



# Directors' Report

## Dear Stakeholders,

On behalf of the Board of Directors (the "Board") of Ujjivan Small Finance Bank Limited (the "Bank or Ujjivan"), it is our immense pleasure to present the 7th Annual Report of the Bank along with the Audited Financial Statements and Auditor's Report thereon for the FY 2022-23.

### OVERVIEW AND STATE OF AFFAIRS OF THE BANK

FY 2022-23 started on a strong note as the Bank had turnaround under the two "100-Day" plan successfully achieving the set objectives of (a) increasing business volumes, (b) improving asset-quality, and (c) stabilising team – senior/ mid-management. During the year, the Bank further built on to the strong platform created last year and was able to create several milestones across all parameters:

- i. Disbursement: ₹ 20,037 Crores for the FY 2022-23 crossing ₹ 20,000 Crores milestone; Q4 disbursements were at ₹ 6,001 Crores crossing the ₹ 6,000 Crores mark in a quarter
- ii. Deposits: Crossed ₹ 25,000 Crores milestone and closed the year with total deposits of ₹ 25,538 Crores. Total deposit accretion during the year was at ₹ 7,230 Crores
- iii. Asset Quality: Credit provisioning of only ₹ 18 Crores i.e. 0.08% of monthly average gross loan book
- iv. Microbanking cashless collections: 29% in Q4; highest in the industry
- v. Launched an unique mobile banking app "Hello Ujjivan" which is voice, vernacular and video based. The app targets to increase digital penetration in the non-tech savvy customer segment.
- vi. Net profit for the FY 2022-23 reached the ₹ 1,100 Crores mark- making Ujjivan the second most-profitable Small Finance Bank in the country as well as second most-profitable MFI player in the country.

During the year, the Bank continued to invest in creating a formidable platform to become a leading mass-market bank serving the underserved and unserved. These investment span across business aspects from technology and digital platforms to new products and verticals to human capital to infrastructure.

### Technology and Digital Platforms:

- Hello Ujjivan already has 97,000+ downloads, services like repeat loans will be offered in future with this
- Upgraded CRM Next to offer features and enhance customer experience
- Implementation of Tableau at various levels for better decision making

- Video KYC went live, helping us onboard new customer

### New Products & verticals:

- Micro-Lap to cater MSME small ticket size customer and graduate our micro borrowers
- Pilot of Gold Loan started to serve the needs of the customer and gain their wallet share
- Two-Wheeler loan getting ready for upscale with all systems in place
- Launched QR-code sound box to help us own customer transaction and deepen relationship
- Expanding our offering on fee-based products like Bank Guarantee, locker facilities, NPS etc

### Human Capital:

- Increase in staff count: field staff 13,077 from 12,541; others 4,793 from 4,354
- Extensive training programmes being conducted to enhance knowledge and productivity

### Infrastructure:

- Banking outlets: Restarted expanding our physical presence with banking outlets reaching 629 as of Mar'23
- Asset Centers: started opening asset centre to optimise processes and improve efficiency
- Other premises: expanded our other regional and corporate offices to accommodate growing scale

The strong performance was led by overall growth in business volumes across verticals. MicroBanking gross loan book grew 41% vs Mar'22 with disbursement up 51% as against FY 2021-22; majority of growth in disbursement was driven by customer acquisition (up 172% during the year). Customer growth highlights the fact that the Bank has been future-ready to take advantage of the changing. This growth was despite the changes in the regulatory framework towards the beginning of second-half which led to some initial technical glitches in fetching bureau data on household income/ debt. Housing segment made new highs as it crossed ₹ 3,000 Crores gross loan book early during the year. Disbursements grew 31% vs FY 2021-22 and gross loan was up 24% vs. Mar'22. During the year, the Bank made a new strategy for the MSME business and started focusing on building a balanced portfolio of short-term and long-term products. The business is currently in transition phase and will show good turnaround in the coming year. Our Institutional lending business grew 32% YoY to ₹ 1,128 Crores of gross loan book as of 31st Mar'23 driven by 28% jump in disbursement vs FY 2021-22.

During FY 2022-23, Bank's deposit book recorded 40%

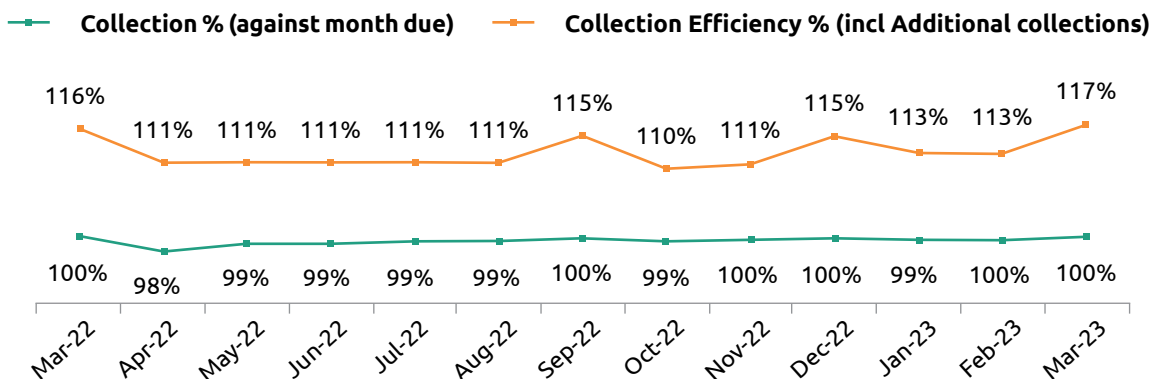
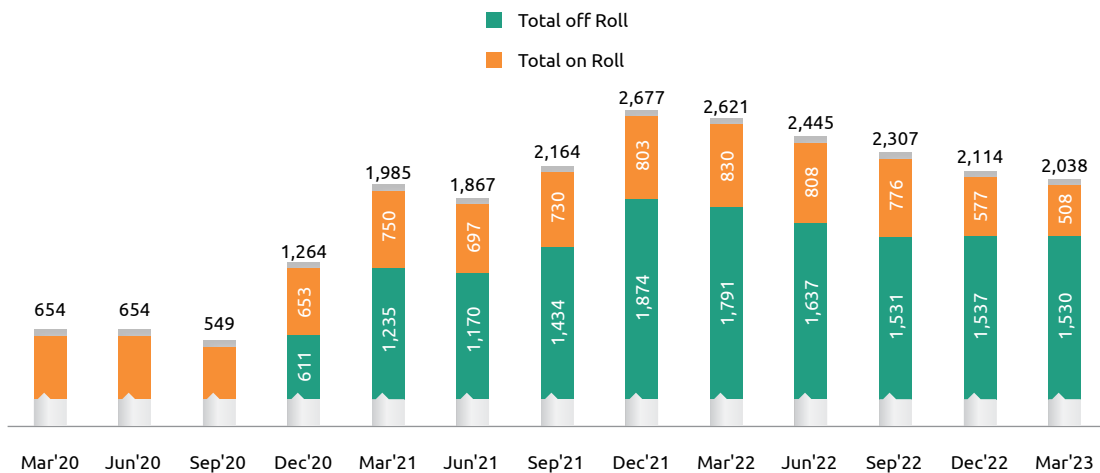
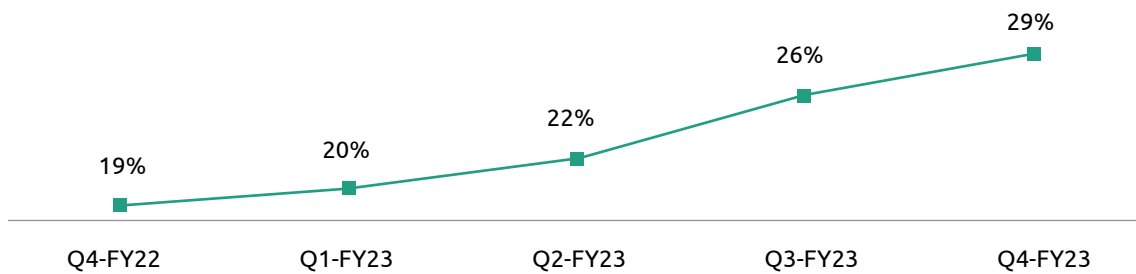
y-o-y growth driven by new retail customers. 12.9 Lac new retail deposit customers were on-boarded during the year. CASA grew by 35% y-o-y, closing at 26.4% of the total deposit book as of March 31, 2023. The Bank continues to invest in growing granular retail deposits and has been investing in various technology, digital platforms as well as human capital and infrastructure to enhance capabilities.

Collection strategy: Over last few quarters the Bank has been very diligent on collection strategy. The dynamic strategy is a mix of digital and physical infra. The physical infra is further a mix of in-house and off-roll manpower as well as multiple collection agencies. The Bank has been taking legal action to push hard bucket collections. The

efforts have been continuously yielding results in form of collections sustaining at pre-COVID levels now and every credit parameter showing consistent improvement month on month. Cash-less collections in micro lending business reached close to 30% towards the end of the year, making Ujjivan a clear industry leader in this aspect.

During the year the Bank took two interest rate hikes in the Micro lending business and also increased yields in secured business products as the REPO rates hardened during the course of the year. This, along with reducing non-performing assets, have pushed up the yields and helped the net interest margin in rising interest rate market.

CASHLESS MB COLLECTIONS





The Bank's Board comprised of 10 directors as at the end of FY 2022-23, with the MD & CEO being the Executive Director, 6 Independent Directors including 3 Women Independent Directors, 1 Non-Executive Non-Independent Director and 2 Nominee Directors.

## FINANCIAL PERFORMANCE

### Summary of Financial Performance

Particulars	(₹ in Crores)	
	FY 2022-23	FY 2021-22
Revenue from Operations	2,697.90	1,773.59
Other Income	589.19	359.89
Less: Operational Expenses	791.53	603.34
Personnel Expenses	920.25	812.60
<b>Profit/loss before Depreciation, Finance Costs, Exceptional items, Provisions and Tax Expense</b>	<b>1575.31</b>	<b>717.54</b>
Less: Depreciation/ Amortisation/ Impairment	90.28	80.44
<b>Profit /loss before Finance Costs, Exceptional items, Provisions and Tax Expense</b>	<b>1,485.03</b>	<b>637.10</b>
Less: Finance Costs	0	0
<b>Profit /loss before Provisions, Exceptional items and Tax Expense</b>	<b>1,485.03</b>	<b>637.10</b>
Less: Provisions & Contingencies	17.79	1,187.46
Add/(less): Exceptional items	0	0
<b>Profit /loss before Tax Expense</b>	<b>1,467.24</b>	<b>-550.36</b>
Less: Tax Expense (Current & Deferred)	367.32	-135.77
<b>Profit /loss for the year (1)</b>	<b>1099.92</b>	<b>-414.59</b>
<b>Total Comprehensive Income/loss (2)</b>	<b>0</b>	<b>0</b>
<b>Total (1+2)</b>	<b>1099.92</b>	<b>-414.59</b>
<b>Balance of profit /loss for earlier years</b>	<b>-72.35</b>	<b>343.62</b>
Less: Transfer to Debenture Redemption Reserve	0	0
Less: Transfer to Statutory Reserves	274.98	0
Less: Transfer to investment Fluctuation Reserve	46.79	0
Less: Transfer to Capital Reserves	0	1.40
Less: Dividend paid on Equity Shares	146.59	0
Less: Dividend paid on Preference Shares	22.00	0
Less: Dividend Distribution Tax	0	0
Less: Investment Reserve Account	0.34	0
Less: Transfer to Special Reserve U/S 36 (1)(viii) Income tax Act 1961	30.00	0
<b>Balance carried forward</b>	<b>506.87</b>	<b>72.35</b>

### Key Ratios: (Comparative ratios are annualised)

Particulars	FY 2022-23	FY 2021-22
Interest income as a percentage to working funds	15.28%	13.81%
Non-interest income as a percentage to working funds	2.16%	1.54%
Operating profit as a percentage to working funds	5.45%	2.90%
Business (deposits plus gross advances) per employee (₹ in thousands)	23,906	18,099
Profit per employee (₹ in thousands)	632.78	(252.63)
EPS (Basic) (₹)	5.82	(2.40)
EPS (Diluted) (₹)	5.81	(2.40)

## TRANSFER TO RESERVES

### A. Statutory Reserve

The Bank has made an appropriation of ₹ 27,49,804 ('000) to the statutory reserve for the year ended March 31, 2023 out of profits, to the Statutory Reserve, pursuant to the requirements of section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

### B. Investment Fluctuation Reserve ("IFR")

During the year ended March 31, 2023, the Bank has made an appropriation of ₹ 4,67,852 ( '000) to IFR from

the profit and loss account so as to reach to the figure of 2% of its HFT and AFS Investment portfolio.

## DIVIDEND

The Bank has formulated and implemented a Dividend Distribution Policy pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and RBI Requirements with an objective to appropriately reward shareholders through dividends for reposing their confidence in the

Bank while retaining the capital required for supporting future business growth. The said Policy is available on the website of the Bank at [www.ujjivansfb.in/corporate-governance-policies](http://www.ujjivansfb.in/corporate-governance-policies).

#### A. Equity Dividend

In accordance with its Dividend Distribution Policy, the Board of Directors of the Bank in its meeting held on February 21, 2023 has declared an interim dividend of ₹ 0.75 (7.5%) per equity share for the FY 2022-23. The record date for the purpose of determining the members eligible to receive the interim dividend was fixed as March 01, 2023 and the interim dividend amount of ₹ 146.59 Crores (before TDS) was distributed to the equity shareholders on March 08, 2023.

Further, the Board of Directors in its meeting held on May 11, 2023 has recommended a final equity dividend at the rate of ₹ 0.50 per share (5%) for the FY 2022-23. The final dividend will be subject to the approval by the members of the Bank at its ensuing 7th Annual General Meeting ("AGM").

#### B. Preference Dividend

In accordance with the term sheet executed for the issuance of perpetual non-cumulative preference shares, the Board of Directors of the Bank in its meeting held on February 21, 2023 had declared an interim preference dividend of Rs 0.55 (5.5%) per preference share which was paid to the preference shareholder on March 06, 2023. Further, the Board in its meeting held on May 11, 2023, has approved the balance preference dividend of ₹ 0.55 (5.5%) for the FY 2022-23 which was paid to the preference shareholder on May 16, 2023.

The aforesaid equity dividend and preference dividend translates to a dividend pay-out ratio of 24.21% for the FY22-23.

#### CHANGE IN THE NATURE OF BUSINESS

There was no change in the nature of business of the Bank during FY 2022-23.

#### MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments have occurred after the closure of the FY 2022-23 till the date of this report, which might have affected the financial position of the Bank.

#### REVISION OF FINANCIAL STATEMENT OR THE DIRECTORS' REPORT

The Bank has not revised its financial statements or the directors' report in respect of any of the three preceding financial years either voluntarily or pursuant to the order of any judicial authority.

#### GENERAL INFORMATION

Detailed overview of the banking industry and important changes therein, external environment and economic outlook have been elaborated in the Management and Discussion Analysis Report which forms part of the Annual Report of the Bank for the FY 2022-23.

#### CAPITAL AND DEBT STRUCTURE

##### A. CHANGES IN CAPITAL STRUCTURE

There were no changes in the Authorised Capital of the Bank during the FY 2022-23. As on March 31, 2023, the Authorised Capital of the Bank comprises of the following:

- 2,30,00,00,000 Equity Shares of ₹ 10 each aggregating to ₹ 2,300 Crores
- 20,00,00,000 11% Preference Shares (perpetual, non-convertible, noncumulative) of ₹ 10 each aggregating to ₹ 200 Crores

Following are details of increase in the paid-up capital during the Financial Year 2022-23:

Sr	Particulars	Amount (in ₹)
1	Paid-up Capital at the beginning of the Financial Year	19,28,31,42,050
2	Equity Shares issued and allotted by way of Qualified Institutions Placement (QIP) on September 15, 2022	2,26,19,04,760
3	Equity Shares allotted under the ESOP Scheme 2019	20,19,440
4	Paid-up Capital at the end of the Financial Year	21,54,70,66,250

##### B. ISSUE OF EQUITY SHARES OR OTHER CONVERTIBLE SECURITIES

During the FY 2022-23, following equity shares were issued and allotted:

Sr	Particulars	No. of shares	Total Nominal Price (in ₹)	Total Issue Price including premium (in ₹)
1.	Equity Shares issued and allotted by way of Qualified Institutions Placement (QIP) on September 15, 2022	22,61,90,476	2,26,19,04,760	4,74,99,99,996.00
2.	Equity Shares allotted under the ESOP Scheme 2019 on February 09, 2023	87,814	8,78,140	17,51,889.30
3.	Equity Shares allotted under the ESOP Scheme 2019 on March 14, 2023	1,14,130	11,41,300	22,65,496.80



### Qualified Institutions Placement

The Bank in order to meet the requirement of Minimum Public Shareholding as per the Regulation 38 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Rule 19(2) of the Securities Contracts (Regulation) Rules, 1957 and other applicable circulars, sought shareholders' approval via Notice of Postal Ballot dated February 21, 2022 "to consider and approve raising of funds and issuance of securities upto ₹ 600 Crores through Qualified Institutions Placement basis or through any other permissible mode, in one or more tranches". The aforesaid resolution was approved by the shareholders on March 26, 2022.

Basis the aforesaid approval, the Board of the Bank on September 15, 2022, approved the allotment of 22,61,90,476 Equity Shares of face value ₹ 10 each to eligible qualified institutional buyers at the issue price of ₹ 21 per Equity Share (including a premium of ₹ 11 per Equity Share) aggregating to ₹ 4,74,99,99,996 (Rupees Four Hundred Seventy-Four Crores Ninety Nine Lakhs Ninety Nine Thousands Nine Hundred Ninety Six only). Resultant to the aforesaid allotment the promoter shareholding in the Bank was brought down from 83.32% to 73.68%. As on March 31, 2023, the promoter shareholding in the Bank is 73.67%.

#### C. ISSUE OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS AND/OR SWEAT EQUITY SHARES

During the FY 2022-23, the Bank has neither issued any equity shares with differential rights nor any sweat equity shares.

#### D. EMPLOYEE STOCK OPTIONS/ SHARE BASED EMPLOYEE BENEFIT SCHEMES

The Bank has formulated and implemented ESOP 2019 Scheme and ESPS 2019 Scheme to reward the employees of the Bank, and employees of its present or future subsidiary(ies) and/or holding

company(ies), for their association and performance as well as to motivate them to contribute to the growth and profitability of the Bank.

#### ESOP 2019 Scheme:

The Bank, pursuant to the resolutions passed by the Board on January 22, 2019 and by the Members on March 29, 2019, adopted the ESOP 2019 Scheme. The Bank in its 4th Annual General Meeting held on September 02, 2020 has ratified the ESOP 2019 Scheme as required under the SEBI (Share Based Employee Benefits) Regulations, 2014. The Bank may grant an aggregate number of up to 14,40,00,000 stock options under the ESOP 2019 Scheme. Upon exercise and payment of the exercise price, the option holder will be entitled for allotment of one equity share per stock option. Accordingly, the number of equity shares that may be issued under the ESOP 2019 Scheme shall not exceed 14,40,00,000 equity shares of face value ₹ 10 each.

The ESOP 2019 Scheme is effective from March 29, 2019. The objectives of ESOP 2019 Scheme are, among others, to attract and retain employees with stock options as a compensation tool. Through ESOP 2019 Scheme, the Bank offers an opportunity of sharing the value created with those employees who have contributed or are expected to contribute to the growth and development of the Bank.

The ESOP 2019 Scheme has been framed and implemented in compliance with provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014, now SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, Companies Act, 2013 and rules made thereunder and relevant guidance notes and accounting standards.

As on March 31, 2023, 11,99,71,861 stock options have been granted by the Bank under ESOP 2019 Scheme to eligible employees of the Bank and its Holding Company.

During the FY 2022-23, following grants have been made to the eligible employees with the approval of the Nomination and Remuneration Committee of the Bank:

Sr. No	Date of grant	Number of options	Price (₹)
1.	June 08, 2022	80,685	16.70
2.	November 18, 2022	5,02,481	26.39
3.	January 27, 2023	4,73,93,431	27.5
4.	February 20, 2023	2,52,496	27.4
<b>Total</b>		<b>4,82,29,093</b>	<b>-</b>

No change has been made in the ESOP 2019 Scheme during the FY 2022-23 and following are the details of ESOP 2019 as on March 31, 2023:

Particulars	Details
Options granted and outstanding at the beginning of the year (A)	5,44,95,333
Options granted during the year (B)	4,82,29,093
Options vested during the year	83,02,994
Options exercised during the year (C)	2,23,918

Particulars	Details
The total number of shares arising as a result of exercise of options	2,01,944*
Options forfeited / lapsed during the year (D)	1,38,29,524 Note: All the lapsed options are being added back to the ESOP pool
Variation in terms of options	None
Money realised by exercise of options	4,526,550.98
Total number of options in force = (A) + (B) – (C) – (D)	88,670,984
<b>Details of options granted during the year to:</b>	
Key Managerial Personnel*	<ol style="list-style-type: none"> <li>1. Mr. Ittira Davis – MD &amp; CEO – 2,21,970 options granted on November 18, 2022</li> <li>2. Mr. Ramesh Murthy – CFO – 79,724 options granted on November 18, 2022</li> <li>3. Mr. Sanjeev Barnwal – CS – 2,20,171 options granted on January 27, 2023</li> </ol>
Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil
Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	Nil

\*21,974 options exercised in the month of March 2023 have been allotted on April 12, 2023.

The disclosures as required under Regulation 14 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 read with Circular CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 issued by SEBI are available on the website of the Bank at [www.ujjivansfb.in](http://www.ujjivansfb.in).

#### ESPS 2019 Scheme:

The Bank, pursuant to the resolutions passed by the Board on July 30, 2019 and by the Members on August 03, 2019, adopted the ESPS 2019 Scheme. The ESPS 2019 Scheme has been framed and implemented in compliance with provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014 now, SEBI (Share Based Employee Benefits & Sweat Equity) Regulations 2021, Companies Act, 2013 and rules made thereunder and relevant guidance notes and accounting standards.

The objective of the ESPS 2019 Scheme is inter-alia to reward the eligible employees of the Bank and its Holding Company for their association and performance as well as to motivate them to contribute to the growth and profitability of the Bank.

Pursuant to the ESPS 2019 Scheme, the Board is authorised to issue up to 7,20,01,840 fully paid up equity shares of the face value of ₹ 10 each with paripassu voting rights, to the eligible employees (as defined under the ESPS 2019 Scheme), in accordance with the terms and conditions as may be decided by the Nomination and Remuneration Committee of the Bank.

The ESPS 2019 Scheme was implemented under two schemes, viz. Upfront Scheme and Monthly Scheme. Under the Upfront Scheme, the employees made upfront payments to purchase the equity shares and equity shares were allotted to them while under the Monthly Scheme, the employees opened a monthly recurring deposit account and the equity shares were allotted to such employees at the end of the 12 months.

The Nomination and Remuneration Committee has been entrusted with the responsibility of administering the ESPS 2019 Scheme. As of March 31, 2023, 1,40,75,166 shares were allotted at ₹ 35 per share (including premium of ₹ 25 per share) pursuant to the exercise of options under ESPS 2019 Scheme. **However, no ESPS was granted or exercised during the FY 2022-23.**

The disclosures as required under Regulation 14 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 read with Circular CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 issued by the SEBI are available on the website of the Bank at [www.ujjivansfb.in](http://www.ujjivansfb.in).

Further as per Regulation 13 of the SEBI (Share Based Employee Benefit and Sweat Equity) Regulations, 2021, the Board of Directors have obtained the certificate from the Secretarial Auditor of the Bank, K Jayachandran, certifying that the schemes have been implemented in accordance with these regulations and in accordance with the resolution of the Bank in the general meeting. The same has been enclosed as **"Annexure - 6"** to this report.

**E. ISSUE OF DEBENTURES, BONDS OR ANY NON-CONVERTIBLE SECURITIES OR WARRANTS**

During the FY 2022-23, the Bank, pursuant to a resolution passed by its Board on June 08, 2022 considered and approved the proposal for raising funds by way of issuance of non-convertible debt securities upto ₹ 1,500 Crores (Rupees One thousand Five Hundred Crores) on a private placement basis, in

one or more tranches, within a period of 1 (one) year from the date of seeking shareholders' approval, in compliance with all applicable directions and regulations of the Reserve Bank of India, SEBI, other governmental authorities, and any other person, as may be required/applicable. The Bank through its postal ballot notice dated June 08, 2022 sought the shareholders' approval for aforesaid issue and the resolution was approved on July 12, 2022.

Pursuant to the aforesaid approval, the Bank made following allotments of Non-Convertible Debentures (NCDs) having a face value of ₹ 1,00,000 (Indian Rupees One Lakh), during the FY 2022-23:

Sr	Date of Allotment	No. of Securities Allotted	Aggregate Amount (in ₹)
1.	August 26, 2022	22,500	225,00,00,000
2.	September 09, 2022	7,500	75,00,00,000
<b>TOTAL</b>		<b>30,000</b>	<b>300,00,00,000</b>

Further, following are the details of the NCDs issued and allotted:

Sr	Particulars	Details
1.	Type of Securities	Subordinated, rated, unlisted, unsecured, transferable, redeemable, fully paid up, non-convertible debentures.
2.	Type of issuance	Private Placement
3.	Face Value	₹ 1,00,000 each
4.	Date of Maturity	April 26, 2028 ("Final Redemption Date")
5.	Coupon/Interest Offered	11.95% (eleven decimal nine five percent) per annum ("Interest Rate")
6.	Schedule of payment of Coupon/Interest	Monthly
7.	Schedule of Payment of Principal Amount	Bullet payment, on the Final Redemption Date
8.	Credit Rating	Care Ratings Limited - CARE A+; Stable (Single A Plus; Outlook: Stable)
9.	Capital Classification	Tier II Capital in accordance with the Reserve Bank of India's circular on "Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF)" dated July 01, 2015

**DILUTION OF PROMOTER'S SHAREHOLDING AND REVERSE MERGER**

Pursuant to the Guidelines for licensing of "Small Finance Banks" in the private sector issued by RBI on November 27, 2014 ("SFB Licensing Guidelines"), the Promoter of the Bank i.e. Ujjivan Financial Services Limited (UFSL) was required to reduce its shareholding in the Bank to 40% of the paid-up Equity Share capital of the Bank within a period of five years from the date of commencement of business operations by the Bank i.e. by January 31, 2022 and thereafter required to reduce its shareholding in the Bank to 30% and 26% of its paid-up Equity Share capital within a period of 10 years and 12 years, respectively, from the date of commencement of the business operations.

RBI vide its letter dated July 09, 2021 permitted the Bank to apply for the amalgamation of holding company with small finance bank, in terms of provisions of Master Direction on Amalgamation of Private Sector Banks, Directions, 2016 dated April 21, 2016, Three (3) months prior to completing five years from the date of commencement of business of small finance bank.

Further, recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate

Structure for Indian Private Sector Banks, dated October 20, 2020 and November 20, 2020 that, no intermediate sub-targets between five to 15 years may be required and that promoters may submit a dilution schedule which may be examined and approved by the RBI, were accepted by RBI without any modification vide its circular dated November 26, 2021.

Accordingly, the Bank initiated necessary steps for the reverse merger of Ujjivan Financial Services Limited with the Bank in accordance with applicable laws and guidelines. Merger of the Promoter entity with the Bank will suffice the requirement of promoter shareholding dilution.

The Board of the Bank in its meeting held on October 14, 2022, considered and approved a Scheme of Amalgamation ("Scheme") between Ujjivan Financial Services Limited (UFSL, promoter of the Bank) and the Bank and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder. The following table highlights the progress made in the Reverse Merger process during the financial year:

Sr	Process	Date
1.	Approval of the Scheme of Amalgamation by the Board of Directors of USFB and UFSL	October 14, 2022
2.	Filing of the Scheme and applications with the Stock Exchanges	October 19, 2022
3.	Filing of the Scheme with the RBI for its No-Objection Certificate	October 19, 2022
4.	Receipt of No-Objection Certificate from RBI	February 01, 2023
5.	Receipt of No-Observation Letters from the Stock Exchanges	March 09, 2023
6.	Filing of Joint Application with the Hon'ble National Company Law Tribunal (NCLT), Bengaluru Bench	March 29, 2023

The Bank now awaits the directions / orders from the Hon'ble NCLT on the next course of action including holding of meetings of various stakeholders.

### CAPITAL ADEQUACY

The Bank is subject to the Basel II Capital Adequacy guidelines (NCAF) as stipulated by RBI. The Capital to Risk Assets Ratio (CRAR) of the Bank is calculated as per the Standardised Approach (SA) for Credit Risk.

CRAR of the Bank is calculated on the basis of RBI NCAF guidelines. The CRAR of the Bank as at March 31, 2023 using Risk Weighted Assets for credit risk related exposures only, as required under the operating guidelines of RBI for Small Finance Banks, was 25.81% against a minimum requirement of 15% and Tier I capital ratio was 22.68% against the minimum requirement of 7.5%. The Bank's leverage ratio was 11.11% as against the minimum requirement of 4.5%.

### CREDIT RATING

Credit ratings assigned to Long Term Bank Facilities, Subordinated Non-Convertible Debentures and Certificate of Deposit Programme of the Bank as on March 31, 2023:

Instrument Name	Name of Credit Rating Agency	Amount (₹ In Crores)	Rating	Date of Credit Rating	Revision in the Credit Rating
Long Term Bank Facilities	CARE Ratings Limited	500.00	CARE A+; Stable	September 06, 2017	Reaffirmed on January 05, 2023
Certificate of Deposit Programme	CRISIL Ratings Limited	2500.00	CRISIL A1+	February 26, 2018	Reaffirmed on February 16, 2023
Subordinated Non-Convertible Debentures	CARE Ratings Limited	500.00	CARE A+; Stable	November 24, 2022	Reaffirmed on January 05, 2023

### TRANSFER OF UNPAID AND UNCLAIMED AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 124 & 125 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended from time to time, the dividend that remains unpaid or unclaimed for a period of seven consecutive years from the date of transfer, are required to be transferred to the Investor Education and Protection Fund (IEPF).

Being the 6th Financial Year, there were no amounts due for transfer to IEPF.

### BOARD AND KEY MANAGERIAL PERSONNEL

Following changes took place in the Board Composition during the FY 2022-23:

Sr. No	Name of the Director	Type of change	Effective Date	Remarks
1.	Ms. Sudha Suresh (Independent Director) DIN:06480567	Re-categorisation	April 01, 2022	<p><b>Reason for re-categorisation:</b></p> <p>Ms. Sudha Suresh was appointed as a Non-Executive Non-Independent Director of the Bank on August 20, 2021. After completion of three years post her resignation as a Director on the Board of the Bank's Holding Company, Ujjivan Financial Services Limited, she fulfilled all the requirements for being designated as an Independent Director.</p> <p>Therefore, she was re-categorised as an Independent Director of the Bank w.e.f. April 01, 2022. Her appointment as an Independent Director was approved by the shareholders of the Bank on March 26, 2022 through Postal Ballot process.</p> <p>In terms of Section 152 of the Companies Act, 2013, she is not liable to retire by rotation.</p>





Sr. No	Name of the Director	Type of change	Effective Date	Remarks
2.	Ms. Anita Ramachandran DIN: 00118188	Appointment	July 01, 2022	<p><b>Reason for appointment:</b></p> <p>Ms. Anita is a well-known HR expert in the country and has over 40 years of experience as a management consultant. She is also one of the first generation of women professionals to become an entrepreneur and run a highly successful HR consulting and services organisation.</p> <p>She has been an Independent Director on company Boards for the last 20 years and has in this capacity been associated with a wide range of industries. She is currently on the Board of Grasim, Metropolis Healthcare, Happiest Minds and several other companies.</p> <p>She meets the criteria of independence as prescribed under Section 149(6) of Companies Act, 2013 read with Rule 5 of Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1) (b) of SEBI Listing Regulations. She also meets the fit and proper criteria as prescribed under the applicable RBI Circular.</p> <p>Considering her qualifications, experience and expertise the Board was of the opinion that her guidance will be valuable for the Bank. Her appointment was approved by the shareholders on July 12, 2022 through Postal Ballot.</p> <p>In terms of Section 152 of the Companies Act, 2013, she is not liable to retire by rotation.</p>

The brief profiles of the Directors are available on the website of the Bank at <https://www.ujjivansfb.in/board-of-director>.

#### A. KEY MANAGERIAL PERSONNEL

As on March 31, 2023, pursuant to Section 203 of the Companies Act, 2013, Mr. Ittira Davis, Managing Director and CEO, Mr. M D Ramesh Murthy, Chief Financial Officer and Mr. Sanjeev Barnwal, Company Secretary and Compliance Officer are the Key Managerial Personnel ("KMP") of the Bank.

Following changes took place in the list of Key Managerial Personnel during the FY 2022-23:

Sr. No	Name of the KMP	Type of change	Effective Date	Remarks
1	Mr. Sanjeev Barnwal (Company Secretary & Head of Regulatory Framework)	Appointment	April 05, 2022	<p>Mr. Sanjeev Barnwal was appointed as the Company Secretary and Compliance Officer of the Bank vice Mr. Chanchal Kumar.</p> <p><b>Rationale for appointment:</b></p> <p>Mr. Sanjeev Barnwal has corporate experience of 19+ years and has been associated with Ujjivan for the last 8+ years where he has played pivotal roles in several key milestones including private equity raise, IPO &amp; listing, banking licence application and processing, Bank formation. His last role was as the Chief Executive Officer, Company Secretary and Compliance Officer of Ujjivan Financial Services Limited (holding company of the Bank). Previously, he has worked with SMC Capitals Limited, CMC Limited, Elite Stock Management Limited and SBEC Sugar Limited. Mr. Barnwal is a qualified Company Secretary and holds a degree in Law, Diploma in Business Management from ICFAI University and NCFM Compliance Officer (Corporate) Module Certification.</p> <p>His appointment was in compliance with the Section 203 of Companies Act, 2013 and rules thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.</p>

The brief profiles of the Key Managerial Personnel are available on the website of the Bank at <https://www.ujjivansfb.in/management-team>.

## DECLARATION BY INDEPENDENT DIRECTORS AND STATEMENT ON COMPLIANCE OF CODE OF CONDUCT

The Bank has received declarations from all its Independent Directors confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16(1) (b) of SEBI Listing Regulations and that they have complied with the code of conduct for independent directors as prescribed under Schedule IV of the Companies Act, 2013. Further, pursuant to Regulation 25(8) of the SEBI Listing Regulations, the Independent Directors of the Bank have also confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, to impair or impact their ability to discharge their duties with an objective of independent judgment and without any external influence.

In the opinion of the Board, all the Independent Directors meet the criteria with regards to integrity, expertise and experience (including proficiency\*) as required under applicable laws.

*\*All Independent Directors of the Bank have registered themselves in the data bank as specified under Section 150 of the Companies Act, 2013 read with Rule 6 of Companies (Appointment and Qualifications of Directors) Rules, 2014. Few Independent Directors have qualified the prescribed proficiency test. The Independent Directors (not exempted under the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2020 as notified on*

*December 18, 2020) are committed to qualify the online proficiency self-assessment as required under aforesaid Rule within the prescribed timeline.*

The Bank has also received from its directors, a statement that they have complied with the Code of Conduct for Directors and Senior Management of the Bank.

## NUMBER OF MEETINGS OF THE BOARD

The Board met 09 (Nine) times during the FY 2022-23. The meetings of the Board of Directors were convened in accordance with applicable laws and standards and the intervening gap between the said meetings was not exceeding 120 days. The details of Board Meetings are available in the Corporate Governance Report which forms a part of the Annual Report of the Bank for the FY 2022-23.

## BOARD COMMITTEES

The Bank believes that the Board Committees are pillars of good corporate governance. In pursuit of the highest standard of corporate governance and to comply with the provisions of the Companies Act, 2013, SEBI Listing Regulations and RBI guidelines, the Bank has constituted various statutory and regulatory Board Level Committees. Further, in order to improve the Board effectiveness, efficiency and faster decision making, the Bank has also constituted a few non-statutory and non-regulatory Board Level Committees for better governance and supervision.

As on March 31, 2023, the Bank had 12 (Twelve) Board Committees which are given below:

Sr. No.	Board Committee	Companies Act, 2013	SEBI Listing Regulations	RBI Requirements
1.	Audit Committee	Yes	Yes	Yes
2.	Risk Management Committee	No	Yes	Yes
3.	Nomination and Remuneration Committee	Yes	Yes	Yes
4.	Stakeholders Relationship Committee	Yes	Yes	No
5.	IT Strategy Committee	No	No	Yes
6.	Customer Service Committee	No	No	Yes
7.	Fraud Committee (Special Committee of Board for Monitoring High Value Frauds)	No	No	Yes
8.	Review Committee of Willful defaulters	No	No	Yes
9.	Corporate Social Responsibility Committee	Yes	No	No
10.	Committee of Directors	No	No	No
11.	Business Strategy Committee	No	No	No
12.	Merger and Placement Committee (earlier Promoter Shareholding Dilution Committee)	No	No	No

The details of composition, number of meetings held and date thereof and terms of reference of the above Committees are available in the Corporate Governance Report which forms a part of the Annual Report of the Bank for the FY 2022-23.

## RECOMMENDATIONS OF AUDIT COMMITTEE

During the FY 2022-23, there was no incidence, where the Board has not accepted any recommendations of the Audit Committee.

## BOARD EVALUATION

The Board has carried out an annual evaluation of its own performance, the performance of Board Committees

and Individual Directors pursuant to the provisions of Section 178 read with Schedule IV of Companies Act, 2013, Regulation 19 of the SEBI Listing Regulations and applicable RBI guidelines.

The performance evaluation was carried out by the Nomination and Remuneration Committee and by the Board in their meetings held on February 20, 2023 and February 21, 2023 respectively.



The approved evaluation formats and criteria are in line with the SEBI Guidance Note on Evaluation dated January 05, 2017.

The Nomination and Remuneration Committee has laid down comprehensive parameters for evaluation, a few of which are listed below:

- I. **The Board:** Composition, structure, meetings, functions, management and professional development, ethics and compliance among others.
- II. **The Committees:** Mandate & Composition, effectiveness, structure, meetings, independence of the committee, contribution to decision making of the Board, among others.
- III. **Individual directors (including Chairperson, Independent Directors and Non-Independent Directors):** Leadership, Commitment, Contribution, Experience, Expertise, Independence, Integrity, Attendance, Responsibility, Flow of Information among others.

The performance of the Board and Board Committees was evaluated after seeking inputs from all the directors.

The Board and the Nomination and Remuneration Committee reviewed the performance of the Individual Directors on the basis of the approved criteria for evaluation. In addition, the Chairman and Managing Director & CEO were also evaluated on the key aspects of their roles.

Performance evaluation of Directors was done by the Nomination and Remuneration Committee and entire Board, excluding the Director being evaluated. The Committee evaluated the performance of Directors and noted that:

- i. The Directors had requisite competency, qualification, commitment and integrity.
- ii. The Directors had long term vision, industry knowledge and expertise and were wholly committed and provided ethical leadership to the Bank.
- iii. The Directors had the ability to function as a team.
- iv. Further, the Directors were regular in attending meetings and contributed effectively during the discussions.
- v. There was no apparent conflict of interest and that they expressed their opinion freely.

Further, performance of Non-Independent Directors, the performance of the Board as a whole, the performance of the Chairman and quality, quantity and timeliness of the flow of information between the Bank's Management and its Board were also evaluated.

#### REMUNERATION OF DIRECTORS AND EMPLOYEES

The remuneration being paid to the MD & CEO is in conformity with the RBI approval.

The remuneration of Non-Executive Directors was paid only by way of sitting fees which is within the limit prescribed under Section 197(5) of the Companies Act, 2013.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1), (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this Report as **Annexure-1**. In terms of Section 136(1) of the Companies Act, 2013, the annual report and the financial statements are being sent to the Members excluding the disclosures in terms of Rule 5(2) and (3) as mentioned above. The same is available for inspection and any Member interested in obtaining a copy of the Annexure may write to the Company Secretary of the Bank.

#### REMUNERATION RECEIVED BY THE MANAGING DIRECTOR/WHOLE-TIME DIRECTOR FROM HOLDING OR SUBSIDIARY COMPANY

During the FY 2022-23, the MD & CEO, has not received any remuneration or commission from Ujjivan Financial Services Limited, Holding Company of the Bank. Bank had no subsidiary Company during the FY 2022-23.

#### FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

Complying with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, Familiarisation Programmes were conducted during the FY 2022-23 to give an overview and introduction to the Independent Directors about the Bank's business and operations.

Under this programme, newly appointed independent directors are appraised with the organisation structure, operational overview, financial overview, board matters and procedures, key risk issues and its mitigation strategy, among others.

Further, all the newly appointed Board Members undergo a face to face induction schedule where the Bank's Management Team provides insights about the affairs of their function and of the Bank as a whole.

The details of such programme are available on the website of the Bank at <https://www.ujjivansfb.in/corporate-governance-policies>

#### DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls established and maintained by the Bank, work performed by the internal, statutory and secretarial auditors, reviews performed by the Management and the relevant Board Committees, the Board, in concurrence with the Audit Committee, is of the opinion that the Bank's internal financial controls were adequate and effective as on March 31, 2023.

Pursuant to Section 134 (5) of the Companies Act, 2013, the Board, to the best of its knowledge, hereby confirms and states that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit and loss of the Bank for that period;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) they have laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### SHAREHOLDING OF DIRECTORS AND KMPs

Following is the shareholding of the Directors and KMPs in the shares of the Bank as on March 31, 2023:

- Mr. Ittira Davis (MD & CEO) holds 2,00,000 equity shares
- Mr. Samit Ghosh (Non-Executive Non-Independent Director) holds 35,47,143 equity shares
- Mr. Sanjeev Barnwal (Company Secretary) holds 14,000 equity shares

### NOMINATION AND REMUNERATION POLICY

The Bank pursuant to the provisions of Section 178(3) of the Companies Act, 2013, Regulation 19 of SEBI Listing Regulations and RBI Requirements has formulated and adopted a Nomination and Remuneration Policy on directors' appointment and remuneration and the criteria for determining qualification, positive attributes and independence of directors, which is available on the website of the Bank at [www.ujjivansfb.in/corporate-governance-policies](http://www.ujjivansfb.in/corporate-governance-policies).

### RISK MANAGEMENT

The Risk Management Committee ("RMC") of the Board comprises of experienced directors from diverse

backgrounds who bring in the best risk management practices to the Bank. The RMC presently comprises of 6 (Directors) directors of which 4 (Four) are Independent Directors.

The RMC fulfils its roles and duties through various management level risk committees. Risk-specific management level committees have also been constituted such as the Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC), Asset Liability Committee (ALCO), which also oversees Market Risk management and Risk Management Committee (RMC- Mgmt. Level). These committees are entrusted with the task to identify, measure, mitigate and monitor various risks on a day to day basis.

The frequency, members and the quorum required for these management level committees are furnished in the governance document on management committees. These committees meet at regular intervals to assess and monitor the levels of risk pertaining to all facets of banking operations.

The Bank has identified the following risks as Pillar I risks, in line with the RBI NCAF guidelines:

- Credit Risk
- Operational Risk
- Market Risk

In addition to the above-mentioned Pillar-I risks, the Bank also monitors the following second order or derived risks (Pillar II Risks) using specialised methodologies. The Bank has onboarded specialised personnel for monitoring the same and a comprehensive analysis is undertaken under its Internal Capital Adequacy and Assessment Process (ICAAP).

- Liquidity Risk
- Concentration Risk
- Interest Rate Risk in Banking Book
- Underestimation of Credit Risk
- Strategic Risk
- Reputational Risk
- Compliance Risk
- Outsourcing Risk
- People Risk
- Group Risk
- Securitisation risks
- Information technology and Information Security risk (including Cyber Security)
- Fintech risk
- Climate Risk
- Environment, Social and Governance (ESG) risks

The Bank's Risk Management Framework is based on a clear understanding of the above risks, disciplined



risk assessment and measurement procedures and continuous monitoring. For the emerging risks in the areas of climate risk and ESG compliance, the Bank has constituted a research-based approach culminating into policy advocacy. The policies and procedures established for this purpose are continuously benchmarked with international best practices. The Bank has oversight on all the risks through regular monitoring of Key Risk Indicators, thematic reviews, root cause analysis and tolerance/appetite statements against major risks.

Further, the Board reviews the Risk Management Framework of the Bank and verifies adherence to various risk parameters and compliances at least at quarterly intervals or more frequently if the situation so warrants. The RMC endorses risk related reports/findings and provides a recommendation to approve risk-related policies, including the quarterly/half-yearly/annual review reports of major risks.

From governance perspective, the Bank has in place an effective risk management policy(s) that highlights the functions, implementation and role of the Risk Management Committee of the Board and the Board of Directors.

In compliance to the Pillar-III requirements of BCBS/RBI, the Bank has in place a Board approved policy on Disclosures that addresses its approach for determining what disclosures it will make and the internal controls over the disclosure process. The Bank is currently in the process of enhancing the scope of coverage in compliance to requirements stated by Task Force for Climate Related Disclosures (TCFD framework).

### WHISTLE BLOWER POLICY/VIGIL MECHANISM

The Bank's Whistle Blower Policy allows employees, directors, other stakeholders of the Bank such as customers, NGOs, the Group (if any), Joint Ventures (if any), Suppliers, Contractors, NGOs and members of the public to report matters such as genuine grievances, corruption, fraud, misconduct, and instances of leakage of unpublished price sensitive information, misappropriation of assets and non-compliance of code of conduct of the Bank or any other unethical practices.

Utmost protection has been accorded to the whistle blowers and their identities are kept confidential.

The Policy also further provides an adequate safeguard against victimisation to the Whistle Blower and enables them to raise concerns and also provides an option of direct access to the Chairperson of the Audit Committee.

#### Name and Address of the Whistle and Ethics Officer

Ms. Chandralekha Chaudhuri

#### Ujjivan Small Finance Bank Limited

Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Bangalore – 560095, Karnataka

Email- [chandralekha.chaudhuri@ujjivan.com](mailto:chandralekha.chaudhuri@ujjivan.com)

Protected disclosures against the Whistle and Ethics Officer need to be addressed to the Managing Director and CEO of the Bank and the protected disclosure against the Managing Director and CEO of the Bank are required to be addressed to the Chairperson of the Audit Committee.

#### Name and Address of MD & CEO of the Bank

Mr. Ittira Davis

Ujjivan Small Finance Bank Limited

Grape Garden, No. 27, 3rd "A" Cross, 18th Main, 6th Block, Koramangala, Bengaluru – 560095,

Karnataka

Email: [ittira.davis@ujjivan.com](mailto:ittira.davis@ujjivan.com)

#### Name and Address of the Chairperson of the Audit Committee

Mr. Rajesh Kumar Jogi

701, Dheeraj Devika, Hill Road, Bandra West,

Mumbai- 400050, Maharashtra

Email: [rajesh.jogi@ujjivan.com](mailto:rajesh.jogi@ujjivan.com)

During the FY 2022-23, no one has been denied access to the Chairperson of the Audit Committee.

The Whistle Blower Policy is available on the website of the Bank at [www.ujjivansfb.in/corporate-governance-policies](http://www.ujjivansfb.in/corporate-governance-policies)

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

The status of the whistle blower complaints received and resolved by the Bank:

Particulars	Number of Complaints
Number of Whistle Blower Complaint at the beginning of the FY 2022-23	0
Number of Whistle Blower Complaint received during the FY 2022-23	16
Number of Whistle Blower Complaint resolved during the FY 2022-23	15
Number of Whistle Blower Complaint at the end of the FY 2022-23	01

### ADEQUACY OF INTERNAL CONTROL

The Bank has laid down certain guidelines, policies, processes and structures to enable the implementation of appropriate internal financial controls across the Bank. These control processes enable and ensure orderly and efficient conduct of the Bank's business, including the safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information. There are control assessments for both the Bank's critical operating processes and IT applications, including ERP applications, wherein the transactions are

approved and recorded. These controls are both manual and automated. Review and control mechanisms are built in to ensure that such control systems are adequate and operating effectively.

The Bank is cognizant of inherent limitations in internal financial controls, in that the scope of coverage is vast and continuously evolving including the possibility of collusion or improper management override of controls, material mis-statements in financial reporting due to error or fraud may occur and may not be detected. Also, evaluation of the internal financial controls is subject to the risk that the internal financial control may become inadequate because of changes in conditions or that the compliance with the policies or procedures may deteriorate. To that effect, the Bank has put in place a robust Risk Acceptance policy where residual risks are deliberated for acceptance.

The Bank has, in all material respects, an adequate internal financial controls system and such internal financial controls were operating effectively based on the internal control criteria established by the Bank considering the essential components of internal controls stated in the guidance note on audit of internal control over financial reporting issued by the Institute of Chartered Accountants of India.

### FRAUDS REPORTED BY THE AUDITORS

During the FY 2022-23, neither the Statutory Auditors nor the Secretarial Auditor has reported to the Audit Committee/Board or Central Government any instances of material fraud in the Bank by its officers or employees under Section 143(12) of the Companies Act, 2013.

### DISCLOSURES RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

#### A. REPORT ON PERFORMANCE AND FINANCIAL POSITION OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no Subsidiary Company, Associate Company and Joint Venture of the Bank during the FY 2022-23.

#### B. COMPANIES WHICH HAVE BECOME OR CEASED TO BE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

No Company became or ceased to be Subsidiary Company, Associate Company and Joint Venture of the Bank during FY 2022-23.

### DEPOSITS

The Chapter V of the Companies Act, 2013 does not apply to the Bank. During the FY 2022-23, the Bank has accepted deposits from the public in the ordinary course of its banking business. The details of the deposits are enumerated in the Financial Statement for FY 2022-23.

Being a banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to the Bank.

### PARTICULARS OF LOANS, GUARANTEES AND/OR INVESTMENTS

The provisions of Section 186 of Companies Act, 2013 except sub-section (1) do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business.

### RELATED PARTY TRANSACTIONS AND CONTRACTS/ARRANGEMENTS

There was no materially significant related party transaction entered between the Bank and its related parties, except for those disclosed in the financial statement.

All the contracts/arrangements/transactions entered by the Bank with the related parties during the FY 2022-23 were on arm's length basis; accordingly, the disclosure of particulars of contracts/ arrangements entered into by the Bank with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 in Form AOC-2 is not applicable.

The Bank has formulated a Policy on 'Materiality of Related Party Transactions' which forms part of the Policy on dealing with 'Related Party Transactions' is available on the website of the Bank at [www.ujjivansfb.in/corporate-governance-policies](http://www.ujjivansfb.in/corporate-governance-policies).

### CORPORATE SOCIAL RESPONSIBILITY ("CSR")

As per Section 135 (1) of the Companies Act, 2013 "Every company having net worth of rupees five hundred Crores or more, or turnover of rupees one thousand Crores or more or a net profit of rupees five Crores or more during the immediately preceding financial year shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director".

Pursuant to the above, as on March 31, 2023 the Bank had duly constituted CSR Committee with 5 (Five) Directors out of which 4 (Four) are Independent Directors. The details of the changes in the composition of the CSR Committee during the FY 2022-23 have been provided in the Corporate Governance Report which forms part of the Annual Report for the FY 2022-23.

The Bank has formulated CSR policy pursuant to Section 135(4) of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, in accordance with the approach and direction given by the Board of the Bank, taking into account the recommendations of its CSR Committee, and including guiding principles for selection, implementation and monitoring of activities as well as formulation of the



annual action plan.

The said Policy is available on the website of the Bank at [www.ujjivansfb.in/corporate-governance-policies](http://www.ujjivansfb.in/corporate-governance-policies).

The detailed Annual Report on the CSR activities for the FY 2022-23 is annexed to this Report as **Annexure-2**.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

### A. CONSERVATION OF ENERGY

The programme of Sanchaya was themed around Use energy wisely. Under this programme, the Bank took up some practical ways to make smart changes around the workplace, everyone in the Bank was involved in this energy saving initiative making the workplace more energy efficient and sustainable.

Under this initiative, as a pilot run, we have come up with a URC branch which uses Solar power to operate its generator. The average diesel consumption in the similar URC branches has been 10-15 litres per month. With this new initiative in place, we have saved about 120-180 litres of fuel in this FY.

### B. TECHNOLOGY ABSORPTION

#### 1) Robotic Process Automation ("RPA") in reconciliation of UPI and IMPS transactions:

For the FY 2022-23, RPA for the reconciliation of UPI and IMPS transactions have been huge cost savers, savings more than 6 Crores in outsourcing cost for the Bank. This is 2X of what was saved in the last Financial Year.

This year, the bank has developed, tested & deployed 22 projects, increasing the presence of RPA across various departments of the Bank like Operations, Service Quality, MicroBanking, IT, HR etc...,

- Salary Processing at the Bank has been automated by RPA, becoming an integral part of crediting salaries for over 17000 + Employees.
- Prefilled AOF process potentially frees 30 Full Time Employees worth of effort, on a month on month basis for the bank, from routine operational activities, allowing employees to focus more on client and customer interaction, relationship management and other such activities where humans excel at.
- One of our projects to automate the Agent Model Reconciliation, for collection agents depositing collection amount at FinTech Partner Spice Money has significantly helped in improving collections and reducing effort employed manually.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the FY 2022-23, 304 transactions (Inward & Outward) were processed adding up to USD 23.43 Lakh during the period. It resulted in an exchange income of ₹ 22.29 Lakhs for the Bank. Total Foreign Exchange Outward was USD 17.82 Lakh during the FY 2022-23.

## SIGNIFICANT AND MATERIAL ORDERS BY THE REGULATORS OR COURTS OR TRIBUNALS

During the FY 2022-23, there were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Bank and its operations in future.

## AUDITORS

### A. STATUTORY AUDITORS

The Members of the Bank, in the 5th Annual General Meeting held on September 27, 2021, appointed M/s. Mukund M Chitale & Co., Chartered Accountants (FRN 106655W) and M/s. B. K. Ramadhyani & Co. LLP, Chartered Accountants (FRN 002878S/ S200021), as the Joint Statutory Auditors of the Bank for a period of 3 (three) consecutive financial years until the conclusion of 8th AGM of the Bank to be held in the FY 2024-25, subject to approval of RBI on an annual basis, pursuant to the RBI Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs).

Further, the Joint Statutory Auditors had given their consent letter and other eligibility certificates for FY 2022-23 and the RBI vide their letter dated August 24, 2022 has approved the continuation of the Joint Statutory Auditors for the FY 2022-23 for the second year.

The policy of the Bank on "Appointment of Statutory Auditors" is available on the website of the Bank at [www.ujjivansfb.in/corporate-governance-policies](http://www.ujjivansfb.in/corporate-governance-policies)

### Report of the Statutory Auditors

The Statutory Audit of the Bank for the FY 2022-23 was conducted jointly by M/s. Mukund M Chitale & Co., Chartered Accountants and M/s. B. K. Ramadhyani & Co. LLP, Chartered Accountants. The Auditor's Report on the financial Statements of the Bank for the FY 2022-23 does not contain any qualification, reservation or adverse remark. The Auditor's Report, enclosed with the financial statement, forms part of the Annual Report for the FY 2022-23.

## SECRETARIAL AUDITOR

Mr. K. Jayachandran, Practicing Company Secretary (ACS No.: 11309 and Certificate of Practice No.: 4031) was appointed as the Secretarial Auditor of the Bank in the meeting of the Board held on June 08, 2022 to conduct

Secretarial Audit of the Bank for the FY 2022-23 as required under Section 204 of the Companies Act, 2013 and the rules made thereunder and Regulation 24A of SEBI Listing Regulations. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting the audit.

The Secretarial Audit Report is annexed to this Report as **Annexure - 3**.

### ANNUAL RETURN

In accordance with Section 134(3) and Section 92(3) of the Companies Act, 2013 and pursuant to Companies (Amendment) Act, 2017, a copy of the Annual Return for the FY 2022-23 is available on the Bank's website at [www.ujjivansfb.in/annual-return](http://www.ujjivansfb.in/annual-return)

### COMPLIANCE WITH SECRETARIAL STANDARDS

The Bank has complied with the provisions of Secretarial Standards specified by the Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs under Section 118(10) of the Companies Act, 2013. The Bank has also complied with the provisions of Secretarial Standard-4 on voluntary basis.

### HUMAN RESOURCES

The Bank prioritises service mantra both internally and externally. While technology plays a pivotal role in the effort, its employees are the catalyst of change and progress at the Bank. People practices are derived from the Bank's core values; integrity, responsible, fairness, respect, professionalism and teamwork. The Bank is driven to build better lives both for its customers and employees. This drive has bestowed many accolades to the Bank.

Ujjivan SFB has been recognised as one of **India's TOP 25 best places to work** in the **BFSI sector for 2023** as per the study conducted by **Great Place To Work®** Institute

After a year (FY21-22) where the Bank was certified but did not Rank in the Great Place to Work (Overall category), in the FY 22-23, the Trust Index score for the Bank, has improved from 85 to 92 for FY 22-23. The initiatives taken up by the Bank in terms of increments to employees, RLSP (Retention Linked Special Pay) specially after the FY21-22 results, subsidised loans for employees, revision of Grades and Bands for all employees in line with the market and several employee engagement initiatives like employee family engagements, milestones celebrations, branch representative meetings, chai pe charcha (corporate employee connect) and townhalls, has positively motivated the employees. Additionally, to ensure real time employee feedback and identifying high risk employees, an AI chatbot called Amber was launched across the organisation.

Wellbeing of employees has been another important area for the Bank, where physical and emotional wellness of employees were emphasised. Annual health checkups at

branch levels for staff and discounted rates for checkups for their families was carried out. The annual health check-ups were also followed up by partner organisations to telephonically connect and inform the employees on high risk matters and provide medical advice. The launch of "Emotional Wellness Advisors" for the employees was another wellness initiative which was highly lauded by the employees.

### CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT

The Bank recognises its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business, ethics and accountability to its shareholders, customers, government, regulators and all other stakeholders. The Bank's activities are carried out following good corporate practices and the Bank is constantly striving to make them better and adopt the best practices.

The Bank believes that timely reporting, transparent accounting policies and a strong Independent Board go a long way in preserving shareholders' trust and maximising long-term corporate value.

In pursuing the mission of becoming "The best institution to provide financial services to the unserved and underserved customers and transform to a bank serving the mass market", the Bank has been balancing its dual objectives of "social" and "financial goals since its inception. "Responsible financing", "ethical values" and "transparency" in all its dealings with its customers, lenders, investors and employees have been the cornerstone of its operations. Transparency in the decision-making process has been providing comfort to all stakeholders, particularly the customers, lenders and investors.

The Report on Corporate Governance for FY 2022-23 as per Regulation 34(3) read with Schedule V of the SEBI Listing Regulations forms part of the Annual Report for FY 2022-23. The disclosure as required under Section II of Part II of Schedule V of the Companies Act, 2013 have been provided under the heading of Remuneration of Directors in the aforesaid Corporate Governance Report.

A Business Responsibility and Sustainability Report containing the requisite details as per Regulation 34 (2) of the SEBI Listing Regulations forms part of the Annual Report for the FY 2022-23 and is also disclosed on the Bank's website at [www.ujjivansfb.in](http://www.ujjivansfb.in).

Further the Bank is in process of publishing a voluntary report on Environmental Social Governance (ESG) which will be available on the Bank's website at [www.ujjivansfb.in](http://www.ujjivansfb.in).

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required under Regulation 34 and Schedule V of SEBI





Listing Regulations, the Management Discussion and Analysis Report forms part of the Annual Report for the FY 2022-23.

### DISCLOSURE UNDER SECTION 22 OF THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Bank has a strict Prevention of Sexual Harassment ("POSH") Policy in accordance with the statutory requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. This Policy applies to all categories of employees of the Organisation, including permanent employees, permanent management, workmen, temporary employees, trainees (interns), consultants, advisers, ad hoc employees, daily wage earners, probationers, apprentices, contract employees, etc., at its workplace or visits to partner organisations. This Policy recognises the right of privacy of every individual and will strive to protect the privacy of the individuals involved and ensure that the complainant and the respondent are treated fairly. The Policy ensures that the career interest of the parties involved in any proceedings under this Policy will not be adversely affected merely on account of the complaint made to the Internal Committee or any evidence provided in connection with any enquiry; however strict action will be taken against the Respondent if proven guilty post the enquiry process.

The Status on the Complaints received and resolved by Internal Committee during the FY 2022-23:

Number of Complaints	Number of Complaints Resolved	Number of Complaints Pending for Resolution
7	7	0

#### Composition of Internal Committees

Bank has constituted Internal Committees (IC) in each of the regions for all administrative units/branches/regional offices of the Bank. All complaints of Sexual Harassment at the Workplace are enquired into by the IC having jurisdiction over the establishment where the Respondent is posted. The IC forwards a report of its findings to the Employer for action. Each Regional IC consists of the following members:

- Presiding Officer: who shall be a woman employed at a senior level in the region.
- Secretary: who shall be the Regional HR Manager.
- 2 Members: From amongst Employees in the region, preferably committed to the cause of women/having legal knowledge/experience in social work.
- 1 Independent Member: Nominated from amongst NGOs/associations committed to the cause of women or a person familiar with the issues relating to Sexual Harassment.

Other Members: Additional members may be co-opted, if required, from amongst Employees working in senior positions in the region, especially from business, operations and control functions

#### Functions of IC

The Committee is expected to conduct a fair, prompt and impartial process of investigating all the complaints it receives. During a redressal process, the Complaints Committee/s are required to assure confidentiality, non-retaliation and recommend interim measures as needed to conduct a fair enquiry.

#### POLICIES

To ensure better corporate governance, adherence to various laws and regulations as applicable to the Bank and better management of the organisation as a whole, the Bank has formulated various policies including the policies mentioned below. These policies are available on the Bank's website at [www.ujjivansfb.in/corporate-governance-policies](http://www.ujjivansfb.in/corporate-governance-policies).

A brief description of below mentioned policies/code have been given in **Annexure-4** of this Report.

1. Policy for Determination of Materiality of Event/Information for Disclosures
2. Code of Conduct for Prevention of Insider Trading and Code of Fair Disclosure and Conduct
3. Corporate Social Responsibility Policy
4. Nomination and Remuneration Policy
5. Policy on Board Diversity
6. Policy on Code of Conduct
7. Related Party Transactions Policy
8. Dividend Distribution Policy
9. Familiarisation Programme
10. Policy on Archival of Documents
11. Record Retention and Maintenance Policy
12. Whistle Blower Policy
13. Terms and Conditions of Appointment of Independent Directors

#### CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

The Bank has obtained a certificate from K. Jayachandran, Practicing Company Secretary, certifying that the Bank has complied with the conditions of the Corporate Governance as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the SEBI Listing Regulations for the FY 2022-23.

The certificate is annexed to this Report as **Annexure-5**.

## KEY INITIATIVES WITH RESPECT TO STAKEHOLDER RELATIONSHIP, CUSTOMER RELATIONSHIP, ENVIRONMENT, SUSTAINABILITY, HEALTH AND SAFETY

While key initiatives on customer relationship and health and safety have been detailed below. Information on initiatives concerning stakeholders' relationship, environment and sustainability, have been elaborated in the Business Responsibility and Sustainability Report of the Bank which forms part of the Annual Report for the FY 2022-23.

### Customers Relationship

Ujjivan Small Finance Bank, believes in 'Customer First' approach, as part of its core values whereby the Bank strives to deliver exceptional service to our customers, by embedding service culture in our People, Process and Policy enabled by Technology. To put the intent into practice, the Bank has established a dedicated Service Quality department to channelise the programmes around customer experience management, quality assurance, customer care and grievances resolution, and customer service compliance.

During FY 2022-23, the Bank has undertaken several initiatives to improve customer service standards, and to strengthen customer awareness, internal processes on providing timely and satisfactory resolution for customer queries, requests and complaints. Key outcomes of our Service Quality initiatives are listed below.

**Improved Customer Service Standards:** The Bank has defined and implemented Service Index for each business and support functions over past 5 years, to measure and improve level of service standards for external and internal customers. The standards are set for monitoring services across customer acquisition, account servicing and problem resolution stages. The Board has set the goals for improving Service Index at each business level as well as at Bank level.

- Bank level Customer Service Index has improved from **66 points** in Mar'22 to **85 points** in Mar'23, the highest jump seen in a Financial Year.
- Faster resolution of customer service requests and complaints were also a key focus area; resolution of customer service requests within standard Turn-Around-Time has improved from 86% to **90%** and customer complaint resolution has improved from 88% to **96%**

### New initiatives undertaken to provide seamless customer service and safety of digital transactions:

- Contactless debit cards were introduced. These cards are issued on the RuPay platform & provide a fast and convenient way to pay for every day purchases by simply tapping Ujjivan Contactless debit card on a POS machine.
- All our cards are enabled for the tokenisation, in order to facilitate the merchant's website or mobile application to tokenise card details such as card number, CVV & expiry details.

- Ujjivan customers shopping online can now make payments through Net Banking via Bill desk & Razor pay Payment gateways, thus provided another mode of payment in addition to existing Debit Card & UPI options. This facility has been enabled across 8 Million merchant websites.
- QR codes were provided to merchants enabling them accepting payments through UPI.
- Multifactor Authentication (MFA) to enable registration and reset MPIN/password through Aadhaar validation in Internet/Mobile Banking (IBMB) channel made live. This enables customers to activate IBMB channel without depending on debit card for authentication.
- Enabled Interoperable Card-less Cash Withdrawals (ICCW) facility. USFB is 7th Bank and first among SFBs to implement ICCW as issuer bank. Now Ujjivan customers can use this facility in other bank ATMs which have enabled ICCW using the UPI facility.
- A feature was enabled for customers using Mobile and Personal Net Banking to report any fraudulent transaction on the app itself.
- Now, customers can use a single access to view/transact from all the linked accounts such as joint accounts, individual and corporate accounts. This helps customers have access to all their accounts under one platform.
- Launched India's first Voice-Vernacular-Visual application, called "Hello Ujjivan", in eight regional languages for the benefit of customers with low literacy and prefer to use app in local language.
- Video KYC feature was enabled during the year which shall help customers to open deposits through digital platform and complete their KYC without visiting branches.

### Customer awareness:

As a part of our continued efforts towards ensuring customer awareness and education, the following initiatives were taken:

- As per RBI directive, Launched Nation-wide intensive customer awareness programme on cyber fraud and grievance redressal mechanisms of Bank/ RBI.
  - 583 branches displayed posters on safe digital practices in both Hindi and English
  - Displayed internal grievance matrix, Integrated Ombudsman scheme & safe digital practices on branch TVs
  - 11 townhalls conducted as Ujjivan being torch bearer Bank in North region - 120+ participants/general public participated in each townhall
  - Awareness created in 81 schools in Karnataka on safe digital banking practices and prevention from frauds
- Launched "Service Quality Friday School" campaign for educating branch staff on efficient customer service/handling customer requests and complaints/life events related services and case studies.



### Special attention to life-events based banking services:

The Bank has been successfully running a campaign designed as "Aajeevan", a life events-based banking services, which includes hassle free and empathetic services towards nomination facility, joint accounts, settlement of claims of deceased account holders, settlements of insurance claims, priority services to senior citizens and specially-abled customers. Due to the focussed efforts, 94% of service requests were resolved within specified timelines during the year, improved from 86% compared to previous year.

### Health and Safety

The Bank considers Health and Safety of its employees very important and various initiatives have been taken with this objection over the years. Following are a few highlights of the same:

- Fire extinguishers are in place as per the defined protocols in all the offices & branches across PAN India with quarterly fire drill conducted across PAN India. To ascertain adequacy and quality of the safety measures, an audit has been conducted by third party every quarter.
- Towards providing better work environment to the employees and customers, all the URCs are installed with Air conditioners & preventive maintenance of all the electric equipments across branches conducted periodically
- Considering the health of the employees, 20+ branches in the North have been installed with RO water purifiers for drinking water
- For the specially-abled customers & employees, 29 ramps have been constructed across PAN India branches.
- Doctor on call facility for the employees across Regional & corporate offices.
- Deep cleaning & Pest control services were rendered at the branches that were older than 5 years.
- Replaced about 1600+ chairs to ergonomic-friendly chairs.

### Employees Safety Measures

As an employee first organisation, Ujjivan conducts annual health check-up for all its employees once in two years. This annual health check-up is followed up by the Partner by providing free consultation on the reports and also advising employees with high risk reports.

### For and on behalf of the Board of Directors

Sd/-

**B A Prabhakar**

Part-Time Chairman and Independent Director

**DIN:** 02101808

**Date:** May 11, 2023

**Place:** Bengaluru

To support its employees, Ujjivan also has a facility of 24x7 "Doctor on Call" teleconsultation. This facility has been made available for employees and their dependents to consult doctors during emergencies. While the services were available for physical ailments. In FY22-23, Ujjivan also launched of the emotional wellness programme, where employees and their family members could teleconsult specialists with "emotional wellness" expertise to get help where required.

Apart from that the QRT (Quick Response Team) which was activated during the start of the pandemic still monitors the environment & health related concerns across regions and issues guidelines to employees as and when required.

### OTHER DISCLOSURES

- A. The Bank is not required to maintain cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013.
- B. Disclosure as required under Rule 8(5)(xi) and 8(5)(xii) of the Companies (Accounts) Rules, 2014 does not apply to the Bank for FY 2022-23.
- C. None of the directors of the Bank are disqualified as per provisions of Section 164(2) of the Companies Act, 2013. The directors have made necessary disclosures, as required under various provisions of the Companies Act, 2013, SEBI Listing Regulations and RBI guidelines.

### ACKNOWLEDGEMENT

We place on record our gratitude to our employees at all levels who have contributed to the growth and sustained success of the Bank through their dedication, hard work, cooperation and support.

We would like to thank all our customers, vendors, bankers, investors, auditors, media and other business associates for their continued support and encouragement during the year.

We also thank the Government of India; the Government of Karnataka and Delhi; the Ministry of Commerce and Industry; the Ministry of Finance, Ministry of Corporate Affairs; the Securities and Exchange Board of India, the Stock Exchanges, the Central Board of Indirect Taxes and Customs; the RBI; the Central Board of Direct Taxes and all other government agencies for their support during the FY 2022-23 and look forward to their continued support in future.

Sd/-

**Ittira Davis**

MD & CEO

**DIN:** 06442816