UJJIVAN SMALL FINANCE BANK
Build a Better Life

Pillar III Disclosures for year ended March 31, 2025

2024-2025

[Ujjivan Small Finance Bank (hereinafter called “the Bank”) is primarily subject to the BASEL II {New Capital Adequacy Framework (NCAF)} framework with some elements of Basel III regulations made applicable and has prepared this disclosure document in compliance with the directions of Reserve Bank of India (hereinafter referred to as “the Regulator” or “RBI”) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. The document provides a review of key observations pertaining to the Bank’s capital adequacy, credit quality, key business highlights and a review of its key risks as at March 31, 2025.]

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1. List of key abbreviations

Abbreviation	Full form
ACR	Automated Cash Recycler
AFS	Available for Sale
ALCO	Asset Liability Committee
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
AIF	Alternate Investment Fund
BC	Business Correspondent
BIA	Basic Indicator Approach
BRACO	Business Risk and Compliance Officer
BSE	Bombay Stock Exchange
BV	Book Value
CC	Cash Credit
CASA	Current Account Savings Account
CBDR	Common But Differentiated Responsibilities (CBDR) and respective capabilities
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India
CET1	Common Equity Tier 1 Capital
CFO	Chief Financial Officer
CFP	Contingency Funding Plan
CIC	Core Investment Company
CRAR	Capital to Risk-weighted Assets Ratio
CRMC	Credit Risk Management Committee
CRO	Chief Risk Officer
DPD	Days Past Due
DSA	Direct Selling Agent
DSCB	Domestic Scheduled Commercial Bank
ECL	Expected Credit Loss
ECLGS	Emergency Credit Line and Guarantee Scheme
ECRA	External Credit Rating Agency
ESG	Environment, Social and Governance
EMDE	Emerging Market & Developing Economies
EWS	Early Warning Signal
FIG	Financial Institutions Group
FOIR	Fixed Obligation to Income Ratio
FLOD	First line of Defence
FP	Floating provision
FPI	Foreign Portfolio Investor
GDP	Gross Domestic Product
GA	Gross Advances
GLB	Gross Loan Book

GLC	General Ledger Code
GNPA	Gross Non-Performing Asset
GVA	Gross Value Added
HFT	Held for Trading
HHI	Household Income
HTM	Held to Maturity
HQLA	High Quality Liquid Assets
HUF	Hindu Undivided Family
IBPC	Inter Bank Participation Certificate
ICAAP	Internal Capital Adequacy Assessment Process
ICAI	Institute of Chartered Accountants of India
ICE	Internal Combustion Engine
IFSC	Indian Financial System Code
IGAAP	Indian Generally Accepted Accounting Principles
IMPS	Immediate Payment Service
IPDI	Innovative Perpetual Debt Instrument
IPO	Initial Public Offer
IRAC	Income Recognition and Asset Classification
IRRBB	Interest Rate Risk in Banking Book
IWG	Internal Working Group
KRI	Key Risk Indicator
LAP-SENP-SEP	Loan Against Property- Self Employed Nonprofessional- Self Employed Professional
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LMS	Loan Management System
LR	Leverage Ratio
LWE	Left Wing Extremism
MB	Micro banking
MCA	Ministry of Corporate Affairs
MD	Modified Duration
MD & CEO	Managing Director and Chief Executive Officer
MDG	Modified Duration Gap
MSE	Micro and Small Enterprises
MVE	Market value of Equity
MV	Market Value
NBFC-ND-SI-CIC	Non-Banking Financial Company-Non-Deposit-taking-Systemically Important-Core Investment Company
NE	Northeastern
NEFT	National Electronic Funds Transfer
NGFS	Network for Greening the Financial System
NPA	Non-Performing Asset
NNPA	Net Non-Performing Asset

NPI	Non-Performing Investment
NSE	National Stock Exchange
NSFR	Net Stable Funding Ratio
Non-URC	Non-Unbanked Rural Centre
OD	Overdraft
ORMC	Operational Risk Management Committee
OSP	Outstanding Principal
PAT	Profit After Tax
PAR	Portfolio at Risk
PB	Payments Bank
PD	Probability of Default
PNCPS	Perpetual Non-Cumulative Preference Shares
PPOP	Pre – provision operating profit
PSL	Priority Sector Lending
QIP	Qualified Institutional Placement
QRT	Quick Response Team
RB	Rural Banking
RBI	Reserve Bank of India
RCA	Root Cause Analysis
RCSA	Risk Control and Self-Assessment
RMCB	Risk Management Committee of the Board
ROA	Return on Asset
ROE	Return on Equity
RSA	Risk Sensitive Assets
RSL	Risk Sensitive Liabilities
RWA	Risk Weighted Assets
SA	Standardized Approach
SDA	Standardized Duration Approach
SEBI	Securities and Exchange Board of India
SEL	Secured Enterprise Loan
SFB	Small Finance Bank
SLOD	Second Line of Defence
SLR	Statutory Liquidity Ratio
SMA	Special Mention Accounts
TVR	Tele verification report
UAT	User Acceptance Testing
UFSL	Ujjivan Financial Services Limited
UPI	Unified Payments Interface
URC	Unbanked Rural Centre
USD	United States Dollar
VaR	Value at Risk
WEO	World Economic Outlook
YTD	Year till Date

2. *Key Performance highlights of the Bank*

Ujjivan Small Finance Bank (hereinafter referred to as "the Bank") is required to publish disclosures under the Pillar III framework as required in terms of RBI guidelines on New Capital Adequacy Framework issued vide RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. This document provides a review of key observations pertaining to the Bank's capital adequacy, credit quality, key business highlights and a review of its key risks as at March 31, 2025. All exposure related figures quoted in the document are 'Rs. in lakh', unless otherwise specifically stated.

A. Branch network and distribution reach

The branch position of the Bank as at March 31, 2025, is as follows:

Particulars	Count
Total Banking outlets, of which	753
Banking outlets[1] (non-URC)	563
Banking outlets (URC)[2], *of which*	190
i Qualifying URC Branches (Branches situated in tier 3-6 locations in NE[3] states and LWE[4] districts)	43
ii Business Correspondents (BC)	4
Total ATMs	613
Of which, ACR (Automatic Cash Recycler)	62

The Bank had opened no new branches in Q4FY2025. With 25.23% of Banking outlets in URC, the Bank is fully compliant with RBI guidelines in this regard. The physical reach continues to be supplemented by a strong and focused investment in digital platforms to aid in business development, on both asset and the liabilities side.

[1] A 'Banking Outlet' for a Small Finance Bank (SFB) is a fixed-point service delivery unit, manned by either bank's staff or its Business Correspondent where services of acceptance of deposits, encashment of cheques/cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least 5 days a week. It carries uniform signage with name of the bank and authorisation from it, contact details of the controlling authorities and complaint escalation mechanism. The bank should have a regular off-site and on-site monitoring of the 'Banking Outlet' to ensure proper supervision, 'uninterrupted service' except temporary interruptions due to telecom connectivity, etc. and timely addressing of customer grievances. The working hours/days need to be displayed prominently.

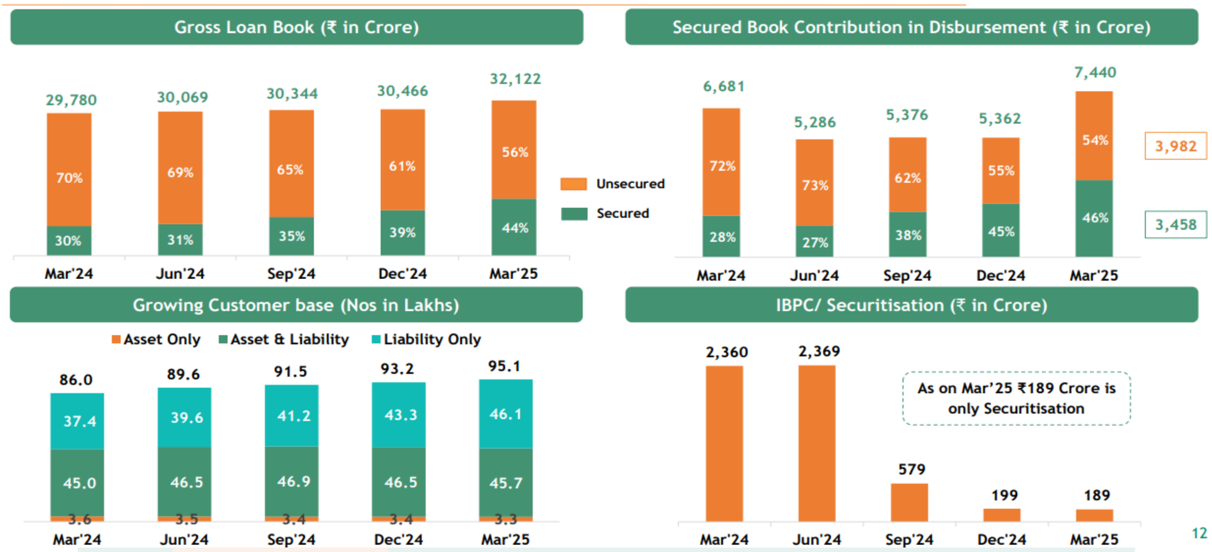
' [2] An unbanked rural centre (URC) is defined as a rural (Tier 5 and 6) centre that does not have a CBS-enabled 'Banking Outlet' of a Scheduled Commercial Bank, a Payment Banks or an SFB or a Regional Rural Bank nor a branch of a Local Area Bank or licensed Co-operative Bank for carrying out customer-based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

[3] Northeastern states

[4] Districts with active Left-Wing Extremism (LWE)

B. Financial highlights for Q4 FY 2024-25

Some of the key achievements for the period ended March 31, 2025, were as follows:



Customer base	• Total customer outreach was 95.1 lakh customer through 753 branches as at March 31, 2025 (86 lakh as at March 31, 2024; 77 lakh as at March 31, 2023)
Loan Portfolio	• Gross Loan Book (GLB) (without netting off IBPC/Securitization/Direct Assignment): Rs. 32,12,206 lakh as at March 31, 2025 (Rs. 29,77,954 lakh as at March 31, 2024, Rs. 24,08,512 lakh as at March 31, 2023). • Gross Advances (GA) (after netting off IBPC/Securitisation/Direct Assignment): Rs. 31,93,346[5] lakh as at March 31, 2025, (Rs.27,41,915[6] lakh as at March 31, 2024, Rs. 21,91,123 lakh as at March 31 ,2023). • Non-Microfinance book was 41.73% as at March 31,2025 (31.49% as at March 31, 2024, 29.16% as at March 31, 2023).
Deposit Portfolio	• Total Deposits (Retail plus Institutional): Rs.37,63,048 lakh as at March 31, 2025. (Rs. 31,46,216 lakh as at March 31, 2024, Rs. 25,53,768 lakh as at March 31, 2023). • CASA: 25.6% as at March 31, 2025 (26.7% as at March 31, 2024; 26.4% as at March 31, 2023).
Asset Quality	• Gross Non-Performing Assets (GNPA): 2.18[7]% as of March 31, 2025 (2.23%[8] as at March 31, 2024; 2.88% as at March 31, 2023) • Net Non-Performing Assets (NNPA): 0.49% as at March 31, 2025[9], (0.28% as at March 31, 2024, 0.04% as at March 31,2023)

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[5] Outstanding balance in IBPC/Securitisation/ Direct Assignment as on March 31,2025 is Rs 18,860 lakh

[6] Outstanding balance in IBPC/Securitisation/ Direct Assignment as on March 31, 2024, was Rs. 2,36,039 lakh

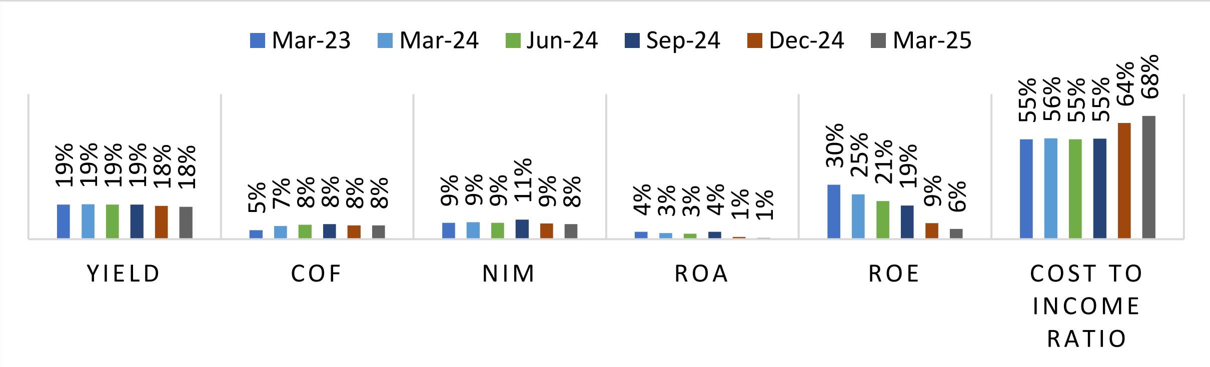
[7] Computed as a percentage to Gross advances. GNPA% on GLB basis as at March 31,2025 is 2.18%

[8] Computed as a percentage to Gross advances. GNPA% on GLB basis as at March 31,2024 was 2.07%

[9] Computed as a percentage to Net advances. NNPA% as a ratio to Net GLB was 0.49%

Capital Adequacy	• CRAR ratio of the Bank as at March 2025 was 23.10% (March 31, 2024 was 24.69%, 25.81% as at March 31, 2023)
Employee strength	• 24,374 as at March 31, 2025 (22,566 as at March 31, 2024; 17,870 as at March 31, 2023)
Provisions and Credit costs	• Total provisions including Floating Provision as at March 31, 2025 was Rs.70,614 lakh (Rs.67,637 lakh as at March 31, 2024; Rs. 73,530 lakh as at March 31, 2023) • Total NPA provision (excluding floating provision) held was Rs 41,346 as at March 2025 (Rs.41,623 lakh as at March 31, 2024, Rs.50,157 lakh as at March 31,2023). • Total NPA provision reduced by Rs. 277 lakh during year ended March 31, 2025 as compared to March 31, 2024.

The key performance ratios (quarterly positions) of the Bank were as follows:



A persistent high-cost borrowing environment, coupled with continuing industry level stress in the Bank's flagship business (Microfinance sector) resulted in a marginal reduction in disbursements and profitability in Q4FY 2025. A summary of the key highlights of the Bank as at March 31, 2025 is given below:

- Pre-Provision Operating Profit for Q4 FY 2024-25 was Rs. 36,000 lakh down by 31% Y-o-Y;
- Disbursements were at Rs.7,44,000 lakh in Q4 FY 2024-25 up by 11%/39% on YoY/QoQ basis.
- Deposits at Rs. 37,63,048 lakh as at March 2025 up by 20%/9% YoY/QoQ, CASA at Rs 9,61,875 lakh up 15% YoY; CASA ratio at 25.6% as of March 2025. Retail TD (Retail TDs are TDs less than Rs. 3 crores) increased 21%/6% YoY/QoQ.
- Other Key performance metrics: Continued traction on collections with ~96% efficiency in March 2025; NDA collection at ~99%. Portfolio at risk was at 4.52% as at March 2025. GNPA on GLB basis at 2.20% as of March 2025; NNPA continued to be negligible at 0.49% as at March 2025. A total of Rs.11,027 lakh was written off in Q4 FY25; Provision Coverage Ratio (PCR) as at March 2025 was 78%.

C. Macro-Economic Outlook

As per International Monetary Fund (IMF) assessment, the global macro-economic outlook for the current year reflects modest growth amid persistent trade tensions, geopolitical uncertainties reducing the earlier global GDP growth[10] forecast of 3.3% to 2.8% for CY2025 and 3% for CY2026. However, India is projected to grow at 6.7%; driven by robust domestic demand and capital expenditure while still facing challenges from global uncertainties and trade tensions. In similar lines, RBI also estimates the GDP growth[11] for India at 6.5% for FY 2025-26, with growth projections estimated at 6.5%, 6.7%, 6.6% and 6.3% in Q1, Q2, Q3 and Q4 respectively.

Growth in advanced economies is expected to edge down in 2025 and 2026 to 1.4% and 1.5% from 1.8% in 2024 on account of greater policy uncertainty, trade tensions and softer demand momentum, while Emerging Market and Developing Economies (EMDE) are expected to grow at 2.7% and 3.9% in CY2025 and CY2026 respectively from 4.3% in 2024 with significant downgrades for countries affected most by recent trade measures, especially China.

Global headline inflation is expected to decline at a pace that is slightly slower than what was expected in January, reaching 4.3% in 2025 and 3.6% in 2026, with notable upward revisions for advanced economies and slight downward revisions for emerging market and developing economies in 2025.

On the domestic front, RBI has projected Consumer Price Index (CPI) to ease to 4.8% for FY 2025-26 due to easing food prices and moderate monsoon. RBI adopted "accommodative" stance reducing the Repo Rate to 6%, a decrease in 50bps over the last 1 year. Further, the rates are anticipated to further reduce to 5.75% in the upcoming financial year, providing more disposable income to the population, thereby giving scope for better GDP growth.

Key macroeconomic risks/imperatives for the Bank:

- A persistent high cost borrowing environment, coupled with continuing stress in the Bank's flagship business and RBI reducing the Repo Rate can impact Net Interest Margins (NIMs) forecast for FY 2025-26. The Bank took cognisance of the prevailing interest rate outlook and after reviewing its liquidity position, had optimized its deposit interest rates during the quarter. Given that there are expectations on further policy rate cuts, the Bank has also suitably factored the economic expectations in its internal budgeting and strategy setting for the ensuing year.
- Guardrail1.0 and 2.0 (effective April 1, 2025, at industry level) relating to microfinance business were implemented in the Bank during the financial year. The implementation of lender caps and quantum of credit is likely to extend the stress up to September 2025, post which, normalization can be expected in credit and portfolio performance.
- During the year, RBI had directed to cease and desist business operations in two MFIs on account of usurious interest rates charged until corrective actions were implemented. Further, the alleged malpractices adopted by unregulated entities received media attention

[10] International Monetary Fund April 2025 update
[11] RBI 54th MPC

leading to government interventions through passage of ordinances. While the Karnataka ordinance overtly exempts Regulated Entities (REs), the Bank runs the risk of potential misinterpretation at implementation level. The presence of floating provisions in the Bank, however, provides comfort in reporting lower Net NPAs during the year.

- During the year, the Bank has comprehensively reviewed the portfolio performance in its flagship segment. While there is some comfort that the Bank's internal performance is better than industry trends, the Bank undertook comprehensive reviews of its state wise credit policies after incorporating the idiosyncratic risk factors prevalent in each state.
- Natural disasters, election cycles, local events etc. continue to be key macro-economic risks for the Bank.

D. Transition to Universal Banking regime:

In FY 2024-25, the Bank officially filed its application with RBI to transition to a Universal Bank. Based on the Board approval dated January 23, 2025, the Bank had submitted the formal application to the Reserve Bank of India ("RBI") for obtaining the Universal Banking License as per the RBI Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector dated August 01, 2016 read with RBI circular on Voluntary transition of Small Finance Banks to Universal Banks dated April 26, 2024

3. *Table DF- 1: Scope of Application & Capital Adequacy*

3.1 Qualitative Disclosures

Parent Organization/Holding Company: NIL

The disclosures in this document pertain to the Bank as a stand-alone and independent entity. The Bank neither has any subsidiary nor has any interest in any insurance entity.

3.1.1 List of group entities considered for consolidation: NA

3.1.2 List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation: NA

3.2 Quantitative Disclosures

3.2.1 List of group entities considered for consolidation

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

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

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

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

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

3.2.4 Any restrictions or impediments on transfer of funds or regulatory capital within the banking group: NA

4. *Table DF-2: Capital Adequacy*

4.1 Qualitative Disclosures

Since inception, the Bank is well capitalized and aided by the internal capital generated through the profits earned from operations helping the Bank to maintain minimum capital requirements set by the Regulator.

As per RBI Operating Guidelines for Small Finance Banks (SFBs), the Bank is required to follow BASEL II standardised approach for Credit Risk (external rating-based risk weight for rated exposure and regulatory retail approach for small retail loans). While SFBs are required to comply with Basel II norms for Capital Adequacy calculation purposes, the structure and nature of capital instruments such as Common Equity, Additional Tier 1 instruments are required to be compliant with the Basel III guidelines. In essence therefore, in the case of SFBs, the Regulator has adopted a hybrid model.

Though SFBs are not required to have a separate capital charge for Market Risk and Operational Risk for the time being in terms of an RBI communication dated November 8, 2017 (DBR. NBD. No. 4502/16.13.218/2017-18), as a good governance practice, and as directed by its Board, and in anticipation of an eventual transition to a Universal Commercial Bank, the Bank separately computes capital charge for all the Pillar 1 risks viz. Credit, Market and Operational Risk using Standardized Approach (SA), Standardized Duration Approach (SDA) and the New Standardized Approach (NSA) respectively. Besides this, the Bank also computes and maintains LCR at above 100%, NSFR at above 100% and Leverage Ratio above 4.5%.

During the year, the Bank has also procured and rolled out an external application to automate CRAR generation on a continuous basis. The Bank has commenced a parallel run to analyse variances in outputs between manual and system generated reports. The full transition to system generated CRAR is targeted by September 2025.

Since the preparation of financials under IFRS9 is deferred by RBI, all disclosures by the Bank are as per GAAP principles. Hence, the comparison of capital adequacy under both regimes will be made part of disclosures once the same is made applicable to banks. There are indications that the Regulator may consider adopting a dynamic loan loss provisioning under IFRS9/Ind-AS framework. To this effect, a Discussion Paper was released by the Regulator on January 16,2023 and formal guidelines in the matter are awaited. From the readiness standpoint, the Bank has put in place the necessary processes to compute Expected Credit Loss (ECL) and Ind-AS compliant financial statements. While this was a mandatory exercise when the Bank had a holding company which was registered as an NBFC-ND-SI-CIC, following the reverse merger with the holding company during the financial year, the Bank continues to prepare proforma IND AS statements and ECL also is a key parameter in the composition of the Bank's risk based pricing.

The Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'). The ICAAP covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections. The Bank has a structured ICAAP framework for the identification and evaluation of the material risks that it faces, which may have a bearing on its business and financial position.

The Bank has implemented a Board approved Stress Testing policy and framework which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions. The changes in the levels of credit risk, market risk, liquidity risk, IRRBB, operational risk and reputational risk are assessed under assumed "stress" scenarios and sensitivity factors. Typically, these relate, inter alia, to the impact on the Bank's profitability and capital adequacy. The stress test findings are reported to the Risk Management Committee of the Board (RMCB), for their review and guidance. The Bank periodically assesses and refines its stress tests to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of business environment conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP.

4.2 Quantitative Disclosures

4.2.1 Capital Requirements for Credit Risk

Portfolios subject to Standardised Approach

The detailed break up of Credit RWA is as follows: **Rs. in lakh**

Asset Description	RWA
Cash and Balances with Reserve Bank of India	0.00
Balances with Banks and Money at Call and Short Notice	492
Investments	1,493
Advances	24,97,643
Fixed Assets	30,434
Other Assets	71,101
Off Balance Sheet	22,844

Total Credit RWA	**26,24,007**
Capital Requirement @ 15%	**3,93,601**
Capital position of the Bank	**6,06,175**

Securitization Exposure **(Rs in Lakh)**

Description	Capital Requirement
Securitization (Full Sale)	2,021
Securitization (Risk Sharing)	125

4.2.2 Capital Requirements for Market Risk

The computation of the Market risk RWA is performed in compliance to Basel III capital regulations dated April 1, 2024. As at March 31, 2025, the AFS book comprised Government of India Securities and Treasury Bills for which no market risk capital charge is applicable since AFS book is classified as Banking Book as per said revised guidelines. HFT book consisted of Government Securities, Commercial Paper, Treasury Bills, Certificates of Deposit, Non-Convertible Debentures, unlisted equity and PTC investments. The Market Risk capital charge has been computed for HFT portfolio both for specific charge and general market risk charge:

Rs. in lakh

Capital Requirement for Market Risk	Amount
Interest Rate Risk	5,113
Equity Position Risk	17
Foreign Exchange Risk	-
Total	**5,130**
Total Market Risk RWA	**64,123**

4.2.3 Capital Requirements for Operational Risk

The Regulator has issued Master Directions on Minimum Capital Requirements for Operational Risk under the New Standardized Approach (NSA) which will be applicable with effect from April 1, 2023 for Universal Banks. While the Regulator is yet to take a decision on its applicability for SFBs, the Bank has already commenced computation of Operational RWA under this new approach for internal reporting purposes.

Disclosure on the BI **Rs. in lakh**

1	Business indicator component (BIC)	**22,481**
2	Internal loss multiplier (ILM)	0.62
3	Minimum required operational risk capital (ORC)	22,481
4	**Operational risk RWA**	**2,81,012**

4.2.4 Common Equity Tier1, Tier1 and Total Capital Ratios

The break-up of Basel II capital funds as at March 31,2025 is as follows: (Rs in Lakh)

	Description	Amount
	Core Equity Tier 1 Capital - Instruments and Reserves	
	Directly issued qualifying common share capital plus related stock	1,93,500

	surplus (share premium)	
	Retained earnings	4,06,963
A	CET1 capital before regulatory adjustments	6,00,463
	Core Equity Tier 1 Capital - Regulatory Adjustments	
	Deferred tax assets arising from temporary differences	22,123
	Intangibles (Prepaid Expenses & Computer Software)	15,258
	Credit Enhancements	2,021
	Regulatory Adjustments applied to CET1 Capital due to insufficient funds in Tier 2 to cover deductions	32
B	Total regulatory adjustments to CET1 Capital	39,434
C	**CET1 capital (A-B)**	5,61,029
	Additional Tier 1 Capital - Instruments and Reserves	
	Preference Shares	-
E	AT1 capital before regulatory adjustments	-
	Additional Tier 1 Capital - Regulatory Adjustments	
F	Total regulatory adjustments to AT1 Capital	-
G	AT1 Capital	-
H	**Tier 1 Capital (C + G)**	5,61,029
	Tier 2 Capital - Instruments and Provisions	
	Sub - debt eligible as Tier 2 capital	18,000
	General Provisions on Std. Assets admissible as Tier 2	19,268
	Investment Fluctuation Reserve	7,877
	Investment Reserve Account	-
I	Tier 2 Capital before regulatory adjustments	45,145
	Tier 2 Capital - Regulatory Adjustments	
J	Total Regulatory Adjustments to Tier 2 Capital	-
K	**Tier 2 Capital (I - J)**	45,145
L	**Total Regulatory Capital (H + K)**	6,06,175

(Rs. In Lakh)

Particulars	RBI thresholds	Amount/Ratio
Tier I Capital	--	5,61,029
Tier II Capital	--	45,145
Total Capital	**--**	**6,06,175**
Credit RWA	**--**	**26,24,007**
CET Ratio	Minimum 6%	21.38% (Complied)
Tier I Ratio	Minimum 7.5%	21.38% (Complied)
Tier II Ratio	Maximum cap at 7.5% of CRWA	1.72% (Complied)
CRAR- as per SFB guidelines	**Minimum 15%**	**23.10% (Complied)**
Total RWA	**--**	**29,69,142**
CRAR (all Pillar I risks)	**Minimum 13%, post conversion to Universal Bank for first 3 years of operation**	**20.42%**

It is evident from the above CRAR calculation that even after inclusion of other two Pillar 1 risks i.e., Market and Operational risk, the CRAR of the Bank is 20.42%, which continues to be above the regulatory prescribed regulatory requirement of 15% (only for credit risk)/13%, for first 3 years of operations, post conversion to Universal Bank. This reflects the Bank's preparedness towards the alignment with Universal Bank regulatory requirements (though Regulator is yet to notify the same) and can conclude that Bank is well capitalized against any unforeseen capital requirements in the future and to support business growth.

5. *Table DF-3: Credit Risk: General Disclosures for all Banks*

5.1 Qualitative disclosures

The Bank has implemented an extensive credit risk management architecture. The Board of Directors of the Bank endorses the credit risk strategy and approves the credit risk policies taking into consideration the Bank's risk appetite, derived from perceived risks in the business and balanced by the targeted profitability level for the risks taken up. The Board oversees the credit risk management functions of the Bank. The Risk Management Committee of the Board (RMCB) is entrusted with the development of policies, procedures and systems for managing credit risk and towards implementing a robust credit risk strategy of the Bank. The RMCB reviews the credit risk profile and keeps an eye on both internal and external contexts, their impact on the Bank's portfolio and endorse management strategies accordingly. The RMCB regularly reviews the Bank's portfolio composition and the status of impaired assets.

The Bank's Risk Management department drives credit risk management centrally. It is primarily responsible for implementing the risk strategy approved by the Board, developing procedures and systems for managing risk, carrying out an independent assessment of various risks, providing guidance in individual credit exposures for accepting deviations and monitoring portfolio composition and quality, but not business targets. With regard to the Institutional Lending business, the Bank's Risk Management functions are centralised. In respect to the Bank's retail assets business, while the various functions relating to policy, portfolio management and analytics are centralised, the underwriting function is distributed across various geographies within the country.

The Credit Risk Management Committee (CRMC) is responsible for overseeing implementation of the credit risk management framework across the Bank and providing recommendations to the RMCB. CRMC ensures monitoring of credit risks on Bank wide basis and in ensuring compliance with the Board approved risk parameters/prudential limits and monitor risk concentrations. It also reviews the status of portfolio management, loan review mechanism, risk monitoring and evaluation, regulatory/legal compliance, adequacy of provision, risk concentrations, industry reviews, and suggests corrective measures and activity reviews for credit management. It reviews and approves the use of credit scorecards for business and risk management purposes, evaluates its performance and effectiveness and places recommendations before the RMCB.

The Bank's Credit Policy, Credit Risk Management Policy, Credit Manuals, Product Programs, NPA Management Policy, Collateral Management Policy & Interest Rate Policy, form the core set of internal guidelines for management of credit risk in various activities and products.

Credit concentration risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, underlying collateral nature and single / group borrower exposures. To ensure adequate diversification of risk, concentration ceilings have been set up by the Bank on different risk dimensions, in terms of borrower/ business group, geographic state, unsecured lending ratio and risk grading (for institutional lending).

The Board sets concentration ceilings which are monitored by the respective credit verticals and by the independent credit risk department. The Risk Management department reviews the exposure level under each dimension and ensures that the portfolio profile meets the approved concentration limits. Any breaches to these limits are periodically reported to CRMC and the RMCB. The regulatory prudential norms with respect to ceilings on credit exposure to individual borrowers or group of borrowers also ensure that the Bank avoids concentration of exposure.

A significant addition to our Risk Management Framework was the creation of a dedicated unit for Risk Analytics & Monitoring (RAM), reporting directly to the Chief Risk Officer (CRO). This unit was specifically created to address the growing need for data/analytics-led decision-making in risk-related matters. Positioned and operated as a second line of defense, the RAM unit avoids conflicts of interest and strengthens independent oversight.

Definitions of past due and impaired loans

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A Non-Performing Asset (NPA), as defined by the RBI, shall be a loan or an advance where-

- Interest and/or instalment remains overdue for a period of more than 90 days in respect of a Term Loan;
- The account remains out of order with respect to CC/OD for 90 days on continuous basis;
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
- In case of advances granted for Agricultural purposes, the instalment/interest there on remains overdue for;
  - 2 crop seasons for short duration crops;
  - 1 crop season for long duration crops;
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021; and

- In respect of derivative transactions, the overdue receivables representing positive mark to- market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. The Bank had no derivative transaction on its books.

The Bank is guided by the provisions laid down in its NPA Management policy, which is in turn compliant to Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated April 1, 2025 as amended from time to time.

Provisioning and Regulatory norms applicable to the Bank

1) The Board reviews the provisioning norms of the Bank at regular intervals to determine if any enhanced provisioning is required based on credit performance. Despite a history of lower Portfolio at Risk(PAR) and delinquencies compared to Industry, the microfinance portfolio of the Bank (the Bank's flagship offering) is unsecured where adverse and acute events (such as demonetization and the Pandemic) can impact the portfolio quality. To enhance the coverage on MB-RB portfolio, the Bank continuously identifies incipient stress in specific accounts & geographies where accelerated provisions may be required on an on-going basis.
2) The Bank's follows stringent provisioning norms & provide higher than prescribed RBI provision for all business verticals. Considering the recent stress in Micro Lending book due to broader industry level stress and implementation of MFIN guardrails, on the directions of the Board, the Bank has adopted an accelerated provisioning regime during FY2025. The Bank's Risk Management Department undertakes a proactive assessment of the likely GNPAs, NNPA, Provision Coverage Ratio (PCR) and incremental credit/provisioning costs by studying historical delinquency trends and external developments which can have a bearing on the asset quality and credit costs.
3) In FY 2024-25, the Bank negotiated two NPA asset sales through the ARC route amounting to Rs. 27,035 lakh and Rs. 36,451 lakh respectively, in compliance with RBI guidelines. During the year, the Bank utilised Rs. 6,933 lakhs from floating provisions towards meeting the shortfall on transfer of stressed loans to Asset Reconstruction Company (ARC).
4) Post Utilisation, total Floating Provision stood at Rs. 18,066.9 lakhs. Out of the same, Rs. 3,000 lakhs utilised towards Tier II capital, Rs. 13,000 lakh towards adjustment of GNPA & PCR calculation and Rs. 2066.9 lakh kept as idle provisions at March 31, 2025.

Credit Risk Portfolio review and Monitoring:

Micro finance Portfolio (*Excluding IBPC/ Securitization/DA transactions)***:**

A comprehensive review of the MBRB Portfolio is given below: Rs. in lakh

MBRB	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Gross Advances*	18,78,573	18,70,883	19,67,283	18,82,621	18,60,682
GNPA(Value)	40,707	48,308	52,906	60,799	48,651

GNPA%	2.17%	2.58%	2.69%	3.23%	2.61%

The Bank undertakes portfolio monitoring on a periodic basis with specific focus on key portfolio triggers. Continuous review of portfolio enables the Bank to identify incipient stress at cluster/region/state/branch level. Breach in the internal thresholds for default is the starting point for identifying risk in the portfolio. Risk indicators such as PAR30+, PAR90+, early delinquencies, quick mortality, non-starters, On Time Repayment Rates (OTRR), Collection Efficiency (CoE), stressed assets percentage and lagged PAR estimates provide useful insights in risk identification/monitoring.

The Bank monitors collection trends at a bucket level on a daily basis and findings are reported to top management. Collection monitoring is aided by a strong and dedicated collection team at ground level with extensive use of analytics and digital tools. Digital collection continues to scale up through existing and new channels like Fintech (for loan repayments), Payment Banks, Money Mitra outlets (BC outlets) and the Hello Ujjivan Mobile application.

The composite collection efficiency (CE%) had reached 96.4% in the month of March 2025. The efforts of enhanced monitoring and collections enabled the Bank to arrest fresh slippages (incremental overdues) and increase the recovery rates in delinquency buckets. In FY 2024-25, at an industry level, the Microfinance portfolio faced higher delinquency levels in large parts of the country due to over indebtedness/overleveraging. The Bank's book was also affected with GNPA increasingly consistently on a Q-o-Q basis. However, the MFIN (Microfinance Institutions Network India) has released guardrails for lending to the microfinance sector. The Bank has adopted the guardrails laid down by MFIN and adopted restrictive credit policies in pockets that are worst affected and in branches where the portfolio is under stress.

Given that the microfinance portfolio is subject to adverse event risks, the Bank also monitors area specific communal issues, protests, sub-lending/ringleader issues, snatching attempts and others. In addition to the above, industry level information is also collected from the credit bureau/s to compare the performance in states or districts.

<u>Affordable Housing Loans (including M-LAP)</u>

A comprehensive review of the Housing Portfolio is given below: Rs. in Lakh

Housing Loans	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Gross Advances*	4,69,357	4,97,953	5,57,541	6,19,410	7,11,949
GNPA(Value)	6,889	7,109	7,390	6,855	7,630
GNPA%	1.47%	1.43%	1.33%	1.11%	1.07%

**Excluding IBPC/ Securitization/DA transactions*

Credit risk monitoring of Secured Housing loans is broadly done at two levels – account level and portfolio level. While regular portfolio reviews are undertaken to assess the health of the portfolio, the Bank also assesses inter-linkages of risks especially legal risk induced credit risk. Collateral related processes and procedures are reviewed to ascertain various gaps in the process. The Bank has designed monitoring mechanisms at process level encompassing credit deviations, collateral management, documentation etc. Regular reports are placed to the CRMC for further direction and action. During FY 2024-25, the vertical registered 52% Y-o-Y and 15% Q-o-Q growth on Gross Loan Book.

MSME (Micro and Small and Medium Enterprise) *Excluding IBPC/ Securitization/DA transactions*

A comprehensive review of the MSME Portfolio given below: Rs. in lakh

MSME	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Gross Advances*	1,41,413	1,41,507	1,51,416	1,69,382	2,04,662
GNPA(Value)	11,838	12,518	12,983	11,658	11,358
GNPA%	8.37%	8.85%	8.57%	6.88%	5.55%

Post reorganisation in FY 2024-25, the MSME business now focuses on providing Loan Against Property (LAP) with semi-formal and formal customers as the target segment. In addition to LAP, the MSME vertical has also commenced to offer tailored products on working capital facilities, supply chain financing and fintech sourced loans. The Bank had launched semiformal LAP in Q1, which is now scaling up. This vertical also intends to leverage digital analytics for MIS/reporting automation. During the year, the vertical registered growth of 45% Y-o-Y and 21% Q-o-Q. Much of the GNPA has arisen from what was booked previously. The repackaged semi formal LAP product that has now run for a period marginally in excess of 12 months, continues to perform well with no apparent signs of stress. However, cognizant of the fact that stress tends to build up as the portfolio ages, the Bank now has an independent monitoring unit within the MSME unit, which leverages on the EWS triggers to take proactive corrective action at the first sign of stress.

Institutional Lending

A comprehensive review of the Institutional Lending Portfolio is given below: **Rs. in lakh**

FIG	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Gross Advances	1,73,054	1,79,974	2,04,234	2,25,732	2,78,521
GNPA(Value)	442	442	442	442	442
GNPA%	0.26%	0.25%	0.22%	0.20%	0.16%

As on March 31, 2025, FIG vertical has increased by 23% in the OSB Q-o-Q and 61% growth Y-o-Y. As part of monitoring, the Bank regularly reviews compliance to financial covenants (CAR, GNPA, NNPA, Debt/Equity ratio as stipulated in sanction letter), collection of CA certified receivables statement and potential Early Warning System(EWS) alerts.

Vehicle Loans

A comprehensive review of the Vehicle loan Portfolio given below: **Rs. in lakh**

VF	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Gross Advances*	19,590	23,945	28,540	40,097	49,521
GNPA(Value)	643	630	628	719	858
GNPA%	3.28%	2.63%	2.20%	1.79%	1.73%

**Excluding IBPC/ Securitization/DA transactions*

As on March 31, 2025, the vertical has registered a portfolio growth of 25% on Q-o-Q and 166% on Y-o-Y basis. Functionality to collect repayments through third party payment aggregators and other online portals was also enabled to provide ease of transaction. The vertical also propelled new dealerships for Two-wheeler financing. The business model is focused on sourcing new loans through tie-ups with direct dealerships. The Bank has also developed a trade advance facility to dealers which is now active.

<u>Gold Loans and Micro LAP:</u>

With an objective to diversify away from Microfinance which is largely unsecured and reduce concentration risk, the Bank has placed top priority on venturing into new business lines which are secured by underlying collateral. The Bank intends on leveraging the synergy in the target customer segment and has identified Gold loans and Micro- LAP loans as key enablers to meet the dual target of secured loans ratio and profitability targets. Gold loan has registered an 71% growth in OSP compared to the previous quarter.

The Gold Loan product is now being offered in **200** branches covering **16** states with a plan to expand to **400** branches in the ensuing financial year.

Micro LAP as a product offering, was launched within the Housing unit to cater to the financing needs of customers with a collateral. The product has been launched majorly in Tamilnadu, Karnataka and also in Maharashtra, Gujarat. The disbursement trends (in value) of the Product are given below:

Rs. in lakh

Particulars	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Disbursement-MLAP	7,965	7,762	12,902	15,033	22,041

<u>Credit Risk Monitoring Unit (CRMU)</u>

Some of the key activities undertaken by CRMU are as follows:

- Conduct monthly Health Councils meets with CRO, ED and CCrO as council members. The idea of these health councils is to provide an insight into ongoing concerns in the MSME portfolio and get case specific feedback directly from the field which includes Regional Credit Managers, Business as well Collection Team
- Quarterly Quick Mortality analysis is being done by the CRMU and a report on the findings is placed at CRMC.
- File review of new products like Elite LAP and Woking capital loans on sample basis.

Other Credit Risk management initiatives:

In a continuous endeavour to improve risk management practices, the Bank has, over time, transitioned from being reactive to proactive. In the post pandemic period, the Bank has put in place tools and techniques to transition to a proactive approach. The key initiatives taken up by the Bank during the year is as mentioned below:

- Analysing the policy gap in various verticals by Credit Risk team.
- A control testing framework (POC- proof of concept) was approved at the RMCB and the Credit Risk Unit (Policy and CRMU) will test the framework against the process / activities identified and the commencement of testing of some parameters will begin from Q4 FY 2024-25. The Control testing framework will be open to incorporate any additional activities as and when they deem fit.
- Collection productivity analysis for Micro-banking was developed during the year to analyse the performance of the In-house Collections officers, Off roll collections officers and Agencies.
- The Bank performed PDD and OTC documents analysis for retail verticals on a timely basis.
- The Bank performed deviation analysis for Housing and MSME verticals, developed an Early Warning System framework (EWS) at account level to detect and monitor account level behaviour patterns, which helps in identifying early signs of stress in loan accounts.
- The Bank has onboarded a vendor to put in place a system to capture feedback and enable on going monitoring which is under production environment. Further, the Board approved the Quick Mortality framework for all the loans during the year.
- With the availability of credit and loan performance data in the post pandemic period, the Bank has restarted its risk analytics journey for development of statistical application scorecards. Application scorecards are being redeveloped with post pandemic data for microfinance, vehicle and housing loans. Leveraging on the EWS outputs, the Bank also intends on developing behavioural scorecards, the outputs of which will be used in advanced capital charge calculation frameworks (FIRB approach).
- The credit risk models are intended to aid banks in quantifying, aggregating and managing risk across geographical and product lines and play an important role in banks' risk management and performance measurement processes, customer profitability analysis, risk-based pricing, active portfolio management and capital structure decisions. It also has the potential to be used in the supervisory oversight of banking operations. IL and VF scorecard are directly used in pricing models warranting regular review. The Bank has revamped scorecard of IL which is in final stages of implementation. As part of ECL preparedness, Bank has developed PD and LGD models using historical data and statistical techniques. There is also a Board approved policy to govern Model development, validation and ongoing monitoring. The Credit risk model validation process has oversight on both qualitative and quantitative components.
- RBI guidelines on loan pricing mandates delineation of spread components and assignment of benchmarks (MCLR or EBLR) to loan pricing. The Bank undertook an

internal exercise to evaluate the reasonableness and effectiveness in pricing of loans to meet strategic imperatives. The Bank developed customised pricing models using internal data estimates and external benchmarking, wherever applicable. Further, these pricing models were carefully evaluated for alignment to business strategy, budgets, system feasibility, adherence to prudential risk management norms and ensure compliance to RBI guidelines on interest rate management on advances. A salient feature in these pricing models includes adoption of a differential pricing matrix, in that, pricing of loans to borrowers would be risk adjusted to reflect the borrower's creditworthiness. The Bank believes that the introduction of Risk Based Pricing (RBP) will aide in encouraging and incentivising borrower/s to maintain a long-term relationship.

6.2. Quantitative Disclosures

The overall distribution of Gross advances and Gross Loan Book is as under: **Rs. in lakh**

Vertical	Gross Advances	%	Gross Loan Book	%
MB&RB	18,60,682	58.27%	18,60,682	57.93%
FIG Lending	2,78,521	8.72%	2,78,521	8.67%
Housing	7,11,949	22.30%	7,30,790	22.75%
MSE	2,04,662	6.41%	2,04,662	6.37%
Personal Loans	2,944	0.09%	2,944	0.09%
Staff Loan	23,619	0.74%	23,638	0.74%
Vehicle Finance	49,521	1.55%	49,521	1.54%
Loan/OD Against Deposit/Gold loan	61,448	1.92%	61,448	1.91%
Total	31,93,346	100.00%	32,12,206	100.00%

Exposure summary: Facility type

Exposure Type	Domestic (Rs. in Lakh)	Overseas
Fund- Based exposure[12]	47,29,514	--
Non- Fund Based Exposure*	77,309	--
LESS: CRM DEDUCTIONS (GNPA Provisions held)	(41,346)	
Total	47,65,477	**--**

*Non-fund-based exposure for purpose of computation of CRAR includes undrawn limits of MSME Overdrafts and KPC, yet to be disbursed portion of Secured Housing, MSME and FIG customers and Contingent liabilities.

Geographic Distribution of advances (State-wise)[13] (Rs in lakh)

States	Advances	% Share
Tamil Nadu	4,54,676	14.15%

[12] Fund Based exposure is computed as per Basel II guidelines
[13] Geography wise loans and advances is Including IBPC, Securitization and DA

Karnataka	4,12,695	12.85%
West Bengal	3,74,849	11.67%
Maharashtra	3,20,333	9.97%
Gujarat	2,70,438	8.42%
Uttar Pradesh	2,20,592	6.87%
New Delhi	2,06,432	6.43%
Bihar	1,96,932	6.13%
Haryana	1,65,631	5.16%
Rajasthan	1,45,341	4.52%
Jharkhand	73,167	2.28%
Punjab	68,507	2.13%
Odisha	58,199	1.81%
Madhya Pradesh	52,874	1.65%
Kerala	48,847	1.52%
Tripura	40,705	1.27%
Assam	33,996	1.06%
Uttarakhand	16,372	0.51%
Chhattisgarh	13,408	0.42%
Telangana	12,623	0.39%
Pondicherry	11,610	0.36%
Chandigarh(UT)	5,730	0.18%
Himachal Pradesh	3,681	0.11%
Meghalaya	3,573	0.11%
Goa	985	0.03%
Andhra Pradesh	13	0.00%
Total	**32,12,206**	**100%**

Maturity pattern of assets and liabilities **Rs. in lakh**

Buckets	Net Advances	Investments	Deposits	Borrowings
Day - 1	2,511	2,01,194	9,803	-
2-7 Days	30,040	1,45,885	98,370	1,32,649
8-14 Days	55,235	16,839	81,250	-
15-30 Days	78,238	28,298	1,35,617	-
31 Days and up to 2 months	1,51,174	60,897	1,25,183	-
Over 2 months and up to 3 months	1,58,879	56,171	2,10,070	9,050
Over 3 Months and up to 6 months	4,95,256	1,84,584	10,31,734	6,151
Over 6 Months and up to 1 year	6,71,265	2,78,214	10,05,008	12,300
Over 1 Year and up to 3 years	7,63,025	1,84,724	10,46,762	43,196
Over 3 Year and up to 5 years	1,49,345	14,046	18,055	55,685
Over 5 years	5,84,032	2,147	1,196	25,506
Total	31,39,000	11,72,999	37,63,048	2,84,536

Gross non-performing assets (NPA) **Rs. In Lakh**

Category of Gross NPA	**Mar -24**	**June-24**	**Sept-24**	**Dec-24**	**Mar-25**
Sub-standard	37,994	47,781	58,677	70,945	58,385

Doubtful	21,852	20,757	15,151	9193	10,161
Loss	1,407	1,187	1,168	985	1,042
Total	**61,252**	**69,725**	**74,996**	**81,123**	**69,589**

Rs. In Lakh

NNPA	**Mar-24**	**June-24**	**Sept-24**	**Dec-24**	**Mar-25**
Net NPA	19,629	23,124	28,408	33,494	28,243
NNPA after factoring Floating Provisions	7,629	11,124	16,408	16,494	15,243

NPA Ratios	**Mar-24**	**June-24**	**Sept-24**	**Dec-24**	**Mar-25**
Gross NPA to Gross Advances (excluding IBPC/Securitisation/DA) [14]	2.23%	2.52%	2.52%	2.68%	2.18%
Net NPA to Net Advances (excluding IBPC/Securitisation/ DA)[15]	0.17%	0.41%	0.56%	0.56%	0.49%

Movement of Net NPAs (Quarterly basis)

Rs. In lakh

Particulars	Mar-24	June-24	Sept-24	Dec-24	Mar-25
Year Opening Balance	904	7,629	7,629	7,629	7,629
Additions during the period	25,846	13,358	23,906	39,088	67,803
Reductions during the period	19,120	9863	15,127	25,223	59,190
Closing Balance	7,629	11,124	16,408	16,494	15,243

Movement of Provisions for NPAs (excluding provisions on standard assets)

Rs. in lakh

Particulars	**Mar-24**	**June-24**	**Sept-24**	**Dec-24**	**Mar-25**
Opening Balance	50,157	41,623	41,623	41,623	41,623
Provisions made during the period	25,578	12,449	26,301	41,399	47,558
Write back of excess provisions	34,112	7,473	21,336	35,394	47,836
Closing Balance	41,623	46,600	46,588	47,629	41,346

Provision Coverage Ratio (PCR) **Rs. in lakh**

Category	**Gross Advances***	**GNPA on gross advances**	**GNPA Provisions on gross advances**	**Floating Provisions Considered for NNPA**	**PCR% on gross advances**	**PCR% on gross Loan Book**
MB-RB	18,60,682	48,651	28,196	13,000	84.68%	84.68%
FIG Lending	2,78,521	442	442	0	100.00%	100.00%
Housing	7,11,949	7,630	4,093	0	53.65%	53.91%
MSME	2,04,662	11,358	7,425	0	65.37%	65.37%
Personal Loans	2,944	492	383	0	77.82%	77.82%
Staff Loan	23,619	29	25	0	86.02%	86.02%
Vehicle Finance	49,521	858	703	0	81.89%	81.89%

[14] Gross NPA to Gross Loan Book (including IBPC/Securitisation/Direct Assignment) was 2.18% as on March 31, 2025

[15] Net NPA to Net Loan Book (including IBPC/Securitisation/Direct Assignment) was 0.49% as at March 31, 2025

Loan/OD Against Deposit	61,448	128	80	0	62.35%	62.35%
Grand Total	**31,93,346**	**69,589**	**41,346**	**13,000**	**78.10%**	**77.95%**

***after netting off IBPC, Securitization & Direct Assignment**

Write off:[16]

Rs. in lakh

Particulars	Total Write off undertaken
Q1 FY 2024-25	5,887
Q2 FY 2024-25	14,017
Q3 FY 2024-25	4,167
Q4 FY 2024-25	12,224
FY 2024-25	36,297

Non-performing Investments (NPI)

Amount of non-performing investments	**NIL**
Amount of provision held for non-performing investments	NIL

Movement of provisions for depreciation on investments

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

6. *Table DF-4: Credit Risk: Disclosures for Portfolios subject to the Standardised Approach*

6.1 Qualitative Disclosures

- The Bank has adopted Standardized Approach for computation of capital charge under Credit Risk as per RBI guidelines. These guidelines envisage different risk weights for different asset classes, which have been duly applied.
- The loan book of the Bank predominantly comprises retail category loans. Therefore, the risk weights as applicable to Regulatory Retail, claims under Residential Mortgage and staff loans are applied. For consumer loans within its microfinance portfolio, the applicable risk

[16] Write off includes actual write off and technical write off

weight is applied.

- Institutional lending is risk-weighted as per ratings assigned by Eligible Credit Rating Agencies (ECRA) including Brickwork Ratings, as prescribed by RBI duly factoring the total exposure from the banking industry for externally unrated and withdrawn borrowers.
- Claims secured by residential property falling under the category of individual housing loans is risk weighted based on the size of loan, date of sanction as well as LTV Ratio based on the BASEL III master circular issued by RBI.

6.2 Qualitative Disclosures

Amount of the Bank's Exposures (rated & unrated) in major risk buckets – under Standardized Approach, after factoring Risk Mitigants (i.e. Provisions)

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on March 31, 2025		
Sl. No.	**Risk Weight**	**Rs. in lakh**
1	Below 100% Risk Weight	34,69,439
2	100% Risk Weight	7,65,804
3	More than 100% Risk Weight	5,71,580
4	Deductions (GNPA PROVISION)	(41,346)
5	**Total**	**47,65,477**

7. *Table DF-5: Credit Risk Mitigation: Disclosures for Standardised Approach*

7.1 Qualitative Disclosures

The Bank has a Board Approved Credit Risk Management Policy which lists the range of acceptable collaterals. These collaterals help the Bank in mitigating the risk and optimize the RWA of the Bank.

The Group Loan and Individual Loan portfolio falls under unsecured category. Loans to the Affordable Housing (AHL) segment are collateralized by a mortgage over the property financed. There are primarily secured product variants under MSME loans. Loans to Financial Institutions are secured by a charge over book debts which are registered with CERSAI. Vehicle loans are collateralised vide hypothecation of the vehicle financed. Additionally, Gold loans, Agri and MLAP also fall under secured category.

The Bank accepts Eligible Financial Collateral[17] in few instances for risk mitigation under secured Institutional lending and MSME loans. These financial collaterals are netted off for its

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

collateralized transactions under comprehensive approach[18] while computing its Risk Weighted Assets (RWA). The Bank regularly reviews the health of the portfolio/ borrowers and works on mitigation of any risk associated with the portfolio or borrower, through a combination of limits and restrictions.

The Bank has in place the following risk mitigation techniques for its loan portfolio which are as follows:

- Life insurance cover is voluntary for all the borrowers availing Bank's microfinance loans. Housing, 2-wheeler, and gold loans are provided with an option to avail a life insurance cover, though this is not a bundled offering along with the loan products.
- The Bank works with 4 Credit Information Companies (CICs) to ensure 100% application screening through the bureaus using their comprehensive credit reports.
- 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.
- The Bank has also set borrower wise limits in compliance to RBI mandated exposure norms and mitigate any concentration risks building in the portfolio.
- A negative list/negative area profile is maintained at a branch level to avoid exposure to those categories.

7.2 Quantitative Disclosures

7.2.1 Micro Banking:

For the portfolio under Micro Banking, Gold Loan product has risk mitigant which can be considered as eligible financial collateral in computing Risk Weight. Details are as follows:

Rs in Lakh

Description	Outstanding Balance	Mitigant	Risk Weight
Loan against Gold Ornaments	19,560.63	19,559.52	1.39

7.2.2 MSME Loans:

For the portfolio under MSME, FD backed overdraft is having eligible financial collateral. Details are as follows: Rs in Lakh

Description	Outstanding Balance	Mitigant	Risk Weight
Loan against FD	41,759.82	41,759.82	0

8. Table DF-6: Securitisation: Disclosure for Standardised Approach

8.1 Qualitative Disclosure

8.1.1 Securitisation Objectives

The Bank undertakes Securitisation transactions to increase the efficiency of capital and enhance the return on capital employed by diversifying sources of funds, managing liquidity

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

and maximising yield on asset opportunities. The Bank has put in place appropriate policies for undertaking securitization transactions based on Master Directions – RBI(Securitisation of Standard Assets) Directions dt. 24.09.2021.(updated on December 5, 2022)

The overall framework for the Securitisation of Standard Assets for the Bank is specified in the Board approved policy on Securitisation of Standard Assets.

8.1.2 The major risks inherent in Securitisation of Standard Assets and Transfer of Loans:

Credit Risk: In case of Securitisation transactions, where credit enhancement (CE) is provided by the originator or any third party as permitted under the revised guidelines, the investor bears the loss in case the shortfall in collections exceeds the credit enhancement provided. If CE is provided in the form of a corporate guarantee, the investor bears the loss that could arise due to default by the guarantor which is also reflected in the rating downgrade of the corporate guarantor.

Market Risk:

- **Liquidity Risk:** Risk arising on account of absence of a secondary market, which provides exit options to the investor/participant.
- **Interest Rate Risk:** This is the mark-to-market risk arising on account of interest rate fluctuations.

Regulatory and Legal Risk: These risks may arise when transactions are not compliant with applicable laws which may result in the transaction being rendered invalid. Conflict between the provisions of the transaction documents and those of the underlying financial facility agreement.

Operational Risk

- **Co-mingling risk:** Risk arising on account of co-mingling of funds belonging to investor(s) with that of the originator and /or collection and processing servicer, when there exists a time lag between collecting amount due from the obligors and payment made to the investors.

Reputational Risk:

- This risk may arise due to rating downgrade of a securitised instrument due to unsatisfactory performance of the underlying asset pool.
- Inappropriate practices followed by the collection and processing agents

Prepayment Risk: Risk arising on account of prepayment of dues by obligors/borrowers in the securitised pool.

In addition to above, originators are exposed to pipeline and warehousing risks which refers to the event where originating banks are unable to off-load assets, which were originated with an intention of selling thus potentially exposing them to losses arising on declining values of these assets. The Bank does not follow the “originator to distribute” model and hence is not exposed to the pipelining and warehousing risks.

The Bank has established appropriate risk management processes to monitor the risks on Securitisation of Standard Assets which include:

Monitoring credit risk: The Bank, in the capacity of collection and processing agent prepares monthly performance reports which are circulated to investors/ rating agencies. The securitised pools are continuously monitored and those requiring attention are subjected to specific interventions (e.g. focused collection efforts in affected geographies) to improve their performance. The pool is also monitored by the rating agencies based on amortisation level, collection efficiency, credit enhancement utilisation levels and credit cover available for balance deal tenor.

Monitoring market risk: The Bank ascertains market value of the securitisation exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures monthly.

8.1.3 Roles Played by the Bank

Originator / Seller: The Bank originates assets in its book and subsequently sells down through the securitisation or assignment route.

Servicer: For sold assets, the Bank undertakes the activity of collections and other servicing activities including preparation of monthly pay out reports.

Provider of Liquidity Facilities: The Bank may provide liquidity facility to address temporary mismatches on account of the timing differences between the receipt of cash flows from the underlying performing assets and the fulfilment of obligations to the beneficiaries.

Credit Enhancement provider: The Bank provides credit enhancement on Securitisation 'sale' transactions undertaken by the Bank for meeting shortfalls arising on account of delinquencies and prepayment losses in the underlying pool sold.

8.1.4 Significant Accounting Policy for Securitisation and Direct Assignment of Standard Assets

The Bank as originator sells assets to a special purpose entity only on cash basis. Standard Assets transferred through securitisation are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration is received. Sales / transfers that do not meet true sale criteria are accounted for as borrowings. Standard assets transferred through direct assignment are de-recognised in the Balance Sheet of the Bank to the extent a portion of the rights, title and interest of the Bank in the underlying loans has been assigned. The Bank follows the accounting treatment specified in the revised securitisation guidelines and transfer of loan exposure guidelines for any realised and unrealised gain arising from the securitisation transactions.

The Bank transfers advances through inter-bank participation with risk. In the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances.

8.1.5 Rating of Securitisation Transaction

The Bank used the ratings provided by CARE Ratings limited for the securitisation of retail pools and there has been no change to this rating since origination.

8.2 Quantitative Disclosures

Details of Securitisation exposures in the Banking Book **Rs.in Lakh**

Total Exposures Securitised by the Bank*	**-**

*Represents total exposure of loans securitised & sell-downs via Direct Assignment during Q4 FY 2024-25

For exposures securitised, losses recognised by the Bank during the current period broken by the exposure type **Rs.in Lakh**

Exposure type	Losses
Pass Through Certificate (underlying assets being Loan against property)	-

Assets to be securitised within a year as on March 31, 2025 **Rs.in Lakh**

Exposure type	Amount
Amount of assets intended to be securitized within a year	-
Of which amount of assets originated within a year before Securitization	-

Total outstanding exposures securitised by the Bank and the related unrecognised gains/(losses)

Rs.in Lakh

posure Type	Amount*	Unrecognised gains / (losses)
C (underlying assets being Loan against property)	12,764	-
rect Assignment	6,097	
Total	**18,861**	**-**

*The total outstanding for Securitization and Direct Assignment as on March 31, 2025.

Securitisation exposures retained or purchased **Rs.in Lakh**

Exposure Type	On Balance Sheet*	Off Balance Sheet	Total
Equity Tranche	1,263	-	1,263
Overcollateralization	758	-	758
Direct Assignment	677	-	677
Total	**2,698**	**-**	**2,698**

* Represents total principal amount of investment in Equity Tranche, Overcollateralization and Direct Assignment outstanding under risk sharing as at March 31, 2025.

Risk weight(RW) bands break-up of securitisation exposures retained or purchased

Rs. In lakh

Exposure Type	50% RW	75% RW	114% RW*	125% RW	Total
Equity Tranche (underlying assets being Loan against property)			1,263		1,263
Total			**1,263**		**1,263**

* Calculated as per formula prescribed in Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2022

Securitisation exposures deducted from capital –

Exposure Type	Exposure deducted entirely from Tier-1 capital	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Overcollateralization	758	-	-
First Loss Credit Enhancement	1,263	-	-
Total	**2,021**	**-**	**-**

Details of Securitisation Exposures in the Trading Book: NIL

9. *Table DF-7: Market Risk in Trading Book*

9.1 <u>Qualitative Disclosures</u>

9.1.1 Overview of Market Risk 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. The Bank has adopted the Standardized Duration Approach (SDA) for Market Risk capital charge computation. While this is not a regulatory requirement as per SFB guidelines, the Bank has considered it prudent to undertake capital adequacy assessment for all Pillar I risk i.e., Credit, Market and Operational Risk from a governance perspective.

The Bank has a well-defined Investment and Market Risk Management Policy. This policy covers all important areas of market risk identification, monitoring and measurement. The policies set various prudential exposure limits and risk limits for ensuring that the investment and trading operations are in line with the Bank's expectations of return and risk appetite.

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

Investments: The Bank has a Board approved policy to make investments in both SLR and Non SLR securities. The Bank had investments in the following instruments: Government of India Securities (G Sec), Treasury Bills (T Bills), State Development Loans (SDL), Certificate of Deposits (CD), Commercial Papers (CP), Debt Mutual Funds (MF), Non-Convertible Debentures (NCD), Equity IPO's and one legacy investment in an unquoted equity. The Bank had also made a token investment in a New Umbrella Entity (NUE) in association with National Payment Corporation of India (NPCI) and investment of Rs. 1,263 lakh as Pass through Certificates (PTCs) as part of the Securitisation deal executed during FY 2022. During the year the Bank also secured necessary approvals to commence investments in select IPOs as a way to deploy short term surpluses and generate the alpha. This aspect of the investment business is at a nascent stage and limited investments were made during the period.

The investment holdings in various SLR and Non SLR instruments were as under:

Rs. in lakh

	AFS		HFT		HTM		FVTPL	
Instruments*	**BV**	**MV**	**BV**	**MV**	**BV**	**MV**	**BV**	**MV**
SLR								
G Sec	2,058	2,058	12,217	12,217	5,14,012	5,16,442	0.00	0.00
SDL	0.00	0.00	463	463	2,65,124	2,69,530	0.00	0.00
T Bill	1,03,157	1,03,157	4,872	4,872	0.00	0.00	0.00	0.00
Total SLR	**1,05,215**	**1,05,215**	**17,552**	**17,552**	**7,79,136**	**7,85,972**	**0.00**	**0.00**
Non-SLR								
PTC	0.00	0.00	0.00	0.00	0.00	0.00	1,263	1,411
Equity	0.00	0.00	0.00	0.00	0.00	0.00	42	42
CP	0.00	0.00	55,139	55,139	0.00	0.00	0.00	0.00
CD	0.00	0.00	1,66,996	1,66,996	0.00	0.00	0.00	0.00
NCD	0.00	0.00	47,656	47,656	0.00	0.00	0.00	0.00
Total Non-SLR	**0.00**	**0.00**	**2,69,790**	**2,69,790**	**0.00**	**0.00**	**1,305**	**1,453**
Total	**1,05,215**	**1,05,215**	**2,87,343**	**2,87,343**	**7,79,136**	**7,85,972**	**1,305**	**1,453**

* In the above table, Security Receipts amounting to Rs. 3731 Lakh arising from two ARC transactions undertaken in the year ended 31st March 2025 which have been fully provided for in the books have not been shown separately.

During the quarter, the Bank had added ~Rs. 1,60,251 lakh of securities in its HTM portfolio. As at March 31, 2025, there was positive MTM of ~Rs. 165.94 lakh from positions held in HFT and AFS. The Bank started purchasing securities of slightly higher Yield in HTM portfolio in order to capture the benefit of reduction in interest rate during Q4 of FY 2025. The HTM duration stood at 4.55 years. The Bank monitors the market signals and yield curve for any investment opportunity which can maximise yield. The current investment mix of the HTM portfolio is well poised to generate a positive MTM in the event of interest rate reduction. From risk management standpoint, the duration mix of the investment portfolio is also strategically maintained in a manner to limit incremental negative MTM in the event of recommencement of rate hikes. The Bank participated in OMO announced by RBI depending on the duration alignment and yield optimisation in HTM portfolio.

The investment into SLR securities is undertaken for the purpose of regulatory compliance i.e. SLR maintenance and for Asset Liability Management (ALM). Investment in SLR securities is held as both HTM and AFS; majority of investments in AFS is in the form of Treasury Bills with small part of the AFS portfolio held in Central Government securities. The mandatory requirement for maintenance of SLR as stipulated by RBI is 18.00% of Net Demand and Time Liabilities (NDTL). The Bank has complied with the regulatory SLR requirement and has maintained SLR much above the requirement. During the quarter, the average SLR requirement and maintenance was as below:

Rs. in lakh

Month	Average SLR requirement	Average SLR maintenance	Average SLR requirement maintained as a % of NDTL
Jan-25	5,914	7,063	21.50%
Feb-25	5,958	7,567	22.87%
Mar-25	6,106	8,233	24.25%

The maintenance of SLR was higher than the minimum requirement which is in line with its Board directive. The Bank maintains a higher SLR on account of two reasons viz. 1) risk management, in that, to ensure a cushion in case of a contingency, to keep a healthy Liquidity Coverage Ratio (LCR) at all times and also to ensure that the regulatory thresholds for the Structural Liquidity Statement (SLS) limits are not breached and 2) availability of liquid assets for non-SLR investments as an avenue to optimise the yield on investment portfolio.

Trading: The Bank is actively trading in G-sec market on an intraday basis and carries overnight position in HFT portfolio, the trading positions are governed by stop loss limits to minimise the loss should there be a volatility in the market. The trading limits in the form of duration limits, PV01 limits, trading book limit, exposure limits and Value at Risk (VaR) are monitored regularly by the Middle Office. Any instance of breach in limits is brought to the notice of stakeholders and remedial measures taken.

The Bank resumed non SLR investments from June 2023 onwards and has made investments in CD, CP, NCD and debt and liquid mutual funds. The investment is undertaken with an objective of diversifying the investment portfolio and maximising the yield on the investment portfolio by deploying surplus liquidity. The transactions in non SLR investments were within the Board approved policies and regulatory thresholds. The Bank had made selective investments in equity IPO during first nine month of FY 2025 and the investments were within the Board approved policies and thresholds.

9.1.2 Liquidity and Liquidity Risk Management:

Treasury Department is primarily responsible for the day-to-day liquidity and fund management with an oversight by the ALM desk. The day-to-day fund excess or shortfall is arrived at based on a daily liquidity statement prepared by Front Office in co-ordination with Finance department. Based on the daily shortage or excess funds, Front Office undertakes money market borrowing and lending activity. The source of borrowing and lending amongst Call money, Repo, TREPS and CROMS is decided based on the most favourable rate. The regulatory limit on Call/Notice money borrowing and lending is monitored on a daily basis by Middle office and reported to all stakeholders.

Market Risk team keeps the senior management/Board apprised of the Liquidity situation of the Bank through regular updates to the ALCO and RMCB respectively. As a part of the update, a detailed analysis on cash flow projections, recommendations, constraints (if any), scenario analysis on various regulatory ratios and ALM position of the Bank are being placed at regular intervals.

Liquidity Risk Management is governed as per the provisions of the ALM policy. The ALM position for the Bank was well managed and regulatory thresholds complied during the quarter. The Bank has various avenues to leverage upon in mitigating any future liquidity shortfalls. Some of the measures include securitization, Direct Assignment, IBPC transactions, refinance and term loan facilities from Bank. The Bank is prioritizing long-term funding through deposit mobilization and refinance borrowings.

9.2 Quantitative Disclosures

Liquidity Coverage Ratio (LCR) Q4 FY 2025

The objective of the LCR is to promote the short-term resilience of a bank's liquidity risk profile, ensuring that it has adequate stock of unencumbered high-quality liquid assets that can easily be converted into cash to meet its liquidity needs in an acute stress scenario lasting for 30 days.

Liquidity Coverage Ratio			
	Q4 Quarterly Average		**Rs. in lakh**
		Amount	**Adjusted Amount**
A	**High Quality Liquid Assets**		
	Level 1 Assets	**7,64,566**	**7,64,566**
B	Total Stock of HQLAs	-	7,64,566
C	Cash Outflows	29,34,863	7,28,073
D	Cash Inflows	2,15,248	1,29,142
E	Net Cash flow	**27,19,615**	**5,98,931**
F	25% of Total Cash Outflow	**7,33,716**	**1,82,018**
G	Higher of E or F	**-**	**5,98,931**

Liquidity Coverage Ratio	127.66%

Net Stable Funding Ratio (NSFR): NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available Stable Funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required Stable Funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures. The Bank's NSFR as at March 31, 2025 was 133.60% as against RBI minimum requirement of 100%.

NSFR	Weighted Amount
Total Available Stable Funding (ASF)	30,91,214
Total Required Stable Funding (RSF)	23,13,821
NSFR	**133.60%**

10. Table DF – 8: Operational Risk

10.1 Qualitative Disclosures

10.1.1 **Operational Risk Management Policy and Governance Structure**

For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) chaired by MD & CEO. This Committee, which is convened by Chief Risk Officer meets every quarter to provide an oversight on key operational risk issues, the summary of which is presented to the Risk Management Committee of the Board (RMCB). The Bank has in place a Board approved Operational Risk Management policy updated to include the latest guidance note on Operational Risk Management and Operational Resilience published by RBI issued on 30th April 24.

Operational Risk is one of the major risks that the Bank faced in its day-to-day activities. This emanates primarily from its microfinance business, where the operating processes, especially collections/repayment remain people driven. The Bank has been progressively digitizing some of the processes, but these bring with it attendant challenges in Operational Risk and Information Security risk challenges. Over a period, the Bank has developed a framework for oversight of this critical activity. Aside from operational risk challenges seen in microfinance business, the Bank also is exposed to Operational risk in its other areas of activities including activities that are localized in the Corporate Office.

Three of the initiatives taken during the year were the following:

1. Enhanced State Level Heatmaps to record operational risk originating from the Bank's business in each of the states. Historically, the Bank has had a process of granular operational risk management through a scorecard matrix introduced at inception. Since the Bank has a repository of historical data from this exercise, the Bank is now

leveraging outputs from an internal Data Science and Decision Management (DSDM) to provide granular insights on key operational risk triggers that affect the performance in each state. This analysis is presented on a M-o-M basis for corrective action, especially in states or branches where the risk triggers are recurring.

2. The Bank has developed Risk postures for all its critical business activities. This is an enhancement of the conventional RCSA process and includes, at a design level, an end-to-end capture of the transaction journey, including also regulatory implications, at each stage, if applicable. At a design level, this has been completed for all the business verticals, and the Bank is now in the process of testing the operating effectiveness of the controls that are in place. Historically, the Operational Risk team has been conducting the IFC exercise annually, in addition to having an oversight on the RCSA activity being led by the first line of defence. As such they have a repository of test samples that can be used to test the operating effectiveness.

3. Outsourcing activities and Business Continuity received additional focus during the financial year. While the Bank has an Outsourcing Framework in place, the focus hitherto has been more silo based. The transition during the year was to apprise a comprehensive risk posture of the Bank's outsourcing portfolio at an organization level. This exercise has resulted in identifying vendors that are critical to the Bank's operation, and which require greater attention from a Risk Management perspective.

4. Likewise, during the year, the Bank commenced reassessing its business impact analysis preparatory to a repeat of the comprehensive business continuity exercise. In the process, newer business such as Gold Loans, Micro LAP and others. which now form an important activity for the Bank, have been assessed. The Bank has also enhanced its business continuity policy and reviews the effectiveness of the framework at regular meetings of the BCM committee.

While the above mentioned were the key initiatives taken during the year, the Operational Risk Unit continued with its Business-as-Usual activities which included process reviews, UAT testing including review of BRD and FSD documents, oversight of RCSA, monitoring of Key Risk Indicators both at an organizational level and at select functional level. Significantly, as required by regulation, the Bank has developed Key Risk Indicators for its Digital payment activity, the results of which are monitored at ORMC.

The Operation Risk unit was also tasked with preparation of an Operational Risk Index (ORI), following the two major fraud incidents arising from violation of field process in Micro Banking. This Index which includes Operational Risk Parameters that can affect the Micro Banking business at a branch, is compiled at monthly intervals and the data is shared with Internal Audit Team and provides leading indicators for the Internal Audit business.

Loss Data Management is in place to record material incidents and learnings from errors and strengthening existing controls. Incidents are recorded as operational loss and near miss events. This is followed by a Root Cause Analysis (RCA) for critical incidents. The process which used to be manual is in the final stages of automation, with the incident reporting module having moved to UAT by the year end.

The Bank has created a separate General Ledger Code (GLC) to record losses (separate for fraud and non-fraud) on account of these incidents, and these are reported to the ORMC & Board at regular intervals.

The incident reporting process enables creation of loss database as per Basel definitions. The activities broadly include the following:

- Reconciliation of General Ledgers (GL) to operational loss as recorded by ORMD
- Root Cause Analysis (RCA) of critical events
- Quarterly loss data submission to ORMC

Loss Dashboard for YTD FY 24-25 (as on Mar'25)[19]:

Event Type	Count of Incidents		Loss in lakhs			
	YTD Mar'24	YTD Mar'25	YTD Mar'25			YTD Mar'24
	Total	Total	Gross	Net	Ops Loss	Ops Loss
Business Disruption and Systems Failures	379	248	₹ 10.10	₹ 4.81	₹ 3.73	₹ 20.27
Clients, Products, and Business Practice	4	13	₹ 2.39	₹ 0.91	₹ 0.74	₹ 0.03
Damage to Physical Assets	8	35	₹ 0.00	₹ 0.00	₹ 0.00	₹ 0.00
Employment Practices and Workplace Safety	14	22	₹ 0.08	₹ 0.08	₹ 0.08	₹ 0.00
Execution, Delivery, and Process Management	2,024	2,115	₹ 132.98	₹ 54.84	₹ 42.69	₹ 57.00
External Fraud	295	287	₹ 210.21	₹ 92.70	₹ 39.98	₹ 319.33
Internal Fraud	267	492	₹ 467.99	₹ 236.82	₹ 161.97	₹ 0.13
Total	2,991	3,212	₹ 823.74	₹ 390.16	₹ 249.17	₹ 396.76

The Ops Loss Recovery done as on date (31st Mar'25) pertaining to Operational Losses booked in previous financial years is Rs. 60.03 Lakh.

User Access reviews are conducted for critical applications to ensure that access and role matrix are well defined, and that access is commensurate with the responsibility assigned. In FY'25, user access review was performed for Critical applications which are used by the Bank as a part of Semi-annual review and findings & recommendations were shared with respective stake holders for initiating corrective action.

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19 *>Gross loss refers to total amount involved in the reported incidents, Net loss refers to loss which got netted off post recoveries and Operational loss refer to the actual loss booked in Operational loss GL (Fraud & Non-fraud) in case of unsuccessful recovery efforts.*
> Out of the 3,212 incidents reported in YTD Mar'25, 1,651 (~50%) were from "Cash Excess" and "Cash Shortage", owing to inclusion of all incidents reported, irrespective of amount.

Exceptions Handling Mechanism is an initiative, which was initiated which commenced from July 2020. In Q1 FY'25, the existing list of exception reports was revamped with a change in frequency of monitoring from Quarterly to Daily/Monthly which will help to act on a priority basis. Observations identified in exception reports during the monitoring activity till the month of March 2025 have been taken up with respective stakeholders for discussing the gaps observed to undertake appropriate corrective actions.

Internal Financial Control (IFC) testing: This is an annual exercise and carried out by ORM Unit as required under Companies Act. During the year, IFC testing was completed for 25 identified departments including ELC(Entity level Controls) and the results of this evaluation were presented to ORMC, RMCB to update them on effectiveness of the internal controls of the Bank and take guidance. These results are also shared with the Bank's statutory auditor to provide insight on adequacy and effectiveness of the controls in the Bank.

Information Security Risk:

The Information Security Management Committee is tasked with managing and monitoring Key Risks Indicators and Key Performance Indicators, Third Party Risk Assessments (TPA), Security Project Management, managing and monitoring the vulnerability assessment and penetration testing program of the Bank, managing the Bank's ISMS (Information Systems Management Standard), regulatory and statutory compliances, formulating policies, processes and procedures relating to information security, risk assessments etc. The Security Operations – (as known as Blue team) is tasked with managing the Security Operations Centre (SOC). The key activities of SOC include and are not limited to log monitoring, threat intelligence, incident management, evaluating the effectiveness of security devices, etc.

The Red Team – comprised of ethical hackers whose primary responsibility is to simulate and mount attacks similar to what a malicious attacker would do in a real-world scenario, which s serves two purposes:

- Assess the effectiveness of and strengthen the Blue team.
- Evaluate the security of the infrastructure from an attacker's viewpoint; and
- Identify these vulnerabilities and plug in gaps before the same can be taken advantage of.

11. Table DF-9: Interest Rate Risk in the Banking Book (IRRBB)

11.1 Qualitative Disclosures

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of a bank's banking book as a consequence of movement in interest rates. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL). The Bank has identified the risks associated with 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:

- Earnings at risk (Traditional Gap Analysis): The impact of change in interest rates on net interest income is analysed under this approach and calculated under yield curve approach. Under this approach a parallel shift of 200 bps is assumed both in assets and liabilities.
- 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 bps is assumed for calculating the impact on economic value of equity. Additionally, the Bank has also performed steepening of yield curve wherein a change in 100 bps was considered linearly between 15-day and over 25-year maturities and using an inversion of the yield curve wherein 1-year rates were increased by 250 bps and 10-year rates were decreased by 100 bps. Such shocks are monitored regularly to assess the impact of interest risk on the Bank's book and its potential impact on the Bank's business projections. These scenarios are as per the RBI guidelines on stress testing dated 02 Dec 2013.
- The Bank has also undertaken various simulations to understand the impact of reduction in the valuation of Housing portfolio on account of rate hikes.
- As a risk measurement tool, the Bank has developed an IRRVaR model to aid in applying a Pillar II capital charge under ICAAP under pre-specified breaches to internal limits.

11.2 Qualitative Disclosures

11.2.1 Earnings at Risk (Earnings Perspective) — Rs. in Lakh

Interest Rate Risk in the Banking Book (IRRBB)			
Sl. No.	**Country**	**Interest Rate Shock**	
		+200 bps shock	**-200 bps shock**
1	India	**-3,764**	**3,764**
2	Overseas	-	**-**
	Total	**-3,764**	**3,764**

11.2.2 Economic Value Perspective (MDG Approach) — Rs. in Lakh

Category	Items	Amount
A	Computation of Aggregate RSA	44,52,940
B	Computation of Aggregate RSL	40,47,585
C	Weighted Avg. MD of RSL across all currencies	0.8200
D	Weighted Avg. MD of RSA across all currencies	1.5600
E	Modified Duration Gap (MDG)	0.8146
F	Change in MVE as % of equity for 200 bps change in interest rate	12.84%
G	**Change in MVE in absolute terms**	**72,562**

12.2.3. Economic Value Perspective (Steeping of Yield Curve)

The Bank calculated the change in MVE using steepening of yield curve wherein a change of 100 basis points was considered linearly between 15-day and over 25-year maturities. Change in MVE under this scenario was (Rs.28,231 lakh).

12.2.4. Economic Value Perspective (Inversion of Yield Curve)

The Bank calculated the change in MVE using Inversion of yield curve wherein one -year rate was increased by 250 basis points, and 10-year rate was decreased by 100 basis points. Change in MVE under this scenario was (Rs.8,764 lakh).

12. Table DF-10: General Disclosure for Exposures Related to Counterparty Credit Risk:

NA

13. Table DF-11: Composition of Capital

Basel III common disclosure template to be used from March 31, 2017

(Rs in Million)

Common Equity Tier 1 capital: instruments and reserves			Ref No
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	19,350	
2	Retained Earnings	40,696	
3	Accumulated other comprehensive income (and other reserves)	-	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**60,046**	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential Value Adjustments		
8	Goodwill (net of related tax liability)		
9	Intangibles (net of related tax liability)	1,526	
10	Deferred Tax Assets		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gain and losses due to change in own credit risk on fair value liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)		
17	Reciprocal cross holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory		

	consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	2,212	
22	Amount exceeding the 15% threshold		
23	*of which: significant investments in the common stock of financial entities*		
24	*of which: mortgage servicing rights*		
25	*of which: deferred tax assets arising from temporary differences*		
26	National specific regulatory adjustments(26a+26b+26c+26d)		
26a	of which: Investments in the equity capital of unconsolidated insurance subsidiaries		
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries261		
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank262		
26d	of which: Unrealised profits arising because of transfer of loans		
26e	of which: deductions applicable on account of SRs guaranteed by the Government of India		
26f	of which: Intra-group exposures beyond permissible limits		
26g	of which: Net unrealised gains arising on fair valuation of Level 3 financial instruments recognised in the Profit and Loss Account or in the AFS-Reserve		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	3	
28	**Total regulatory adjustments to Common equity Tier 1**		
29	**Common Equity Tier 1 capital (CET1)**		
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)		
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		

34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 capital before regulatory adjustments**		
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal crossholdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	National specific regulatory adjustments (41a+41b)		
41a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries		
41b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 capital**		
44	**Additional Tier1 Capital (AT1)**		
45	**Tier 1 Capital (T1 = CET1 + AT1) (29 + 44)**		
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,800	
47	Directly issued capital instruments subject to phase out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Provisions	2,715	
51	**Tier 2 capital before regulatory adjustments**	**4,515**	
	Tier 2 capital: regulatory adjustments		
52	Investment in own Tier 2 instruments		
53	Reciprocal crossholdings in Tier 2 instruments		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank		

	does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments265 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments (56a+56b)		
56a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries		
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank		
57	**Total regulatory adjustments to Tier 2 capital**		
58	**Tier 2 Capital (T2)**	4,515	
59	**Total Capital (TC = T1 + T2) (45 + 58)**	60,617	
60	**Total Risk Weight Assets (60a + 60b + 60c))**	2,62,401	
60a	*of which: total credit risk weighted assets*	2,62,401	
60b	*of which: total market risk weighted assets*		
60c	*of which: total operational risk weighted assets*		
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	21.38	
62	Tier 1 (as a percentage of risk weighted assets)	21.38	
63	Total capital (as a percentage of risk weighted assets)	23.10	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus higher of G-SIB buffer requirement and D-SIB buffer requirement, expressed as a percentage of risk weighted assets)		
65	of which: capital conservation buffer requirement		
66	of which: bank specific countercyclical buffer requirement		
67	of which: higher of G-SIB and D-SIB buffer requirement		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)		
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	6	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.5	
71	National total capital minimum ratio (if different from Basel III minimum)	15	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities		
73	Significant investments in the common stock of financial entities		
74	Mortgage servicing rights (net of related tax liability)		

75	Deferred tax assets arising from temporary differences (net of related tax liability)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		
77	Cap on inclusion of provisions in Tier 2 under standardised approach		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings – based approach		

14. *Table DF-12: Composition of Capital - Reconciliation Requirements:*
NA

15. *Table DF-13: Main Features of Regulatory Capital Instruments*

15.1 Tier I capital

The Bank has an authorized capital of Rs. 2,62,500 lakh in the form of Common Equity qualifying as Tier I capital. As at March 31, 2025, the Bank had an issued, subscribed and paid-up equity capital of Rs. 1,93,500 lakh, having 19,35,00,36,43 shares of face value Rs.10 each.

The licensing guidelines for SFBs permit the aggregate foreign investment in a private sector bank from all sources up to a maximum of 74% of the paid-up capital (automatic up to 49% and approval route beyond 49% to 74%). As foreign shareholding in the Bank was 25.11% comprising of (a) Foreign Portfolio investors (FPI), (b) Non-Residential Indians (NRI) and (c) Foreign Direct Investments (FDI) as at March 31, 2025, the Bank was compliant with RBI guidelines on SFBs.

Promoter contribution[20]:

The Bank is a 100% publicly held entity with no identified Promoter as at reporting date. The shareholding pattern of the Bank as at March 31, 2025, is as under:

Category of the Shareholder	No. of shares held	% shareholding
Mutual Funds	9,14,64,010	4.73
Alternate Investment Funds (AIF)	5,08,10,955	2.63
Foreign Portfolio Investors (FPIs)	27,72,18,941	14.33
Foreign Direct Investments (FDIs)	10,02,56,456	5.18
Resident Individual/Hindu Undivided Family (HUF)	1,14,06,82,589	58.95

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

Others*	27,45,70,692	14.18
Total	**1,93,50,03,643**	**100**

**Since Directors and Key Managerial Personnel are other categories, the same are included in Others and not in Resident Individuals.*

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

Sl. No.	Instrument	Whether Tier I or II	Amount (Rs. in Lakh)
1	Equity[21]	Common Equity Tier 1 (CET 1)	1,93,500
2	Subordinated Debt Instruments	Tier II	30,000
	Total		**2,23,500**

<u>Tier II Capital: Subordinated Debt Instrument</u>

As per specific directions received from the Regulator[22], the Bank can issue Tier II capital instruments in compliance to either NCAF or Basel III guidelines of RBI. As on March 31, 2025, following are the Tier II Instruments raised by the Bank.

Capital	Description of the Security	Issue Amount (Rs. in Lakh)	Issue date	Date of Redemption	Contractual Dividend rate (on fixed rate basis)
Tier II – Subordinated Debt	rated, unlisted, unsecured, transferable, redeemable, fully paid up, NCDs	22,500	August 26, 2022	April 26, 2028	11.95% p.a.
		7,500	September 09, 2022[23]	April 26, 2028	11.95% p.a.
Total		30,000	-	-	-

<u>Dividend policy</u>

The Bank has formulated the Dividend Distribution Policy in compliance with the provisions of Banking Regulation Act, 1949 and Guidelines/circulars issued by RBI and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). The objective of the Policy is to appropriately reward shareholders through dividends for reposing their confidence in Bank while retaining the capital required for supporting future growth. The payment of dividend is also subject to conditions as prescribed by RBI issued vide RBI/2004-05/451 DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005.

Disclosure template for main features of regulatory capital instruments

[21] Issued and Paid-up equity capital
[22] RBI communication to the Bank vide email dated December 13,2017
[23] Deemed Allotment Date: August 26, 2022

Sr. No.	Particulars	Equity Shares	NCD
1	Issuer	Ujjivan Small Finance Bank Limited	Ujjivan Small Finance Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: INE551W01018	INE551W08013
3	Governing law(s) of the instrument	Applicable Indian Statutes and regulatory requirements	Applicable Indian Statutes & Regulatory requirements RBI's "Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF)" dated July 1, 2015
	Regulatory treatment		
4	Transitional Basel III rules	Common equity Tier 1	Tier II Capital
5	Post-transitional Basel III rules	Common equity Tier 1	Tier II Capital
6	Eligible at solo/group/ group & solo	Solo	Solo
7	Instrument type	Common Shares	Subordinated, rated, unlisted, unsecured, transferable, redeemable, fully paid up, non-convertible debentures
8	Amount recognised in regulatory capital	Rs. 1,93,500.36 Lakh	Rs. 30,000 lakh
9	Par value of instrument	Rs 10/-	Rs 1,00,000/-
10	Accounting classification	Capital	Capital
11	Original date of issuance	• Varied[24]	• August 26, 2022- Rs.22,500 lakh • September 09, 2022 – Rs.7,500 lakh
12	Perpetual or dated	Perpetual	dated
13	Original maturity date	No Maturity date	April 26, 2028

[24] For FY2024-25, 33,56,195 shares are issued under ESOP category

14	Issuer call subject to prior supervisory approval	No	-
15	Optional call date, contingent call dates and redemption amount	NA	-
16	Subsequent call dates, if applicable	NA	-
	Coupons / dividends	Dividend	Coupons
17	Fixed or floating dividend/coupon	NA	Fixed
18	Coupon rate and any related index	NA	11.95%
19	Existence of a dividend stopper	NA	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	NA
21	Existence of step up or other incentive to redeem	No	NA
22	Noncumulative or cumulative	Non-Cumulative	NA
23	Convertible or non-convertible	NA	NA
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	NA
31	If write-down, write-down trigger(s)	NA	NA

32	If write-down, full or partial	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to the claims of all depositors, general creditors, borrowings and all capital instruments qualifying Tier II Capital instruments, perpetual debt instruments and Perpetual non-cumulative preference shares	The Debentures shall be: (a) senior to the claims of the investors in instruments eligible for inclusion in Tier I capital and Upper Tier II Capital of the Bank; and (b) subject to paragraph (a) above, subordinated to the claims of the other creditors of the Bank but shall rank pari-passu with the other Lower Tier II instruments of the Bank (whether present or future).
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

16. *Table DF-14: Full Terms and Conditions of Regulatory Capital Instruments*

Full Terms and Conditions of Equity Shares of the Bank		
Sr. No.	**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	Issue of further shares requires requisite approval from the Board (includes duly authorised Board Committee) and the Shareholders of the Bank

Subordinated Debt Instruments:

Terms and Conditions of NCDs of the Bank		
Sr. No.	**Particulars**	**Full Terms and Conditions**
1.	Type of Instrument	Non-Convertible Debentures (Subordinated debt)
2.	Seniority	The Bond shall be: • senior to the claims of the investors in instruments eligible for inclusion in Tier I capital and Upper Tier II Capital of the Bank; and • subject to paragraph (a) above, subordinated to the claims of the other creditors of the Bank but shall rank pari passu with the other Lower Tier II instruments of the Bank (whether present or future).
3.	Maturity	April26, 2028. Bullet redemption at par, at maturity
4.	Listing	Unlisted
5.	Accounting Classification	The paid-up amount is classified as Borrowings in Bank’s Balance Sheet.
6.	Approval for Issuance	Once the shareholders’ approval is received for issue of capital, NCDs are issued only with approval given by Board of Directors/ Board Approved Committee
7.	Coupon Type	Fixed
8.	Coupon Rate	11.95% p.a.
9.	Coupon Payment Frequency	Monthly with final Coupon Payment Date being the Maturity Date

17. Table DF – 15: Disclosure Requirements for Remuneration

17.1 <u>Qualitative Disclosures</u>

17.1.1 **Information relating to the bodies that oversee remuneration.**

Name: Nomination and Remuneration Committee (NRC)

Composition of Nomination and Remuneration Committee as on March 31, 2025:

S. No.	Name of director	Designation/Category
1.	Ms. Anita Ramachandran	Chairperson -Independent Director
2.	Mr. Banavar Anantharamaiah Prabhakar	Member-Independent Director
3.	Mr. Ravichandran Venkataraman	Member -Independent Director
4.	Mr. Rajesh Kumar Jogi	Member - Independent Director

Following are the main terms of reference of the Committee:

- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees.

  The NRC, while formulating the above policy, ensures that:

  a. The level and composition of remuneration be reasonable and sufficient to attract, retain and motivate talented directors required to run the Bank successfully.
  b. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  c. Remuneration to directors, Key Management Personnel (KMP) and senior management involving a balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the working of the Bank and its goals.
- Formulating criteria for evaluation of performance of independent directors and the Board of Directors.
- To ensure 'fit and proper' status of proposed/ existing Directors.
- Devising a policy on diversity of Board of Directors
- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance.
- Make appropriate disclosures of the remuneration policy and the evaluation criteria in the annual report.
- Analysing, monitoring and reviewing various human resource and compensation matters.
- Determining the Bank's policy on specific remuneration packages for executive directors

including pension rights and any compensation payment and determining remuneration packages of such directors.

- Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component.
- Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- Recommending to the Board, all remuneration, in whatever form, payable to senior management.
- Administering, monitoring and formulating detailed terms and conditions of the Employees' Stock Option Scheme (ESOP) of the Bank, inter-alia, including the following:
    a. Determining the eligibility of employees
    b. The quantum of option to be granted under the Employees' Stock Option Scheme per Employee and in aggregate.
    c. The exercise price of the option granted.
    d. The conditions under which option may vest in employee and may lapse in case of termination of employment for misconduct.
    e. The exercise period within which the employee should exercise the option, and that option would lapse on failure to exercise the option within the exercise period.
    f. The specified time period within which the employee shall exercise the vested option in the event of termination or resignation of an employee.
    g. The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period.
    h. Re-pricing of the options which are not exercised, whether they have been vested if stock option rendered unattractive due to fall in the Market Price of the Shares
    i. Formulating and implementing the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the Compensation Committee
    j. The number and the price of stock option shall be adjusted in a manner such that total value of the Option to the Employee remains the same after the Corporate Action
    k. For this purpose, global best practices in this area including the procedures followed by the derivative markets in India and abroad may be considered.
    l. The Vesting Period and the life of the option shall be left unaltered as far as possible to protect the rights of the Employee who is granted such option.
    m. The grant, vest and exercise of option in case of Employees who are on long leave.
    n. Allow exercise of unvested options on such terms and conditions as it may deem fit.
    o. The procedure for cashless exercise of options

p. Forfeiture/ cancellation of options granted.
q. Framing of suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, by the ESOP trust, the Bank and its employees, as applicable.
r. All other issues incidental to the implementation of Employees' Stock Option Scheme
s. Construing and interpreting the Plan and any agreements defining the rights and obligations of the Bank and eligible employees under the Plan, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Plan
t. Administering, monitoring and formulating detailed terms and conditions of the Employee Stock Purchase Scheme of the Bank

- Conducting due diligence as to the credentials of any director before his or her appointment/ re-appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI.
- 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.
- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- To develop a succession plan for the Board and to regularly review the plan.
- To approve Job descriptions and Key Responsibility Areas (KRAs) of Senior Managers and Business Line Managers on an annual basis.
- To review Performance of the senior/business line managers by NRC on an annual basis.
- 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.
- To recommend to the board, all remuneration, in whatever form, payable to senior management.
- Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:
- The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
- The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
- Carrying out any other function as is mandated by the Board from time to time and / or enforced/mandated by any statutory notification, amendment or modification, as may be

applicable.

- Review regularly and approve the Bank's program for executive and employee development.
- Review and implement the various HR policies and manual of the Bank.
- Develop, review and approve the principles guiding the Bank's executive compensation philosophies.
- 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.
- Performing such other functions as may be necessary or appropriate for the performance of its duties.

17.1.2 External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process: NA.

17.1.3 A description of the scope of the Bank's remuneration policy (e.g.: 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 in the Bank as on Mar 31, 2025, was 24,374.

B. Information relating to the design and structure of remuneration processes:

- ➢ An overview of the key features and objectives of remuneration policy.

  The Compensation Policy and Nomination & Remuneration Policy has been laid out keeping the following perspectives into considerations.
- ➢ Compensation principles support the Bank in achieving its mission of providing a full range of financial services to the economically active poor who are not adequately served (unserved and underserved) by financial institutions. This policy also supports

the Bank to attract and retain talent and skills required to consolidate the organization's purpose and ideology.

- The pay structure and amounts always conform to applicable Income Tax and other similar statutes.
- All practices of the Bank comply with applicable labour laws.
- The pay structure should be standardized for a level of employees.
- Elements eligible for tax exemption may be introduced at appropriate levels to enable employees take applicable tax breaks. Amounts related to certain benefits may undergo change due to change in grade/ roles/ function/ state/ region in the organization.
- The compensation structure shall be easy to understand for all levels of employees.
- The compensation policy is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.
- The Bank pays the Independent Directors remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board and, if required, approved by the Shareholders from time to time.

- 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.

  The following were the changes made to the remuneration policy.

Variable Pay

- Instead of a separate Bonus Scheme, the key principles shall be embedded into the compensation policy:
- The Bank shall announce the payment of bonus, as suitable. Payment of variable pay is not guaranteed.
- The pay-out will be made as a lump-sum amount and not deferred over 3 years for all employees, except the employees identified as Material Risk Takers who will be paid 1/3rd in each year over 3 years.
- Management Discretion - If there are significant developments in the year of payment (internal or external), management shall have leeway to announce a decision about bonus payment.

- **A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.**

The Bank periodically benchmarks its remuneration practices against the market. Compensation ranges are in alignment to market pay which 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 Management Committee of the Board (RMCB) ensuring due independence. A similar process is adopted for compliance unit employees, with oversight at Audit Committee of the Board.

17.1.4 Description of the ways in which current and future risks are considered in the remuneration processes.

Structurally, the Control functions such as Compliance, Risk and Vigilance are independent of business functions and each other, thereby ensuring independent oversight from various aspects on the business functions. The Bank ensures that staff engaged in financial & risk control are independent, have appropriate authority, and are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the firm.

17.1.5 Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.

- A discussion of how amounts of individual remuneration are linked to the Bank wide and individual performance.
- The compensation policy is designed to promote meritocracy within the Bank i.e. other things being equal, performers in each role are expected to earn more than his/her peer group.
    - The Bank shall, from time to time benchmark its compensation practices against identified market participants to define its pay structure and pay levels.
    - The merit and increments are finalized and approved by the Nomination and Remuneration Committee (NRC) at annual intervals, basis organization's budgets and accomplishments as well as market reality.
    - The Bank believes in paying its employees in an equitable and fair manner basis the incumbent's Role, Personal Profile (Education/Experience etc.) as well as Performance on the Job.

Employees rated "Below Expectations" shall not be provided any increments, unless statutorily required.

17.1.6 A discussion of the measures the Bank will, in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining 'weak' performance metrics.

The Bank reviews metrics of all business units on a periodic basis and makes necessary changes to metrics to ensure satisfaction with the defined metrics and performance business outcomes across the stakeholder spectrum including investors, customers, regulator and employees. The Bank, particularly at Corporate and senior levels takes a balanced approach to performance management. High performance of an individual/ department is dependant not only on delivery of business metrics but also achievements of control functions.

For e.g.: over-achievement of business targets would not translate into a high-performance rating if there are significant issues with portfolio quality. Cost of acquisition, both in short and long term are typically evaluated to ensure healthy bottom-line.

17.1.7 A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law)

The Bank shall announce payment of cash variable pay as suitable. Discretion is typically applied related to staggered pay-out in case large pay-outs, particularly for functions like Credit and Risk. Payment is prorated for employees who have worked for part of the year at the Bank. If there are significant developments in the year of payment (internal or external), management shall have leeway to announce a decision about pay-outs.
The Bank believes in the philosophy of collective ownership by its employees. Thus, ESOPs of the Bank are distributed amongst employee's, basis their criticality and performance from time to time, at the discretion of the management. Stock option schemes at the Bank vests 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 4 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.
Directors, if appointed/ Material Risk Takers/ other employees, as planned by the Bank/ or the relevant line of business, towards achievements of the Banks objectives in any year, the deferred compensation shall be subjected to Malus/Clawback arrangements.

17.1.8 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:

<u>**Cash Variable Pay**</u>

- Statutory Bonus
- Performance Pay – Performance Bonus and Monthly Variable Pay
- 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.
Monthly Variable Pay: Employees in the Sales function, directly responsible for revenue generation shall be covered under the Monthly Variable Pay, if meeting the criteria of the respective scheme. Typically, some of the entry level roles and up to two or three levels of supervision thereof shall be covered.
Performance Bonus: All employees who are not a part of any Monthly Variable Pay but part of the year end performance review will be covered under the Performance Bonus Plan the Bank. However, the actual pay-out of performance bonus shall be paid only to employees who have met the set criteria. The Bank shall announce the payment of bonus, as suitable year on

year. If there are significant developments in the year of payment (internal or external), management shall have leeway to announce a decision about bonus payment.

Rewards & Recognition: The Bank 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, seven and ten yrs. of completion of service with the Bank), Functional R&R Schemes; Organizational Rewards Schemes such as: Service Champion; Process Excellence; Customer Connect Awards; Above and Beyond; etc. The EDGE (Executive Development for Growth and Excellence) programme is aimed at identifying high performers and assessing their potential for future leadership roles at Ujjivan. A mix of behavioural assessments, blended training & development journey and IDPs are deployed to make the identified individuals (EDGE selects) ready for future leadership roles.

Non-cash Variable Pay

The Bank believes in the philosophy of collective ownership by its employees. Thus, ESOPs of the Bank are distributed amongst employee's basis their criticality and performance from time to time, at the discretion of the management. Stock options are granted based on a combination of parameters such as tenure and/or employees' performance. CSARs (Cash-settled Stock Appreciation Rights) issued as part of non-cash variable pay.

17.2 Quantitative Disclosures

Sl. No	Quantitative Disclosures (Covers only Whole Time Directors/ CEO/Other Risk Takers[25])	Numbers
1	Number of meetings held by the Nomination and Remuneration Committee during the second quarter and remuneration paid to its members.	**Total Meetings Held till Q4 FY 2024-25:** 6 **Total sitting fee paid:** Rs. 28,00,000
2	Number of employees having received a variable remuneration award during the year.	Managing Director & CEO, Executive Director, Business Head-Micro Banking, Chief Financial Officer, Chief Credit Officer, Chief Operating Officer. No. of Employees-6 Nos.
3	Number and total amount of sign-on awards made during the financial year.	25,000,000 worth of ESOP issued as Sign on award. 28,72,400 lakh shares allocated for this.
4	Details of guaranteed bonus, if any, paid as joining / sign on bonus.	NIL

[25] Key material risk takers are internally defined as mentioned in row 2 of the above table.

5	Details of severance pay, in addition to accrued benefits, if any.	Rs. 65,000 amount paid as severance pay
6	Total amount of outstanding **deferred remuneration**, split into cash, shares and share-linked instruments and other forms.	Cash: Rs. 99,13,000 Non-Cash: Nil MD&CEO, Executive Director, Business Head-Micro Banking, Chief Operating Officer, Chief Credit Officer, Chief Financial Officer
7	Total amount of deferred remuneration paid out in the financial year.	Cash: Rs. 99,13,000 Non-Cash: Rs, 1,78,940,00 ESOP grants: 10,99,211 Shares
8	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Fixed gross: Rs. 8,26,62,000 * Variable deferred Cash: Rs. 99,13,000 **Variable noncash (ESOP): Rs. 1,78,94,000 (ESOP No. of Shares 10,99,211 granted) ***CSAR executed for Rs. 2,01,00,000(23,09,415 option considered for the same) MD&CEO, Executive Director, Business Head-Micro Banking, Chief Operating Officer, Chief Credit Officer, Chief Financial Officer
9	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Provisioned- Cash: 3,10,95,000 Non-Cash: 3,82,14,000 ESOP grants:43,90,591 shares (Approx.)
10	Total amount of reductions during the financial year due to ex- post explicit adjustments.	NIL
11	Total amount of reductions during the financial year due to ex- post implicit adjustments.	NIL

18. *Table DF–16: Equities – Disclosure for Banking Book Positions*

18.1 <u>Qualitative Disclosures</u>

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons;	The Bank had made certain investments in equity IPO for listing gains; however, the Bank does not

	have any strategic equity investments.
Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices	The Bank does not have any equity investments in banking book throughout FY 2025. All the equity IPO investments made during the year was in Held for Trading portfolio (HFT) and were exited on the day of listing.

18.2 Qualitative Disclosures

Particulars	**Status**
Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	The Bank has unquoted equity of Rs 42 lakhs under FVTPL book as on March 31, 2025. There are no other listed equity investments held by the Bank.
The types and nature of investments, including the amount that can be classified as: • Publicly traded • Privately held	There were no Publicly traded/listed equity IPO investments held as of 31 Mar 2025.
The cumulative realised gains (losses) arising from sales and liquidations in the reporting period.	The Bank has booked the gain of Rs 810 lakhs in equity IPO investments.
Total unrealised gains(losses)	There is a notional gain of Rs 32 lakhs
Total latent revaluation gains	Nil
Any amounts of the above included in Tier 1 and/or Tier 2 capital.	Nil
Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirements	The capital charge on market risk including equity is not applicable for small finance bank as of reporting period. Hence, the same has not been quantified.

19. Table DF-17: Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure Measure

Rs in Lakh

Summary comparison of accounting assets versus leverage ratio exposure measure		
	Item	**Amount**
1	Total consolidated assets as per published financial statements	47,68,915

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)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	35,462
7	Other Adjustments	-35,84,694
8	**Leverage ratio exposure**	**47,64,943**

20. Table DF-18: Leverage Ratio Common Disclosure Template

Rs. in lakh

	Table DF-18: Leverage ratio common disclosure template	
	Item	**Amount**
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	47,68,915
	Domestic Sovereign	9,01,738
	Banks in India	2,380
	Corporates	2,79,931
	Exposure to default fund contribution of CCPs	172
	Other Exposure to CCPs	
	Others	35,84,694
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-39,434
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	47,29,481
	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	-
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)**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	77,309
18	(Adjustments for conversion to credit equivalent amounts)	41,847
19	**Off-balance sheet items (sum of lines 17 and 18)**	35,462
	Capital and total exposures	
20	**Tier 1 capital**	5,61,029
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	47,64,943
	Leverage ratio	
22	**Basel III leverage ratio**	**11.77%**

Presently the contribution of Tier I capital to Total Basel II capital is 92.55%. The business model of the Bank is relatively simple with a significant portion as fund-based assets. The Leverage ratio is well above the benchmark of 4.5%.

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