Bank has also taken into cognizance assets under lien for its "grandfathered" portfolio of legacy borrowings and applied an additional RWA of 25% to these assets as per the specific directives by RBI to SFBs.

Quantitative Disclosures

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on 31st March 2018		
Sl.No	Risk Weight	Rs. in lacs
1	Below 100% Risk Weight	6,74,736
2	100% Risk Weight	1,87,873
3	More than 100% Risk Weight	92,760
4	Deductions from CRM	-
5	Total	9,55,369

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on 31st March 2018

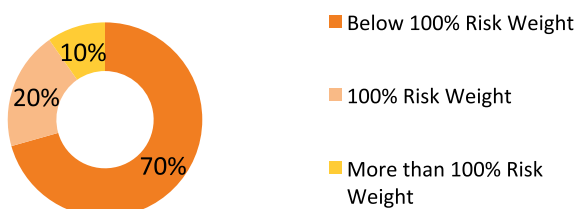


Table DF-6: Credit Risk Mitigation: Disclosures for Standardised Approaches**Qualitative Disclosure**

- The JLG and Individual Loan portfolio of the Bank is unsecured. Loans to the Affordable Housing segment are collateralized by a mortgage over the property financed.
- Credit risk mitigation refers to the use of methods to reduce the risk of lending to a borrower. The Bank has put in place a detailed credit appraisal process which is captured in separate product manuals and product programs. The mitigants used in the unsecured lending portfolio are as follows:
 - 1) Life insurance cover is mandatory for all the borrowers availing any of the Bank's asset products.
 - 2) The Bank works with 4 credit bureaus and ensures 100% application screening through the bureaus. State of the art paperless approval process, through the document management system enables a quick and uniform approval process.
 - 3) NPA Customers are identified and follow up is undertaken by the tele-calling team. The tele calling team updates the field recovery officer through revised Promise to Pay (PTP) dates from the borrower. Further, the Early Warning System (EWS) tool for Housing and MSE loans also enables the Bank to monitor the repayment behaviour and discipline of the borrower. This tool provides valuable insights which enable the Bank to focus more on customers deemed to be of higher risk.
 - 4) The Bank also undertakes independent surveys and analysis to identify negative areas/No- go areas based on historical events. These surveys enable the Bank to discourage increasing business from these areas as identified above.

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

The securitized transactions which were transferred under the BTA are without recourse to the Bank. The entire securitized portfolio had been completely repaid as at 31st March 2018

There are no securitization exposures in the Trading Book.

Table DF- 8: Market Risk and Liquidity Risk**Qualitative Disclosures**

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

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

There is minimal Market Risk that the Bank is required to address, given that there was no trading that the Bank's Treasury had been undertaken during the year. The AFS portfolio is small. Significantly, during the year the Bank had no holding of dated Government Securities in its AFS portfolio and hence did not have to make any provisions for adverse movements in yield during the year.

The average tenor of a microfinance loan is 18 months. But the Bank has grown its portfolio of Affordable and MSE portfolio. These are of longer tenor. Effective ALM management ensured that there was no breach of regulatory thresholds and that these remained comfortable in all parameters as at the year-end:

ALM	Liabilities (Rs. in lacs)						
Buckets	Deposits	CDs	Inter-bank	Refinances	Legacy Borrowings	Net Worth	% of Liabilities
1D	127	0	0	0	0	0	0%
2-7D	1,385	0	0	0	0	0	0%
8-14D	1,084	2,496	0	1,500	2,342	0	1%
15-30D	4,451	59,180	0	0	13,460	0	9%
31D to 2M	10,532	54,747	0	1,500	7,695	0	17%
2M to 3M	19,880	73,817	0	1,500	10,942	0	29%

ALM	Liabilities (Rs. in lacs)						
3M to 6M	22,616	14,530	2,500	26,157	43,303	0	41%
6M to 1Y	63,687	11,855	0	37,490	90,287	0	62%
1 Year +	36,861	0	0	1,26,950	19,659	1,64,841	100%
Total	1,60,623	2,16,625	2,500	1,95,097	1,87,688	1,64,841	

ALM	Assets (Rs. in lacs)			
Buckets	Cash & Balance	Investments	Advances	% of Assets
1D	5,156	18,772	1	3%
2-7D	20,086	458	11,063	6%
8-14D	253	1,396	19,313	9%
15-30D	3,171	16,056	24,609	13%
31D to 2M	3,895	15,066	55,135	22%
2M to 3M	4,187	21,555	53,666	31%
3M to 6M	975	15,052	1,44,704	49%
6M to 1Y	3,069	25,645	2,01,753	74%
1 Year +	3,492	9,248	2,18,113	100%
Total	44,284	1,23,248	7,28,357	

As at the year end, about 23% of the funding was met through placement of Certificates of Deposits (CDs) of tenor not exceeding three months. But 21% of the funding came from total deposits, which were mostly of tenor up to 1 year. The Bank also availed of refinance from SIDBI and NABARD during the year and these were of an average tenor of 3 years. A summary of the funding mix as at the year-end is given below:

Rs. in lacs

S No	Particulars	Mar-17	Jun- 17	Sep-17	Dec-17	Mar-18	% of Borrowing
1	Legacy Borrowings	4,49,247	3,96,805	2,66,953	1,74,028	1,27,688	17%
2	Refinance	97,393	94,893	1,44,020	1,69,520	1,95,097	25%
3	Interbank	0	49,700	38,500	40,000	2,500	0%
4	Deposits	20,641	40,374	73,456	1,05,785	1,60,623	21%
5	CDs (← 3 Months)	0	0	61,500	1,05,000	1,74,700	23%
6	CDs (→ 3 Months)	0	0	18,000	35,500	45,000	6%
7	NCDs	82,500	72,500	62,500	60,000	60,000	8%
8	Securitization Portfolio	50,833	34,858	22,982	13,362	0	0%
9	IBPC	0	0	7,500	3,500	0	0%
Outstanding		7,00,615	6,89,130	6,95,412	7,06,695	7,65,608	100%

The Bank adheres to RBI guidelines relating to the Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. LCR 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.

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. LCR measures a bank's potential to stand under combined idiosyncratic and market-wide liquidity stress condition, where the bank experiences accelerated withdrawal of deposits from retail depositors, partial loss of secured funding, increase in collateral requirements and unscheduled draw down of unused credit lines.

The Bank computes LCR in Indian rupees, the only currency it deals with. HQLA of the Bank consist of cash, unencumbered excess Statutory Liquidity Ratio (SLR) eligible investments, a portion of statutory SLR as allowed under the guidelines, cash balance with RBI in excess of statutory Cash Reserve Requirements (CRR), and high rated corporate bonds issued by entities other than financial institutions.

The LCR position as at the 31st March 2018, computed on the basis of daily average of three months, was comfortable and significantly in excess of the mandatory minimum:

Liquidity Coverage Ratio		
A	High Quality Liquid Assets	Adjusted Baseline Scenario (Rs. in lacs)
	Level 1 Assets	80,641
	Level 2 A Assets	0
	Level 2 B Assets	0
B	Total Stock of HQLAs	80,641
C	Cash Outflows	1,16,430
D	Cash Inflows	68,732
E	Net Cash-flow	47,699
F	25% of Total Cash Outflow	29,108
G	Higher of E or F	47,699
Liquidity Coverage Ratio		169.06%

Macro-economic indicators including interest rate movement and peer analysis play a vital role in the effective functioning of the Bank. Mid-Office keeps Asset and Liability Committee (ALCO) and senior management informed on the recent developments in the economy and its possible implication on the interest rate movement.

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

Quantitative Disclosures

Capital Requirement for Market Risk	Amount (Rs. in lacs)
Interest Rate Risk	169
Equity Position Risk	--
Foreign Exchange Risk	--
Total	169
Total Market Risk RWA	2,116

Capital Requirement for Market Risk – Position as on 31st March, 2018

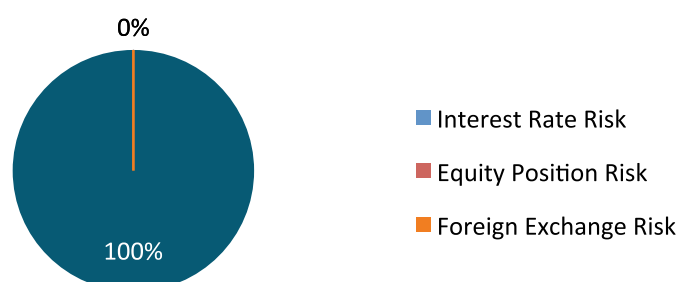


Table DF- 9: Operational Risk

Qualitative Disclosures

Strategy and policy for Operational Risk Management

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It excludes strategic and reputational risks but includes legal risk. Strategic or reputation risks are second order effect of operational risk.

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

There are two methods that the Bank follows to measure Operational Risk:

- 1) A scorecard approach. This is internal scoring mechanism that the Bank has developed to capture key risk parameters at a granular level. This is done each month and branches are categorized as High, Medium or Low risk based on these assessments. The findings are tabled to the Operational Risk Management Committee and actionable are decided to address the position of recurring high risk branches. The scorecard reporting is supplemented with observations of the Operational Risk team from branch visits and field observations. It is intended that the branch risk scores of the Operational Risk team will form the basis for identifying rigorous branch audits from the next financial year;
- 2) The Risk and Control Self-Assessment (RCSA) framework. While this is expected to be developed from the Enterprise Governance Risk and Compliance (EGRC) module of SAS which was in production at the year end, the Bank has developed an excel matrix for this purpose. The analysis is done using a product as the base. Using this, each process and sub process is documented and existing controls tested. This enables the generation of a residual risk score.

While these are two methods used to measure operational risk, the Bank has developed a robust system of recording all instances of operational risk events. Such reports are from branches and also at regional levels. A separate Operational Risk loss general ledger head has been created in the Banks chart of accounts to track the amount of loss booked. These are reported to the Operational Risk Management Committee (ORMC).

The Bank is also progressively doing a complete risk assessment of all its outsourced vendors. These are vendors that the Bank has been using since its days as an NBFC- MFI. The aim behind these risk assessment is to ensure that these vendors all comply with the minimum requirement prescribed by RBI for all outsourced contracts.

Consistent with Basel requirements, the Board has approved an Operational Risk Management policy of the Bank to mitigate and manage operational risk. The Operational Risk Management process is a topdown approach and is driven by strong and sound operating procedures and internal control culture with well-defined reporting and contingency planning.

The policy provides :

- A comprehensive view of operational risks across business for proactively assessing key risks and initiating mitigating measures;
- Reduce 'Impact' and 'Probability' of risk events through introduction of sound practices for operational risk, embedding right sized controls in a proactive manner to minimize losses from operational failures;
- Create awareness by developing a common understanding and taxonomy of risks across the Bank and embed risk ownership by business.

Governance Structure for Operational Risk Management

The Bank has an Operational Risk Management Framework and the Board of Directors gives direction on the risk management strategies and approves the operational risk policy of the Bank commensurate with the size of the Bank. For effective management of Operational Risk, the Bank has constituted an ORMC consisting of senior management drawn from different functions, Operations, Finance, Information Technology (IT) and Human Resources (HR). The ORMC supports the Risk Management Committee (RMC) of the Board and is responsible for implementing the best practices in managing operational risk. The main function of the ORMC is to ensure appropriate processes are in place to mitigate/contain Operational Risk losses. It is also responsible for recommending suitable control measures for risk mitigation.

The Operational Risk team performs root cause analysis on operational risk incidents for identification of open risks and suggestion of risk mitigants. Near miss incidents are collated to create a database for loss events and to understand the different risk drivers.

Risk identification, measurement, monitoring and reporting

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

- 1) Conducting a thorough due diligence by taking input from business and all control functions before opening any new branch. Additionally, a periodic assessment of the competitive environment in the branch operating

area through an analytics tool is done and that acts as proactive risk mitigants;

- 2) Monthly risk scoring through an internally developed model to measure risk of each branch operation with resultant scores determining the action plan which is devised in consultation with business to ensure quick turnaround of branch operations from high/medium risk to low risk. This is an established process and is proposed to be automated through the SAS module;

The risk scoring framework has now been enhanced to include both SFB and MFI branches. There are different set of parameters for risk scoring of MFI and SFB branches and these are repeated at monthly intervals. When complemented with a robust internal audit process, the risk scoring at a granular level ensures adherence to laid down processes, especially in newly converted SFB branches. ;

- 3) Operational risk checklist is in place for assessment of controls in existing liability processes in SFB live branches. Similar checklist is also used for assessment of controls in branches not live with liability products. This is used to raise awareness amongst users of associated operational risks in case of controls being compromised;
- 4) Operational risk Incident reporting process is established which involves a detailed risk analysis for material incidents and learn from errors for strengthening controls through loss and near miss data. Incident reporting is used to capture operational risk incidents in a systematic manner. This is followed by a Root Cause Analysis (RCA) of each reported incident and to book losses on identified operational risk events;
- 5) All new products are rolled out post assessment of critical operational and compliance risks and with approval of the Product Approval Committee (PAC);
- 6) RCSA entity selection is phased out across Business Groups and Support groups. Based on the interactions with the process owners, the Bank makes recommendations for change in process if warranted which in turn is suitably incorporated in the process note roll out with adequate risk mitigants and control features.
- 7) Comprehensive Risk register has been compiled
- 8) Internal control testing framework that assesses design and operating effectiveness of controls. This is an on-going exercise;
- 9) Framework for on-going monitoring of risks through Key Risk Indicators (KRIs). This includes defining and monitoring the Bank level KRIs followed by process level KRIs;
- 10) Tracking of actions for timely closure of open issues from RCSAs, control testing, risk incidents and audit;
- 11) Periodic reporting of material risk exposures to senior management to facilitate timely mitigation;
- 12) SAS EGRC is implemented to record all loss events across the Bank. The module on KRI, Control Testing, Issue and Action is live. In long run the Bank will have sufficient data to arrive at a proper base for capital charge calculation.
- 13) Periodic training to front-end staff to create awareness on risk and available controls.
- 14) The ORMC provides direction for mitigation of Operational Risk in IT security
- 15) Disaster Recovery and Business Continuity Plan have been established for ensuring continuity of operations and minimal disruption of services in the Bank for its customers.
- 16) Reports from concurrent audit and internal audit also provide with independent assessment of the operating and the financial controls for the various processes that form an integral part in managing the operational risk that is all pervasive.

Information Technology and Security Risk

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

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

The Bank has commissioned the performance of independent vulnerability assessments and penetration tests to complement internal assessments. Third Party Information Security Assessment (TPISA) is performed to evaluate third party's information security related practices.

The Bank is actively participating in various meetings and forums organized by the Institute for Development & Research in Banking Technology (IDRBT), RBI and other forums to remain updated in latest security technologies and to continuously upgrade the security posture of the bank. The Bank was conferred the prestigious Indian Bank's Association (IBA) Award for Best IT Risk and Cyber Security Initiatives in the Small Bank Category in February 2018.

Business Continuity

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

Capital Charge assessment

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

Quantitative Disclosure

Particulars	Capital Req'd. (Rs. in lacs)	RWA (Rs. in lacs)
Operational Risk (BIA Approach)	14,576	1,82,203

Other Pillar II Risks

Minimum regulatory capital requirements under Pillar 1 establish a threshold below which a bank's regulatory capital must not fall. Regulatory capital ratios permit some comparative analysis of capital adequacy across regulated banking entities because they are based on certain common methodology / assumptions. However, RBI performs a more comprehensive assessment of capital adequacy that considers risks specific to a bank, conducting analyses that go beyond minimum regulatory capital requirements. The assessment entails as to whether the bank maintains adequate capital cushion to take care of all material risks and operate with a cushion.

Pillar II risks such as Liquidity Risk, Reputational Risk, Strategic Risk, Legal Risk, Outsourcing Risk, Credit Concentration Risk are examples of Pillar II Risks.

These risks will be analysed separately by the Bank under ICAAP.

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

Qualitative Disclosures

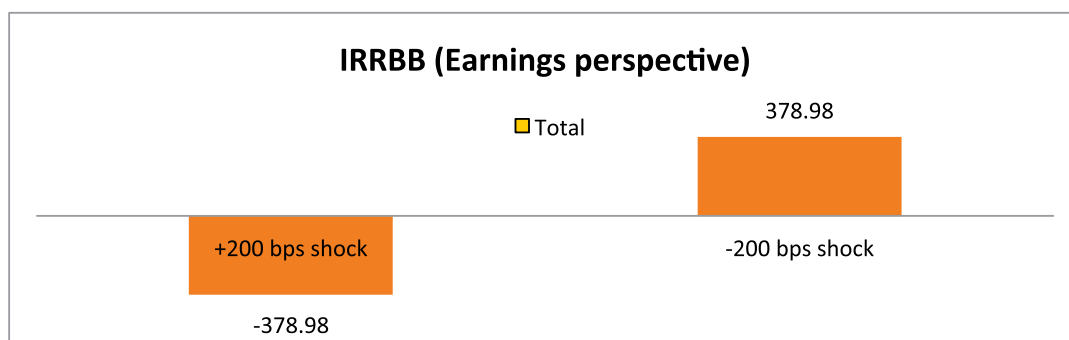
Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of a bank's banking book as a consequence of movement in interest rates. The Bank has identified the risks associated with the changing interest rates on its exposures in the banking book from both a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

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

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

Earnings at Risk (Earnings Perspective) (Rs. in lacs)

Interest Rate Risk in the Banking Book (IRRBB)			
Sl.No	Country	Interest Rate Shock	
		+200 bps shock	-200 bps shock
1	India	-378.98	378.98
2	Overseas	--	--
3	Total	-378.98	378.98



Economic Value Perspective (Rs. in lacs)

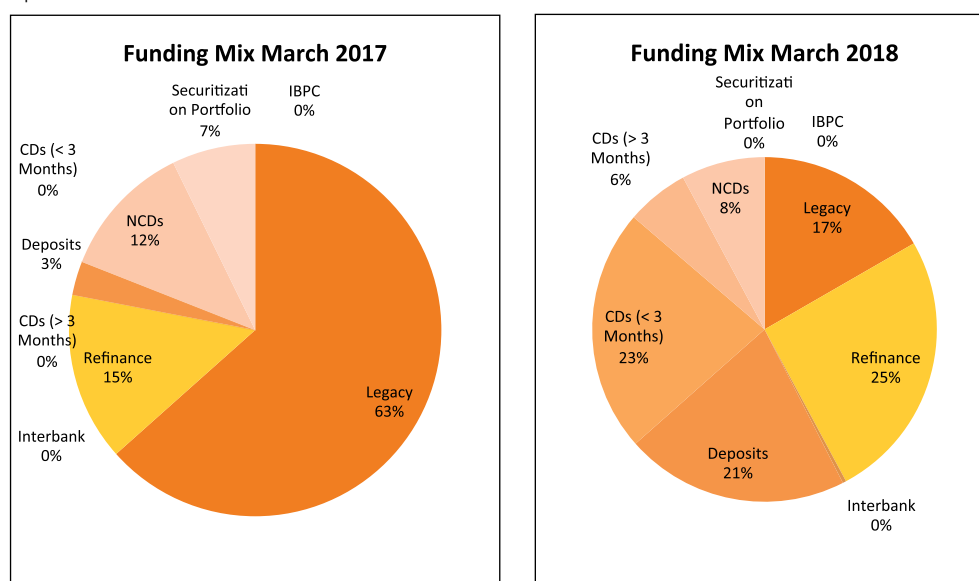
Category	Items	Amount
A	Equity (i.e., Net Worth)	1,44,004
B	Computation of Aggregate RSL	7,82,532
C	Computation of Aggregate RSA	8,85,362
D	Weighted Avg. MD of RSL across all currencies	0.9185
E	Weighted Avg. MD of RSA across all currencies	1.2196
F	MDG	0.41
G	Change in MVE as % of equity for 200bps change in interest rate	-5.01%
G	Change in MVE in absolute terms	-7214.58

Liability profile of the Bank

Transformation from an NBFC-MFI to an SFB brings with itself a plethora of opportunities related to diversification of funding sources through mobilisation of deposits from the untapped market of underserved and unserved strata of the society. The modest growth in retail deposits is in line with the expectation set by the Bank for its 1st year of operations. Certificate of Deposits (CDs) took the centre stage of funding plan in year 1 while the way forward is to diversify the funding sources through a combination of term money, refinance and portfolio re-financing to bring down the reliance on CDs to a limited portion and allow room for the deposits to grow. As the Bank completes its Branch conversion roll out plan, it is expected to enable a wider reach in building the core deposits.

Mobilization of Institutional deposits has been a key focus area during the year to create an entry into the rate-sensitive yet service oriented institutional deposit sector. With the proposed way forward, the Bank is expected to better the cost with a more diversified liability book after the initial focus of retiring high cost legacy debts in the 1st year.

The funding mix position is furnished as below:



Share of Legacy borrowings reduced to 17% (Rs. 1, 27,688 lacs) as on March 2018 from 63% (Rs. 4, 44,247 lacs) as on corresponding previous year. The Bank has significantly increased its share of total deposits to 21% (Rs. 1, 60,589 lacs) from 2.94% (Rs. 20,641 lacs).

After Scheduled Bank status, funding from CD market was available. The Bank had issued CD of Rs. 2, 19,700 lacs (28.70%) across various maturities as on 31st March 2018.

DF 13: Main features of Regulatory capital Instruments

Disclosure template for main features of regulatory capital instruments				
		Equity Shares	Preference Shares	Subordinated Debt
1	Issuer	Ujjivan Small Finance Bank Limited	Ujjivan Small Finance Bank Limited	Ujjivan Small Finance Bank Limited (through BTA agreement)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable (NA)	NA	NA
3	Governing law(s) of the instrument	Applicable Indian Statutes and regulatory requirements	Applicable Indian Statutes & Regulatory requirements and RBI Basel III Guidelines dated July 1, 2015	Applicable Indian Statutes & Regulatory requirements and RBI Basel III Guidelines dated July 1, 2015
	Regulatory treatment			
4	Transitional Basel III rules	Common equity Tier 1	Addition Tier 1 Capital (AT1)	Lower Tier II Bond
5	Post-transitional Basel III rules	Common equity Tier 1	Addition Tier 1 Capital (AT1)	Lower Tier II Bond
6	Eligible at solo/group/group & solo	Solo	Solo	Solo
7	Instrument type	Common Shares	Perpetual Non-Cumulative Preference shares	Subordinated Debt Instrument
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	Rs 14400 Million	Rs 2,000 Million	Rs. 500 Million
9	Par value of instrument	Rs 10/-	Rs 10/-	Not applicable
10	Accounting classification	Capital	Capital	Capital
11	Original date of issuance	Rs 0.50 million – 4 th July 2016 Rs 1099.868 Million – 30 th July 2016 Rs 13,300 Million – 10 th February 2017	10 th February 2017	29 th September 2014
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No Maturity date	No Maturity date	10 th April 2020
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NIL	NIL
16	Subsequent call dates, if applicable	NA	NIL	NIL
	Coupons / dividends	Dividend	Dividend	Coupon
17	Fixed or floating dividend/coupon	NA	Fixed	Fixed
18	Coupon rate and any related index	NA	11.0%	15% p.a.
19	Existence of a dividend stopper	NA	Yes	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	NA
21	Existence of step up or other incentive to redeem	No	NIL	NIL
22	Noncumulative or cumulative	Non-Cumulative	Non-Cumulative	NA
23	Convertible or non-convertible	NA	Non-Convertible	Non- convertible
24	If convertible, conversion trigger(s)	NA	NA	NA

Disclosure template for main features of regulatory capital instruments				
		Equity Shares	Preference Shares	Subordinated Debt
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	Yes	No
31	If write-down, write-down trigger(s)	NA	PONV trigger & CET1 trigger	NA
32	If write-down, full or partial	NA	Full and Partial	NA
34	If temporary write-down, description of write-up mechanism	NA	<p>The Issuer shall:</p> <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"). 	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Secured Term Loan Borrowings , NCD's , Creditors of the Bank and Depositors	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	<p>Senior to claims of investors in Tier I Capital</p> <p>Subordinate to claims of all depositors and general creditors</p> <p>Neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.</p>
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA

DF 14: Terms and conditions of Regulatory Capital Instruments**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

Full Terms and Conditions of Perpetual Non Cumulative Preference Shares (PNCPS) of the Bank

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: 1. Superior to claims of holders of equity shares and 2. 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 annually in arrears.
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.

SN	Particulars	Full Terms and Conditions
10	Call Option	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.
		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 21calendar 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
		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.
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	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: 1. Reduce the claim of the PNCPS in case of liquidation; 2. Reduce the amount re-paid when a call over the PNCPS is exercised by the Issuer; and 3. Partially or fully reduce dividend payments on the PNCPS. 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.
13	Permanent Principal Write-down on PONV Trigger Event	If a PONV Trigger Event occurs, the Issuer shall: 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; 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. 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.
14	Temporary principal Write-down on CET1 Trigger Event	If a CET1 Trigger Event (as described below) occurs, the Issuer shall: 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"). 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.

Full Terms and Conditions Subordinated Debt of the Bank

Sl. No	Particulars	Full Terms and Conditions
1	Amount of Subordinated Debt	<ul style="list-style-type: none"> Rs. 5000 lacs (Rupees Five Thousand lacs only for deployment in unserved and underserved areas) Disbursement of subordinated debt of Rs. 5000 lacs shall be drawn in one or more instalment along with avilment of term loan, on pro-rate basis, if applicable.
2	Interest	<ul style="list-style-type: none"> Subordinate Debt shall carry interest rate at 15% p.a. The Bank reserves the right to review the interest rate at the time of disbursement Interest shall be paid monthly on the tenth day of every calendar month, on the principal outstanding. Provided that the interest payable by the Borrower shall be subject to the changes in the interest rates made by the Reserve Bank of India.
3	Non-refundable upfront fees	0.25% of subordinated debt sanctioned along with applicable service taxes and cess
4	Repayment period for subordinated debt	<ul style="list-style-type: none"> The debt shall have tenure of five (5) years and six (6) months from the date of first disbursement. The repayment will be in six monthly instalments after the initial moratorium of five (5) years from the date of first disbursement. Date of payment of instalment shall be tenth day of every calendar month.
5	Validity of drawal	Subordinated debt shall be valid for 6 months from the date of Letter of Intent
6	Interest prepayment on	The borrower shall not repay the outstanding principal amount of loan in full or part thereof before the due dates except after obtaining prior approval of SIDBI in writing which may be granted subject to such conditions as SIDBI may deem fit including levy of interest (currently 1%-3%) on such prepayment.
7	Security	Unsecured (being subordinated debt). Intended to provide Tier II capital support as per RBI guidelines.
8	End use	<ul style="list-style-type: none"> For on-lending to individuals/groups strictly for non-farm income generating Micro enterprise activities and service sector as per the MSMED act No part of the assistance nor any outstanding loans of SIDBI shall be deployed in Andhra Pradesh or Telangana To be deployed only in urban/semi-urban areas as per the existing classification by RBI i.e. areas with population more than ten thousand or as stipulated by RBI from time to time and would be utilized only in unserved and underserved states i.e. areas outside Andhra Pradesh, Telangana, Kerala, Karnataka and Tamilnadu
9	Pre-disbursement conditions	<p>Prior to disbursement, the Bank shall,</p> <ul style="list-style-type: none"> Furnish a certificate from a Chartered Accountant to the effect that it complies with the directions issued by RBI with respect to net owned fund, qualifying assets, prudential norms, asset classification norms, pricing of credit, fair practices in lending, corporate governance etc., Furnish certificate from CA to the effect that it complies with KYC/AML norms as stipulated by RBI Furnish a certification from Managing Director/Company Secretary/ Chartered Accountant that the Bank complies with all the relevant state/ central laws and all applicable regulatory guidelines including FDI/FEMA/FCRA 2010/ECB Submit a Company Secretary certificate that provisions of Connected Lending are not applicable to the Bank Submit an undertaking that the weaknesses observed by rating agency, if not addressed so far, shall be addressed in a time bound manner to the satisfaction of IDBI. A CA firm (pre cleared by SIDBI), in addition to submitting end use verification certificate, would also carry out verification of beneficiaries at least 3% of a sample of borrowers/ group through visits. The sample verification by CA would also include verification of the loans documents of the sample of the borrowers/ groups. Submit an undertaking that the statutory dues including provident fund, ESI dues, income taxes, cess and other material statutory dues as applicable would be deposited without delay Furnish to SIDBI and also lodge with its bank where it maintains a working capital account, an unconditional and irrevocable ECS mandate, in the manner and form acceptable to SIDBI to allow SIDBI to recover its monthly dues from the said Bank electronically or PDCs for the principal payments due under the Loan Agreement. Before each disbursement, it shall be ensured: <ul style="list-style-type: none"> i) That SIDBI's maximum exposure (including outstanding and sanctioned but undrawn assistance from SIDBI) as % of total outstanding borrowing of the Borrower does not exceed 25% ii) Borrower is in compliance with extant CRAR norms iii) That the names of borrower, its promoters/directors, its associate and sister concerns and their promoters/directors do not appear in the latest caution/ wilful defaulter /CIBIL/RBI/RMK black list/ UN terrorists list.

Sl. No	Particulars	Full Terms and Conditions
10	Disbursement of subordinated debt	<ul style="list-style-type: none"> • Disbursement to be released on satisfactory financial position, portfolio quality, recovery rates, PAR position, utilization of loan, capital adequacy, satisfactory internal controls, compliance with terms of sanction etc., • Borrower shall submit monthly reports to SIDBI on its operations. In the event of any of the followings, further disbursement to borrower would be considered by the Bank, only after a review of its portfolio quality and operations: <ul style="list-style-type: none"> i) In case collections are lower than 90% of the receivables for two consecutive months ii) In case collections are lower than 85% of the receivables in any month iii) In case of delay in furnishing MIS beyond thirty days from when the monitoring report was due. • In the event of the following, further disbursement to borrower would be considered by the Bank only with the prior approval of the sanctioning authority <ul style="list-style-type: none"> i) The Bank slips into losses or PAR→90 days exceeds 10% ii) Default to SIDBI and/or any other lender brought to SIDBI's notice iii) Rating downgrade iv) Any statutory/regulatory violations of a significant nature, coming to the notice of the Bank v) Audited financials are not received within six months of close of financial year vi) Large scale frauds, employer turnover, market failure, natural calamity etc., affecting the Bank's recovery/ reputation which in the opinion of SIDBI can affect the health of the Bank • Loan disbursements shall be subject to satisfactory documentations.

Table DF-15: Disclosure Requirements for Remuneration

Remuneration - Qualitative disclosures

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

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

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

- 1) Overseeing the framing, review and implementation of the compensation policy of the bank on behalf of the Board,
- 2) Formulation of a criteria for determining qualifications, positive attributes and independence of a Director,
- 3) To ensure 'fit and proper' status of proposed/ existing Directors,
- 4) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal, whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors,
- 5) To recommend to the Board the appointment and removal of Senior Management,
- 6) To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance to recommend to the Board on:
 - i) Policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and
 - ii) Executive Directors remuneration and incentive, conducting due diligence as to the credentials of any director before his or her appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI, overseeing the framing, review and implementation of the Bank's Compensation Policy for Whole Time Directors/ Chief Executive Officers / Risk Takers and Control function staff for ensuring effective alignment between remuneration and risks,
- 7) To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Bank subject to the provision of the law and their service contract;

- 8) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
- 9) To devise a policy on Board diversity and to develop a succession plan for the Board and to regularly review the plan;

The Bank effectively aligns its compensation for all types of risk, symmetric with risk outcomes and sensitive to the time horizon of risks.

The Nomination and Remuneration Committee of the Bank comprises of the following Non-Executive Directors:

1. Ms. Vandana Viswanathan – Chairman of NRC.
2. Mr. Sunil Patel
3. Mr. Biswamohan Mahapatra
4. Mr. Prabal K Sen

Name of Directors	Designation	Number of meetings held during the FY 2017-18	
		Held during their Tenure	Attended
Ms Vandana Vishwanathan	Non-Executive Director	5	5
Mr Sunil Patel	Chairman & Independent Director	5	5
Mr Biswamohan Mahapatra	Independent Director.	5	5
Mr Prabal K Sen	Independent Director.	5	5

• 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, 2018 was 11242.

b Information relating to the design and structure of remuneration processes. Disclosure should include:

• An overview of the key features and objectives of remuneration policy.

The compensation policy has been laid out keeping the following perspectives into considerations:

- The Bank's compensation principles support it in achieving its mission of providing a full range of financial services to the economically active poor of India who are not adequately served (unserved and underserved) by financial institutions. Therein, this policy enables the Bank to attract and retain talent and skills required to further the organizations purpose and ideology.
- The pay structure and amounts shall always conform to applicable Income Tax and other similar statutes.

- All practices of the Bank shall comply with applicable labour laws.
- The pay structure should be standardized for a level of employees.
 - i) Elements eligible for tax exemption may be introduced at appropriate levels to enable employees take applicable tax breaks. Amounts related to benefits may undergo change with change in grade in the organization.
 - ii) The compensation structure shall be easy to understand for all levels of employees.
- The compensation policy is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.
- The directors are paid sitting fees as approved by the Board for attending the Board and Board Committee Meetings.

• Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.

Yes:

The Compensation policy for the Bank was duly reviewed and approved by the board.

The Variable Pay Policy for the Bank was duly reviewed and approved by the board.

• A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

The Bank periodically benchmarks its remuneration practices and data points against the market. Compensation ranges in alignment to market pay are derived and reviewed periodically. Remuneration payable for each function is independent of amounts payable to other function as is the market practice. Further, performance metrics for the Risk and Compliance function are completely unrelated to deliverables of any other business function. The deliverables of the risk function are periodically reviewed by the Risk Committee of the Board ensuring due independence. Thus, the remuneration payable (which is linked to performance) is differentiated as well.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes.

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.

The Bank ensures that significant financial benefits may accrue to employees displaying high levels of individual performance over a 3 year period allowing adequate time for risks to completely manifest.

d. 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.

1. The compensation policy is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.
2. The Bank shall, from time to time benchmark its compensation against identified market participants to define its pay structure and pay levels.
3. The merit increments will be finalized and approved by the National Human Resources Committee (NHRC) year on year, basis organization's budgets and accomplishments as well as market reality.
4. The Bank believes in paying its employees in an equitable and fair manner basis the incumbent's Role, Personal Profile (Education/Experience etc.) as well as Performance on the Job.
5. Employees rated "Below Expectations" shall not be provided any increments, unless statutorily required.

• 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 outcomes across the stakeholder spectrum including investors, customers, regulator and employees.

The Bank, particularly at Corporate and senior levels takes a balanced approach to performance management. This means that high performance of an individual/ department is dependant not only on delivery of business metrics but also achievements of control functions.

For eg: over achievement of business targets would not translate into a high performance rating if there are significant issues with Portfolio quality.

Cost of business acquisition, both in short and long term are typically evaluated to ensure healthy bottom-line.

• A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after

The performance bonus payout shall be Annual. Discretion is typically applied related to staggered payout in case of large payouts, particularly for functions like Credit and Risk. Bonus is to be prorated for employees who have worked for part of the year at the Bank.

The maximum amount of Variable Pay, for any position is capped at 60% of Fixed Pay (excluding benefits) of a person. However, the target setting is done in a manner that the average pay-out remains between 15% - 25% of fixed pay (excluding benefits) range.

In case Variable Pay constitutes 50% or more of Fixed Pay, i.e., Variable Pay becomes a "substantial" portion of Fixed Pay, then 50% of the Variable Pay is deferred for a period of three years (including the year it was awarded) and is paid on pro rata basis of 1/3 each year.

Incentive pay-out may be done on a monthly or quarterly basis, but a portion of the pay-out (15% - 25%) is withheld to be paid annually/ semi-annually to ensure retention of performers.

The Bank believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the holding company Ujjivan Financial Services Ltd are distributed amongst employees basis their criticality and performance.

Typically, all Stock option schemes in the Bank vest in a staggered manner. Besides the statutory requirement of grant and 1 year vesting, the total set of options vest in various tranches for up to a period of 3 years.

Malus/ Clawback: In the event of negative contributions of the individual towards the achievements of the Bank's objectives in any year, the deferred compensation should be subjected to Malus/Clawback arrangements. Similar provisions shall apply in case the individual is found guilty of any major non-compliance or misconduct issues.

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. Sales Awards
3. Rewards & Recognition

The policy has been laid out keeping the following perspectives into considerations:

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

on tenure and performance. The Bank does not have its own schemes and ESOPs of the holding company may be granted to employees subject to approval of the board and AGM of the holding company, from time to time. Pursuant to conversion into a Bank, no ESOP scheme has been launched. The ESOP schemes have an inbuilt deferred vesting design which helps in directing long term performance orientation among employees

- Non-executive directors (including Part- Time Chairman) are eligible for compensation in the form of **profit related commission** subject to the Bank making profits. Such compensation, however, shall not exceed Rs.1 million per annum for each director as per RBI guidelines.

SN	Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers*)	Numbers
1	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	5 meetings of Nomination & Remuneration Committee (NRC) were held during April 01, 2017 to March 31, 2018. Further, 1 meeting of Human Resource and Compensation Committee (HRC) was held during April 01, 2017 to March 31, 2018. The members of the NRC were paid total sitting fees of Rs. 8 lacs for five meetings while members of HRC were paid total sitting fees of Rs 80,000 for one meeting.
2	Number of employees having received a variable remuneration award during the year.	3 employees (CFO/CRO/Head Treasury)
3	Number and total amount of sign-on awards made during the financial year.	Nil
4	Details of guaranteed bonus, if any, paid as joining / sign on bonus.	Nil
5	Details of severance pay, in addition to accrued benefits, if any.	Nil
6	Total amount of outstanding deferred remuneration , split into cash, shares and share-linked instruments and other forms.	Rs. 7.87 lacs
7	Total amount of deferred remuneration paid out in the financial year.	Rs. 5.83 lacs
8	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Rs. 318.96 lacs (Fixed) Rs. 5.83 lacs (variable/deferred)
9	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil
10	Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil
11	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil

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

Note: No pay-out to Managing Director during SFB tenure. However, there was a discharge of liability of Rs. 4.69 lacs pertaining to UFSL.

Although the Company Secretary (CS) has been on the payroll w.e.f. 30th January 2017, he was officially designated as CS w.e.f.24th March 2018 and therefore wasn't eligible for any Bonus

DF- 17 Summary comparison of accounting assets vs. leverage ratio exposure measure		
	Item	Amount (Rs. in lacs)
1	Total consolidated assets as per published financial statements	9,42,119
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
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)	5,200
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	1951
7	Other Adjustments	-16,399
8	Leverage ratio exposure	9,32,870

DF 18: Leverage ratio common disclosure template

Leverage ratio common disclosure template		
	Item	Amount (Rs. in lacs)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	9,42,119
	Domestic Sovereign	1,39,227
	Banks in India	22,521
	Others	7,80,369
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-16,399
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	9,25,719
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	5,200
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)	5,200
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	1,951
18	(Adjustments for conversion to credit equivalent amounts)	-
19	Off-balance sheet items (sum of lines 17 and 18)	1,951
	Capital and total exposures	
20	Tier 1 capital	1,48,295
21	Total exposures (sum of lines 3, 11, 16 and 19)	9,32,870
	Leverage ratio	
22	Basel III leverage ratio	15.90%

Presently the contribution of Tier I capital to Total Basel II capital is 99%. 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%

DIRECTOR'S REPORT

To the Members,

Ujjivan Small Finance Bank Limited

Your Directors take great pleasure in presenting the Second Annual Report of Ujjivan Small Finance Bank Limited along with the audited financial statements, Auditors Report and business and operations of the Bank for the year ended March 31, 2018.

Overview

Your Bank successfully completed first full financial year of banking operations. It has been a remarkable journey where we obtained the Schedule Bank status within 7 months of beginning our operations. We ended up with a gross profit of Rs. 8.85 crores and a net profit after tax of Rs. 6.87 crores.

Your Bank emerged from the shadows of demonetization and revived its businesses coming back to the pre-demonetization level and recorded the highest disbursement ever in Q4 FY18 with disbursement of Rs. 2,254 Crores. Our newer asset verticals MSE and Housing businesses gathered momentum closing their respective books at ~4 times and ~3 times of the book size as on March 2017. Our non MFI book grew to 7.2% from 2.4% in March 2017 while the secured portfolio increased from Rs.117 Crores in March 2017 to Rs. 323 Crores. We were able to mobilize a deposit base of Rs. 3,772 Crores as on March 31, 2018. We focused on Certificate of Deposits (CD) and Institutional Deposits (ID) and successfully repaid a significant portion of our higher cost grandfathered borrowings, thereby substantially reducing our cost of funds from 10.3% in last FY to 9.1%. We laid the foundations for growth in Retail Deposits and Trusts, Associations, Societies and Clubs (TASC) deposits. Our Retail Deposit base stood at Rs.427 Crores while Institutional Deposits and CDs stood at Rs. 3345 Crores. Our CASA balance was 3.7%, the Retail Deposit to Total Deposit was 11.3% and Credit to Deposit ratio was 2.0x.

We rolled out of 187 Banking Outlets (BOs) across the country, putting the systems, controls, processes, compliances in place, hiring and training for a bank ready team committed towards maximizing customer experience with convenient banking.

We are setting up new business verticals and new innovative products for our customers and are targeting non-linear growth in the coming financial year.

1. Financial Results

The directors' submit annual report of the Bank along with the audited financial statements for the financial year (FY) ended March 31, 2018.

(Rs. in Crores)

Particulars	Year Ended March 31, 2018	For the Period from July 04, 2016 to March 31,2017
Operating Income	1466.65	212.71
Other Income	112.70	13.39
Total Income	1579.35	226.10
Less: Operational Expenses	244.10	55.57
Personnel Expenses	364.93	50.74
Finance Charges	609.33	109.36
Depreciation	41.37	5.10
Provision For Doubtful Debts	310.77	4.44
Total Operational Expenses	1570.50	225.21
Profit/(Loss) Before Tax	8.85	0.89
Less: Income tax	31.32	1.42
Less Deferred tax	[29.34]	[0.57]
Profit/(Loss) After Tax	6.87	0.04
Transfer to Statutory Reserve	1.73	0.01
Profit brought Forward	0.03	0.00
Balance carried over to Balance Sheet	5.17	0.03

Key Ratios: (Comparative ratios are annualized)

Particulars	March 31, 2018	March 31, 2017
Interest income as a percentage to working funds	17.13%	15.13%
Non-interest income as a percentage to working funds	1.32%	0.95%
Operating profit as a percentage to working funds	3.74%	0.38%
Business (deposits plus gross advances) per employee (Rs.)	79,36,620	59,14,099
Profit per employee	6411	34

Highlights of the year:

- PAT for the Bank for the financial year ending March 31, 2018 stands at Rs 6.87 crores
- Collection efficiency of new loans has improved to 99%
- Overall PAR down to 4% which was at 10.2% in March 2017
- NNPA down to 0.7% from 3.1% in March 2017
- Bank managed to repay 63% of the legacy borrowings
- Cost of funds of the Bank went down from 10.6% to 9%
- The Deposit business stood at Rs.3772.48 Crores spanning 883453 accounts at the end of March 2018
- CASA stood at Rs. 138.64 Crores, of which 10659 staff savings/salary accounts constituted Rs.28.06 Crores
- Time Deposits stood at Rs.1457.53 Crores of which institutional deposits stood at Rs.1178.85 Crores, while Recurring deposits stood at Rs.10.06 Crores
- Certificate of Deposits stood at Rs.2166.25 Crores
- Operating expense ratio at 41.18%
- The Bank has a Long Term Credit Rating of A+ and a short term rating of A1+

Profitability: Pre-tax profits - Rs. 8.85 Crores and post- tax profits - Rs. 6.87 Crores for the period ended March 31, 2018.

2. Dividend

Considering the overall performance of the Bank during the financial year, the directors do not recommend any dividend for the Financial Year 2017-18.

3. Investor Education and Protection Fund - Unclaimed Dividend

Unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. Since the Bank has not declared any dividends from its incorporation, in terms of Section 125 of the Companies Act, 2013 ("the Act"), there is no unclaimed dividend relating to the FY 2017-18, which needs to be transferred to the Investors Education and Protection Fund.

4. Transfer to reserves

The Bank transferred Rs. 1.72 Crores to Statutory Reserves pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

5. Credit Rating

Credit ratings assigned to various instruments of the Bank during the Financial Year 2017-18.

Instrument	Rs. in Crores	Rating
Certificate of Deposit	1,000.00	[ICRA] A1+
Short Term Fixed Deposit	1,000.00	[ICRA] A1+
Certificate of Deposit	4,000.00	CRISIL A1+
Short Term Fixed Deposit	3,000.00	CRISIL A1+
Non-Convertible Debenture	175.00	[ICRA] A+ (Stable)

Instrument	Rs. in Crores	Rating
Non-Convertible Debenture	225.00	[ICRA] A+ (Stable)
Non-Convertible Debenture	40.00	CARE A+ (Stable)
Non-Convertible Debenture	60.00	CARE A+ (Stable)
Non-Convertible Debenture	100.00	CARE A+ (Stable)
Long Term Borrowings	6,000.00	CARE A+ (Stable)

Details of Non-Convertible Debentures of the Bank outstanding as on March 31, 2018. Bank made timely repayments of the NCD's maturing during the year 2017-18.

Sr. No	ISIN	Description of NCD	Maturity date	Amount (in Rs.)	Debenture Trustee
1.	INE334L07076	Secured Redeemable	30-Jul-19	400,000,000	IDBI Trusteeship
2.	INE334L07100	Secured Redeemable	28-May-19	600,000,000	IDBI Trusteeship
3.	INE334L07167	Secured Redeemable	5-Aug-21	1,000,000,000	Catalyst Trusteeship *
4.	INE334L08017	Unsecured Redeemable	7-Oct-18	1,750,000,000	Catalyst Trusteeship *
5.	INE334L08025	Unsecured Redeemable	16-Nov-18	2,250,000,000	Catalyst Trusteeship *
	Total			6,000,000,000	

* Formerly known as GDA Trusteeship Limited

6. Capital Adequacy

The Capital Adequacy Ratio of the Bank has been calculated on the basis of Basel II guidelines. The Capital Adequacy Ratio of the Bank as of March 31, 2018 stood at 23.04% as against the minimum capital adequacy requirements of 15% stipulated by RBI.

7. Corporate Governance

The Bank ensures adherence to highest standards of Corporate Governance. The Report on corporate governance has been enclosed and it forms part of this Directors' Report.

8. Extract of Annual Return

Pursuant to section 92 (3) of the Companies Act, 2013 and Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return (MGT-9) is annexed as **Annexure 1** to this report.

9. No. of Meetings of the Board during the FY 2017-18

During the Financial Year 2017-18, our Board has met 5 times and the meetings of our Board of Directors were held on April 26, 2017; July 26, 2017; October 31, 2017; January 31, 2018; & March 23, 2018. The details of the meetings have been enclosed in the Corporate Governance Report, which forms part of this report.

10. Directors' Responsibility Statement

Pursuant to Section 134(3) c of the Companies Act, 2013, the Board of Directors of the Bank confirms and state that:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- We had 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;
- We had 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;
- We had prepared the annual accounts on a going concern basis;
- We had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and

- (vi) We had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Bank, audit of internal financial controls and the reviews performed by management and the risk management and audit committee of the board, the board is of the opinion that the Bank's internal financial controls were adequate and effective during the FY 2017-18.

11. Declaration by Independent Directors

The Bank has received necessary declarations of independence from each of its Independent Directors under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independent director envisaged in section 149 (6) of the Companies Act, 2013.

All Independent Directors have submitted the declaration of Independence, as required pursuant to Section 149(7) of the Act, stating that they meet the criteria of Independence as provided in section 149(6) of the Companies Act, 2013 and are not disqualified from continuing as Independent Directors.

12. Nomination and Remuneration Policy

The Bank pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a nomination and remuneration policy for the Bank which is disclosed on our website at the below link- <https://www.ujjivansfb.in/regulatory-policies.html>

13. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –

(i) By the auditors in their report;

Statutory Auditors

M/s Price Waterhouse Chartered Accountants LLP (FRN: 012754N/N500016) were appointed as the statutory auditors of the Bank for the FY 2017-18 vide the shareholders' approval accorded in the annual general meeting of the Bank held on July 31, 2017 and pursuant to the approval of RBI to hold office until the ensuing second AGM of the Bank.

Auditors' report

There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor's report.

(ii) By the Company Secretary in practice in his secretarial audit report;

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 to conduct secretarial audit of the Bank for the Financial Year 2017-18 as required under Section 204 of the Companies Act, 2013 and the Rules made thereunder. The secretarial audit report for FY 2017-18 is appended as **"Annexure 2"** to the Board's Report. There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor's report. Bank is in compliance with the Secretarial Standard issued by the Institute of Company Secretaries of India.

There are no qualifications, reservation or adverse remark or disclaimer made by the auditor in the report

14. Particulars of loans, guarantees or investments under Section 186

Pursuant to Section 186 (1) of the Companies Act, 2013, 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.

15. Transaction with related parties

Information on transaction with related parties pursuant Particulars of contracts or arrangements with related parties referred to in Section 188(1) in the prescribed form AOC -2 is appended as **"Annexure 3"** to the Board's Report.

16. The state of the Bank's affairs

With dedicated risk management efforts, Bank successfully emerged from shadows of demonetization and stabilized its businesses, portfolio quality and significantly contained the credit cost. The mobilization of institutional deposits helped the Bank to retire high cost legacy borrowings and reduced cost of funds.

It further, established systems and processes for seamless transition to banking with multi-channel network of 187 Banking Outlets (including 47 URC) complying 25% URC norms applicable in year 1. Bank had set up 147 Biometric ATM's, and an inventory of 7011 handheld devices for account opening, 64 seater multi linguistic 24*7 Phone Banking unit and a good and well received Internet Banking and Mobile Banking platform.

While the traditional Microfinance (MF) business performed well, we showed steady growth of the MSE and Housing business to become 7.2% of the total asset portfolio.

Our improved backend efficiencies, productivity, progressive improvement in business and collection efficiencies helped the Bank to end the year with a net profit of Rs 6.87 crores.

We are looking to venture into new products in the next financial year that would cater to the credit needs of our customers and would provide good returns on their deposits. We would endeavor to significantly build on the momentum attained in this year to the next financial year 2018-19 and target non-linear growth in all businesses.

17. Material changes and commitments, if any, affecting the financial position of the Bank which have occurred between the end of the financial year of the Bank to which the financial statements relate and the date of the report;

None

18. The conservation of energy, technology absorption, foreign exchange earnings and outgo, in the manner as prescribed in Rule 8(3) of the Companies (Accounts) Rules, 2014

Conservation of energy and technology absorption

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to your Bank. However, your Bank has been taking steps at all times for conservation of energy.

The Foreign Exchange earnings and outgo

There was no Foreign Exchange inflow and outflow during the FY 2017-18.

19. Development and implementation of risk management policy

The Risk Management Committee of the Bank consists of well experienced Directors from diverse background who bring in the best risk practices to the organization. The Risk Management Committee, which is required to meet every quarter, comprises of 5 Directors of which 4 are Independent Directors.

A dedicated team within the risk team is responsible for assessment, monitoring and reporting of operational risk exposures across the Bank.

The Bank's risk management framework is based on a clear understanding of various 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 Board of Directors has an oversight on all the risks assumed by the Bank.

The Committee reviews the Risk Management Framework of the Bank and verifies adherence to various risk parameters and compliances. The Bank's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The Risk Management Committee reviews various risks which the organization is exposed to including Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk, Regulatory Compliance issues and outsourcing risks. The Risk Management Committee approves and makes recommendations to the Board regarding all its risk-related responsibilities, including the review of major risk management and regulatory compliances.

The Bank has in place an effective risk management policy which highlights the functions, implementation and the role of the committee and the board.

20. Corporate Social Responsibility

As per Sec 135 (1) of the Companies Act "Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore 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 with three directors of which two are Independent Directors and one is a Non-Executive & Non Independent Director as its member.

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, in pursuance of its Corporate Social Responsibility Policy. Since the bank has completed only two years of its incorporation thus

profits are not available for a period of three years, therefore the payment of CSR does not apply to the Bank during the Financial Year 2017-18, as average profit of last 3 years is not available.

21. Board Evaluation

The board of directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Companies Act, 2013 and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations").

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Nomination & Remuneration Committee of the Board at its meeting held on March 23, 2018. Evaluation formats and criteria of evaluation duly incorporated the criteria and other parameters as suggested by SEBI vide their guidance note on evaluation through their circular dated January 05, 2017. The main criteria on which the evaluations was carried out were Director's knowledge & expertise, specific competency and professional experience, board engagement and time commitment.

The performance of the Board was evaluated by the board after seeking inputs from all the directors on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the Board Committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The Board and the Nomination and Remuneration Committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the chairman was also evaluated on the key aspects of his role.

In a separate meeting of independent directors held on March 23, 2018, performance of non-independent directors, performance of the board as a whole and performance of the chairman was evaluated, taking into account the views of executive directors and non-executive directors. The same was discussed in the board in their meeting that followed the meeting of the independent directors, at which the performance of the board, its committees and individual directors was also discussed. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

22. The details as required under Rule 8 of the companies (Accounts) Rules, 2014

i. The change in the nature of business, if any;

None

ii. The details of directors or key managerial personnel who were appointed or have resigned during the year;

Sr. No.	Name	Designation	DIN/PAN	Date of Appointment/ Change / Cessation	Reason
1	Ms Mona Kachhwaha	Independent Director	01856801	22-Dec-2017	Appointment
2	Mr. Sanjeev Barnwal	Company Secretary	AHUPB6433D	23-Mar-2018	Resignation
3	Mr Chanchal Kumar*	Company Secretary	ALJPK1011B	24-Mar-2018	Appointment
4	Mr Anadi Charan Sahu **	Non-Executive Director	06696504	06-May-2018	Resignation
5	Mr Sanjay Jain***	Non-Executive Director	02559601	07-May-2018	Appointment

*Mr. Chanchal Kumar also acts as the Compliance Officer of the Bank in accordance with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

** Resigned after 31-Mar-2018

*** Appointed after 31-Mar-2018

iii. Audit Committee

The Composition of the Audit Committee has been detailed under the Corporate Governance Report appended to the Board Report.

There were no recommendations done by the Audit Committee which were not accepted / returned by the Board of Directors.

There were no frauds highlighted by the Statutory Auditors to the Audit Committee during the financial year 2017-18 whose disclosure has to be made under section 143(12) of the Companies Act, 2013.

iv. The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;

None

v. Deposits from public

During the year, the Bank has accepted deposits from public during the normal course of banking business. The details of the deposits are enumerated in the financial statement for the year ended March 31, 2018.

vi. The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Bank's operations in future;

None

vii. The details in respect of adequacy of internal financial controls (IFC) with reference to the Financial Statements

In respect of internal financial control, the Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the timely prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Further, the management regularly reviews the control for any possible changes and takes appropriate actions.

23. Other disclosures

i. Details of equity shares with differential rights

The Bank has not issued any equity shares with differential rights during the year.

ii. Details of sweat equity shares issued

The Bank has not issued any sweat equity shares during the year.

iii. Details of employee stock option scheme

None; however, the employees of the Bank are holding vested and unvested options under various ESOP Schemes of Ujjivan Financial Services Limited, Holding Company.

iv. Appointment of Independent Directors

The Bank in compliance with the provisions of Section 149 has appointed Ms Mona Kachhwaha (DIN – 01856801) as the Independent Director during the Financial Year 2017-18, with the shareholders' approval at the EGM held on December 21, 2017 in accordance with the Act.

She has been appointed as an Independent Director for a term of five years on the terms and conditions as mentioned in her appointment letters.

Director	Date of Appointment
Ms Mona Kachhwaha	22-Dec-2017

24. Vigil Mechanism

The Bank in compliance with Section 177 of the Companies Act, 2013 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. The Bank has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to the whistle and ethics officer of the Bank.

Name and Address of the Whistle and Ethics Officer**Ms. Carol Furtado – Head HR**

Ujjivan Small Finance Bank Limited
 Grape Garden, No. 27, 3rd A Cross, 18th Main,
 6th Block, Bangalore – 560095, Karnataka
 Email- carol.furtado@ujjivan.com

Protected Disclosure against the Whistle and Ethics Officer should be addressed to the MD& CEO of the Bank and the Protected Disclosure against the MD &CEO of the Bank should be addressed to the Chairman of the Audit Committee.

Name and Address of MD & CEO of the Bank:**Mr. Samit Ghosh**

Ujjivan Small Finance Bank Limited
 Grape Garden, No. 27, 3rd A Cross, 18th Main,
 6th Block, Bangalore – 560095, Karnataka
 Email: samit.ghosh@ujjivan.com

Name and Address of the Chairman (Audit Committee):**Mr. Sunil Patel**

2989/H, 12th Main Road, HAL, 2nd Stage Indira Nagar Bangalore 560008 KA IN
 Email: cpcon.blr@gmail.com

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

The whistle blower policy of the Bank is disclosed on our website at the below link-
<https://www.ujjivansfb.in/regulatory-policies.html>

25. Information in terms of Rule 5 of the Company (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 Whole time director to the median remuneration of the employees of the Bank for the financial year	MD & CEO: 42.86x	
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
		MD	No increase
		CFO	3.89%
		CS 1	No increase
		CS 2	No Increase
3.	The percentage increase in the median remuneration of employees in the financial year;	13.64%	
4.	The number of permanent employees on the rolls of Bank	11,242	
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	17.14% : 1.40%	
6.	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes	

26. Information as per Rule 5(2) of Chapter XIII, 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, 2018:

Employee Name	Designation and nature of Employment	Remuneration in FY 2017-18 (Rs. Lakhs)	Educational Qualification	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held	Whether relative of any director
Samit Ghosh	Managing Director & Chief Executive Officer	90.0	MBA	43	1-Feb-17 [^]	68	Bank Muscat S.A.O.G India	Nil	No
Ittira Davis	Chief Operating Officer	78.2	PGDM	39	1-Feb-17 [^]	63	Europe Arab Bank	Nil	No
Sanjay Kao	Chief Business Officer	9.66	PGDBM	35	12-Feb-18	60	Dunia Finance	Nil	No
Upma Goel	Chief Financial Officer – SFB	72.7	C.A	22	1-Feb-17 [^]	49	Larsen and Toubro Holding Ltd	Nil	No
Carol Furtado	Head of HR	71.7	MBA	21	1-Feb-17 [^]	47	Centurion Bank	Nil	No
Santhosh Kumar G	Head of Liabilities & Financial Products	70.9	PGDM	25	1-Feb-17 [^]	46	Kotak Mahindra Bank	Nil	No
Vasant Srivastava	Business Head- MSE	46.58	PGDBM	23	24-Jul-17	46	Janal-akshmi Financial Services	Nil	No
Balaji Parthasarathi	Chief Technology Officer	60.0	B-Tech & PGDBA	18	6-Mar-17	48	HP Enterprise	Nil	No
Subramanian Ravi	Head of Treasury	57.9	M.A	37	1-Feb-17 [^]	61	Freelance Banking Consultant	Nil	No
Jolly Zachariah	Head of Channels	56.3	B.Com	30	1-Feb-17 [^]	57	Citigroup Inc.	Nil	No

[^] Were employees of Ujjivan Financial Services Limited (UFSL) prior to February 01, 2017.

A statement showing the name of every employee of the Bank, who-

- If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees ;
None
- 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 lakh and fifty thousand rupees per month;
None
- 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

27. Compliance of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank is in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a prevention of sexual harassment policy in place. The Directors further state that during the year under review, there was no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

ACKNOWLEDGEMENT

Your Directors wishes to gratefully acknowledge the assistance and guidance received from the RBI, ROC, Investors, Banks, Auditors, Lawyers, Accountants, Suppliers, Partner NGOs, Institutions and Foundations, Police & Government Authorities, Advisors and all our well-wishers. The Board also wishes to place on record their warm appreciation for the creative and dedicated efforts of staff at all levels.

For and on behalf of the Board of Directors



Samit Ghosh
Managing Director & CEO
DIN: 00185369



Sunil Patel
Part Time Chairman & Independent Director
DIN: 00050837

Date: May 08, 2018

Place: Bangalore

Annexure I”

Extract of Annual Return in Form MGT-9 as on the Financial Year ended on March 31, 2018

[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	:	U65110DL2016PLC302481
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
vi)	Whether Listed Company	:	No Equity Shares are not listed as on March 31, 2018; however, NCDs of the Bank are listed with BSE.
vii)	Name, address and Contact Details Of Registrar And Transfer Agent, if any:	:	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No 31&32 Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad – 500 008 P : +91 040 67161604 e-mail: mohsin.mohd@karvy.com Website: www.karvycomputershare.com
viii)	Debenture Trustees:	:	IDBI Trusteeship Services Limited Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai – 400 001 Contact Person: Ms. Ami Mehta Tel: 022- 40807032 E-mail ID: ami.mehta@idbitrustee.com Catalyst Trusteeship Limited (Erstwhile GDA Trusteeship Limited) Address: Office No. 83 – 87, 8th floor , ‘Mittal Tower’, ‘B’ Wing, Nariman Point, Mumbai – 400021 Contact Person: Mr. Debasis Karmokar Tel: 022-49220507 Fax No.022-49220505 Email: debasis.karmokar@ctltrustee.com

II. Principal Business Activities of the Company:

Banking & Financial Services

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Banking & Financial Services	64191	100%

III. Particulars of Holding, Subsidiary and Associate Companies:

Bank is 100% owned by Ujjivan Financial Services Limited (CIN: L65999KA2004PLC035329).

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, 2017)				No. of Shares held at the end of the year (March 31, 2018)				% Change during the year
		Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
(A)	Promoter and Promoter Group									
(1)	Indian									
(a)	Individuals/ HUF	-	-	-	-	-	-	-	-	-
(b)	Central Government	-	-	-	-	-	-	-	-	-
(c)	State Government(s)	-	-	-	-	-	-	-	-	-
(d)	Bodies Corporate	-	1,440,036,800	1,440,036,800	100	-	1,440,036,800	1,440,036,800	100	-
(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	100	-
(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	100	-
(B)	Public Shareholding									-
(1)	Institutions									-
(a)	Mutual Funds	-	-	-	-	-	-	-	-	-
(b)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(c)	Central Government	-	-	-	-	-	-	-	-	-
(d)	State Government	-	-	-	-	-	-	-	-	-
(e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f)	Insurance Companies	-	-	-	-	-	-	-	-	-
(g)	FII's / Foreign Portfolio Investors	-	-	-	-	-	-	-	-	-

(h)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(i)	Any Other (specify)	-	-	-	-	-	-	-	-	-
	Sub-Total (B) (1)	-	-	-	-	-	-	-	-	-
(2)	Non-institutions									-
(a)	Body Corporate	-	-	-	-	-	-	-	-	-
(b)	Individuals									-
(i)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	-	-	-	-	-	-	-	-	-
(ii)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
(c)	Others	-	-	-	-	-	-	-	-	-
	Sub-Total (B) (2)	-	-	-	-	-	-	-	-	-
	Total Public Shareholding (B)= (B)(1)+(B) (2)	-	-	-	-	-	-	-	-	-
(C)	Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
	Total (A) + (B) + (C)	-	1,440,036,800	1,440,036,800	100	-	1,440,036,800	1,440,036,800	100	-

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% 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 Company	% of shares pledged / encumbered to total shares	
1.	Ujjivan Financial Services Limited	1,440,036,800	100	Nil	1,440,036,800	100	Nil	NA

(iii) Change in Promoters' Shareholding: No change in the Promoters Shareholding during the Financial Year 2017-18.

Sr. No.	Shareholders Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	Ujjivan Financial Services Limited	1,440,036,800	100%	1,440,036,800	100%

(iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) – Not applicable as 100% owned by Ujjivan Financial Services Limited.

(v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Mr. Samit Ghosh	1*	Negligible	1*	Negligible
2.	Ms. Upma Goel	Nil	Nil	Nil	Nil
3.	Mr. Sanjeev Barnwal**	Nil	Nil	Nil	Nil
4.	Mr Chanchal Kumar***	Nil	Nil	Nil	Nil

*holding for and on behalf of Ujjivan Financial Services Limited

** Mr Sanjeev Barnwal was the Key Managerial Personnel up to March 23, 2018.

*** Mr Chanchal Kumar has been appointed as the Company Secretary with effect from March 24, 2018.

V. Indebtedness

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

(Rs. in Crores)

	Secured (TL/NCD) excluding deposits	Unsecured (TL/ NCD)	Deposit *	Total Indebtedness
Indebtedness at the beginning of the financial year (01-04-2017)				
i) Principal Amount	4,753.53	1,537.87		6,291.40
ii) Interest due but not paid	0.00	0.00		0.00
iii) Interest accrued but not due	37.55	22.34		59.89
Total (a = i + ii + iii)	4,791.08	1,560.21		6,351.29
Changes in Indebtedness of principal during the financial year				
Addition	0.00	2,685.00		2,685.00
Reduction	3,313.12	1,810.44		5,123.56
Net Change (b)	(3,313.12)	874.56		(2,438.56)
Indebtedness at the end of the financial year (31-03-2018)				
i) Principal Amount (a + b)	1,440.41	2,412.43		3,852.84
ii) Interest due but not paid	0.00	0.00		0.00
iii) Interest accrued but not due	21.40	33.87		55.27
Total (i + ii + iii)	1,461.81	2,446.30		3,908.11

* 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 Bank 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:

Sl. No.	Particulars of Remuneration	Name of Managing Director	Total Amount (in Rs.)
1.	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	Mr. Samit Ghosh (April 01, 2017 till March 31, 2018)	9,000,000
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961		-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961		-
2.	Stock Option		-
3.	Sweat Equity		-
4.	Commission - As % of profit - Other, specify		- -
	Total (A)		9,000,000
	Ceiling as per schedule V of the Companies Act, 2013	Remuneration within the ceiling prescribed under Section 198 and Schedule V of the Companies Act, 2013	

B. Remuneration to other directors:

(in Rs.)

Particulars of Remuneration	Name of Directors						Total Amount
1) Independent Directors	Mr. Sunil Patel	Mr. Luis Miranda	Mr. Prabal K Sen	Mr. Nandlal Sarda	Mr. Biswamohan Mahapatra	Ms Mona Kachhwaha	
· Fees for attending board and board committee meetings (Sitting Fees)	10,10,000	3,90,000	6,50,000	7,70,000	7,70,000	1,00,000	36,90,000
· Commission	-	-	-	-	-	-	-
· Other, please specify	-	-	-	-	-	-	-
Total (1)	10,10,000	3,90,000	6,50,000	7,70,000	7,70,000	1,00,000	36,90,000
2) Other Non-Executive Directors	Mr. AC Sahu			Ms. Vandana Viswanathan			Total Amount
· Fees for attending board and board committee meetings	2,50,000			7,30,000			9,80,000
· Commission	-			-			-
· Other, please specify	-			-			-
Total (2)	2,50,000			7,30,000			9,80,000
Total Managerial Remuneration (1+2)							46,70,000
Overall ceiling as per the Act (sitting fees not to exceed Rs. 1,00,000 per meeting)	Bank is paying only sitting fees to Non-Executive Directors which is below the ceiling of Rs.1,00,000/- per meeting as prescribed under the Companies Act, 2013.						

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTB:

(in Rs.)

Sl. No.	Particulars of Remuneration				Total Amount
1.	Gross Salary	Ms. Upma Goel CFO (Apr 01, 2017 till March 31, 2018)	Mr. Sanjeev Barnwal* Company Secretary (CS 1) (Apr 01, 2017 till March 23, 2018)	Mr. Chanchal Kumar** Company Secretary (CS 2) (March 24, 2018 till March 31, 2018)	
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	7,272,228	0	76,712	7,348,940
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- As % of profit	-	-	-	-
	- Other, specify	-	-	-	-
	Total	7,272,228	0	76,712	7,348,940

* Mr. Sanjeev Barnwal is drawing remuneration from the holding company i.e. UFSB and has not received any remuneration from the Bank.

**Mr. Chanchal Kumar was appointed Company Secretary of UFSB on 24-Mar-18.

VII. Penalties / Punishment / Compounding of Offences:

There were no penalties, punishment or compounding of offences during the year ended March 31, 2018

For and on behalf of the Board of Directors



Samit Ghosh
Managing Director & CEO
DIN: 00185369
Date: May 08, 2018
Place: Bangalore



Sunil Patel
Part Time Chairman & Independent Director
DIN: 00050837

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,

**The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
CIN: U65110DL2016PLC302481
Plot No. 2364 / 8, Khampur Raya Village Shadi Kampur,
Main Patel Road, New Delhi - 110008**

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: U65110DL2016PLC302481** (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 authorized 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 31st March, 2018 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 31st March, 2018 according to the provisions to the extent applicable:

- (i) The Companies Act, 2013 (‘the Act’) and the Rules made there under and the relevant provisions of The Companies Act, 1956;
- (ii) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made there under to the extent applicable;
- (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;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’) to the extent applicable:
 - (a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (d) The SEBI (listing obligations and disclosure requirements) Regulations, 2015; and
 - (e) 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.
- (vi) Following laws, Norms and Directions as applicable specifically to Small Finance Banks in the Private Sector(SFB):
 - (a) The Reserve Bank of India Act, 1934;
 - (b) The Banking Regulation Act, 1949;
 - (c) The Guidelines for Licensing of Small Finance Banks in the Private Sector;
 - (d) Operating Guidelines for Small Finance Banks; and
 - (e) The Payment and Settlement Systems Act, 2007.

I have also examined compliance with the applicable clauses of the following:

- (i) Listing Agreement for debt securities entered into by the Bank with Bombay Stock Exchange, Mumbai; and
- (ii) Secretarial Standard - 1 (Secretarial Standard on Meetings of the Board of Directors) and Secretarial Standard - 2 (Secretarial Standard on General Meetings) 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:

Based on the information provided by the Bank, its officers and authorized 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 have been 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 based on the approval from the Reserve Bank of India. 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 Banking Regulation Act 1949.

Adequate notices are given to all the directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions were carried unanimously and there were no dissenting views.

There are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

- 1. 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 directors of the Bank were interested and the Bank has obtained necessary approvals from the Board of Directors.
- 2. The Bank has redeemed Listed Rated Redeemable Secured Non-Convertible Debentures during the Financial Year.
- 3. Being the second Financial Year since Incorporation, the Board of Directors of the Bank and the Statutory Auditors are of the opinion that provisions relating to Corporate Social Responsibility were not applicable during the Financial Year.
- 4. The Bank has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Official Gazette Notification issued by Reserve Bank of India on August, 25 2017 and this grants "Schedule Bank" status to the Bank.

Date: May 8, 2018

Place: Bangalore

K. Jayachandran

ACS No.: 11309

CP No.: 4031

Annexure A

To,

**The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
CIN: U65110DL2016PLC302481
Plot No. 2364 / 8, Khampur Raya Village Shadi Kampur,
Main Patel Road, New Delhi - 110008**

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: May 8, 2018

Place: Bangalore

K. Jayachandran

ACS No.: 11309

CP No.: 4031

“Annexure 3”

AOC-2

(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. Details of contracts or arrangements or transactions not at arm's length basis:

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2018, which were not at arm's length basis.

2. Details of contracts or arrangements or transactions at arm's length basis:

a)	Name of the related party and nature of relationship	Ujjivan Financial Services Limited (UFSL). UFSL is the holding company of Ujjivan Small Finance Bank Limited holding 100% shares in the Bank. Parinaam Foundation Mr. Sailen Ghosh holds 90% Equity Shares in Parinaam Foundation is the son of Mr. Samit Ghosh Managing Director & CEO of Ujjivan Small Finance Bank Limited. Ms. Mallika Ghosh, the Executive Director of Parinaam Foundation is the daughter of Mr. Samit Ghosh.				
b)	Nature of contracts / arrangements / transactions	Rs. in Crores				
		Items/Related Party	Parent	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Total
		Deposit	(103.15)	(14.29)	(2)	(119.44)
			-	6.58	2	8.58
		Reimbursement of expenses - Amount Paid	1.62	-	-	1.62
		Reimbursement of expenses - Amount Received	0.07	-	0.06	0.13
		Inter Company Transfer- Amount Received**	12.76	-	-	12.76
		Inter Company Transfer- Amount paid	0.05	-	-	0.05
		Interest on Deposits	6.09	0.16	0.002	6.25
		Payment of Remuneration *	-	1.97	-	1.97
		Rendering of services	-	-	0.19	0.19
<p>* The above Remuneration excludes Bonus and Gratuity.</p> <p>Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.</p> <p>** Excludes amount of Rs 32.89 Crs received by Ujjivan Financial Services Limited (UFSL) towards employees perquisite tax and securitization closure related Fixed deposits & Income amounts on behalf of USFB and the same has been transferred to USFB.</p>						

c)	Duration of the contracts / arrangements / transactions	The transactions were executed during the financial year 2017-18.
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	All related party transactions were executed at arm's length pricing
e)	Date(s) of approval by the Board	April 26, 2017 & May 08, 2018.
f)	Amount paid as advances, if any	Nil

Your Directors draw attention of the members to **Note 18. 11** to the Financial Statements which sets out other related party disclosures

For and on behalf of the Board of Directors



Samit Ghosh
Managing Director & CEO
DIN: 00185369



Sunil Patel
Part Time Chairman & Independent Director
DIN: 00050837

Date: May 08, 2018

Place: Bangalore

CORPORATE GOVERNANCE REPORT

1. Bank's Philosophy on Corporate Governance

The Bank recognizes 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, accountability to its customers, government and others. The Bank's activities are carried out in accordance with good corporate practices and the Bank is constantly striving to better them and adopt the best practices.

In pursuing the Mission of "becoming 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 and the Investors.

2. Board of Directors

- i. The Bank is in compliance with the corporate governance provisions, as contained under the guidelines of Reserve Bank of India, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**") and the Companies Act, 2013, in connection with the following:
 - a. The Board of Directors (the "**Board**")
 - b. The Independent Directors on the Board
 - c. The Audit Committee
 - d. The Stakeholders Relationship Committee
 - e. The Governance, Nomination and Remuneration Committee
 - f. The Corporate Social Responsibility Committee
 - g. Human Resource & Compensation Committee
 - h. The Risk Management Committee
 - i. The Customer Service Committee
 - j. The Wilful Defaulter Committee
 - k. The IT Strategy Committee
 - l. Special Committee of the Board for Fraud
 - m. Committee of Directors
- ii. As on March 31, 2018, the Board of Directors of the Bank consists of 9 directors out of which 1 (one) director is an executive director (Managing Director & CEO), 6 (six) are Independent Directors and 2 (two) are Non-Executive, Non- Independent Directors. Bank is in compliance with the Independent Directors requirement as per SEBI LODR Regulations and the Companies Act, 2013. The Board of Directors of the Bank has two women directors, Ms. Vandana Viswanathan and Ms. Mona Kachhwaha.
- iii. During the Financial Year 2017-18, our Board has met 5 times and the meetings of our Board of Directors were held on April 25 & 26, 2017; July 25 & 26, 2017; October 30 & 31, 2017, January 30 & 31, 2018 & March 23, 2018. There has not been a time gap of more than 120 days between any two meetings of the Board;
- iv. No Director is related to each other
- v. 8 out of 9 board of directors of the Bank comprise of non-executive directors;
- vi. Every director has duly informed the Bank about the committee positions he/she occupies in other Companies;
- vii. None of the directors of the Bank, is a member of more than ten committees, across all public limited companies in which he/she is a director; and
- viii. None of the directors of the Bank is a chairman of more than five committees across all public limited companies in which he/she is a director.
- ix. During the year, a separate meeting of independent directors was held on March 23, 2018. The Independent Directors *inter alia*, reviewed the performance of non-independent directors, Chairman and the Board as a whole.

- x. The terms and conditions of appointment of Independent Directors are disclosed on the website of the Bank.
- xi. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on March 31, 2018 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013. Chairmanships/ Memberships of Board Committees shall include Audit Committee and Stakeholders Committee only.

Name of the Director	Category	Number of Board Meetings during the Year 2017-18		Whether attended last AGM	Number of Directorships in other Public Companies		No of Committee positions held in other Public Companies	
		Held during their tenure	At-tended		Chairman	Member	Chairman	Member
Mr. Samit Ghosh DIN: 00185369	Managing Director and Chief Executive Officer	5	4	Yes	-	-	-	-
Mr. Sunil Patel DIN: 00050837	Independent Director - Part-Time Chairman	5	5	Yes	-	-	-	-
Ms. Vandana Viswanathan DIN: 05192578	Non Independent, Non-Executive Director	5	5	Yes	-	1	-	1
Mr. Nandlal Sarda DIN: 00147782	Independent Director	5	5	No	1	2	-	1
Mr. Biswamohan Mahapatra DIN: 06990345	Independent Director	5	5	No	-	4	1	-
Mr. Luis Miranda DIN: 01055493	Independent Director	5	3	No	-	1	-	1
Mr. Prabal Kumar Sen DIN: 02594965	Independent Director	5	5	No	-	1	-	-
Ms Mona Kachhwaha# DIN: 01856801	Independent Director	2	2	NA	-	1	-	1
Mr. Anadi Charan Sahu DIN: 06696504	Non-Executive, Nominee Director	5	5	No	-	-	-	-

Ms. Mona Kachhwaha was appointed as the Independent Director w.e.f. Dec 22, 2017

- xii. None of the Directors holds any equity shares in the Bank as on March 31, 2018 except that Mr. Samit Ghosh holds 1 equity share of the Bank for and on behalf of UFSL.

3. Committees of the Board

A. Audit Committee

- i. The Audit Committee of the Bank is constituted in line with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI LODR Regulations.
- ii. The composition of the Audit Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held during their tenure	Attended
1.	Mr. Sunil Patel	Chairman - Independent Director	4	4
2.	Mr. Luis Miranda	Independent Director	4	2
3.	Mr. Biswamohan Mahapatra	Independent Director	4	4
4.	Mr. Nandlal Sarda	Independent Director	4	4

Of the above, all the members of Audit Committee are financially literate, as defined in the SEBI LODR Regulations; all the members have accounting or related financial management expertise.

- iii. The Audit Committee has met 4 times during the year and the gap between two meetings did not exceed one hundred and twenty days. The Audit Committee meetings were held on April 25, 2017; July 26, 2017; October 31, 2017 & January 31, 2018.
- iv. The terms of powers, role and terms of reference of the Audit Committee are in accordance with the Companies Act, 2013 and the SEBI LODR Regulations.

The scopes of the Audit Committee are:

- (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, 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:
 - a) Matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - b) Changes, if any, in accounting policies and practices and reasons for the same;
 - c) Major accounting entries involving estimates based on the exercise of judgment by management;
 - d) Significant adjustments made in the financial statements arising out of audit findings;
 - e) Compliance with legal requirements relating to financial statements;
 - f) Disclosure of any related party transactions;
 - g) 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) 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 utilized for purposes other than those stated in the offer 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;
- (7) Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- (8) Approval or any subsequent modification of transactions of the Bank with related parties;
- (9) Scrutiny of inter-corporate loans and investments;
- (10) Valuation of undertakings or assets of the Bank, wherever it is necessary;

- (11) Evaluation of internal financial controls and risk management systems;
- (12) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- (13) 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;
- (14) Discussion with internal auditors of any significant findings and follow up there on;
- (15) 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;
- (16) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (17) 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;
- (18) Periodic inspection report submitted by the RBI and Certificates/returns/reports to the RBI pertaining to the Audit Committee function
- (19) Annual Tax Audit statement and auditors report thereon
- (20) To review the functioning of the whistle blower mechanism;
- (21) Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- (22) The Audit Committee must 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.
- (23) Carrying out any other function as is mentioned in the terms of reference of the audit committee.
- (24) To review and monitor the functions of the Compliance function of the Bank. The Committee would be responsible for ensuring that an appropriate compliance policy is in place in the bank to manage compliance risk and also overseeing its implementation. It has to ensure that compliance issues are resolved effectively and expeditiously by senior management with the assistance of compliance staff.

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; and
- (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.

B. Governance, Nomination and Remuneration Committee (Nomination Committee)

- i. For the remuneration of Directors, key managerial personnel and other employees, the Bank has constituted a Governance, Nomination and Remuneration Committee as per the requirements of Section 178 of the Companies Act, 2013, Regulation 19 of the SEBI LODR Regulations and relevant RBI circulars. The Nomination Committee has powers of formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending a policy relating to the remuneration for the directors, key managerial personnel and other employees as per the requirements of Regulation 20 of the SEBI LODR Regulations and relevant RBI circulars.

- ii. The composition of the Governance, Nomination and Remuneration Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held during their tenure	Attended
1.	Ms.Vandana Viswanathan	Chairman (Non Independent, Non-Executive Director)	5	5
2.	Mr. Sunil Patel	Independent Director	5	5
3.	Mr.Biswamohan Mahapatra	Independent Director	5	5
4.	Mr. Prabal Kumar Sen	Independent Director.	5	5

- iii. All of the members of the Nomination Committee are non-executive directors, and three out of four members of the Governance, Nomination and Remuneration Committee are independent directors
- iv. The chairman of the Governance, Nomination and Remuneration Committee is a Non Independent, Non-Executive director.
- v. The Nomination Committee has met five times during the year on April 25, 2017; July 25, 2017; October 30, 2017; January 30, 2018 & March 23, 2018.
- vi. The scope of the Governance, Nomination and Remuneration Committee are:
- (1) To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
 - (2) To ensure 'fit and proper' status of proposed/ existing Directors
 - (3) 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.
 - (4) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
 - (5) To recommend to the Board the appointment and removal of Senior Management
 - (6) To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.
 - (7) To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
 - (8) Conducting due diligence as to the credentials of any director before his or her appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI.
 - (9) 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.
 - (10) 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;
 - (11) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
 - (12) To devise a policy on Board diversity;
 - (13) To develop a succession plan for the Board and to regularly review the plan;
- vii. The 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.
- viii. There was no change in the sitting fees paid to the Non-Executive Directors (including Independent Directors) during the Financial Year 2017-18 which was Rs 50,000 per Board Meeting and Rs. 40,000 for each Board Committee meetings.
- ix. The Details of the remuneration and sitting fees paid to the Directors has been given in the Board's Report.

C. Stakeholders Relationship Committee

- i. For redressing the grievances of the stakeholders, the Bank has formed Stakeholders Relationship Committee as per the requirements of Section 178 of the Companies Act, 2013, Regulation 20 of the SEBI LODR Regulations and relevant RBI Circulars.
- ii. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held	Attended
1.	Mr. Sunil Patel	Chairman (Independent Director)	1	1
2.	Ms. Vandana Viswanathan	Non-Independent, Non-Executive Director	1	1
3.	Mr. Samit Ghosh	Non-Independent, Executive Director	1	1

- iii. The chairman of the Stakeholders Relationship Committee is a non-executive director of the Bank.
- iv. The Stakeholders Relationship Committee has met once during the year on January 30, 2018.
- v. The scope of the Stakeholders Relationship Committee are:
 - (1) To approve/refuse/reject registration of transfer/transmission of Shares in a timely manner;
 - (2) To authorise the issue, printing, signing of Share Certificates and Common Seal thereon post authorization from the Board of Directors of the Bank, issue of Duplicate Share Certificates and Share Certificates 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 ;
 - (3) To authorise to sign and endorse the Share Transfers on behalf of the Bank;
 - (4) To monitor redressal of stakeholder's complaints/grievances including relating to non-receipt of allotment / refund, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
 - (5) To oversee the performance of the Register and Transfer Agents and to recommend measures for overall improvement in the quality of investor services.
 - (6) To perform all functions relating to the interests of security holders (shareholders and debenture holders) of the Bank and as assigned by the Board, as may be required by the provisions of the Companies Act, 2013 and Rules made thereunder, Listing Agreements (with respect to listed NCDs) with the Stock Exchanges and regulations issued by the SEBI or any other regulatory authority.
 - (7) To perform such other functions as and when authorised by the Board.

D. Corporate Social Responsibility Committee

- i. Bank has constituted the CSR Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 and the rules made thereunder and to oversee social programs undertaken by the Bank and monitor economic and social impact on customer.
- ii. The Corporate Social Responsibility Committee has been constituted to formulate and recommend to the Board of Directors, a corporate social responsibility policy which shall indicate the activities to be undertaken by the Bank, recommend the amount of expenditure to be incurred on such activities and monitor the corporate social responsibility policy of the Bank from time to time.

- iii. The composition of the Corporate Social Responsibility Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held	Attended
1.	Ms. Vandana Viswanathan	Chairman, (Non Independent, Non-Executive Director)	1	1
2.	Mr. Nandlal Sarda	Independent Director	1	1
3.	Mr. Prabal Kumar Sen	Independent Director	1	1

- iv. The scope of the Corporate Social Responsibility Committee are:
- 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;
 - To recommend the amount of expenditure to be incurred on the activities;
 - To Monitor the Corporate Social Responsibility 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.
- v. The Corporate Social Responsibility Committee has met once during the year on April 25, 2017.
- vi. Two members of the Corporate Social Responsibility Committee is an independent director;

E. Risk Management Committee

- The Bank has in place the Risk Management Committee in accordance with RBI guidelines on Corporate Governance.
- The following are the main terms of reference of the Committee:
 - Evaluate overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank.
 - Identify, monitor and measure the risk profile of the bank.
 - 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.
 - 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.
 - Monitor compliance of various risk parameters by operating Departments.
 - Review the outsourcing functions of the Bank
 - Overview the functions and performance of the Risk Management Committee of the management

The Risk Management Committee should also oversee the following functions:

(A) Outsourcing Function

RBI instructions

The Risk Management Committee of the Board should be responsible *inter alia* for: -

- Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
- Laying down appropriate approval authorities for outsourcing depending on risks and materiality.
- Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and
- 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 banks, review of the adequacy of the risk management process and upgradation thereof, internal control systems and ensuring compliance with the statutory / regulatory framework.

- iii. The composition of the Risk Management and the details of meetings attended by its members are as under:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held	Attended
1.	Mr. Sunil Patel	Chairman, Independent Director	4	4
2.	Mr. Luis Miranda	Independent Director	4	2
3.	Mr. Biswamohan Mahapatra	Independent Director	4	4
4.	Mr. Samit Ghosh	Non-Independent, Executive Director	4	4
5.	Mr. Nandlal Sarda	Independent Director	4	4

- iv. The Risk Management Committee has met 4 (four) times during the year on April 25, 2017; July 25, 2017; October 30, 2017 & January 30, 2018.

F. Customer Service Committee

- i. The Bank has in place the Customer Service Committee in accordance with RBI guidelines on Corporate Governance.
- ii. The main terms of reference of the Committee's function is to monitor the quality of customer service extended by the Bank and to attend to the needs of customers and to further the efforts of financial inclusion for the bank's customers.
- iii. The composition of the Customer Service Committee and the details of the meetings attended by its members are as under:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held	Attended
1.	Mr. Samit Ghosh	Chairman (Non Independent, Executive Director)	4	4
2.	Ms Vandana Viswanathan	Non Independent, Non-Executive Director	4	4
3.	Mr. Prabal Kumar Sen	Independent Director	4	4

- iv. The Customer Service Committee has met 4 (four) times during the year on April 25, 2017; July 25, 2017; October 30, 2017 & January 30, 2018.

G. Human Resource & Compensation Committee (HR Committee)

- i. The Bank has in place a Human Resource and Compensation Committee.
- ii. The following are the main terms of reference of the Committee:
- (1) Review regularly and approve the Bank's program for executive and employee development.
 - (2) Develop, review and approve the principles guiding the Bank's executive compensation philosophies.
 - (3) Review annually and approve the Bank's compensation policy.
 - (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.

iii. The composition of the HR Committee and the details of the meetings attended by its members are as under:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held	Attended
1.	Ms. Vandana Viswanathan.	Chairman (Non Independent, Non-Executive Director)	1	1
2.	Mr. Samit Ghosh	Non-Independent, Executive Director	1	1
3.	Mr. Sunil Patel	Independent Director	1	1

iv. The HR Committee met once during the year on April 25, 2017.

H. IT Strategy Committee

i. The Bank has in place an IT Strategy Committee in accordance with RBI guidelines on Corporate Governance.

ii. The terms of reference of the Committee include the following:

- (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
- (14) Reviewing IT performance measurement and contribution of IT to businesses (i.e., delivering the promised value)

iii. The composition of the IT Strategy Committee and the details of the meetings attended by its members are as under:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2017-18	
			Held	Attended
1.	Mr. Nandlal Sarda	Chairman, (Independent Director)	4	4
2.	Mr. Sunil Patel	Independent Director	4	4
3.	Mr. Luis Miranda	Independent Director	4	2

iv. The IT Strategy Committee has met 4 [four] times during the year on April 25, 2017; July 25, 2017; October 30, 2017 & January 30, 2018.

I. Review Committee of Wilful Defaulters

- The Review Committee of wilful defaulter was constituted in accordance with RBI guidelines on Corporate Governance to review decisions taken by the identification committee for identification of wilful defaulter/borrower).
- The review committee of wilful defaulter was constituted by the Bank however no meetings of the committee were held during the Financial Year 2017-18 as the Bank has not classified any of its customers as a wilful defaulter.
- The composition of the review committee of wilful defaulter and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation
1.	Mr. Samit Ghosh	Chairman (Non-Independent, Executive Director)
2.	Mr. Luis Miranda	Independent Director
3.	Mr. Biswamohan Mahapatra	Independent Director

J. Fraud Committee (Special Committee of Board for Monitoring High Value Frauds)

- The Fraud Committee was constituted in accordance with RBI guidelines on Corporate Governance to monitor and follow up cases of frauds involving amounts in excess of Rs 1 Crore.
- The Fraud Committee was constituted by the Bank however no meetings of the committee were held during the Financial Year 2017-18 as no frauds were detected in the Bank which was more than Rs 1 crores..
- The composition of the Fraud Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation
1.	Mr. Samit Ghosh	Chairman (Non-Independent, Executive Director)
2.	Mr. Luis Miranda	Independent Director
3.	Mr. Biswamohan Mahapatra	Independent Director

K. Committee of Directors:

The Bank has constituted 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 composition of Committee of Directors and the details of meetings attended by its members are given below;

Sr. No.	Directors	Designation
1.	Mr. Sunil Patel	Chairman (Independent, Executive Director)
2.	Mr. Samit Ghosh	Non Independent, Executive Director
3.	Ms. Vandana Viswanathan	Non Independent, Non-Executive Director

The Committee of Directors was constituted by the Bank however no meetings of the committee were held during the Financial Year 2017-18.

L. Independent Director's Meeting

In compliance with Schedule IV to the Companies Act, 2013 and regulation 25(3) of the SEBI Listing Regulations, 2015, the independent directors held their separate meeting on March 23, 2018, in full attendance, without the attendance of non-independent directors and members of Management, inter alia, to discuss the following:

- Review the performance of non-independent directors and the Board as a whole;
- Review the performance of the Chairperson of the Bank, taking into account the views of executive directors and non-executive directors;
- Assess the quality, quantity and timeliness of flow of information between the Bank Management and the Board that is necessary for the Board to effectively and reasonably perform their duties;

4. General Meetings of Shareholders

- i. The Bank held its first Annual General Meeting on July 31, 2017
- ii. The Bank held one Extraordinary General Meetings of the shareholders during the FY 2017-18 on December 21, 2017.

Name of Meeting	Date of Meeting	Number of Special Resolution Passed
Annual General Meeting	July 31, 2017	1
Extra Ordinary General Meeting	December 21, 2017	1

- iii. No resolutions were passed through postal ballot during FY 2017-18.

5. Means of Communication

The Bank's equity shares are not listed as on March 31, 2018 and hence the SEBI Listing Regulations pertaining to equity shares are not applicable. However, the Bank always has an operational website <https://www.ujjivansfb.in/> wherein *inter alia* our half yearly and annual financials will be placed.

6. Managing Director and Chief Financial Officer Certification

As required under Regulation 17 read with Part B of Schedule II of the Listing Regulations, the MD and CFO certification on the Financial Statements, the Cash Flow Statements and the internal financial reporting has been obtained from Mr. Samit Ghosh, Managing Director and Ms. Upma Goel, Chief Financial Officer. The said certificate is a part of this Annual Report.

7. Other Disclosures

- i. Related Party Transactions

The Bank has entered into related party transactions. Related party transactions were approved by the Audit Committee and the Board. The Bank has a policy on materiality and on dealing with related party transactions which has been uploaded on our website at the link <https://www.ujjivansfb.in/regulatory-policies.html>

- ii. Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;

Nil

- iii. The Bank in compliance with Section 177 of the Companies Act, 2013 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 Ethics Policy. No person has been denied access to the Audit Committee. The Whistle Blower policy has been uploaded on our website at the link <https://www.ujjivansfb.in/regulatory-policies.html>
- iv. As the Bank has no subsidiary as on date, the requirement of formulating a specific policy on dealing with material subsidiaries does not arise.

CEO / CFO CERTIFICATION

To,
The Board of Directors
Ujjivan Small Finance Bank Limited

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 the financial year 2017-18 and that 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, deficiencies in the design or operation of such internal controls, if any, 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) significant changes in internal control over financial reporting during the year;
 - (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.

For Ujjivan Small Finance Bank Limited



Samit Ghosh

Managing Director & CEO

DIN: 00185369



Upma Goel

Chief Financial Officer

Date: May 08, 2018

Place: Bangalore

INDEPENDENT AUDITORS' REPORT

To The Members of Ujjivan Small Finance Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Ujjivan Small Finance Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2018, and the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Board of Directors of the Bank are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to preparation of these financial statements to 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 Companies Act, 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time as applicable to banks. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder, including the accounting standards, provisions of section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by RBI as applicable to banks and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors of the Bank, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements together with the notes thereon give the information required by provisions of section 29 of the Banking Regulation Act, 1949 as well as the Act and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2018 and its profit and its cash flow for the year then ended.

Report on Other Legal and Regulatory Requirements

9. In our opinion, the Balance Sheet, Profit and Loss Account, and Cash Flow Statement dealt with by this report have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with applicable provisions of section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 as updated by Companies (Accounting Standards) Amendments Rules 2016.



10. As required by section 143(3) of the Act and 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;
- 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 6 branches to examine the books of account and other records maintained at the 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 at Bengaluru as all the necessary records and data required for the purposes of our audit are available therein;
- d) 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;
- e) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- f) 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 as updated by Companies (Accounting Standards) Amendments Rules 2016 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- g) On the basis of written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" ;
- i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations as at March 31, 2018 on its financial position in its financial statements – Refer Schedule 12 and Note 14 (vi) in Schedule 18;
 - ii. The Bank has made provision as at March 31, 2018, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts – Refer note 25 in Schedule 18. The Bank did not have any derivative contracts as at March 31, 2018;
 - iii. There has been no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2018; and
 - iv. The disclosure requirements as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to Bank.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016



Vivek Prasad

Partner

Membership Number : 104941

Place: Bengaluru

Date: May 08, 2018

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(h) of the Independent Auditors' Report of even date to the members of Ujjivan Small Finance Bank Limited on the financial statements for the year ended March 31, 2018

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

1. We have audited the internal financial controls over financial reporting of Ujjivan Small Finance Bank Limited ("the Bank") as of March 31, 2018 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

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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



Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016



Vivek Prasad

Partner

Membership Number : 104941

Place: Bengaluru

Date: May 08, 2018

UJJIVAN SMALL FINANCE BANK LIMITED

Balance Sheet as at March 31, 2018

(Amount in 000's)

Particulars	Schedule	As at March 31, 2018	As at March 31, 2017
CAPITAL AND LIABILITIES			
Capital	1	16,400,368	16,400,368
Reserves and Surplus	2	68,977	351
Deposits	3	37,724,767	2,064,118
Borrowings	4	38,528,450	62,914,038
Other Liabilities and Provisions	5	2,009,198	2,977,137
Total		94,731,760	84,356,012
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,976,346	2,609,292
Balance with Banks and Money at Call and Short Notice	7	2,972,006	5,018,922
Investments	8	12,324,789	14,466,770
Advances	9	73,354,633	58,610,450
Fixed Assets	10	1,983,448	1,397,686
Other Assets	11	2,120,538	2,252,892
Total		94,731,760	84,356,012
Contingent Liabilities	12	195,092	283,360
Bills for collection		-	-
Significant Accounting Policies	17		
Notes to 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.

This is the Balance Sheet referred to in our report of even date.

For and on behalf of Board

For Price Waterhouse Chartered Accountants LLP


Firm Registration No: 012754N/N500016


Vivek Prasad
Partner

Membership No:104941

Ujjivan Small Finance Bank Limited


Sunil Patel
DIN: 00050837
Chairman


Samit Ghosh
DIN: 00185369
Managing Director
& CEO


Vandana Viswanathan
DIN: 05192578
Non-Executive Director


Nandlal Sarda
DIN: 00147782
Independent Director


Upma Goel
Chief Financial Officer


Chanchal Kumar
Company Secretary

Place: Bengaluru
Date: May 08, 2018

UJJIVAN SMALL FINANCE BANK LIMITED
Statement of Profit and Loss for the period from April 01, 2017 to March 31, 2018
(Amount in 000's)

Particulars	Schedule	Period from April 1, 2017 to March 31, 2018	Period from July 4, 2016 to March 31, 2017
I. INCOME			
Interest Earned	13	14,666,541	2,169,039
Other Income	14	1,127,013	91,990
Total		15,793,554	2,261,029
II. EXPENDITURE			
Interest Expended	15	6,093,316	1,093,584
Operating Expenses	16	6,504,026	1,114,179
Provisions and Contingencies [Refer note 18 (7.9)]		3,127,586	52,915
Total		15,724,928	2,260,678
III. PROFIT/(LOSS)			
Net profit/(loss) for the period		68,626	351
Profit brought forward		263	-
Total		68,889	351
IV. APPROPRIATIONS			
Transfer to			
a) Statutory Reserve		17,156	88
b) Other Reserve		-	-
c) Proposed Dividend (includes tax on dividends)		-	-
Total		17,156	88
Balance Carried over to the Balance Sheet		51,733	263
Total		68,889	351
V. Earning per Equity Share (Face value of Rs.10 per share) [Refer note 18 (13)]			
Basic (Rs)		0.048	0.001
Diluted (Rs)		0.048	0.001
Significant Accounting Policies	17		
Notes to 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.

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of Board

For Price Waterhouse Chartered Accountants LLP

Firm Registration No: 012754N/N500016


Vivek Prasad
Partner

Membership No:104941

Ujjivan Small Finance Bank Limited


Sunil Patel
DIN: 00050837
Chairman


Vandana Viswanathan
DIN: 05192578
Non-Executive Director

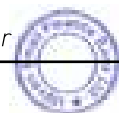

Upma Goel
Chief Financial Officer


Samit Ghosh
DIN: 00185369
Managing Director & CEO


Nandlal Sarda
DIN: 00147782
Independent Director


Chanchal Kumar
Company Secretary

Place: Bengaluru
Date: May 08, 2018



UJJIVAN SMALL FINANCE BANK LIMITED
Cash Flow Statement for the period from April 01, 2017 to March 31, 2018

(Amount in 000's)

Particulars	Period from April 1, 2017 to March 31,2018	Period from July 04, 2016 to March 31, 2017
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before taxation	88,467	8,911
Adjustments for :		
Depreciation on Fixed assets	413,732	51,041
Loss on sale of Fixed Asset	6,365	97
Fixed Assets Written off (including goodwill written off)	83	160,000
Provision for Non Performing Assets	3,868,949	21,009
Provision for Standard Assets	(761,204)	23,346
Amortisation of premium on HTM investments	17,370	2,362
(Profit) / loss on revaluation of investments	15,560	41,966
Operating Profit/(Loss) before Working Capital changes	3,649,322	308,732
Adjustments for :		
(Increase) /Decrease in Advances	(18,613,133)	(58,631,458)
(Increase)/Decrease in Investments	2,109,052	(14,511,099)
(Increase)/Decrease in Other Assets	1,311,351	(3,015,985)
Increase/ (Decrease) in Deposits	35,660,650	2,064,118
Increase/ (Decrease) in Other Liabilities	(519,934)	2,953,333
Cash generated from/(used in) Operations	23,597,308	(70,832,359)
Direct Taxes paid	(336,692)	(8,101)
Net Cash generated from/(used in) Operating Activities (A)	23,260,616	(70,840,460)
B. Cash Flow from Investing Activities		
Proceeds from sale of Fixed Assets	3,679	-
Purchase of Fixed Assets including WIP	(1,009,622)	(1,608,824)
Net Cash generated from/(used in) Investing Activities (B)	(1,005,943)	(1,608,824)



UJJIVAN SMALL FINANCE BANK LIMITED
Cash Flow Statement for the period from April 01, 2017 to March 31, 2018

(Amount in 000's)

Particulars	Period from April 1, 2017 to March 31, 2018	Period from July 04, 2016 to March 31, 2017
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares (net of issue expenses)	-	16,400,368
Increase/(decrease) in Borrowings (Net)	(24,385,588)	62,914,038
Net Cash generated from/(used in) Financing Activities (C)	(24,385,588)	79,314,406
Net Increase/(decrease) in Cash and Cash Equivalents (A+B+C)	(2,130,915)	6,865,122
Cash and Cash Equivalents at the beginning of the period	6,865,122	-
Cash and Cash Equivalents at the end of the period	4,734,207	6,865,122

Notes:

- 1 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 Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
- 2 Cash and cash equivalents comprises of Cash in Hand and Balances with RBI (Schedule 6) and Balances with Banks and Money at Call and Short Notice (Schedule 7) [excluding Fixed deposits of Rs.214,145 (Previous year Rs. 763,092) (in 000's) held under lien].
- 3 Figures in bracket indicate cash outflow.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of Board

For Price Waterhouse Chartered Accountants LLP

Firm Registration No: 012754N/N500016


Vivek Prasad
Partner

Membership No:104941

Place: Bengaluru
Date: May 08, 2018

Ujjivan Small Finance Bank Limited


Sunil Patel
DIN: 00050837
Chairman


Vandana Viswanathan
DIN: 05192578
Non-Executive Director


Upma Goel
Chief Financial Officer


Samit Ghosh
DIN: 00185369
Managing Director & CEO


Nandlal Sarda
DIN: 00147782
Independent Director

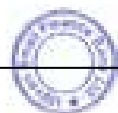

Chanchal Kumar
Company Secretary



UJJIVAN SMALL FINANCE BANK LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2018

(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
SCHEDULE-1-CAPITAL		
<i>Authorised Capital</i>		
1,500,000,000 Equity Shares of Rs.10 each	15,000,000	15,000,000
200,000,000 (11%) Preference Shares (Perpetual Non-Cumulative Non-Convertible) of Rs 10 each	2,000,000	2,000,000
<i>Issued, Subscribed and Called up Capital</i>		
1,440,036,800 Equity Shares of Rs.10 each	14,400,368	14,400,368
200,000,000 (11%) Preference Shares (Perpetual Non-Cumulative Non-Convertible) of Rs 10 each	2,000,000	2,000,000
	16,400,368	16,400,368
Paid up Capital		
1,440,036,800 Equity Shares of Rs.10 each	14,400,368	14,400,368
200,000,000 (11%) Preference Shares (Perpetual Non-Cumulative Non-Convertible) of Rs 10 each	2,000,000	2,000,000
	16,400,368	16,400,368
Total	16,400,368	16,400,368
SCHEDULE-2 RESERVES AND SURPLUS		
I) Statutory Reserves		
Opening balance	88	-
Additions during the period	17,156	88
Deductions during period	-	-
Closing balance	17,244	88
II) Capital Reserve		
Opening balance	-	-
Additions during the period	-	-
Deductions during period for writing off Share Issue Expenses	-	-
Closing balance	-	-
III) Share Premium Account		
Opening balance	-	-
Additions during the period	-	-
Deductions during period	-	-
Closing balance	-	-
IV) General Reserve		
Opening balance	-	-
Additions during period	-	-
Deductions during period	-	-
Closing balance	-	-
V) Balance in Profit and Loss Account	51,733	263
Total (I+II+III+IV+V)	68,977	351



UJJIVAN SMALL FINANCE BANK LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2018

(Amount in 000's)

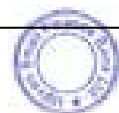
Particulars	As at March 31, 2018	As at March 31, 2017
SCHEDULE-3 -DEPOSITS		
A. I. Demand Deposits		
(i) From banks	-	-
(ii) From others	102,308	100
II. Savings Bank Deposits	1,284,123	32,373
III. Term Deposits		
(i) From Banks	9,604,339	460,000
(ii) From others	26,733,997	1,571,645
Total	37,724,767	2,064,118
B. Deposits of branches		
(i) In India	37,724,767	2,064,118
(ii) outside India	-	-
Total	37,724,767	2,064,118
SCHEDULE-4-BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks	9,017,292	36,027,437
(iii) Other Institutions and Agencies	23,511,158	18,636,601
(iv) Non-Convertible Redeemable Debenture	6,000,000	8,250,000
Total	38,528,450	62,914,038
II. Borrowings Outside India	-	-
Total	38,528,450	62,914,038
Secured borrowings included in I and II above	14,404,101	47,535,305
SCHEDULE -5-OTHER LIABILITIES AND PROVISIONS		
(i) Bills payable	243,557	75
(ii) Inter-Office Adjustments (net)	-	-
(iii) Interest Accrued	664,390	600,144
(iv) Standard asset-General Provisions	364,986	1,101,825
(v) Others (including provision)	736,265	1,275,093
Total	2,009,198	2,977,137



UJJIVAN SMALL FINANCE BANK LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2018

(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
SCHEDULE-6-CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in Hand (including Cash at ATM)	377,394	402,018
II. Balances with Reserve Bank of India		
(i) In Current Account	1,598,952	2,207,274
(ii) In Other Accounts	-	-
Total	1,976,346	2,609,292
SCHEDULE-7-BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) in Current Accounts	114,439	105,830
(b) in Other Deposit Accounts*	337,669	763,092
(ii) Money at Call and Short Notice		
(a) with Banks	2,320,000	3,650,000
(b) with Other Institutions	199,898	500,000
Total	2,972,006	5,018,922
II. Outside India		
(i) In Current Accounts	-	-
(ii) In Other Deposits Accounts	-	-
(iii) Money at Call and Short Notice	-	-
Total	-	-
Total (I+II)	2,972,006	5,018,922
*It includes Fixed deposits of Rs.214,145 (Previous year Rs. 763,092) (in 000's) held under lien.		
SCHEDULE-8-INVESTMENTS		
I. In India		
Gross Value	12,324,789	14,508,736
Less: Aggregate of Provision/Depreciation	-	41,966
Net value of Investments in India	12,324,789	14,466,770
Comprising:		
(i) Government Securities	12,323,789	14,465,770
(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	12,324,789	14,466,770
II. Outside India		
(i) Government Securities (Including local authorities)	-	-
(ii) Subsidiaries and/or Joint Ventures abroad	-	-
(iii) Other Investments	-	-
Total	-	-
Total (I+II)	12,324,789	14,466,770



UJJIVAN SMALL FINANCE BANK LIMITED Schedules forming part of the Balance Sheet as at March 31, 2018 (Amount in 000's)		
Particulars	As at March 31, 2018	As at March 31, 2017
SCHEDULE-9-ADVANCES		
A (i) Bills Purchased and Discounted	-	-
(ii) Cash Credits, Overdrafts and Loans repayable on demand	75,598	-
(iii) Term Loans	73,279,035	58,610,450
Total	73,354,633	58,610,450
B (i) Secured by Tangible Assets	4,059,214	1,169,770
(ii) Covered by Bank/Government Guarantees	-	-
(iii) Unsecured (Refer Schedule 18 Note 4.7)	69,295,419	57,440,680
Total	73,354,633	58,610,450
C I Advances in India		
(i) Priority Sectors *	11,385,859	9,025,626
(ii) Public Sectors	-	-
(iii) Banks	60,000	-
(iv) Others	61,908,774	49,584,824
Total	73,354,633	58,610,450
II Advances Outside India	-	-
Total	-	-
Total (I+II)	73,354,633	58,610,450
*Asset financed out of Grandfathered borrowing does not qualify for Priority Sector Lending, hence previous Year Figures have been regrouped accordingly		
SCHEDULE -10- FIXED ASSETS		
I. Premises	-	-
II. Other Fixed Assets (Including Furniture and Fixtures)		
At cost, at the beginning of the period	1,721,906	-
Add: Additions during the period	999,450	1,721,906
Less: Deductions during the period	52,073	-
Less: Depreciation to date	727,857	355,870
Total	1,941,426	1,366,036
III. Capital Work In Progress (including capital Advances)	42,022	31,650
Total (I+II+III)	1,983,448	1,397,686



UJJIVAN SMALL FINANCE BANK LIMITED
Schedules forming part of the Balance Sheet as at March 31, 2018

(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
SCHEDULE 11-OTHER ASSETS		
(i) Inter Office Adjustments (Net)	-	-
(ii) Interest Accrued	853,880	749,417
(iii) Advance Tax / Tax Deducted at Source (Net of provision for tax) .	17,378	-
(iv) Stationery and stamps	-	-
(v) Non-banking assets acquired in satisfaction of claims	-	-
(vi) Others (including Deferred tax assets)	1,249,280	1,503,475
Total	2,120,538	2,252,892
SCHEDULE- 12 - CONTINGENT LIABILITIES		
(i) Claims against the Bank not acknowledged as debts	6,179	4,551
(ii) Liability for partly paid investments	-	-
(iii) Liability on account of Outstanding Forward Exchange Contracts	-	-
(iv) Guarantees on behalf of Constituents	2,500	-
(v) Acceptances, Endorsements and Other Obligations	-	-
(vi) Other items for which the Bank is contingently liable - Capital commitments not provided	186,413	278,809
Total	195,092	283,360

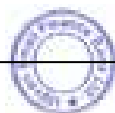


UJJIVAN SMALL FINANCE BANK LIMITED

Schedules forming part of the Profit and Loss account for the period ended March 31, 2018

(Amount in 000's)

Particulars	Period from April 1, 2017 to March 31,2018	Period from July 4, 2016 to March 31,2017
SCHEDULE 13-INTEREST EARNED		
(i) Interest /Discount on Advances /bills	13,127,753	1,964,357
(ii) Income on Investments	922,932	80,552
(iii) Interest on Balances With RBI and Other inter-bank funds	45,150	44,500
(iv) Others (Interest income on securitisation)	570,706	79,630
Total	14,666,541	2,169,039
SCHEDULE- 14-OTHER INCOME		
(i) Commission, Exchange and Brokerage	790,853	105,857
(ii) Profit/(Loss) on Sale of Investments (net)	67,802	2,153
(iii) Profit/(Loss) on Revaluation of Investments	(15,560)	(41,966)
(iv) Profit/(Loss) on sale of Land, Building and other Assets (net)	(6,365)	(97)
(v) Profit on Exchange Transactions (net)	-	-
(vi) Income earned by way of Dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India	-	-
(vii) Miscellaneous Income	290,283	26,043
Total	1,127,013	91,990
SCHEDULE- 15-INTEREST EXPENDED		
(i) Interest On Deposits	1,115,666	1,418
(ii) Interest on Reserve Bank of India/ Inter-Bank Borrowings	2,245,990	941,712
(iii) Others (including interest on Subordinated Debts)	2,731,660	150,454
Total	6,093,316	1,093,584
SCHEDULE 16-OPERATING EXPENSES		
(i) Payments to and Provision for Employees	3,649,297	507,434
(ii) Rent, Taxes and Lighting (Including operating lease rentals)	440,274	86,013
(iii) Printing and Stationery	141,144	15,771
(iv) Advertisement and Publicity	72,694	522
(v) Depreciation on Bank's Property	413,732	51,041
(vi) Director's Fees, Allowances and Expenses	6,096	1,991
(vii) Auditor's fees and Expenses	5,146	1,200
(viii) Law Charges	15,853	1,961
(ix) Postages, Telegrams, Telephones etc.	217,215	31,097
(x) Repairs and Maintenance	378,420	62,784
(xi) Insurance	14,364	4,563
(xii) Other expenditure	1,149,791	349,802
Total	6,504,026	1,114,179



1 CORPORATE INFORMATION

Ujjivan Small Finance Bank Limited ("USFB" or the "Bank" or the "Company") was incorporated on July 04, 2016 under the provisions of the Companies Act, 2013 as a wholly owned subsidiary of Ujjivan Financial Services Limited. Ujjivan Financial Services Limited ("UFSL" or the "Holding Company") was incorporated as an NBFC in the year 2005 with the mission of providing a full range of financial services to the economically active poor who are not adequately served by financial institutions. Subsequent to an application made by USFB, the RBI issued Licence No. MuM: 123 dated November 11, 2016 to USFB to carry on the business of Small Finance Bank ("SFB") in India with certain terms and conditions. The Bank is thus licensed by the Reserve Bank of India (RBI) to operate as a Small Finance Bank under the Banking Regulation Act, 1949. Pursuant to the Business Transfer Agreement (BTA) dated January 12, 2017 the Bank has acquired the business of UFSL while continuing to be a wholly owned subsidiary of UFSL.

The Bank commenced its business on February 01, 2017 and during the current year, 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 provides Retail banking services and wide range of Financial services to economically active poor in urban and semi-urban areas. The Bank has its headquarters in Bengaluru with regional offices in New Delhi, Kolkata 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 except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) and practices prevailing within the banking industry in India.

3 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 actuals and the differences between the actual results and the estimates are recognized prospectively in which the results are known/material.

4 FIXED ASSETS AND DEPRECIATION

4.1 Fixed assets 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 fixed assets 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.

4.2 Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets 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.

4.3 Intangible assets are amortised on a straight line basis over their estimated useful life. The amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

4.4 The useful life being followed by the Bank as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

4.5 Assets purchased/sold during the year are depreciated on a pro-rata basis

4.6 Assets costing less than Rs.5000 each are fully depreciated in the year of purchase.

4.7 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.

4.8 An item of Fixed Assets is derecognised on disposal or when no future economic benefits are expected



Schedule 17

from its use or disposal. The gain or loss arising on derecognition is recognised in the Statement of Profit and Loss.

4.9 Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within "Other Income" or "Other Expenses", as the case maybe, in the Statement of Profit and Loss in the year of disposal or retirement.

5 IMPAIRMENT OF FIXED ASSETS

The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

6 INVESTMENTS

Classification and valuation of the Bank's investments are carried out in accordance with RBI guidelines which are as follows:

6.1 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.

6.2 Classification of Investments

For the purpose of disclosure in the Balance Sheet, investments 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.

6.3 Acquisition cost

- (i) Broken period interest on debt instruments is 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.

6.4 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.

- (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 Re 1 per share.



Schedule 17

(xi) Units of Mutual Funds are valued at the latest repurchase price/net Asset Value declared by the Mutual Fund.

(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.

7 ADVANCES

7.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets. Advances are stated net of specific loan loss provision and Inter Bank Participating Certificates (IBPC) issued.

7.2 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

7.3 A general provision on standard assets is made in accordance with RBI guidelines. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

7.4 Advances exclude derecognised securitised advances.

7.5 Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit and Loss account.

7.6 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.

7.7 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.

7.8 Securitisation transactions and direct assignments:

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

7.9 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'

8 REVENUE RECOGNITION

8.1 Interest income is 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 on non-performing assets is recognized upon realization as per the prudential norms of the RBI.

8.2 Revenues from loan documentation charges are recognized upfront when it become due.

8.3 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.

8.4 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 statement of profit and loss account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

8.5 Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

9 EMPLOYEE BENEFITS

9.1 **Provident Fund:** Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no 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.

9.2 **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 Company 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



Schedule 17

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.

9.3 Compensated absences: Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

10 LEASE

10.1 Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

10.2 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.

11 SEGMENT REPORTING

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

12 EARNING 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 at end of the period.

13 TAXES

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 recognized as an asset only when and to the extent there is convincing evidence that the company 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 recommendation contained in the guidance note issued by ICAI, said asset is created by way of credit/reversal of provisions to Profit and Loss A/c and included as MAT Credit Entitlements in other assets. The company 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 company will pay normal Income Tax during the specified period.

14 PROVISIONS AND CONTINGENT LIABILITIES

14.1 A provision is recognized when there is an obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

14.2 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.

14.3 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.

14.4 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.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.



UJJIVAN SMALL FINANCE BANK LIMITED

Significant Accounting policies and Notes to financial statement for the period ended March 31, 2018

Schedule 18

1 Capital

Business Transfer Agreement

Pursuant to the Business Transfer Agreement (BTA) dated January 12, 2017 the Bank has acquired the business of Ujjivan Financial Services Limited for a consideration of Rs 1,53,00,000 (000's). The value of assets taken over was Rs 8,61,02,254 (000's) and the value of liabilities taken over are Rs. 7,09,62,232 (000's). The net assets (Net of liabilities) taken over was Rs 1,51,40,022 (000's). The goodwill purchased (i.e. excess of purchase consideration settled over the net assets taken over) of 1,60,000 (000's) has been written off during the previous period.

1.1 Capital Infusion

During the period April 1, 2017 to March 31, 2018 the Bank has not allotted share capital.

During the period July 04, 2016 to March 31, 2017 the Bank has allotted share capital as follows:

a. Equity Share Capital

(Amount in 000's except share data)

Particulars	Date of allotment	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Share capital
On Incorporation	July 4, 2016	50,000	10	10	500
Further allotment	July 30, 2016	109,986,800	10	10	1,099,868
Further allotment	February 10, 2017	1,330,000,000	10	10	13,300,000
Total		1,440,036,800			14,400,368

b. Preference Share Capital

(Amount in 000's except share data)

Particulars	Date of allotment	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Share capital
Allotment	February 10, 2017	200,000,000	10	10	2,000,000
Total		200,000,000			2,000,000

On January 12, 2017 an agreement to transfer business undertaking (BTA) was executed between 'Ujjivan Small Finance Bank' and 'Ujjivan Financial Services Limited' (UFSL) by virtue of which the business of 'Ujjivan Financial Services Limited' (UFSL) has been acquired by the Bank effective February 01, 2017 at the purchase price of Rs. 1,530 crores and purchase price was discharged by the Bank to UFSL by issue of 1,330,000,000 equity shares, of face value of Rs. 10 each, issued at par and issue of 200,000,000 11% Perpetual non-cumulative preference shares of face value of Rs. 10 each.

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 6, 2016)

Under New Capital Adequacy Framework and Operating Guidelines for Small Finance Bank issued on October 6, 2016, the Bank has to maintain a Minimum Total Capital (MTC) of 15% of the Credit risk weighted assets (Credit RWA) on an on-going basis. Out of the MTC, at least 7.5% shall be from Minimum Tier 1 Capital of which common equity Tier 1 capital shall be 6% and 1.50% from additional Tier 1 capital and remaining Tier 2 Capital shall be 7.5%. The capital adequacy ratio of the Bank is set out below:



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Schedule 18
(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
Common Equity Tier I Capital Ratio (as a percentage of Credit RWA)	19.31%	17.60%
Tier I Capital Ratio (as a percentage of Credit RWA)	22.32%	20.40%
Tier II Capital Ratio (as a percentage of Credit RWA)	0.72%	0.67%
Total Capital Ratio (CRAR) (as a percentage of Credit RWA)	23.04%	21.07%
Total Credit risk weighted assets ¹	66,452,471	71,575,295
Amount of equity capital raised	-	14,400,368
Amount of Additional Tier -1 Capital Raised; of which	-	2,000,000
Perpetual Non Cumulative Preference Shares (PNCPS)	-	2,000,000
Amount of Tier 2 Capital raised; of which	-	500,000
Debt Capital Instrument	-	500,000

1. 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 31 March 2018 capital ratios.

2. Capital Ratios for 31 March 2017 as published in the annual report of 31st March 2017 has been computed as per BASEL III guideline which was 18.24%. Based on the revised clarification received from RBI as per the above note, Bank has recomputed the 31 March 2017 figures which, after re-grouping has been presented in the above table

2 Investments
2.1 Details of Investments
(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
Value of Investments		
(i) Gross Value of Investments		
(a) In India	12,324,789	14,508,737
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	41,966
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	12,324,789	14,466,770
(b) Outside India.	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	41,966	-
(ii) Add : Provisions made during the period	-	41,966
(iii) Less : Write-off / (write-back) of excess provisions during the year/period	(41,966)	-
(iv) Closing balance	-	41,966



2.2 Category wise details of Investments (Net of provision for depreciation):*(Amount in 000's)*

As at March 31, 2018			
Particulars	HTM	AFS	HFT
i) Government securities	5,458,832	6,864,957	-
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,etc.	-	-	-
Total	5,459,832	6,864,957	-

As at March 31, 2017			
Particulars	HTM	AFS	HFT
i) Government securities	3,961,102	10,504,668	-
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,etc.	-	-	-
Total	3,962,102	10,504,668	-

2.3 Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31,2018*(Amount in 000's)*

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2018
Securities sold under repos				
i) Government Securities	-	750,000	57,589	-
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	-	520,000	34,219	520,000
ii) Corporate debt securities	-	-	-	-



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Schedule 18
Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31, 2017
(Amount in 000's)

Particulars	Minimum outstanding during the period	Maximum outstanding during the period	Daily average outstanding during the period	As at March 31, 2017
Securities sold under repos				
i) Government Securities	-	-	-	-
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	-	-	-	-
ii) Corporate debt securities	-	-	-	-

2.4 Non-SLR Investment Portfolio
Non-SLR Investment Portfolio as at March 31, 2018 are as follows:
(Amount in 000's)

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private companies	1,000	-	-	-	1,000
v) Subsidiaries/ Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1,000	-	-	-	1,000

Note: Amounts reported above are not mutually exclusive.

Non-SLR Investment Portfolio as at March 31, 2017 are as follows:
(Amount in 000's)

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private companies	1,000	-	-	-	1,000
v) Subsidiaries/ Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1,000	-	-	-	1,000

Note: Amounts reported above are not mutually exclusive.

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2.5 Non-Performing Non-SLR Investments
(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
Opening Balance	-	-
Additions during the period	-	-
Reductions during the period	-	-
Closing Balance	-	-
Total Provision held	-	-

2.6 Sale/transfer from HTM Category

During the current period and previous period, the value of sales and transfers of securities to / from HTM category excluding one time transfer of securities to / from HTM category has not exceeded 5 per cent of the book value of investments held in HTM category at the beginning of the year. As such, in line with RBI guidelines specific disclosure on book value, market value and provision if any, relating to such transfer are not required to be made

3 Derivatives:

The Company has not entered into any derivatives contracts during the current and previous period.

4 Asset Quality
4.1 Non-Performing Assets:
(Amount in 000's)

Particulars	March 31, 2018	March 31, 2017
(i) Net NPAs to Net advances (%)	0.69%	0.03%
Movement of Gross NPAs		
(a) Opening balance	163,995	-
(b) Additions (Fresh NPAs) during the period * #	5,566,906	188,853
Subtotal (A)	5,730,901	188,853
(c) Reductions during the period: #		
(i) Upgradations	143,062	2,370
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,063,821	12,239
(iii) Technical/ Prudential Write-offs	886,365	-
(iv) Write-offs other than those under (iii) above	878,449	10,249
Subtotal (B)	2,971,697	24,858
(d) Closing balance (A-B)	2,759,204	163,995
Movement of Net NPAs		
(a) Opening balance	17,971	-
(b) Additions during the period* #	3,682,779	28,950
(c) Reductions during the period #	3,191,413	10,979
(d) Closing balance	509,337	17,971
Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	146,023	-
(b) Provisions made during the period*	4,536,428	166,479
(c) Write-back of excess provisions	2,432,585	20,456
(d) Closing balance	2,249,866	146,023

*Additions during the period ended March 31, 2017 include NPA acquired as a part of the Business Transfer Agreement entered into with Ujjivan Financial Services Limited.



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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:

Particulars	<i>(Amount in 000's)</i>	
	As at March 31, 2018	As at March 31, 2017
Opening balance of technical / prudential write-offs accounts	-	-
Technical/Prudential write offs during the period	886,365	-
Recoveries made from previously technically / prudentially written-off accounts during the period	11,610	-
Actual write off during the year	826,549	-
Closing balance of technical / prudential write-offs accounts	48,206	-

4.3 Provision 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 – Others' in Schedule 5, and is not netted off from Advances.

Particulars	<i>(Amount in 000's)</i>	
	As at March 31, 2018	As at March 31, 2017
The amount of provision held on standard assets	364,986	1,101,825

4.4 Floating provision

Items	<i>(Amount in 000's)</i>	
	As at March 31, 2018	As at March 31, 2017
Opening Balance as at beginning of the period	-	-
Provisions made during the period	-	-
Draw-down made during the period	-	-
Closing Balance as at end of the period	-	-

4.5 Provision coverage ratio:

Particulars	As at March 31, 2018	As at March 31, 2017
Provision Coverage Ratio (including technical write-off)	81.87%	89.04%



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4.6 Business ratios

Particulars	March 31, 2018	March 31, 2017
Interest income as a percentage to working funds ^{1,5}	17.13%	15.13%
Non-interest income as a percentage to working funds ^{1,5}	1.32%	0.95%
Operating profit as a percentage to working funds ^{1,5}	3.74%	0.38%
Return on assets ^{2,5}	0.08%	0.0025%
Business (deposits plus gross advances) per employee (in 000's)	7,937	5,914
Profit per employee (in 000's)	6.41	0.03

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.
- 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).
- 5) The Ratios have been arrived on annualised basis.

4.7 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, 2018 of Rs. 69,295,419 ('000) (March 31, 2017 of Rs. 57,440,679 ('000)) disclosed in Schedule 9B (iii) are without any collateral or security.

4.8 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. Pursuant to the notification, divergences observed by RBI for the financial year 2016-17 shall be made in the Notes to Accounts of Financial Statements. During the financial year 2016-17, there are no divergences in the asset classification and provisioning identified.

4.9 a) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for asset reconstruction:

(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
No. of accounts	-	-
Aggregate value of accounts sold to Securitisation Company/ Reconstruction Company	-	-
Aggregate Consideration	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain /(loss) over net book value	-	-



b) Details of book value of investment in security receipts (SR) :*(Amount in 000's)*

Particulars	As at March 31, 2018	As at March 31, 2017
Backed by NPAs sold by the Bank as underlying	-	-
Backed by NPAs sold by the other Banks / Financial Institutions / Non-Banking Financial Companies as underlying	-	-
Total	-	-

4.10 During the current and previous period, there has been no individual purchase / sale of non-performing financial assets from / to other banks.

5 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAs**5.1 Concentration of Deposits***(Amount in 000's)*

Particulars	As at March 31, 2018	As at March 31, 2017
Total Deposits to twenty largest deposits	27,761,558	2,029,476
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	73.59%	98.32%

5.2 Concentration of Advances*(Amount in 000's)*

Particulars	As at March 31, 2018	As at March 31, 2017
Total Advances to twenty largest borrowers	110,788	23,976
Percentage of Advances to twenty largest borrowers to Total Advances	0.15%	0.04%

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.

5.3 Concentration of Exposures*(Amount in 000's)*

Particulars	As at March 31, 2018	As at March 31, 2017
Total Exposure to twenty largest borrowers/customers	2,042,397	4,171,815
Percentage of Exposures to twenty largest customers to Total Exposure of the Bank on borrowers/customers	2.63%	6.62%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBR.No.Dir. BC.12/13.03.00/2015-16 dated July 1, 2015 and includes credit exposure.

5.4 Concentration of NPAs*(Amount in 000's)*

Particulars	As at March 31, 2018	As at March 31, 2017
Total Exposure to top four NPA accounts	2,507	700



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5.5 Sector-wise Advances and NPA
As at March 31, 2018
(Amount in 000's)

Sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
<u>Priority sector:</u>			
Agriculture and Allied activities	2,189,149	11,598	0.53%
Industry	316,010	2,767	0.88%
Services	3,277,347	51,165	1.56%
Personal loans	5,656,000	40,872	0.72%
-of which Housing	1,106,927	13,675	1.24%
Sub-Total (A)	11,438,506	106,402	0.93%
Sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
<u>Non-Priority sector:</u>			
Agriculture and Allied activities	13,652,117	480,115	3.52%
Industry	611,787	71,148	11.63%
Services	11,801,842	1,445,949	12.25%
Personal loans	38,100,247	655,590	1.72%
-of which Housing	9,087,364	319,912	3.52%
Sub-Total (B)	64,165,993	2,652,802	4.13%
Total (A) + (B)	75,604,499	2,759,204	3.65%

As at March 31, 2017
(Amount in 000's)

Sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
<u>Priority sector*:</u>			
Agriculture and Allied activities	7,822,873	14,381	0.18%
Industry	31,344	-	0.00%
Services	350,851	-	0.00%
Personal loans	50,206,811	149,203	0.30%
Sub-Total (A)	58,411,879	163,584	0.28%
<u>Non-Priority sector:</u>			
Agriculture and Allied activities	-	-	-
Industry	41,865	-	0.00%
Services	139,461	411	0.29%
Personal loans	163,267	-	0.00%
-of which Housing	118,399	-	0.00%
Sub-Total (B)	344,593	411	0.12%
Total (A) + (B)	58,756,472	163,995	0.28%



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* The above priority sector advances includes Rs. 49,278,753 (000's), the assets financed out of grandfathered borrowings as per clause no .6.5 of the Operating guidelines for Small Finance Banks issued by Reserve Bank of India dated October 6, 2016. The Bank has received an approval from RBI on 29, March, 2017 vide letter ref no. DBR.PSBD No.11487/ 16.02.006/ 2016-17, permitting the Bank to retain charge on the above amount with an additional risk weight of 25% on these assets.

5.6 Priority Sector Lending Certificates (PSLC):
(Amount in 000's)

Particulars	Period April 1, 2017 to March 31, 2018 PSLC Sold	Period July 4, 2016 to March 31, 2017 PSLC Sold
1) PSLC Agriculture	2,600,000	107,500
2) PSLC Small Farmers / Marginal Farmers	8,580,000	-
3) PSLC Micro Enterprises	2,000,000	-
4) PSLC General	32,940,000	-
Total	46,120,000	107,500

5.7 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)
As at March 31, 2018
(Amount in 000's)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	-	-	-	-
Classified as NPA	-	-	-	-

As at March 31, 2017
(Amount in 000's)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	-	-	-	-
Classified as NPA	-	-	-	-

5.8 Disclosures on Flexible Structuring of Existing Loans
(Amount in 000's)

Period	No. of borrowers taken up for flexibly structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
April 1, 2017 to March 31, 2018	-	-	-	-	-
July 4, 2016 to March 31, 2017	-	-	-	-	-



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5.9 Intra-Group Exposure
(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
Total amount of intra-group exposure	-	-
Total amount of top-20 intra-group exposure	-	-
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower/ Customer	-	-
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if any	-	-

6 Asset Liability Management (ALM)
Maturity Pattern of certain items of Assets and Liabilities
Specified assets and liabilities as at March 31, 2018:
(Amount in 000's)

Maturity Buckets	Loans & Advances	Investment	Deposits	Borrowings
1 day	126	-	12,733	-
2 days to 7 days	1,106,325	749,505	138,482	-
8 days to 14 days	1,931,340	798,539	357,939	384,200
15 days to 30 days	2,460,904	-	6,363,121	1,345,987
31 days to 2 months	5,513,859	554,989	6,527,872	919,544
Over 2 months to 3 months	5,366,588	-	9,369,746	1,244,191
Over 3 to 6 months	14,470,378	1,108,774	3,714,605	7,195,953
Over 6 to 12 months	20,175,448	3,653,150	7,554,172	12,777,675
Over 1 year to 3 years	18,843,456	-	3,661,000	14,429,000
Over 3 years to 5 years	1,327,155	-	22,071	231,900
Over 5 years	2,159,054	5,459,832	3,026	-
Total	73,354,633	12,324,789	37,724,767	38,528,450

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, 2018



UJJIVAN SMALL FINANCE BANK LIMITED
Significant Accounting policies and Notes to financial statement for the period ended March 31, 2018
Schedule 18
Specified assets and liabilities as at March 31, 2017:
(Amount in 000's)

Maturity Buckets	Loans & Advances	Investment	Deposits	Borrowings
1 day	1,318,006	-	75	-
2 days to 7 days	1,185,492	-	73	95,425
8 days to 14 days	1,725,913	-	1,000,000	305,404
15 days to 30 days	1,781,935	-	503,341	1,267,670
31 days to 2 months	4,712,745	-	136	2,974,562
Over 2 months to 3 months	4,548,622	541,944	4	4,019,952
Over 3 to 6 months	12,438,363	2,369,677	148	9,398,140
Over 6 to 12 months	16,988,513	6,447,810	500,578	16,462,128
Over 1 year to 3 years	13,155,896	-	59,760	27,726,648
Over 3 years to 5 years	305,790	-	3	574,114
Over 5 years	449,175	5,107,339	-	89,995
Total	58,610,450	14,466,770	2,064,118	62,914,038

Note:

1) The bucketing structure has been revised based on RBI guideline dated March 23, 2016.

2) There are no foreign currency Assets or Liabilities with the Bank as at March 31, 2017

7 Exposure
7.1 Exposure to Real Estate Sector:
(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
A) Direct exposure		
i) Residential Mortgages	4,190,516	978,364
ii) Commercial Real Estate	-	-
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:	-	-
- Residential	-	-
- Commercial Real Estate	-	-
Total (A)	4,190,516	978,364
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)	4,190,516	978,364



UJJIVAN SMALL FINANCE BANK LIMITED
Significant Accounting policies and Notes to financial statement for the period ended March 31, 2018
Schedule 18
7.2 Exposure to Capital Market:
(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
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)	-	-
Irrecoverable payment commitments issued by custodian Banks in favour of Stock exchanges	-	-
Total Exposure to Capital Market	1,000	1,000

During the period, Bank has not converted any debt to equity as a part of strategic debt restructuring which is exempt from Capital Market Exposure limit.

7.3 During the current and previous period there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

7.4 Disclosure of penalties imposed by RBI

During the current and previous period, RBI has not imposed any penalty on the Bank.

7.5 The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable.

7.6 Disclosure of Customer/Borrower Complaints

Particulars	As at March 31, 2018	As at March 31, 2017
No. of complaints pending at the beginning of the period	113	-
No. of complaints received during the period	10,147	342
No. of complaints redressed during the period	10,115	229
No. of complaints pending at the end of the period	145	113

7.7 Awards passed by the Banking Ombudsman:

Particulars	April 1, 2017 to March 31, 2018	July 04, 2016 to March 31, 2017
No. of unimplemented Awards at the beginning of the period	NIL	NIL
No. of Awards passed by the Banking Ombudsman during the period	NIL	NIL
No. of Awards implemented during the period	NIL	NIL
No. of unimplemented Awards at the end of the period	NIL	NIL

7.8 Movement in provision for frauds included under other liabilities:*(Amount in 000's)*

Particulars	March 31, 2018	March 31, 2017
Opening provision	7,720	-
Provision during the period*	13,055	7,720
Utilisation / Write back of provision	9,961	-
Closing provision	10,814	7,720

* Provision during the previous period includes the liabilities acquired as part of the Business Transfer Agreement (BTA)

7.9 Provisions and Contingencies*(Amount in 000's)*

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for NPA (including bad debts written off)	3,868,949	21,009
Provision for Standard Assets	(761,204)	23,346
Provision for Income tax (Net of deferred tax asset of Rs.293,359 (000's) (Rs.5,655 (000's) previous period.) refer schedule 18 (14(ii))	19,841	8,560
Provisions for Depreciation on Investments	-	-
Total	3,127,586	52,915

7.10 Other Income

Commission income for the year ended March 31, 2018 includes fees of Rs. 54,163 (000's) (previous year:Nil) in respect of life insurance business.

7.11 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 HQLAs 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. High Quality Liquid Assets (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	Till December 31, 2017	By January 1, 2018	By January 1, 2019	By January 1, 2020	By January 1, 2021
Minimum LCR	60%	70%	80%	90%	100%



Particulars	Quarter ended March 31, 2018		Quarter ended March 31, 2017		Quarter ended December 31, 2017		Quarter ended September, 2017		Quarter ended June, 2017	
	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value**	Total Weighted Value**	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)		8,064,119		9,546,660		7,159,680		8,074,886		9,748,326
Cash Outflows										
2. Retail deposits and deposits from small business customers, of which:										
(i) Stable deposits	2,981,396	236,858	32,025	2,009	1,705,562	133,031	777,447	59,009	214,871	15,971
(ii) Less stable deposits	1,225,624	61,281	23,868	1,193	750,511	37,526	374,720	18,736	110,318	5,516
	1,755,772	175,577	8,157	816	955,051	95,505	402,727	40,273	104,553	10,455
3. Unsecured wholesale funding, of which:										
(i) Operational deposits (all counterparties)	8,988,226	8,988,226	1,579,183	1,578,765	3,621,636	3,621,636	3,848,989	3,848,989	3,541,197	3,541,197
(ii) Non-operational deposits (all counterparties)	6,960,137	6,960,137	150,444	150,026	2,269,705	2,269,705	1,716,675	1,716,675	2,007,119	2,007,119
(iii) Unsecured debt	2,028,089	2,028,089	1,428,739	1,428,739	1,351,931	1,351,931	2,132,314	2,132,314	1,534,078	1,534,078
4. Secured wholesale funding	1,636,751	1,636,751	1,917,473	1,917,473	2,031,909	2,031,909	2,766,071	2,766,071	3,413,855	3,413,855
5. Additional requirements, of which										
(i) Outflows related to derivative exposures and other collateral requirements	165,991	8,300	465,040	23,252	124,691	6,235	273,620	167,321	876,976	143,282
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	165,991	8,300	465,040	23,252	124,691	6,235	273,620	167,321	876,976	143,282
6. Other contractual funding obligations	772,944	772,944	1,250,502	1,250,502	925,986	925,986	952,359	952,359	1,044,419	1,044,419
7. Other contingent funding obligations	-	-	-	-	-	-	-	-	-	-
8. Total Cash Outflows	14,545,308	11,643,079	5,244,223	4,772,001	8,409,784	6,718,797	8,618,486	7,793,749	9,091,318	8,158,724
Cash Inflows										
9. Secured lending (e.g. reverse repos)	73,402	-	-	-	55,738	-	-	-	-	-
10. Inflows from fully performing exposures	10,179,030	6,873,165	9,874,705	7,012,352	8,321,784	5,189,914	9,634,919	6,369,996	8,629,038	5,397,852
11. Other cash inflows	-	-	-	-	-	-	-	-	-	-
12. Total Cash Inflows	10,252,432	6,873,165	9,874,705	7,012,352	8,377,522	5,189,914	9,634,919	6,369,996	8,629,038	5,397,852
13. TOTAL HQLA										
14. Total Net Cash Outflows		8,064,119		9,546,660		7,159,680		8,074,886		9,748,326
15. Liquidity Coverage Ratio (%)		4,769,914		1,193,000		1,679,699		1,948,437		2,760,871
		169.06%		800.22%		426.25%		414.43%		353.09%

*Average weighted and unweighted amounts are calculated taking simple daily average for all quarters for the period ended March 31, 2018 except for quarter ended June 30, 2017 where in simple average for the month-ends in the quarter are taken.

**LCR for previous year ended March 31, 2017 has been given as at March 31, 2017 since the Bank started operations on February 01, 2017

7.12 Disclosures on Strategic Debt Restructuring Scheme (SDR).

The Bank does not have any SDR during the current and previous period.

7.13 Disclosures on Change in Ownership outside SDR Scheme.

As at March 31, 2018

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on March 31, 2018 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on March 31, 2018 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on March 31, 2018 with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
NA	-	-	-	-	-	-	-	-

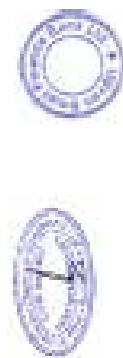
As at March 31, 2017

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on March 31, 2017 with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
NA	-	-	-	-	-	-	-	-

7.14 Disclosures on Change in Ownership of Projects Under Implementation.

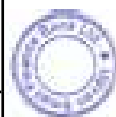
(Amount in 000's)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as at March 31, 2018			Amount outstanding as at March 31, 2017		
	Classified as standard	Classified as standard restructured	Classified as NPA	Classified as standard	Classified as standard restructured	Classified as NPA
NA	-	-	-	-	-	-



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7.15 Disclosure on accounts subjected to Restructuring for the period ended March 31, 2018															(Amount in 000's)								
Sr No.	Type of Restructuring	Under CDR Mechanism					Under SME debt restructuring mechanism					Others					Total						
	Asset Classification	Standard	Substan- dard	Doubtful	Loss	Total	Standard	Substan- dard	Doubt- ful	Loss	Total	Standard	Substan- dard	Doubt- ful	Loss	Total	Stan- dard	Substan- dard	Doubt- ful	Loss	Total		
	Details																						
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57	-	57	-	-	
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,385	-	1,385	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485	-	485	-	-
2	Fresh restructuring during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	196	-	196	-	-	
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,103	-	6,103	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,332	-	2,332	-	-
3	Up gradation to restructured standard category during the period	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 period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)	-	1
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(39)	-	39	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(39)	-	39	-
6	Increase/Decrease in existing restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(379)	-	(379)	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4)	-	(4)	-	-
7	Write-offs/fully repaid of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20)	-	(20)	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(327)	-	39	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(148)	-	233	-
8	Restructured Accounts as on March 31, 2018 (closing figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	232	-	232	-	1
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,742	-	39	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,626	-	39	-



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As at March 31, 2017			Under CDR Mechanism												Under SME debt restructuring mechanism					Others					Total				Amount in 000's
Sr No.	Type of Restructuring	Asset Classification	Standard	Substan- dard	Doubtful	Loss	Total	Standard	Substan- dard	Doubt- ful	Loss	Total	Standard	Substan- dard	Doubt- ful	Loss	Total	Stan- dard	Substan- dard	Doubt- ful	Loss	Total	Stan- dard	Substan- dard	Doubt- ful	Loss	Total		
		Details																											
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Amount Out-standing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2		Fresh restructuring during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57
	Amount Out-standing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,385	
	Provision thereon		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485	
3	Up gradation to restructured standard category during the period		No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Out-standing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		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 Out-standing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Provision thereon		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Downgradations of restructured accounts during the period		No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Out-standing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6		Write-offs of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Out-standing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Provision thereon		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Restructured Accounts as on March 31, 2017 (closing figures)		No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57
		Amount Out-standing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,385	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485	

Employee Benefits (AS-15)**8 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:

	<i>(Amount in 000's)</i>	
Changes in the present value of the obligation	March 31, 2018	March 31, 2017
Opening balance of Present Value of Obligation	178,830	-
Interest Cost	11,923	2,080
Current Service Cost	44,221	3,329
Benefits Paid	(8,523)	-
Actuarial loss / (gain) on Obligation	1,312	4,065
Acquisitions/Divestures/Transfers	-	169,356
Closing balance of Present Value of Obligation	227,763	178,830
Reconciliation of opening and closing balance of the fair value of the Plan Assets	-	-
Opening balance of Fair value of Plan Assets	145,261	-
Adjustment to Opening Balance	-	-
Expected Return on Plan assets	16,168	1,763
Contributions	34,165	143,550
Other charges (Service tax,FMC,Mortality charges,etc)	4,291	-
Benefits Paid	(8,523)	-
Actuarial Gain/(loss) Return on Plan Assets	(11,216)	(52)
Closing balance of Fair Value of Plan Assets	171,565	145,261
Actual Return on Plan Assets	4,953	1,711
Estimated Contribution for the next year	87,861	18,643
Profit and Loss – Expenses		
Current Service Cost	44,221	3,329
Interest Cost	11,923	2,080
Expected Return on Plan assets	(16,168)	(1,763)
Net Actuarial loss recognized in the period	12,528	4,116
Expenses recognized in the Profit and Loss account	52,503	7,762
Funded status	100% insurance managed funds	100% insurance managed funds
Actuarial Assumptions		
Discount Rate	7.31%	6.83%
Expected Rate of Return on Plan Assets	7.31%	6.83%
Expected Rate of Salary Increase	9.00%	9.00%
Employee Attrition Rate	18.08%	16.40%



Experience Adjustments

(Amount in 000's)

Particulars	March 31, 2018	March 31, 2017
Plan Assets	171,565	145,261
Defined benefit obligation	227,763	178,830
Surplus/ (Deficit)	(56,198)	(33,569)
Experience adjustment gain on plan assets	11,216	52
Experience adjustment loss on plan liabilities	13,670	22,776

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.

Note: For the Period July 04, 2016 to March 31, 2017, Bank has acquired the Gratuity liability as part of the Business Transfer Agreement dated January 12, 2017 effective from February 1, 2017 (Refer Schedule 18 Note 1). The amount charged to Profit and Loss Account for the current period is Rs 77,62 (000's).

Category of Plan Assets	As at March 31, 2018	As at March 31, 2017
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.

9.1 Compensated Absences

The Actuarial liability of compensated absences of accumulated privileged leaves of the employees as of March 31, 2018 is given below:

(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
Privileged Leave Actuarial Liability	186,196	128,553
Assumptions		
Discount Rate	7.31%	6.83%
Salary Escalation rate	9.00%	9.00%

9.2 Defined Contribution Plans

(Amount in 000's)

Amount recognised in the Statement of Profit and Loss	March 31, 2018	March 31, 2017
(i) Provident fund Contributed to the authorities	88,611	8,174
(ii) Pension fund Contributed to the authorities	112,371	15,367

10 Segment Reporting

In accordance with the guidelines issued by RBI, 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.



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Schedule 18
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.

(Amount in 000's)

SR. NO	Part A: Business segments			
	Business Segments →	Treasury	Retail Banking	Total
	Particulars ↓	March 31, 2018	March 31, 2018	March 31, 2018
1	Revenue	1,205,940	14,587,613	15,793,554
2	Un allocated Revenue			-
3	(less) Inter segment revenue	-	-	-
4	Total Income (1+2-3)	1,205,940	14,587,613	15,793,554
5	Segment Result	212,646	556,154	768,801
6	Unallocated expenses			680,334
7	Operating profit			88,467
8	Tax expenses (including deferred tax)	-	-	19,841
9	Extraordinary profit/ loss	-	-	-
10	Net profit (5-6-8-9)	-	-	68,626
	Other information:			
11	Segment assets	16,548,386	77,403,297	93,951,683
12	Unallocated assets			780,077
13	Total assets			94,731,760
14	Segment liabilities	16,548,386	61,714,029	78,262,415
15	Unallocated liabilities			-
16	Capital _ Reserve & Surplus	-	-	16,469,345
17	Total liabilities			94,731,760

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.

(Amount in 000's)

SR. NO	Part A: Business segments			
	Business Segments →	Treasury	Retail Banking	Total
	Particulars ↓	March 31, 2017	March 31, 2017	March 31, 2017
1	Revenue	197,192	2,063,837	2,261,029
2	Un allocated Revenue			-
3	(less) Inter segment revenue	-	-	-
4	Total Income (1+2-3)	197,192	2,063,837	2,261,029
5	Segment Result	197,192	(137,240)	59,952
6	Unallocated expenses			51,041
7	Operating profit			8,911
8	Tax expenses (including deferred tax)	-	-	8,560



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	Business Segments →	Treasury	Retail Banking	Total
	Particulars ↓	March 31, 2017	March 31, 2017	March 31, 2017
9	Extraordinary profit/ loss	-	-	-
10	Net profit (5-6-8-9)			351
	Other information:			
11	Segment assets	21,684,080	62,194,490	83,878,570
12	Unallocated assets			477,442
13	Total assets			84,356,012
14	Segment liabilities	21,684,080	46,256,999	67,941,079
15	Unallocated liabilities			
16	Capital _ Reserve & Surplus			16,414,933
17	Total liabilities			84,356,012

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.

11 Related Party Transactions (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, the Bank related parties during the period April 01, 2017 to March 31, 2018 are disclosed below:

Holding company :

Ujjivan Financial Services limited (UFSL)

Key Management Personnel (KMP) :

Mr. Samit Ghosh (Managing Director and CEO)

Ms Upma Goel (Chief Financial Officer)

Mr. Chanchal Kumar (Company Secretary)

Enterprise in which relatives of KMP are members :

Parinaam Foundation

Enterprise in which KMP are members :

Ujjivan Social Services Foundation

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.

As at March 31, 2018

(Amount in 000's)

Items/Related Party	Parent	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Total
Deposit	(1,031,476)	(142,910)	(20,000)	(1,194,386)
	-	65,840	20,000	85,840
Reimbursement of expenses - Amount Paid	16,241	-	-	16,241



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Items/Related Party	Parent	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Total
Reimbursement of expenses - Amount Received	678	-	606	1,284
Inter Company Transfer- Amount Received**	127,611	-	-	127,611
Inter Company Transfer- Amount paid	526	-	-	526
Interest on Deposits	60,910	1,548	18	62,476
Payment of Remuneration *	-	19,727	-	19,727
Rendering of services	-	-	1,900	1,900

* The above Remuneration excludes Bonus and Gratuity.

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 Rs 3,28,870 (000's) received by UFSL towards employees perquisite tax and securitisation closure related Fixed deposits & Income amounts on behalf of USFB and the same has been transferred to USFB.

As at March 31, 2017
(Amount in 000's)

Items/Related Party	Parent	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Total
Deposit	(1,000,000)	(1,201)	-	(1,001,201)
	1,000,000	1,191	-	1,001,191
Reimbursement of expenses - Amount Paid	14,406	-	-	14,406
Reimbursement of expenses - Amount Received	3,629	-	108	3,737
Inter Company Transfer- Amount Received*	119,959	-	-	119,959
Capital	16,400,368	-	-	16,400,368
Interest on Deposits	181	3	-	184
Payment of Remuneration **	-	2,703	-	2,703
Rendering of services	-	-	500	500

*Notes: Refer clause 11.3.2 of Business Transfer Agreement dated January 16, 2017 between UFSL and Bank.

** The above Remuneration excludes Bonus and Gratuity.



UJJIVAN SMALL FINANCE BANK LIMITED**Significant Accounting policies and Notes to financial statement for the period ended March 31, 2018****Schedule 18**

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Ujjivan Small Finance Bank Limited (USFB) is a wholly owned subsidiary of Ujjivan Financial Services Limited. (UFSL). During the period ended March 31, 2017 assets amounting to Rs 8,61,02,254 (000's) and liabilities Rs 7,09,62,232 (000's) amounting to were transferred by UFSL to USFB via slump sale and the amount of purchase consideration was discharged by issue of Equity shares amounting to Rs.1,33,00,000 (000's) and Preference shares amounting to Rs 20,00,000 (000's).

(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
Outstanding Balance with enterprise in which relative of Key Managerial Person are Members		
Parinaam Foundation	(20,019)	(108)
	20,019	108
Parent Company		
Ujjivan Financial Services limited	(1,031,476)	(1,000,000)
	1,726	995,694

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

12 Operating leases

The future lease payments in respect of the above are as follows:

(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
Not later than one year	278,264	136,889
Later than one year but not later than five years	489,300	265,346
Later than 5 years	15,856	-
The total of minimum lease payments recognized in the Profit and Loss Account for the period	336,732	38,223

13 Earnings per Share

The Bank reports basic and diluted earnings per Equity share in accordance with AS -20 Earning Per Share.

Particulars	For the period April 1, 2017 to March 31, 2018	For the period July 04, 2016 to March 31, 2017
Net profit after tax (in 000's)	68,626	351
Weighted average shares outstanding – Basic (Nos. in 000's)	1,440,037	344,872
Weighted average shares outstanding – Diluted (Nos. in 000's)	1,440,037	344,872
Nominal Value of Equity Shares (Rs.)	10	10
Earnings per share – Basic (Rs.)	0.048	0.001
Earnings per share – Diluted (Rs.)	0.048	0.001



14 MISCELLANEOUS**(i) Provisions for taxation during the year:***(Amount in 000's)*

Particulars	For the period April 1, 2017 to March 31, 2018	For the period July 04, 2016 to March 31, 2017
Provision for Income Tax	313,200	14,215
Deferred tax credit	(293,359)	(5,655)
Total	19,841	8,560

(ii) Disclosure relating to Depositor Education and Awareness Fund (DEAF):*(Amount in 000's)*

Particulars	For the period April 1, 2017 to March 31, 2018	For the period July 04, 2016 to March 31, 2017
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred during the period	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

(iii) Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the year ended March 31, 2018 and in the previous period ended March 31, 2017 .

(iv) Fixed Assets*(Amount in 000's)*

Particulars	As at March 31, 2018	As at March 31, 2017
Fixed Assets excluding Computer Software		
Opening balance (cost)	1,002,387	-
Additions during the period*	731,398	1,002,387
Reduction during the period	52,067	-
Accumulated Depreciation	497,440	280,514
Balance at the end of the period	1,184,278	721,873

*Additions during period ended March 31, 2017 include assets acquired as a part of the Business Transfer Agreement.

(v) Computer Software

The movement in fixed assets capitalized as computer software is given below:

(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
Opening balance (cost)	719,519	-
Additions during the period*	268,052	719,519
Reduction during the period	6	-
Accumulated Depreciation	230,417	75,356
Balance at the end of the period	757,148	644,163

*Additions during period ended March 31, 2017 include assets acquired as a part of the Business Transfer Agreement.



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(vi) Description of Contingent Liabilities:
(Amount in 000's)

Particulars	As at March 31, 2018	As at March 31, 2017
i) Disputed taxes- Service Tax	4,409	4,226
ii) Claims against the company- not acknowledged as debt	1,770	325
iii) Capital commitments not provided	186,413	278,809
iv) Guarantee on behalf of constituents	2,500	-
Total	195,092	283,360

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 - others	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-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF)

(vii) Disclosure of Letters of Comfort (LoC) issued by the Bank:

The Bank has not issued any Letter of Comfort during the current year and previous period.



15 Deferred Tax

In accordance with Accounting Standard -22 "Accounting for Taxes on Income", the company has recognized Rs.7,62,700 (000's) as deferred tax asset as detailed below:

As at March 31, 2018*(Amount in 000's)*

Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2017	Current period (credit) / charge	Deferred Tax (Assets) / Liabilities as on March 31, 2018
Difference between book and tax depreciation	38,017	106,366	144,383
Provision for Employee benefits	(80,992)	54,291	(26,701)
Provision for doubtful assets/ standard assets	(416,932)	(465,724)	(882,656)
Others	(9,434)	11,708	2,274
Net Deferred Tax (Asset) / Liability	(469,341)	(293,359)	(762,700)

As at March 31, 2017*(Amount in 000's)*

Particulars	Deferred Tax (Assets) / Liabilities as on July 4, 2016	Deferred Tax (Assets) / Liabilities as part of the Business Transfer Agreement *	Current period (credit) / charge	Deferred Tax (Assets) / Liabilities as on March 31, 2017
Difference between book and tax depreciation	-	8,445	29,572	38,017
Provision for Employee benefits	-	(64,155)	(16,837)	(80,992)
Provision for doubtful assets/ standard assets	-	(406,463)	(10,469)	(416,932)
Others	-	(1,513)	(7,921)	(9,434)
Net Deferred Tax (Asset) / Liability	-	(463,686)	(5,655)	(469,341)

* Pursuant to the Business Transfer Agreement dated January 12, 2017 the Bank has acquired Deferred Tax Asset (Net off Deferred Tax Liability) amounting to Rs.4,63,686 (000's).

16 DISCLOSURES ON REMUNERATION:**Qualitative Disclosure****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 where three are independent Directors and one is a Non Executive & Non Independent Director. Mandate of the Nomination and Remuneration Committee is to oversee the framing, review and implementation of the Bank'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 & 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 remuneration policy.

The compensation policy has been laid out keeping the following perspectives into considerations:

- (a) 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.
- (b) The pay structure and amounts shall always conform to applicable Income Tax and other similar statutes.
- (c) All practices of Ujjivan SFB shall comply with applicable labour laws.
- (d) The pay structure should be standardized for a level 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.

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.
- (c) We have ensured that significant financial benefits may accrue to employees displaying high levels of individual performance over a 3 year period allowing adequate time for risks to completely manifest

D 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 holding company Ujjivan Financial Services Ltd 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 3 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. Sales Awards
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.

Performance Pay: The performance pay, particularly at Senior and Middle levels and Control Functions, is a function of organizational and individual performance

Performance Bonus: All employees who are not a part of an Incentive/ Sales Award Scheme but part of the year end performance review will be covered under the Performance Bonus Plan of Ujjivan Small Finance Bank. However, the actual payout of performance bonus shall only to, employees having superior performance.

Sales Awards: Employees in the Sales function, directly responsible for revenue generation shall be covered under the Sales Award Scheme. Typically some of the entry level roles and upto two levels of supervision thereof shall be covered by sales awards. Individual businesses may devise award schemes for specific roles.

Rewards & Recognition: Ujjivan shall design schemes and practices from time to time to celebrate employees / departmental / organizational success. These celebrations may include offering tokens of appreciation to employees as defined in specific schemes. Fairness of application and transparency of communication shall be the hallmark of all such schemes. These will be subject to income tax laws, as applicable. Examples of such schemes may include: Long Service Awards (currently at one, three, five and seven yrs. of completion of service with 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

Employee Stock Options (ESOPs): ESOPs are given across the organization to employees based on tenure and performance. The Bank does not have its own schemes and ESOPs of the holding company may be granted to employees as guided by NRC of the Bank subject to approval of the board and AGM of the holding company, from time to time. No options have been granted since the Bank was established. The ESOP schemes have an inbuilt deferred vesting design which helps in directing long term performance orientation among employees



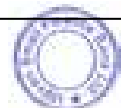
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Non-executive directors are also eligible for compensation in the form of profit related commission subject to the Bank making profits. Such compensation, however, shall not exceed Rs.1 million per annum for each director as per RBI guidelines. Part Time Chairman is eligible for the same subject to RBI approval.

17 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	April 01, 2017 to March 31, 2018	July 04, 2016 to March 31, 2017
Number of meetings held by Nomination & Remuneration Committee (NRC) and remuneration paid to its members	5 meetings of Nomination & Remuneration Committee (NRC) were held during April 01, 2017 to March 31, 2018. Further, 1 meeting of Human Resource and Compensation Committee (HRC) was held during April 01, 2017 to March 31, 2018. The members of the NRC were paid total sitting fees of Rs.800 (000's) for five meetings while members of HRC were paid total sitting fees of Rs 80 (000's) for one meeting.	During the period July 04, 2016 to March 31, 2017, three Nomination & Remuneration Committee meetings were held. The members of the Nomination & Remuneration Committee were paid aggregate sitting fees of Rs.280 (000's) for three meetings.
Number of employees having received a variable remuneration award.	3 employees (CFO/CRO/Head Treasury)	Nil
Number and total amount of 'sign on' awards.	Nil	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.	Rs. 787 (000's)	Rs. 583 (000's)
Total amount of deferred remuneration paid.	Rs. 583 (000's)	Nil
Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Rs. 31,896 (000's) (Fixed) Rs. 583 (000's) (variable/deferred)	Rs.5000 (000's) (Fixed)
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



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Note

1.) No pay-out to Managing Director during SFB tenure. However, there was a discharge of liability of Rs 4,69 (000's) pertaining to UFSL.

2.) Although the Company Secretary has been on the payroll w.e.f 30th January 2017, he was officially designated as CS w.e.f 24th March 2018 and therefore wasn't eligible for Bonus.

18 Disclosure on remuneration to Non-Executive Directors:

The Non-Executive Directors are paid Sitting Fees for attending meetings of the Board and its Committees at the rate of Rs. 50 (000's) per Board meeting and at the rate of Rs. 40 (000's) per Board Committee meeting . An amount of Rs. 4,670 (000's) was paid as sitting fees to the Non-Executive Directors during the April 01, 2017 to March 31, 2018 and Rs. 1,710 (000's) during the July 04, 2016 to March 31, 2017.

(Amount in 000's)

Name of Director	April 01, 2017 to March 31, 2018	July 04, 2016 to March 31, 2017
Mr.Sunil Vinayak Patel	1,010	390
Ms. Vandana Viswanathan	730	270
Prof. Nandlal Sarada	770	310
Mr. Biswamohan Mahapatra	770	270
Mr. Luis Miranda	390	180
Mr. Prabal K Sen	650	190
Mr. Anadi Charan Sahu	250	100
Ms Mona Kachhwaha	100	-
Total	4,670	1,710

19 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. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

20 Corporate Social Responsibility

As per Sec 135 (1) of the Companies Act "Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore 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 with three directors of which two are Independent Directors and one is a Non Executive & Non Independent Director as its member. 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, in pursuance of its Corporate Social Responsibility Policy . Since the bank has completed only two years of its incorporation thus profits are not available for a period of three years, therefore the payment of CSR doesn't apply to the Bank during the Financial Year 2017-18, as average profit of last 3 years is not applicable.

21 Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank.

22 Country wise risk exposure

Bank does not have any country wise Risk Exposure as at March 31, 2018 and March 31, 2017

23 Unhedged foreign currency exposure

Bank does not have any unhedged foreign country exposure as at March 31, 2018 and March 31, 2017



24 Securitization Transaction

(Amount in 000's)

Particulars			As at March 31, 2018	As at March 31, 2017
No of SPVs sponsored by the bank for securitisation transactions			-	11
Total amount of securitised assets as per books of the SPVs sponsored by the bank			-	5,083,297
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		-	463,909
	Others		-	-
b)	On-balance sheet exposures		-	-
	First loss		-	704,881
	Others		-	-
Amount of exposures to securitisation transactions other than MRR			-	-
a)	Off balance sheet exposures		-	-
	i)	Exposure to own securitizations	-	-
		First loss	-	-
		Loss	-	-
	ii)	Exposure to third party securitisations	-	-
		First loss	-	-
		Others	-	-
b)	On balance sheet exposures		-	-
	i)	Exposure to own securitisations	-	-
		First loss	-	-
		Others	-	-
	ii)	Exposure to third party securitisations	-	-
		First loss	-	-
		Others	-	-

No securitisation deals were outstanding as at 31st March 2018.

- 25** The Bank has a process whereby periodically all long term contract are assessed for material foreseeable losses. At the period end, the Bank has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account as at March 31, 2018.



UJJIVAN SMALL FINANCE BANK LIMITED

Significant Accounting policies and Notes to financial statement for the period ended March 31, 2018

Schedule 18

26 Comparative figures

The Bank was incorporated on July 04, 2016 under the provisions of the Companies Act, 2013 and licensed by the Reserve Bank of India (RBI) to operate as a Small Finance Bank under the Banking Regulation Act, 1949 with effect from November 11, 2016. Bank started its operations w.e.f February 01, 2017. Hence previous period/ years figures are not comparable.

Figures for the previous period have been regrouped and reclassified wherever necessary to conform to the current period's presentation

As per our report of even date

For Price Waterhouse Chartered Accountants LLP

Firm Registration No: 012754N/N500016



Vivek Prasad
Partner

Membership No:104941

Place: Bengaluru
Date: May 08, 2018



For and on behalf of Board

Ujjivan Small Finance Bank Limited



Sunil Patel
DIN: 00050837
Chairman



Vandana Viswanathan
DIN: 05192578
Non-Executive Director



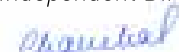
Upma Goel
Chief Financial Officer



Samit Ghosh
DIN: 00185369
Managing Director
& CEO



Nandlal Sarda
DIN: 00147782
Independent Director



Chanchal Kumar
Company Secretary



